# The Macro View: Corporate Sector led Growth and Growing Inequities

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## I. Introduction

The economy is witnessing rapid growth for the fourth year in succession. This is quite an achievement and it has been argued that this rate of growth will be sustained. That is why the Eleventh Plan target is being set at 9 per cent as compared to 8 per cent for the Tenth Plan and the actual achievement of 7.6 per cent. What is not being asked is what is the nature of this growth and what are its implications for Indian society? If there are signs of worry these are at the margins.

The Prime Minister did refer to crony capitalism implying that some businessmen are doing particularly well due to their closeness to those in power. He also referred to the fat salaries of the CEOs and the manipulation by the corporate sector and their high profits. While many have been pointing this out for several years (including articles in the earlier *Alternative Economic Surveys)* it is heartening that finally those who matter are also talking of these developments, even if not doing much about them. Are these signs of worry or mere window dressing exercises as in the past? It is possible that the PM is finally responding to a string of defeats that the Congress Party has suffered in recent elections and the growing disquiet in his party.

The PM has not initiated any action even though he is in a position to correct the wrongs that he perceives in the economy. On the important question of the SEZs after the agitations and the setting up of the eGOM to review the policy on SEZs, all he said was that this is an accomplished fact and gave a signal to the eGOM that they need not take a radical view of the policy. Consequently, rather than take a political stance and tailor the policy accordingly, the eGOM simply diluted a few of the worst features of the policy.

What has been going on in the economy in the last 17 years and more specifically in the last 5 years is a part of a well thought out strategy of corporate sector led growth. Its consequences are discussed below.

## II. Macroeconomic Performance in 2006-07.

According to the *Economic Survey 2006-07*, the rate of growth for the year 2006-07 will turn out to be 9.4 per cent, even higher than it was last year and the second best performance of the economy since Independence. The investment and savings rates have also reached new highs (for 2005-06, quick estimates give a figure of 33.8 and 32.4 per cent of GDP) and this gives the confidence to claim that the economy has now achieved a new path of high growth. Exports and imports have both rapidly grown (both at about 40 per cent) though the widening of the trade deficit is worrying. The growth is on the back of rapid continuing expansion of the services sector and of late, the industrial sector has also grown much faster than earlier and this has, compensated for the low rate of growth in agriculture. There is concern at the rapid increase in the money supply at about 21 per cent (much faster than the nominal growth in GDP of about 15 per cent) and the increase in the rate of inflation (to around 6 per cent).

### II.a. `Growth at any cost' and growing inequity

Today we are witnessing `growth at any cost', with all costs falling on the marginalized sections of the population. This follows the traditional World Bank advice in the Nineties:

> "Poverty declines rapidly where growth is rapid and sustained. Poverty stagnates where growth is tepid. A few exceptions notwithstanding, the unambiguous impact of rapid growth on poverty reduction was confirmed again in the 1990s." (World Bank 2005; p. xii)

Corporate profits are shooting up at a record pace and consequently the stock market is reaching dizzy heights. This is fuelling the wealth of the rich at an unprecedented pace and making disparities rise dramatically. While the country has the largest number of poor in the world with hundreds of millions earning less than $1 per day, India is supposed to have the second largest number of billionaires. More than the number Japan has. This is an indication of the scale of disparities in India, since Japan has a per capita income of $36,000 which is roughly 60 times India's figure of $600 so that it should have had many more of these super rich than India.

As already discussed in AES (2006), the rapid growth of the economy in the last years is based on the rapid growth of the organized industry and services. Within these sectors, there are sectors like electronics and software, which are growing at around 30% or the automobile sector growing at 15 per cent. Similarly finance, telecommunications, trade and tourism are growing rapidly. In contrast, there are sectors like food products, mining and quarrying, wood and its products, leather and its products and metals which are growing little. Most of these slow growing sectors relate to the mass consumption products catering to the common man. Agriculture is also growing at hardly 2 per cent while a majority of the population is still employed in this sector. Thus, the base of growth (in income terms) is very narrow.

