

Gist of EPW March Week 1, 2021

The Economic and Political Weekly (EPW) is an important source of study material for [IAS](#), especially for the current affairs segment. In this section, we give you the gist of the EPW magazine every week. The important topics covered in the weekly are analysed and explained in a simple language, all from a [UPSC](#) perspective.

Regimes of Dispossession

Context:

The article analyzes the recent decisions of the union government to privatize and monetize public sector assets.

Introduction:

- Dispossession and displacement are important tools for the accumulation of capital across the globe including India.
- Earlier in India, lands used to be taken from disadvantaged groups, like Scheduled Tribes and small farmers for industrial and infrastructure projects which were state-owned for the purpose of planned development.
- Later lands were allocated to private players for investment in [special economic zones](#), and large private infrastructure and real estate companies.
- The National Democratic Alliance (NDA) government further tried to accelerate the process of land acquisition by corporates by passing an ordinance for this just after assuming office in 2014. However, the government was forced to withdraw in the face of stiff resistance.

The current scenario:

- Now, the government is again set to accumulate capital, this time, through the dissolution of public assets both through privatization and monetization.
- This move is different from earlier as assets under government ownership or control are being transferred to corporates.
- Such accumulation of non-capitalist space by capitalists is one of the hallmarks of global capitalism under neoliberalism.
- As the economic policies have changed from Keynesianism to monetarism in the late 1970s, privatization has become an important tool to facilitate accumulation by dispossession.
- Developed nations apparently have been successful in consolidating neo-liberalism through privatization, especially after the eurozone crisis. This has further emboldened the proponents of privatization.
- That is why the present NDA government has adopted privatization as a measure to revive economic growth and clear the fiscal mess.
- The Prime Minister has announced that in the first tranche of the National Asset Monetisation Pipeline scheme which was announced in the budget recently, 100 public sector assets in oil, gas,

ports, airports, power and other segments of the economy will be monetized, which will attract investment of Rs. 2.5 lakh crore.

- Also, the Union Budget has rolled out a plan for privatization of assets worth Rs. 1.75 lakh crore. Thus, the target of asset monetization has been set to 4.25 lakh crore.
- This is an ambitious target given the fact that in the last four decades, disinvestment worth Rs. 6.2 lakh crore has been achieved. Moreover, annual disinvestment of Rs. 1 lakh crore has been achieved only once and steadily declined since then.

Reasons for privatization and monetization:

- Pro-rich tax policies are one of the reasons. In the last seven years, gross tax collections remained stuck at around 10% of the gross domestic product (GDP). Although the tax–GDP ratio rose to 11% of GDP, corporate tax cuts to arrest the slowdown in the economy have nullified all the gains.
- After a decade, indirect tax collections have surpassed direct tax collections. As indirect taxes are regressive in nature, further increasing this will be risky both from the economic and political point of view.
- Also, increasing direct taxes is not an option as this will hurt investors' sentiments. Thus selling and monetizing of public sector assets remains the only option for additional resource mobilization.

Risks associated with privatization and monetization:

- Although some economists support privatization in the name of efficiency, there is no evidence of the net benefits of privatization.
- Rather than ownership, it is the competition and regulations that determine performance.
- Often the benefits of privatization come at the cost of working conditions, consumer protection, and the quality of output and environment.
- Privatization can trigger events that would be disastrous for both the economy and polity. This has been experienced by many emerging and developing nations that lack an appropriate process of privatization and have a weak institutional and regulatory framework.
- In developing countries, privatization often leads to corruption as political elites favour particular groups to secure private benefits.
- Privatization also undermines the fiscal capability of governments and weakens institutional capability, pushing them towards crony capitalism.
- Coal and telecommunications scam during the government of the United Progressive Alliance vindicate these arguments.

Conclusion:

The massive drive of privatization and monetization of public assets as planned by the government can put the country into another economic and political chaos and the nation cannot afford it.