

## A Budget of Great Cynicism

Prabhat Patnaik

No budget in post-independence India had been as openly cynical about the lives of the vast masses of the working people as the one presented on February 1, 2025. All pundits, from the finance minister downwards, agree that the strategy of the budget is to stimulate the economy by boosting middle class consumption through tax-cuts. Such a strategy however would make perfect sense only if the consumption increase of the middle class on account of the tax-cuts was *not* going to be offset through expenditure cuts elsewhere in the economy, for in such a case the rise in middle class consumption would raise the level of *aggregate* demand and hence stimulate the economy. But the resources foregone through such tax cuts are to be made up according to the budget by cutting back on government spending: the total expenditure by the central government is supposed to rise by only 7.4 per cent in nominal terms over 2024-25 (RE), which means barely any increase in real terms, and an actual *fall as percentage of the country's GDP*.

The bulk of this fall in government expenditure is on items like food subsidy (nominal rise of only 3 per cent over 2024-25 RE, but an absolute fall compared to the 2023-24 actual), MGNREGS (absolute stagnation at Rs 86,000 crores compared to 2024-25 RE but a fall compared to the 2023-24 actual of Rs 89,154 crores). Since wage payment arrears of Rs 6,950 crores under MGNREGS were outstanding on January 25, the actual provision under the scheme is even smaller.

In fact taking the social sector as a whole, there has been a reduction in allocations for it. The allocation for the Ministry of Health and Family Welfare in 2025-26 is expected to be higher than the allocation in 2024-25 (BE) by about 9.5 per cent in nominal terms, which means a *fall* as a percentage of GDP. The school education budget sees a rise in nominal allocation from Rs 73,000 crores (BE) last year to Rs 78,600 crores this year, which means again a fall in the percentage of GDP going to school education. Exactly the same can be said about a host of other schemes like Saksham Anganwadi and Poshan-2 (nominal increase of 3.6 per cent over last year's BE), and PM-Poshan (absolute nominal stagnation compared to last year's BE).

Now, squeezing the social sector, cutting down on food subsidy, on MGNREGS and on other similar heads, to finance tax cuts to the salariat, also amounts to a redistribution of purchasing power from the vast numbers of the poor and working people who get some benefit out of such schemes, to a segment of the middle class. The 2025-26 budget not only does not provide any stimulus to the economy *as a whole* but also gives concessions to the salariat at the expense *inter alia* of the working poor. It redistributes purchasing power from the working poor to the salariat *without touching the rich*, while keeping the fiscal deficit more or less unchanged to appease globalised finance. This is not to say that the salariat should not be provided fiscal support in the face of the inflationary upsurge taking place in the economy; the point is that *such support must not come at the expense of the working poor*, unlike the strategy entailed in the 2025-26 budget.

This strategy, however, while not overcoming the sluggishness of the economy, has three features which make it attractive for the NDA government. First, squeezing the working poor reduces the demand for a variety of goods that are produced essentially in the petty production sector, while handing over purchasing power to the salariat and the middle class in general is likely to raise demand for goods that are produced in the organised sector, essentially by

monopoly capital; this strategy therefore caters to the interests of monopoly capital by promoting what Marx had called a process of “centralisation of capital”, whereby large capital grows at the expense of small capital. Since the Indian polity today is characterised by the hegemony of a corporate-Hindutva alliance, the NDA government is catering to the interests of the corporate pillar of its support through this budget.

Secondly, since the fall in demand, and hence in output, in the unorganised sector is not properly counted in our official statistics anyway, and indeed not counted *at all in the short-run* while arriving at various quick and preliminary estimates of GDP, where the statistical practice has been to attribute the findings from the corporate sector to the economy as a whole, *this strategy will show better numbers for the economy*. Good corporate result, given the quirks of our statistical system in other words, would show itself also as a good overall result, so that the government, while keeping its corporate backers happy, can preen itself on having turned the economy around. For a government fixated on its image, this is what counts above all.

Third, while tax concessions to the middle class are clear and obvious, the other side of such concessions, namely, who gets squeezed by the burden of such concessions remains opaque. The government therefore thinks it can garner significant support from the beneficiaries of such tax concessions without necessarily alienating support among the working poor, whose distress appears to have so many root causes that the fiscal strategy can be easily made to escape blame; besides, the Hindutva plank is always there to fall back upon in case there is any erosion of support among the working poor for the NDA government as a fall-out of its fiscal strategy.

It may be thought that we are attributing too much forethought to the government by calling what underlies the 2025-26 budget a “strategy”. But the adulatory references to the middle class that are being repeatedly made of late by the NDA government are quite striking. President Murmu’s speech at the beginning of the current budget session, a speech traditionally meant to express the government’s point of view on several contemporary issues, referred to the middle class in glowing terms. The finance minister has repeatedly lauded the middle class and its potential for reviving the economy. All this suggests that the budgetary stance is not the outcome of some accidental hotch-potch of policies but is part of a “strategy”, a strategy of creating a division between the working people and the middle class so that the hegemony of the corporate-Hindutva alliance garners some additional support. At the same time, this “strategy” keeps international finance capital happy by sticking to neoliberal orthodoxy: neither are the rich taxed nor is the fiscal deficit increased as a percentage of the GDP.

This is where the cynicism comes in: the government is willing to sacrifice the interests of the working poor in order to increase its support within the middle class; it is willing to hurt the working poor in order to claim better numbers for itself. This of course is something that happens as a matter of routine in a capitalist society; but in India it is a new phenomenon. Ruling political formations in India always claim that whatever they are doing is for the good of the working poor. Now, we actually have a government that openly prioritises the middle class *and punishes the working poor while doing so*.

Other than this “strategic innovation”, the 2025-26 budget follows the usual beaten track of past neoliberal budgets: a total ignoring of the demands of the peasantry for an appropriate price in keeping with the recommendations of the Swaminathan Commission; further extending the red carpet for foreign companies by opening up the insurance sector to companies with 100 per cent foreign ownership; and homilies to domestic monopoly capital to show “animal spirits” and undertake larger productive investment (even though the *Economic Survey*

had clearly attributed the lack of investment to sluggish demand for consumption goods owing to an increasingly unequal distribution of income arising from a stagnation of wages while the share of profits has soared).

The utter futility of such blandishments to foreign investors, which, the government may have hoped, would halt the collapse of the rupee by attracting foreign finance, has been exposed within a mere two days of the budget. Not only was the fall of the rupee not halted, but it had a precipitous fall on February 3 which carried it below Rs 87 to a dollar. The moral of the story is that cynically manipulating one group of people against another, even if it helps the government in its image-building exercise, does not resolve any economic crisis.

(This article was originally published in the People's Democracy on February 9, 2025)