

In election year, what is the politics and economics of the budget?

ON ACCOUNT OF VOTE

What govt sought to achieve with farmer support scheme, how far middle class will benefit from tax rebate, and other takeaways

SHAJI VIKRAMAN
NEW DELHI, FEBRUARY 1

Going into the interim budget Friday, what were the fears from the point of view of fiscal discipline and prudent resource management?

A high-stakes Lok Sabha election is less than three months away, a major agrarian crisis has left farmers in large swathes of the country in distress, and a government that came to power saying it would create jobs for crores of youths has largely failed to deliver on this promise. There were, thus, apprehensions that the government could go for broke in this budget, spending on sops to woo all constituencies — including the farm sector, the middle class, the unorganised sector, and the youth.

There was also speculation that some form of Universal Basic Income or UBI scheme, which would call for huge funding, would be announced — especially after some pundits read Congress president Rahul Gandhi's promise of a nationwide Minimum Income Guarantee scheme — if voted to power in the elections — as a "pre-emptive strike".

These fears existed despite the fact that by convention, an interim budget sticks to allocations for spending on salaries, interest payments, and ongoing schemes or programmes for the first four months of the fiscal before the new government takes over.

And were there any specific expectations from the budget?

Again, given the reality of the looming Lok Sabha elections, measures for financial support to farmers hit by poor crop price realisations were widely anticipated. There were also expectations of tax breaks for the middle class, which is a constituency for the ruling BJP.

In specific terms, what does the Budget have for farmers, who are perhaps the most restive group in India today?

The Finance Minister has announced a Pradhan Mantri Kisan Samman Nidhi, or assured income support scheme for small and marginal farmers across the country — those having cultivable land up to two hectares. This will be Rs 6,000 annually, which will be transferred directly into their bank accounts in three equal instalments of Rs 2,000 each. The scheme will be effective retrospectively from December 1, and the first instalment will be paid before the end of March this year.

But Rs 6,000 a year works out to just Rs

500 per month for the individual farmer. To what extent can that sum address the farmer's concerns?

The government says that this would provide assured supplemental income to the most vulnerable farmer families, and would also meet their important needs before the harvest. What the government may have in mind is expenses towards buying seeds, fertilisers, and labour, for instance. It can, of course, only be of limited help in meeting the cost of farming or easing the debt burden of farmers. But given that this was just an interim budget, there was also very little leeway available to bump up this assistance. To that extent, the support scheme could be political signalling — to assuage farmers, and to assure them that the government is mindful of their concerns.

The other big takeaway is the tax proposals. What's in them, whom will they benefit, and how?

Much of it centres around lowering the

DECISION 2019
THE QUESTIONS THAT MATTER

tax burden of the ordinary salaried class though there are tax breaks for home buyers too. For home buyers, it is essentially on account of relief from the notional tax which they were required to pay on their second home which was unused.

To what extent can individuals with taxable incomes higher than Rs 5 lakh a month benefit from the tax rebate offered in the interim budget?

Their tax savings will work out to up to Rs 3,000 annually on account of an increase in the standard deduction limit from Rs 40,000 now to Rs 50,000. They can also benefit if their interest income is higher than Rs 10,000 annually, thanks to the threshold limit on Tax Deducted at Source (TDS) being raised to Rs 40,000.

What is there in the budget for the unorganised sector?

India's unorganised sector has 42 crore workers including street vendors, farm workers, ragpickers, and domestic helps. That is a very large constituency to address. The government has now proposed a mega pension scheme, the Pradhan Mantri Shram-Yogi Maandhan for such workers whose monthly income is up to Rs 15,000. The proposed scheme envisages a monthly pension of Rs 3,000 which will kick in at age 60. The monthly contribution for the social security cover has been kept low, with the government offering to put in a matching contribution.

Why has the Finance Minister chosen to boost the real estate sector? What does he hope to realise, and how?

The real estate sector has been facing a downturn over the past several years, which was further aggravated by the demonetisation exercise of November 2016. It is a sector that employs huge numbers of workers in a vast range of formal and informal industries. A large chunk of these workers were hit after the notes ban and the slowdown in growth, which impacted many realty firms. Real estate is a sector which has a strong multiplier effect — if it does well, industries like steel, cement and paints also do well, and in turn create jobs, and boost revenues and growth.

Has Friday's budget hurt Prime Minister Narendra Modi reputation for being a fiscal deficit 'hawk'? Is it a sop/largesse budget?

The fiscal deficit for the current fiscal has been revised upward to 3.4% from the budgeted target of 3.3% — a slippage of just 0.1 per cent. In the last fiscal, against the targeted 3.2%, the government reported a deficit of 3.5% of GDP. While this record at the fag end of his term will take some sheen off Modi's 'fiscal hawk' record, it is not a throwaway budget or a showering of sops — in fact, it could hardly have been so given the risk of a major slippage on the fiscal front, with its repercussions on interest rates and inflation.