In other words, the fast growing sectors perhaps touch the lives of only a few per cent of the work force and most of the population is left out of this growth process. It is like two countries, a tiny one embedded in a vast country. Less than 5 per cent of the work force (if child labour is also counted) participates in this growth. Most of this work force is in the urban areas and in the advanced states of the country.

The stock market is also aggravating the disparities. Less than one per cent of the population has substantial holding in this market and they are the real beneficiaries of the boom in this market. Further, the real estate boom of the last few years is also centered in this same segment. The Government is also encouraging these trends so as to be able to claim to its international clients that the economy is doing well.

The corporate profits are shooting up at about 30 per cent per annum over the last Five years (see later section). That is why the corporate sector is the biggest contributor to the tax kitty (See the Fiscal Chapter in this volume). It is generating no net additional employment

(Economic Survey, GOI, 2007) and its profits are growing rapidly on the back of a squeeze of the share of labour and exercise of oligopolistic powers through the formation of cartels (what the PM complained of). SEZ policy is a part of the same policy.

In brief, the good performance hides, as suggested in last year's *Alternative Economic Survey(AES, 2006)*, growing disparities and rising discontent amongst the people. Underlying this is a 2% rate of growth in agriculture and about 11 per cent in non-agriculture (and even higher rates in select sectors, like, software). The gap is widening between agriculture and non-agriculture and the backward and forward states, since the former are much more dependent on agriculture. Similarly, the rural sector, still largely dependent on agriculture, is falling further and further behind the urban sector. The divide between the organized and the unorganized sectors has widened. Further, the gap between the corporate and the non -corporate sector is growing and also between wages and profits.

In Sri Lanka, the rapid rate of growth in the economy after 1977, when the new economic policies were introduced, was also accompanied by a growth in disparities. This was followed by increasing ethnic strife which resulted in civil war in 1983 and to a lowering of the growth rate of the economy (Mariadas, 2007). Thus, can this kind of growth be thought to be permanent? In India also rising discontent is visible (though the parallel is not exact since the Sri Lanka kind of ethnic divide does not exist), with the spread of the Maoist movements from 55 districts to 175 districts in the last 17 years. There is also growing crime in the cities and criminalization is growing rapidly. This is adding to the cost on society and specially the poor.

### II.b. Rise in Savings and Investment and Growing Inequity

It is argued that the rate of growth of the economy is likely to sustain since the rate of investment and saving has risen sharply since 2002-03 (Table 1). The rate of capital formation has jumped 10 per cent of GDP from 22.2 per cent in 2001-02 to 32.2 per cent in 2005-06

(*Economic Survey 2007*, p 11). This is on the back of the rapid rise in the contribution of the corporate sector from 5.2 to 12.2 per cent during the period.

Savings also shot up from 23.5 to 32.4 per cent between 2001-02 and 2005-06. The corporate sector increased its contribution from 3.7 to 8.1 per cent. Here the public sector has also contributed to the increase by raising its savings rate from -2.0 to +2.1 per cent. The household sector's share has hardly changed.

**Table 1**

**Savings, Investment and Profits: Private corporate and public sectors. (2001/02 to 2005/06).**

| | 2001-02 | 2002-03 | 2003-04 | 2004-05 | 2005-06 |
|---|---|---|---|---|---|
| Savings Rate | 23.5 | 26.4 | 29.7 | 31.1 | 32.4 |
| Public Sector | -2.0 | -0.6 | 1.2 | 2.4 | 2.0 |
| Pvt. Corporate Sector | 3.7 | 4.2 | 4.7 | 7.1 | 8.1 |
| PBT r.o.g | 20.94 | 48.43 | 47.14 | 22.31 | 41* |
| GDP r.o.g (factor cost 1999-2000 prices) | 5.8 | 3.8 | 8.5 | 7.5 | 9.0 |
| G DC F | 22.2 | 25.0 | 27.4 | 30.2 | 32.2 |
| Share of Corporate Sect. in capital formation | 5.2 | 5.8 | 6.7 | 9.5 | 12.2 |

Note: * represents budgetary data on growth of corporate tax collection (on profits).
PBT stands for Profit Before Tax and r.o.g for rate of growth. GDCF stands for investment.
Source*: Economic Survey 2007* and *Prowess* data base.

