

## Gist of EPW February Week 4, 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.

### Singing Paeans to Capital

The article analyses the recent policies of the government that have put corporates at the centre of driving India's economic growth.

#### Background:

- Amidst the COVID pandemic, advanced economies have pumped trillions of dollars into their economies to combat the economic crisis.
- This has led to a surge in the Indian stock market. This has prompted the government to further widen the scope of private capital in boosting the Indian economy.
- In the recent speech in [Lok Sabha](#), the Prime Minister also talked about boosting the participation of the corporate sector in India's economy.
- The government is now on the path to embrace a corporate sector-led investment growth model in order to boost economic growth.

#### Recent measures to boost corporate sector participation:

- The first noticeable move in favour of private capital was initiated by the [Wages Code](#) introduced in July-August 2019.
- This was followed by corporate tax rates cut in mid-September 2019 to its lowest level in history.
  - Under the new corporate tax regime, new manufacturing firms are allowed a corporate tax rate as low as 15% which is one of the lowest in the world.
- This was further triggered by the deregulation of the economy by using the pandemic as an excuse.
- Another measure used by the government to promote and expand the role of corporates was the introduction of structural reforms in eight sectors in mid-May 2020.
  - Under the new policy, the corporates were allowed to sell coal in open markets and huge central government investments in coal infrastructure were also promised by the government.
  - This not only indicated the end of coal nationalization but also ensured maximum profits in the hands of the corporates.
- In the defense sector, the corporate sector was provided with the opportunity to establish its presence in the markets by banning imports of weapons and equipment.
- Some announcements were also made regarding listing some public sector ordnance factories for possible privatization in near future.
  - Large-scale privatization of airports and power distribution companies in union territories was also assured by the government.

- After this, in early June, the suspension of the implementation of the [Insolvency and Bankruptcy Code](#) was also announced by the government.
  - This move was taken to protect the corporates from the loan recovery process by the public sector banks.
- Another move in support of the corporates was the introduction of three farm laws and three labor codes in the short monsoon session of the Parliament.
  - The three [farm laws](#) may lead to opening up the markets to more buyers but at the same time, it will also sideline the role of the Agricultural Produce Market Committees by providing more opportunities to the corporates to purchase the farm produce openly in the markets without much competition.
- After this, three labour laws were totally dismantled by passing the three [labour codes](#) which permit the employers to hire and fire at their own will or something close to this.

#### **Budget provisions:**

- The budget left the corporate tax rates untouched despite the resource crunch and growing deficits.
- Also, many public sector enterprises along with various public assets such as roads, rails, oil and gas pipelines, ports, airports, etc. will now be delegated to the private sector.
  - This will only replace public sector monopolies with private sector monopolies.
- Under the budget, 1.97 lakh crore has been provided to the manufacturing companies in 13 sectors as the [production-linked incentive scheme](#) over the upcoming five years.

#### **Conclusion:**

- These measures have favoured corporates while undermining the interests of farmers, workers, small enterprises, and the public sector.
- Also, the new regulatory regime is protecting the interests of corporates. This along with the undermining of the democratic institutions in recent years has posed great challenges to the Indian economy and society.
- All these go against the government's own promise of *sab ka saath sabka vikas* (development of all with the support of all).