But is there a growth/deficit tradeoff in the budget proposals?

Not really. This time, as the government has pointed out, the overriding need was to provide income support to farmers which meant breaching the fiscal deficit target. The GST regime has still not settled fully. The measures announced today aren't exactly a stimulus — even though there are some who reckon that some of the steps announced could boost consumption, i.e., prompt consumers to spend a little more as their tax burden eases.

The Congress has said the budget is not a vote on account but an "account for votes". How valid is this criticism?

The criticism may be on account of the government's attempt to woo farmers and the middle class through fiscal support and tax breaks. What the party has implied is that instead of sticking to just earmarking funds for essential spending by various ministries and departments and on ongoing programmes or schemes, the government has extended itself in offering sops to elicit political support ahead of elections.

Illustration: C R Sasikumar



WORDLY WISE
I AM IN FAVOUR OF CUTTING TAXES UNDER ANY CIRCUMSTANCES AND FOR ANY EXCUSE.
— MILTON FRIEDMAN

The Indian EXPRESS

FOUNDED BY

RAMNATH GOENKA

BECAUSE THE TRUTH INVOLVES US ALL

FOR THE CAMPAIGN

Interim budget addresses farmers and middle classes. It is a bid to recover the political initiative

THE NARENDRA MODI government has made an effort to wrest back the political initiative with the presentation of the interim budget for 2019-20, with its targeted interventions aimed mainly at three key constituencies which have been visibly unhappy for a while now — farmers, the growing numbers of the salaried middle class and the unorganised sector. With national polls under a couple of months away, and keeping in mind the recent electoral reverses in three key states, the government has almost squeezed in a sixth budget with its proposals aimed at wooing the middle class with tax sops and announcement of structured direct minimum annual income support of Rs 6,000 to small and marginal farmers who have upto two hectares through a direct bank transfer. Of course, these will have to be endorsed by a new government.

A government in poll mode has provided Rs 20,000 crore for this fiscal for the income support scheme which is modest in scope and ambition compared to the Rythu Bandhu scheme of Andhra Pradesh and the Odisha government's Kalia programme, and an allocation of Rs 75,000 crore in the next fiscal. Whether this will pay political dividends given that it has come late — much after the peak of the agrarian crisis which has gripped many parts of the country — will be known only in May. Interim budgets are at best budgeting for spending for the first four months of the fiscal until a new government takes over. This time around, the debate on convention versus constitutional provision on the presentation of the budget was triggered because of fears of the government pursuing a scorched earth policy in a bid to come back to office at any cost. That hasn't quite been the case — though one can quibble about the income tax giveaways. The financial markets or the central bank may not fret much over the 0.1 per cent slippage in the fiscal deficit target for 2018-19 to 3.4 per cent from the budgeted 3.3 per cent, but surely the next government is bound to face far more scrutiny on its commitment to fiscal prudence and on its ability to raise money to spend on a range of social welfare schemes. As in the case of the farm and banking sectors where the challenges were severe and visible at the start of the NDA government's term in 2014, welcome though it is, the fiscal incentive for home owners and the real estate sector may have also come a little late. The move does hold the potential to rekindle the spirits of industry, especially if interest rates remain stable.

Many of the government's gambles may not pay off if GST revenues aren't buoyant next fiscal, and if the consumption engine sputters, and if there isn't renewed investment activity. PM Modi's economic philosophy, which was mirrored in a generally hawkish fiscal stance, now seems to have shifted towards welfarism. The question is whether his instincts will help him and his party pass the political test.

A HEALTH WARNING

Swine flu outbreak is a reminder that there is no room for complacency as far as infectious diseases are concerned

THE FIGURES ON swine flu released by the Integrated Disease Surveillance Programme (IDSP) this week should be a cause for concern for the Union Ministry of Health and Family Welfare (MoHFW). In less than a month this year, the highly contagious virus has infected 4,500 people and claimed 169 lives. Taken together with last year's figures — about 15,000 infected and 11,000 deaths — IDSP's data has ominous portents. It could signal a resurgence of the virus that caused a pandemic in 2015. More than 40,000 people were affected by the disease that year, and nearly 3,000 succumbed to it. The virus seemed to have been contained in 2016 with the country reporting less than 300 swine flu deaths. But the latest outbreak should occasion a reevaluation of the measures that were adopted after the 2015 pandemic.

The virulent form assumed by swine flu four years ago led the MoHFW to plan a system for early detection and treatment of viral diseases. A network of Viral Research and Diagnostic Laboratories (VRDLs) was envisaged for the purpose. About 80 of the 125 laboratories planned in 2015 are functional. However, a report of the MoHFW's parliamentary standing committee bares serious shortcomings in the running of these laboratories. The report, tabled in Parliament in March last year, pointed out that they lack state-of-the-art disease diagnostic kits and are also short on manpower. "The inadequacy of specialised laboratories has severely affected the response time in identification of the viruses and quick mobilisation in the event of outbreaks or response to infectious disease outbreaks or epidemics, such as the H1N1 (swine flu) viruses," the report noted. Moreover, the labs that test swine flu are at the divisional headquarters. This means that patients often have to cover a long distance, and valuable time is lost before the disease gets diagnosed.