What does this data indicate for the macro picture? Corporate sector profits are rising fast. *Prowess* data base, which presents data drawn from a sample of the more than 3 lakh companies in the country to which the CAG refers, profit before tax (PBT) has risen, 20.94, 48.43, 47.14 and 22.31 per cent in the period between 2001-02 and 2004-05. This trend is continuing as the corporate sector tax data implies (Table 2). Corporate tax collection has risen 41 per cent in 2006-07 implying a corresponding rise in corporate profits, as discussed in the Fiscal policy chapter. The nominal GDP has risen by 14 per cent.

**Table 2**

**Growth of Corporate Profits and Nominal GDP (2001-02 to 2006-07)**

| | 2001-02 | 2002-03 | 2003-04 | 2004-05 | 2005-06 | 2006-07 |
|---|---|---|---|---|---|---|
| Corp Profit | 20.94 | 48.43 | 47.14 | 22.31 | 24 | 41 |

| | | | | | | |
|---|---|---|---|---|---|---|
| Nom GNP | 9.3 | 8.1 | 12.6 | 11.9 | 13.8 | 14 |

Note: Corporate Profit for first 4 columns is PBT from *Prowess* Data Base and for the last 2 years it is the corporate tax collection from the budgets. These are strictly not comparable but used as a proxy.

GNP figures till 2005-06 are at factor cost from the *Economic Survey* (p. S-4). For 2006-07 the figure is from the Budget.

On an average, corporate profits have risen more than 30 per cent since 2001-02 while nominal GNP has increased at an average of 11 per cent. The former is rising about three times faster than the latter. This is resulting in a rapid skewing of national income in favour of the corporate sector. The above data indicates that the share of the corporate sector in the national income has risen by 290 per cent between 2001/02 and 2006/07.

Since in 2006-07, the corporate sector has paid a tax of Rs 1,46,500 crore, and its effective tax rate according to the Receipts Budget is 19.26 per cent, the total Profit Before Tax works out to Rs 7,61,000 crore. Since the GNP at factor cost at current prices is estimated to be Rs. 36.9 lakh crores, the corporate profits turn out to be 20.6 per cent of GDP. Further, since the share of corporate profits has risen 290% since 2001-02, in that year they would have been only 7.1 per cent of GDP. Thus, in the last 6 years, this sector has gained 13.5 per cent of GDP. This is clearly at the expense of the rest of the economy, the farmers, the workers, and so on.

The corporate sector has increased its savings by 4.4 per cent of GDP thus, it has distributed an extra 9.1 per cent of GDP to its share holders, who have added to their savings and also their consumption. These two together are fuelling on the one hand, the stock markets, the foreign acquisitions and the property markets and on the other hand, the consumption of luxury goods. This underlies the rapid growth of the automobile sector and the demand for the white consumer goods, foreign travel, and so on.

Those who gain substantially from the investments in the share markets number less than 10 million, or less than 1 per cent of the population. Thus, in effect, this section has gained about 13.5 per cent of GDP in the last 6 years. By contrast, the share of agriculture in GDP has dropped in this period by about 4 per cent of GDP to about 17 per cent of GDP. In brief, while 60 per cent of the population has lost about 4 per cent of GDP, 1 per cent has gained about 13.5 per cent of GDP and has now become larger than the former. This is not all, since it is known that big businessmen and FIIs own about 80 per cent of all the shares in listed companies, they corner most of the increase of profits, about 11 per cent of GDP. This gain has accrued to less than 0.1 per cent of the population. This is the story of the growing disparity in the country based on `growth at any cost'.

What has happened to the corporate sector wages? According to Prowess data they have grown at an average of 9.77% between 2001 and 2005. Thus, their ratio to GNP has fallen by 2% and if projected to 2007, the fall would be by 3.1%. In contrast, the ratio of profit to GNP has risen by 200 per cent by 2005 and by almost 300 per cent by 2007. The share of the corporate sector in GNP has risen by 33% by 2005 and 61% by 2007. Clearly, while the wage share has stagnated, the profit share has risen sharply. Finally, the share of the non-corporate sector (unregistered) has fallen sharply. Table 3 below shows the pattern of disparities emerging in India.

**Table 3**

**GNP Gains and Losses by Various Categories (2001/02 and 2006/07)**

| Top 0.1% Income of Owners of Corporate Sector | Top 1% Income of Corporate Sector Share holders | Agriculture (60% of population) | Ratio of Corporate Profit to Wages | Share of Corporate sector in GNP |
|---|---|---|---|---|
| +11% of GNP | +13.5% of GNP | Fell 4% of GNP | Up194% | Up 61% |

The rapid rise in the savings rate in a matter of a few years suggests that the share of the incomes of the high savers has risen rapidly. Such rapid increases in the savings rate are usually not based on changes in the savings behaviour (as reflected in the changes in the savings propensity) of the various categories of economic agents, but on the changes in their income shares. Since poor households typically save little or dissave, most of the savings originate from the rich and the middle classes. As the above analysis of data on the corporate sector shows, the recent increases in savings have originated from the highest income earners and not even from the middle class.

If the black economy is taken into account, given its increasing share, the share of the top 1 per cent and the top 0.1 per cent who have substantial black incomes, would turn out to be even higher.

## III. SEZs, Displacement and Enclave Development

SEZ policy is granting large concessions to Big Business in the name of rapid development. There are concessions to the developers of the SEZ and then to the entrepreneurs who will set up business in them. This would involve concessions in direct and indirect taxes to both sets of people. It is estimated that for every Rupees one lakh crore invested in the SEZ, the government would lose about Rs 6,000 crore of revenue, every year, for 10 years (Kumar, 2007a). It would also involve other costs for the government which would have to provide assured power and water, and other facilities. This would be at the expense of the rest of the country, where these shortages are already severe. Thus resources for development in the non-SEZ areas would be even more scarce. SEZs will involve the development of enclaves of prosperity while the rest would suffer a worse fate than at present. Given the concessions, existing industry from outside the SEZs would tend to shift into them to avail of the concessions. This would lead to a slow down of investment in the rest of the country and possibly to deindustrialization.

Since most of the industry in the SEZs will be modern, with a high capital labour ratio, there would be a loss of employment in the economy as a whole (Kumar, 2007b). This would be aggravated by the displacement of labour from the areas where SEZs will come up. Since most of the SEZs are coming up close to the urban centres and near highways, where economic activity already existed in the form of agriculture and other related activities, there would be considerable displacement. The existing activity is highly labour intensive and what would come in its place would be largely capital intensive, so that there would be loss of employment in the net. Output will rise but after adjusting for the loss due to displacement, it will rise less than claimed (Kumar, 2007b). Those displaced will be of the unskilled variety while those who will get jobs will be of the high skilled variety, thus, the marginalized would be further marginalized.

Currently, the displacement being witnessed is much wider (than implied by the SEZs) since large projects are coming up in the shape of steel plants, aluminum projects, expansion of airports, rail and road networks, mega power projects, and so on. This is again a part of the policy of corporate sector led growth. The model being followed is to do everything that would facilitate the corporate sector. No consideration is being given to the costs falling on other sections of the population, specially the marginalized sections.

In brief, the national income will shift even more rapidly in favour of Big Business. It will also provide the rich, NRIs and foreigners with secure enclaves to live in with comfort, which they do not have at the moment in the existing cities. The government's argument that SEZs are needed to promote exports and high rate of growth, is not correct. The economy achieved these goals even before the SEZs started functioning from 2005-06. So SEZs are not the only way to achieve these goals and less inequitable policies can also be used for the same purpose, but it is the pro corporate sector attitude of the Government that comes in the way of its seeing this obvious reality.