The National Health Policy, drawn up in 2017, marked a paradigm shift from the time when government health programmes were geared to deal with infectious diseases. The policy's focus on non-communicable diseases is understandable given that national and international studies have shown that these ailments now constitute the major share of the country's disease burden. However, it is also well-known that urbanisation, mass migration, commerce and overcrowding of towns and cities accelerate the spread of viral pandemics, including swine flu. The recent outbreak of the virus should be a reminder to the MoHFW that there is no room for complacency as far as infectious diseases are concerned.

ASYLUM DIARY

Kurdish writer Behrouz Boochani, Australia's latest literary find, ironically cannot set foot on Australian soil

BEHROUZ BOOCHANI, WHO has won the top literary prize instituted by the government of Victoria, is the top Australian writer of the year, but technically, he is not Australian. Not yet. He is a Kurdish asylum-seeker who has been held since 2013 on Manus Island, one of the locations where the Australian government has a controversial offshore detention facility. Other writers have earlier protested against the facility, which Boochani refers to as Manus Prison in his book, *No Friend but the Mountains*, a work which is notable for spanning multiple genres. Indeed, it won both the fiction and non-fiction prizes, and Boochani has collected \$1,25,000.

The process by which the book reached the printed page is as amazing as the author's versatility. Punched out on a mobile phone in a series of messages in Farsi, it was translated by the academic Omid Tofighian at the University of Sydney. Not only is the author a stateless citizen from another continent, his work was transmitted across geographies, from Manus Island in Papua New Guinea to the heart of Australian academia and global publishing in English.

For at least half a decade, the global refugee crisis, fuelled by lakhs of people fleeing war, political violence and economic upheaval, has tested the humanity of nations. In that time, the migrant and the refugee have come to represent the face of globalisation far more powerfully than any multi-national CEO. Now, an asylum-seeker has won a lucrative prize and found his place among the literary greats of the world, completely erasing the distance between the refugee and the global entrepreneur. But the irony remains: Australia's latest man of letters cannot set foot on Australian soil.

A Kamdhenu budget



PRATAP BHANU MEHTA

Like the divine cow that fulfils all desires, this budget is an exercise in miracle making. But there are no miracles

THE UNION BUDGET was presented against two anomalous circumstances. In the absence of the Economic Survey, and increasing doubts about what official GDP statistics mean, there was a less clear analytical context for the budget. Broadly speaking, the macroeconomic story in terms of inflation, current account deficit, and budget deficit looked stable on the surface. But the sense of underlying pessimism occasioned by the agrarian crisis and uncertainty over job creation was bound to cast a shadow over budget priorities. This sense of crisis is compounded by the political context. The budget comes barely weeks before the election. There is competition and one-upmanship on announcing new support schemes for a range of social groups. Given the Congress's ambitious welfare announcements, it was widely expected that the government would respond in kind.

This was not just a budget: It was an election manifesto, and a tepid one at that.

In a curious way, this budget is not a triumph of the NDA as much as it is a moral victory for the UPA. This triumph is symbolically marked by one scheme: MGNREGA. The Modi government had come to power with a view that a scheme like the MGNREGA would be rendered irrelevant by Modinomics. The MGNREGA has been, for the BJP, a symbol of all that was wrong with the economy: The need for the MGNREGA was a sign of a larger economic failure, its presence distorted markets, and the solution was to do away with rural distress altogether. If we judge the BJP by its own yardstick, the fact that it ends the year with an increased allocation to the MGNREGA symbolically marks its own admission of failure. It is the visible totem of the fact that in terms of enhancing rural incomes, it broke no new ground.

It is also striking that years after economic reform, changing underlying economic sentiment is still so dependent on wider-ranging budgetary measures. The mantra seems to be: The way you change economic sentiment is by providing something for everyone, through budgetary means. So everyone — farmers, workers, middle classes, soldiers, home owners, small businesses — needs to be given something. And this should be done

The power of the Opposition is palpable in the embrace of a new paradigm of welfare: Direct cash support schemes of all kinds. Normatively, there is a powerful case for the two major schemes the government announced — a pension scheme for the unorganised sector and direct cash assistance to small farmers. But the latter seems like a hurried response to the Congress's minimum income guarantee scheme, without thought for the overall welfare architecture into which this will fit. There will also be lingering concerns about targeting. A pension scheme for informal workers is warranted. But do we have the income data to ascertain informal workers earning less than Rs 15,000 a month?

in a way that there is no pain to anyone: No rollback of wasteful subsidies, no hike in taxes and so forth. The political attractiveness of an all gain, no pain budget is understandable, particularly for a government that inflicted so much needless pain in the form of demonetisation. But this cannot be a sustainable paradigm for a successful budget.