## IV. High Savings Rate, the Rate of Growth and Employment.

The high savings rate of the economy (s) translates into more and more capital use per worker (K/L). Further, it also implies an increase in the amount of capital used for whatever is produced (v). Usually a rise in the investment levels implies more and more machines, which incorporate the latest technology rather than simply the replication of the older technology. Usually, the newer technology has a higher v and K/L than the technology it replaces.

Practically, it is obvious that in India, under the pressure of globalization, the economy is rapidly moving in the direction of using more capital for production. Whether it is agriculture, industry or services, they are moving towards a regime of less and less employment for what is produced and use of more capital for every worker. So growth rate need not increase as savings rise in the economy since it simply goes into producing and using more machines. Further, employment need not at all increase because of a greater degree of automation and therefore jobless growth as feared by many (Kumar, 1994 and 2005a). This is what characterizes the recent 15-year period in India. For instance, take road construction, earlier, it was labour intensive, but now the construction of highways has become highly mechanized with little additional employment being generated. In agriculture, with the use of tractors, harvesters and threshers, employment generation has ceased.

Theoretically, if balanced growth is taking place, then even for low rates of savings there may be a high rate of growth of output and employment, if it is accompanied by low levels of v and K/L. Historically, this is what has happened in many economies that are the advanced economies of today. There is also the historical experience of countries with low savings rate transiting to high savings rate but without a corresponding rise in the rate of growth. India has grown at 5 per cent with savings rate of 12 per cent in the early 1960s and also at this rate with a higher savings rate of 24 per cent in the 1990s.

In case of an India like economy with backward and advanced sectors, where there is existing unemployment in the former and new technology with higher capital labour ratio is initiated in the latter, the shortage of capital for the backward part of the economy would be aggravated. The modern sector sucks in most of the capital leaving little of it for the backward part. This aggravates unemployment and underemployment in the backward sectors. The modern financial system is good at collecting the savings where they are and making it available to the modern sector. Since the modern sector is an oligopolistic one, it ensures a high profitability. The modern banking sector and the stock market. are playing this role effectively in India. So is the black economy which is substantial (Kumar, 2005b). In such a situation, the rising savings rate and the capital formation reflect the rise of the modern sector, independent of the backward one. Thus, inequity becomes self perpetuating and growth dichotomous. SEZs will aggravate the situation further (Kumar, 2007b).

However, in such an economy, the base of growth remains narrow. The question is, can it sustain itself and lead to a continuing high rate of growth for the foreseeable future? As the rate of savings rises, the consumption per person is bound to drop. This implies that consumption will lag behind growth. Hence the market is bound to shrink. To prevent the market from becoming a constraint on growth, the rate of investment has to continue to rise. It has been doing so but on the back of rapidly rising profits and paper gains in the real estate and stock markets. These property markets have tended to stagnate of late and as such, it is unlikely that the profits will continue to rise at the rate at which they have been rising. It is likely that the profits may start declining or stagnating and that would immediately lead to a lower rate of investment by the corporate sector.

Since the modern sector has a higher savings propensity, as the national income shifts in its favour, demand in this sector will tend to lag even farther behind, aggravating the market problem. The way out is a rapid rise in exports. However, in the Indian context, as yet, net exports are showing a negative growth, so this is not providing an adequate increase in the market for continuing growth. Further, indications are that the world economy is slowing down so it is unlikely to provide such a growing market. That leaves investment for the sake of investment. This can only be a short run strategy and as suggested above, this is likely to reverse as soon as the profits begin to decline.

Further, in the coming few years, political instability is likely to increase as the country approaches the national elections in 2009. The ruling party will not be able to carry forward its pro-business and anti-people policies and will have to act more equitably. This is likely to check the unbridled growth in profits and therefore will affect investment in India. The investment climate is also likely to be hit by the growing infrastructure shortages, especially in regard to power and water. The stock market which has seen a rise in the valuations that has boosted sentiments and led to increased investments is a highly unstable market and political sentiments will affect if and consequently the investments.