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Will the budget help the government regain control of the political narrative? It depends on how credible you find its narrative. It is interesting that the budget speech began by framing the reform narrative as an assault on crony capitalism: Transparency on NPAs, the IBC code and others were touted as measures that would clean up the allocation of capital in India. But these claims come against the backdrop of more than a measure of suspicion that the government's real quarrel with the RBI occurred precisely at the moment it was doing a clean-up job and the credibility of all investigative agencies is in tatters. The government, not unjustifiably, hopes that a slew of tax collection reforms — rationalising GST, making income tax offices assessee friendly, reducing intermediaries — will make India a nation of tax payers.

This is a sensible direction. But it is also offset by the question of credibility. Will the cash transfers and sops help? So here is the nice secret every voter knows. Now that they have been announced, it is hard to imagine any government rolling the cash transfers back without replacing them with something more substantial. These are the schemes elections give us, not particular governments. Like on reservation, all political parties will score a draw on social sector schemes.

The government hopes to revive the construction and real estate sectors, but after mismanaging the sector, albeit with the good intentions of cleansing it. But, finally, there is the deepest credibility crisis of all: The crisis of numbers. The revised GDP figures are showing an 8.2 per cent growth in the year of demonetisation with impressive agricultural growth. With that kind of growth, what is the cause of such widespread distress in the first place? Even this budget will assume a nominal growth rate of close to 12 per cent. Is that number achievable?

In a democracy there is nothing wrong in a budget being politically responsive. In the case of this budget, there is a question, however, of whether it is proper to use a budget barely weeks before an election to tie the hands of a future government by announcing big ticket commitments. This budget has an air of desperation about it. But the abiding question for India is: Is it condemned to these ad hoc welfare interventions or can it think of a welfare architecture that is more meaningful, credible and sustainable? And what is the long-term growth strategy that underlies it?

Kamdhenu is the divine cow that fulfils all desires. This budget is, in the final analysis, an exercise in Kamdhenu miracle making: It seems to promise something for everyone. But the real secret of Kamdhenu is that there are no miracles. In the end, Kamdhenu gives to those who do the right deeds. But we are in economic territory where an odd combination of desperation and miracle-making has replaced believable economic stories.

The writer is vice-chancellor, Ashoka University. Views are personal



AJAY VIR JAKHAR

WHY FARMERS DISBELIEVE

Losses to farmers are far more than can be addressed by Budget 2019

IN LESS THAN a hundred days from now, the country will be deciding the fate of Prime Minister Narendra Modi. The final pre-poll budget of his government was expected to contain announcements to stem the angst arising out of the bleak rural landscape. The distress in rural India is on the verge of becoming a maelstrom that threatens to suck in the entire country.

After four years of slogans and promises not delivered, farmers have stopped believing in miracles. It has been a long time since they have experienced any.

Ever since the grandiose announcement in 2016 of doubling farmers' incomes, the real incomes of farmers have actually fallen. The data confirms this. It rarely happens that the growth of gross value added for agriculture at current prices is not more than what it is at constant prices. Agriculture prices have remained below the rate of inflation of between three and four per cent. This is possibly the third time that this has happened since India became independent.

The PM Kisan Samman Nidhi scheme is a progressive measure to transfer Rs 6,000 a year, amounting to Rs 75,000 crore, to farmers owning up to five acres of land, which will act as a stimulus for the rural economy. Sadly, it excludes tenant farmers and landless labour. Even if it did include them, it would have been challenging to identify each one

The PM Kisan Samman Nidhi scheme is a progressive measure to transfer Rs 6,000 a year, amounting to Rs 75,000 crore, to farmers owning up to five acres of land, which will act as a stimulus for the rural economy. Sadly, it excludes tenant farmers and landless labour. Even if it did include them, it would have been challenging to identify each one and quantify their numbers.

and quantify their numbers. It can be done by registering them, but that requires a firm commitment and a longer period of time to implement.

The doubling of interest subvention for crop loans, two to three per cent subvention for animal husbandry and fisheries, two to three per cent for timely repayment of rescheduled loans to farmers impacted by natural calamity, are welcome steps. But one had hoped that interest subvention would be extended for farmers' term loans. Income-tax benefits should have been extended to animal husbandry and fisheries by classifying them as agricultural income. Alas, these measures were overlooked. The net loss to farmers over the last few years is far more than that which can be compensated by better announcements made in Budget 2019.

Funding for cows through the Rashtriya Gokul Mission and the Rashtriya Kamdhenu Aayog is good. But on the ground, farmers are busy chasing the stray cattle from their fields and would have been happier to get a subsidy for fencing of farm lands.