It is argued that if China can have a sustained high rate of growth, so can India. However, the situation in the two countries is rather different so what is feasible in one country may not be possible in the other.  China is an example of a strong central political control over the political and the economic processes. Rising discontent with growth in disparities or rise in unemployment can be controlled. In India, in spite of the growing autocratic tendencies, that is not feasible through strong arm tactics. In China, the state has provided massive infrastructure support and subsidy to industry. In India, the market now determines the investment process and even the Government cannot help to the same extent as in the case of China. Thus, in India, unlike in China, the economy is likely to go through cycles.

## V. Inequity Leads To More Of It.

We now have two independent circles of growth in the country. This is like a small country or a rich enclave within a large and poor country. This is often characterized as India vs. Bharat. The former has a high rate of growth with high levels of income and a high rate of capital per unit of labour, while the latter has low rates of growth and a low rate of capital per unit of labour. The former being in a dominant position economically and politically is drawing resources from the latter in the name of `growth at any cost' and leaving the rest even more marginalized. In terms of population share, the former is declining while the latter is growing. Since the two have their own circles of operation with minimal interaction, there is little trickle down into the latter. This is causing a rising level of disparity.

The enclave is being run by big capital with its control over politics and the economy. It frames its own rules for running the economy. It has become strong because of the international trends of domination by capital and the weakening of labour. This in turn is caused by the mobility of capital which goes around extracting concessions from the states. As a result, tax rates on capital, and the rich have come down (AES, 2006). According to recent data, in the USA inequality has gone back to the levels that used to prevail in the 1920s. Johnston (2007), citing Saez and Picketty, points out that the top 1 per cent -those with incomes of more than $348,000 in 2005 — received their largest share of national income since 1928.

Capital's domination over society is based on its footloose character. It threatens to move elsewhere for higher concessions. In *Alternative Economic Survey* (2006) in a Box, it was shown that as a result of the dominant position of capital, tax rates have dropped everywhere. Walmart is a successful example of this phenomenon. In the 1990s, in the US it has aggravated poverty in the areas in which it has opened stores . It has been commented that it has followed anti-labour policies and pays low wages and benefits. It is found to have adverse effects on both wages and employment levels. It has adverse effect on existing establishments wherever it has spread. Given its clout, it is able to extract substantial concessions from the governments.

In the Indian context, outsourcing on a large scale has weakened labour. Labour is being taken on contract or from the unorganized sectors at a fraction of the salary earlier paid to workers for the same work. One may cite the example of guards, drivers, mess workers, cleaning staff, clerical staff and temporary staff of various description employed for no more than 89 days.

How insensitive government has become is illustrated by the decision to host the Commonwealth Games in 2010 in Delhi. For this purpose, it is trying to beautify parts of Delhi by displacing the poor in large numbers. Further massive resources are being spent for the purpose, but when it comes to the poor it is argued that resources are short.

The upshot of the arguments given in the preceding paragraphs is that those who benefit from inequity in the present day economy and live in small enclaves do not then contribute to the others who lag behind. They actually come to believe that what they have is due to their own merit and that they are doing a favour to the rest of the economy. They do not see that the system is loaded in their favour and has been created in this fashion. They think the system is fair and even if they do not believe it, they feel there is no harm in working in their own interest.

This is the product of neo classical thinking in which distribution is only paid lip service to and the focus is on `efficiency' based on the individuals wants and the functioning of the markets. Consumer is taken to be `sovereign' and should not be subjected to social constraints. This is based on an atomistic view of Society in which Woman/Man is homo-economicus and people act as `rational individuals' maximizing their gains. For such profit maximizing individuals, conscience is a cost that has to be minimized so the less they look at their actions and their implications for Society the better off they are. This is `efficiency'. Everything has to be based on one's narrow self-interest.