The big questions are: Will this budget create jobs? Will it increase fruit and vegetable processing? Will it transform livelihoods? I think not. It is more like using band-aid where surgery was required. The finance minister, without acknowledging government mistakes made over the past four years,

tried to assuage the feelings of distressed sections of society that government policies have economically decimated.

This is a pivotal moment in Indian politics. The exodus of farmers to other livelihood options and the increasingly larger share of the non-agricultural component in rural incomes will reduce those dependent on agriculture as the ranks of consumers swell who constantly demand lower food prices. Therefore, this might possibly be the last general election in which farmers can influence the results decisively. For now, the fear of the dissatisfied aspirational generation and the uncertainty of re-election will haunt the members of Parliament in the days to come.

"After the battle was won, they found that the horse ate, as usual, too much hay, and crapped, as usual, all over the landscape." After every election, farmers usually get the same sickening feeling best described in words said under different circumstances by Tom Perkins, the pioneer Silicon Valley venture capitalist. It is worse this time because the feeling exists even before the elections are announced. India is thus witnessing the risks not only of policy failure but of political success.

The writer is chairman, Bharat Krishak Samaj



FEBRUARY 2, 1979, FORTY YEARS AGO

KHOMEINI RETURNS
AYATULLAH RUHOLLAH KHOMEINI returned home from exile to a wildly enthusiastic welcome and declared his anti-Shah revolution will not be complete until American influence is expelled from Iran. "I beg the Almighty to cut the hands of foreigners" to loosen their grip on Iran, the bearded 78-year-old Shiite Muslim patriarch prayed before throngs of followers. Railing against "despotism and colonialism" that he said has perverted Iranian culture, Khomeini said Shah Mohammad Reza Pahlavi "has made the army follow the orders of another country". The movement to oust the Shah's government and establish an Islamic republic

will be successful only "when the roots of colonialism are pulled out", he said. On the flight home from Paris, Khomeini slept on the floor of his chartered Air France jumbo jet.

UP'S JANA SANGH
THE DEMAND FOR the resignation of at least six Jana Sangh ministers by the UP Chief Minister Ram Naresn Yadav seemed imminent. When asked if he proposed to take some action against the two Jana Sangh ministers who have been labelled by Raj Narain as corrupt, Yadav replied: "Time will tell."

CHIPKO STRUGGLE
THE LEADER OF the Chipko movement,

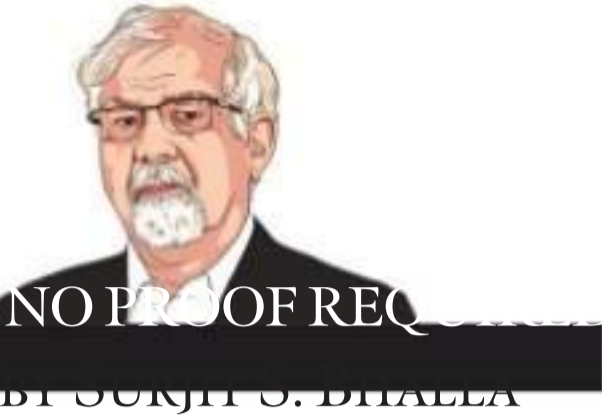
Sundar Lal Bahuguna, gave up his 24-day fast after a telegraphic assurance by UP CM Ram Naresn Yadav, that felling of trees at Badyargad and other hill villages was being immediately stopped. Yadav also expressed willingness to meet JP with Bahuguna to discuss the issue.

CMS TO MEET CHARAN
FIVE CHIEF MINISTERS representing "kisan interests" are likely to meet Deputy Prime Minister Charan Singh. Devi Lal, Parkash Singh Badal, Bhairon Singh Shekhawat, Ram Naresn Yadav and Karpooori Thakur are expected to request Charan Singh to impart the "kisan touch" to the Union Budget.

15 THE IDEAS PAGE

Tax and expenditure reform — a dream beginning

The hope is that the 2019-20 budget will be the beginning of an overhaul of India's antiquated and corrupt tax and redistribution policies



NO PROOF REQUIRED

BY SURJIT S. BHALLA

FOR AN INTERIM budget, this was a breakthrough. I have been closely involved with budgets for the last 20-plus years — as an outside observer and an active participant in the debates on economic policy. When P Chidambaram cut the top tax rate to 30 per cent in 1997, I hailed it as a dream budget. Today's interim budget is even more of a dream budget. Let me explain.

My concerns throughout have been the following: Do not be a fundamentalist on the fiscal deficit, as most of my fellow economists, and all market participants, have been. For me, the two most important economic considerations for a policy-maker are growth and inflation. From a tax and subsidy perspective, my belief has always been to separate price setting from equity. Translated, that means that the market (sorry, my left-wing friends) should set prices; and by market I mean both domestic and international. The government should achieve its equity objectives through direct benefit transfers. The intent and direction of the interim budget are attempting, and beginning, to meet these objectives.

For the last 40 years, India has followed a misguided policy for alleviating poverty or for increasing food production. In India, we have a saying about the two different paths to touching your nose — either a straightforward way with which you actually achieve the objective; or in a roundabout way (arm around your neck) where it is impossible to even come close to achieving the target. We have followed the old-fashioned corrupt way — food procurement, food distribution via the Food Corporation of India to ration shops from which 75 per cent of the population can access rice and wheat at Re 1 and Rs 2 per kg. Along the way, about 50 per cent of the food that is meant to be distributed to the poor and lower middle class disappears into thin air — that is, into corrupt sinks. The amount of this corruption — Rs 1 lakh crore.

By introducing Direct Benefit Transfer (DBT) to the poor farmer, the government appears to have taken the first steps towards dismantling the 40-year-old corrupt policy of food procurement and distribution. And a highly inequitable one as well. By raising the minimum support prices (MSP) like this and as previous governments have done, only the rich, upper-class farmers are really helped. The Narendra Modi government bought into the false policy of raising the MSP to farmers as a way of solving the farmer income problem. They (the policy-makers) have been taught the first important lesson of Econ 001 — supply and demand determine the price, not the dictate of a bureaucrat or a left-intellectual, however well-intentioned she might be.

Econ 001 will also teach you that the market setting of the price does not solve the desirable objective of a "fair" distribution of income. That is where a negative income tax first mooted by Milton Friedman in the late

1950s comes in. DBT is one version of negative income tax. So for all those politicians who think they have just discovered the principles behind basic income, please read your Econ 001 history books. Indeed, the general concept of basic income was first articulated (and practised and failed) in England in the late 18th century. Incidentally, the failure was due to DBT being tied to the price of bread! Approximately the same reason why the MSP system is (thankfully) failing.

The DBT, as presently announced, is a transfer of Rs 6,000 a year to poor farmers (those cultivating less than 5 acres). The target is 120 million small farmers, and total expenditure, therefore, is Rs 72,000 crore a year. For an attempt to arrive at a basic income transfer policy for all poor residents of India, and poor defined as those consuming less than PPP \$3.1 per person per day (approximately Rs 1,800 at present prices), see my joint research article with Karan Bhasin (ssbhalla.org/paper/towards-a-targeted-basic-income-policy-for-india). In the paper, we recommend a transfer of Rs 520 per month for the rural poor and Rs 630 per month to the urban poor.

The second component of the new dream budget is the policy on tax rebates for those earning less than Rs 5 lakh a year. The policy is strictly one of tax rebate, not an increase in exemption limit. If an individual earns Rs 5 lakh, she will have to file a return, state that she is

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earning Rs 5 lakh, and owe Rs 12,500 in taxes. This is because there is a 5 per cent tax rate for those earning between Rs 2.5 and Rs 5 lakh. This is then adjusted with the rebate of Rs 12,500 and so she owes zero tax. Why couldn't the government have just raised the tax exemption limit to Rs 5 lakh? Because then she wouldn't be in the tax net, stupid! That is the brilliance of this policy — you get into the tax net, as you should, so that when your incomes grow, you will contribute to the tax kitty.

Revenue considerations are important, as is equity. Rough, but reasonable, calculations suggest that the government will lose about Rs 25,000 crore of revenue in 2019-20. There will be approximately 25 million taxpayers in the Rs 2.5-Rs 5 lakh bracket, and with an average income close to Rs 5 lakh, the government would have been owed about Rs 25,000 crore.

Total transfer by the government on account of DBT for the poor farmer and the lower middle-class worker is approximately Rs 1 lakh crore. Note that the spending on farmers is three times that of spending on the salaried worker. Note also that this Rs 1 lakh crore is near identical to the present corruption loss of Rs 1 lakh crore due to the operation of the PDS.

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An exercise in populism, propaganda

The interim budget deflects focus from real issues and takes people for granted

THE INTERIM BUDGET of 2019 is a desperate attempt by a government whose tenure ends in mid May, to assuage the anger and disappointment of the people who feel betrayed. Prime Minister Narendra Modi had sold dreams of two crore jobs a year to the youth and promised to double incomes of farmers. Five years later, and having failed to deliver, this budget is a ruse to deflect the focus from real issues. It is an attempt to confuse people with new promises, without giving an account of what was promised in the previous budgets of this government.

At the outset, it is important to place on record the constitutional provisions, parliamentary practice and established precedents on the presentation of budget and the passage of the Finance Bill. The Lok Sabha is elected for a term of five years unless dissolved earlier and the government's tenure in office is limited accordingly to five years. The exception being only if the government loses its majority and the confidence of the House before that.