In such a dichotomous system with two circles of growth, the better off determine the nature of growth and therefore they demand more concessions from Society just to maintain growth. They threaten to take their capital and skills elsewhere since it is theirs in an atomized world. They even threaten separation from the rest as is the case with the SEZs. The spirit of the nation is secondary to their own self-interest.

## VI. Pro Poor Economic Growth At High Rates - Feasibility

If growth is made pro poor, the savings rate would be lower so a high rate of growth would be feasible if the investment rate and the use of capital per worker is also correspondingly kept low. This would require an appropriate mix of technology in production so that more labour intensive technology is encouraged. The issue is not one of industrialization but the nature of industrialization (Kumar, 1994) – whether in a backward country, advanced technology can be indiscriminately introduced or an appropriate mix has to be used. In turn, this would require appropriate fiscal incentives/disincentives. High profits would have to be taxed at higher rates and concessions to profits would have to be quickly eliminated (See Fiscal Chapter in this volume).

One feasible scheme of things was presented in the Alternative Budget 1994 (Kumar, 1994). It was based on promotion of traditional agriculture, small-scale industry and so on. Further, for such an alternative, the nation would not face any shortage of resources. Finally, it was shown that with additional purchasing power in the hands of the poor, demand can be sustained at a high level so that the rate of growth would remain high. As a component of this scheme (to illustrate), there would be the need for decentralized urbanization with good public transportation rather than mushrooming private vehicles. As people live close to their places of work, there would be enormous saving of capital for the economy.

While through this route, achieving a high rate of growth is feasible, it would be preferable even under the present conditions to have a lower rate of growth of say 5 per cent as long as the distribution is not allowed to become more and more skewed. The more detailed financial working of the pro poor alternative is presented in the Fiscal chapter in this volume and in Kumar (1994). Finally, Brooks and Hwong (2006) find that high-tax Nordic countries score better in 42 out of 50 social and economic measures than the low-tax Anglo-America countries. Some of these are, poverty, income distribution, security for their workers, GDP per capita, household saving, innovation, research and development, competitiveness, school and university completion and life satisfaction. This is the argument contained in Alternative Budget and the basis of the Alternative being suggested here.

## VII. Conclusion

This paper has analysed the implications of the current high rate of growth and the argument that this will sustain since the rate of savings and investment has also risen. It has argued that this is precisely the reason why the rate of growth may not sustain. The present growth is based on putting all the costs on the marginalized sections of the economy. This is resulting in growing disparities and concentration of incomes in the hands of a tiny fraction of the population. The Corporate profits have increased 13.5 per cent of GDP in the last 6 years and are now greater than the income from the agriculture sector (which has lost 4 per cent of GDP). Perhaps in the history of independent India there is no comparable period of 6 years in which the disparities would have risen so sharply (See Table 3).

This is making the growth path narrow and resulting in its becoming unstable and unsustainable. Any shock, national or international, that lowers the profitability will make investments fall and along with that, the rate of growth. Rising social tensions, coming elections, slow down in the world economy. are some of the shocks that are possible. The example of China having a sustained high rate of growth is not likely to replicate in India given the differences in social, political and economic structures.

The pro corporate sector attitude is visible all around. There is evidence of growing corporate sector frauds. However, the Government is looking the other way and letting it grow in the name of not letting the growth momentum slow down. Recently, when the issue of H1B Visas enquiry by a few Senators came up, the Government's response was immediate. Its minister threatened to stall the WTO negotiations. This is in contrast to the times without number when the farmers' issues come up, the Government feigns helplessness arguing that these are international commitments. It is argued that the process is irreversible.

The continuing rapid growth projected in the Eleventh Plan implies that disparities will continue to rise. The PM is complaining, but not acting, to correct the trend of growing inequality. If anything, he is continuing to act as before, for instance, on the issue of SEZs. The corporate sector is having it good and on its own will not attempt to change things. It is too short sighted for that. All this points to a very short sighted strategy (akin to that of King Midas asking for a boon which became his undoing), favouring the corporate sector, which the nation will rue sooner rather than later, given the social, political and economic implications of this strategy.

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