The present BJP government has presented five full budgets and, therefore, has no mandate to present a budget for the next financial year 2019-20. Article 112 of the Constitution makes it abundantly clear that the budget is an annual financial statement containing the receipts and expenditure for the next financial year. What Parliament can pass will be a vote on account, sanctioning expenditure for the three months beginning April 1, 2019 upto June

30. By then, a new government would have assumed office and presented a regular budget. How, then, can one describe the interim budget document of today? This is an exercise in populism, merely a statement of wishes and political propaganda. This will become infructuous and irrelevant when a regular budget is presented in June.

Today's document also conveys confused thinking, bad economics and takes people for granted. It has no ring of sincerity and is a fictional account of the government's achievements in five years, which are contradicted by facts and reality. Let us look at what is promised to our people. Farmers will be given Rs 6,000 in a year as income support, which translates to Rs 17 a day. India is confronted with acute agrarian distress and a large number of indebted farmers have committed suicide in recent years. If the government was sensitive to farmers' plight, why did it wait for four years and nine months to announce this measure? It is too little and too late.

The claim on MSP at one-and-a-half times the cost of production too is false and denies the market reality; farmers are forced to sell well below the MSP. The exports of farm produce, which were booming in 2014, have also crashed. Prime Minister Modi needs to be reminded that his government has not made India self-sufficient in food production; it was achieved by the "Green Revolution", which was launched when Indira Gandhi was the prime

minister. The claim on social security for 10 crore workers in the unorganised sector is fallacious and boastful. In 2014, the "Atal Pension Yojana" was announced for five years assuring monthly income from Rs 1,000 to Rs 5,000, with the government contributing 50 per cent of the annual premium. What is now proposed is a marginal increase in government's contribution. The question arises if Rs 3,000 can provide adequate social security for a 60-year-old worker? It is well below minimum guaranteed wages and not enough for sustenance.

The budget has paid only lip service to the creation of jobs and is brazen in its denial of the unemployment crisis — unemployment stands at 6.1 per cent, the highest since 1971. India is not creating jobs despite the boastful claims of the government. Tens of millions of jobs have been destroyed by demonetisation and the hasty imposition of a flawed GST. CMIE's latest report informs that in 2018, 1.10 crore (11 million) jobs were lost. Mudra loans are not a panacea as the loan average to the beneficiaries comes to a mere Rs 23,000. Acting finance minister Piyush Goyal's words — "jobs seekers have become job creators" — is an insult to the unemployed youth.

The interim budget promises to create a lakh digital villages by 2024. Remember, in 2015, the government had promised broadband connectivity in 2.5 lakh villages by 2016, which was then pushed to 2017 by minister

Ravi Shankar Prasad. Now in 2019, there is complete silence on the topic.

The BJP government's propaganda machine works overtime. It has mastered the art of fudging data and inflating numbers denting the very credibility of India's national data. Investments and industrial production have fallen sharply, credit offtake to the industry is at a record low, merchandise exports have declined since this government assumed office and may not even reach where they stood in May 2014. We are not creating jobs or establishing new factories: "Make in India" is just a slogan.

Ironically, the government has now announced a Mission 2030 assuming it will remain in office until then, and of making India a \$3-trillion economy. To achieve this, the Indian economy will have to grow at 10.5 per cent for 10 continuous years.

What is promised to the farmers and workers cannot be operationalised in 45 days beginning April 1, when India will be in the midst of elections. Prime Minister Modi has a penchant for catchphrases: Stand up India, Start up India, Skill India, Khelo India, Make in India and Digital India. The economy is on a treadmill and the government is busy talking, advertising and making boastful claims.

The writer is the deputy leader of the Congress in the Rajya Sabha and a former Union minister of commerce and industry

WHAT THE OTHERS SAY

"China and the US couldn't resolve all the disputes. But the consensus between the two countries' leaders has provided the political and strategic momentum to overcome differences." — GLOBAL TIMES, CHINA

No budget for farmers

Direct income support for farmers is too late, too little



FROM PLATE TO PLOUGH

BY ASHOK GULATI

THE HOPES OF farmers for a meaningful package from the Modi government have evaporated after the announcements in the Union budget. The proposed Rs 6,000 annual direct income support to small and marginal farmers is a drop in the ocean. States like Telangana and Odisha have done much better with their Rythu Bandhu and Kalia schemes respectively. After the drubbing in three state elections, one was hoping that the NDA government will take major steps towards helping farmers. The Modi government had a golden chance to compensate farmers for their losses due to low prices. But that chance is lost. On the contrary, the middle-class got better income tax sops through raised exemption limits, which only shows a clear bias in policy that implicitly discriminates against farmers.

The macro-economists and bankers may be happy that the damage to the fisc has been contained and no loan waivers announced except enhanced interest subvention on loans. It must be seen that this Rs 72,000 crore as direct income support to farmers is nowhere near the annual loss of about Rs 2,65,000 crore that farmers have been suffering in recent years because of the low prices they have received due to restrictive marketing and trade policies. Until major marketing reforms are initiated, there is no hope of doubling farmers' real incomes by 2022-23.

The enhanced interest subvention only leads to diversion of funds from agriculture to non-agriculture uses. There is ample evidence that in some states agri-credit is even more than the value of agri-output! So, this scheme of interest subvention needs to be re-viewed. The real need is to expand the reach of farmers to institutional credit. The Kisan Credit Card (KCC) was an innovative policy of the Vajpayee government, but the latest survey of NABARD on financial inclusion (2015-16) shows that only about 10 per cent of farmers are using these cards. One needs to understand the constraints and find solutions to expand and deepen its coverage.

The schemes for cow protection and upgrading their breeds and having a separate outfit for fisheries are steps in the right direction, but they cannot make any difference to the current problems faced by farmers. It will take years before any of these schemes can deliver. Increasing milk production, without its pricing being competitive and remunerative to farmers,

may not do much benefit to farmers.

So, who will the farmers go to now? They may look at what the Congress or a third party promises, and delivers, on the farm front. Congress president Rahul Gandhi's mantra of loan waiver may appeal to many, but even that will help only 30 per cent of the peasants. He has also announced that, if voted to power, his government will announce a minimum income for the poor.

But how much of India's population is poor? There is no robust figure from the government side in the last five years. Following the Tendulkar poverty line, the previous government had come up with an estimate of about 22 per cent poverty in the country in 2011. It was contested by many and later, the Rangarajan Committee had put it at 30 per cent. The World Bank's poverty clock puts it at 5.5 per cent. Even if one thinks that roughly one-fifth of India needs income support — say Rs 5,000 per month — the bill will amount to about Rs 3.5 lakh crore. It is doable if the food subsidies and MGNREGA are drastically pruned and targeted to this bottom 20 per cent of population. Food subsidies and MGNREGA are costing the government more than 2.2 lakh crore, and a sizeable part of this is either lost in leakages or is not utilised productively.

Similarly, fertiliser subsidies can also be made through direct income support to farmers even those with holdings up to the size of four hectares. Gradually, the states can be encouraged to put even power subsidy through direct income transfer and charge the market price for power, recovering at least its cost of supply. These can then be fundamental reforms, switching from the price policy approach to income policy approach, for helping the small and marginal farmers and poor consumers. If the Congress or the Third Front can do this, it will be good economics and good politics. The Modi government has frittered away that opportunity, which may extract a political price. The stray cow menace in several states, especially UP, and rising cane arrears, which may cross Rs 12,000 crore in UP alone, can inflict pain on the NDA when it seeks re-election.

The current problems of the peasantry are not on the supply, but on the demand side; it is about low prices. The NDA's much touted formula of 50 per cent margin over cost A2+FL has failed miserably. The Bhavantar Bhugtan Yojana (BBY) in Madhya Pradesh did not succeed and the BJP lost assembly elections in three states.

The NDA decision to risk its second term makes the game easier for Rahul Gandhi, who has already promised some minimum income for the poor. Depending on how big it is, when it is delivered, and how, we will know if it acts as a pre-emptive (or surgical) strike on the Modi government.

The writer is Infosys Chair Professor for Agriculture at ICRIR

LETTERS TO THE EDITOR

BEYOND UTOPIA

THIS REFERS TO the article, 'For the farmer, things to do' (IE, February 1). The government should accord the highest priority to addressing the agrarian crisis, as suggested by the article. There are talks about increasing agricultural productivity, giving farms access to market, a law to deal with indebtedness, credible and exploitation-free marketing system and subsidised inputs and stable incomes. But these measures seem utopian because the actual issue pertains to the implementation of these steps. Instead of using the distress on farms as a ruse for competing populist election agenda, the need is to adopt an holistic approach towards omnibus approach towards improving the situation of the farmer. Divya Singla, Patiala

PRIYANKA'S CHANCES

THIS REFERS TO the article, 'A stirring in the East' (IE, February 1). The Congress remains a fringe player in the politics of the most populous state in the country, which revolves around the SP, BSP and BJP. By sending Priyanka Gandhi to Eastern UP, the Congress has pitched her directly against both the prime minister and the state's CM — both have won Lok Sabha polls from the region. Though Priyanka may not be able to restore the fortunes of her party, she can definitely spoil the prospects of the SP-BSP alliance and the ruling BJP. She has so far restricted herself to her mother and brother's constituencies, so Priyanka will have to dig deep into the politics of UP and prove that she can be a serious contender in future. Bal Govind, Noida

LETTER OF THE WEEK

TEMPLE TACTICS

THIS REFERS TO the editorial, 'Wait for the court' (IE, January 30). With the Ram Janmabhoomi case currently being heard in the Supreme Court, the government's request to the apex court to transfer the surrounding undisputed land to its "rightful owner" (Ram Janmabhoomi Nyas) is mischievous. The government wants to show placate the growing cries of Hindu fundamentalists for a grand temple at Ayodhya. Stirring the Ram temple cauldron at a time when the government has miserably failed on the economic front will not work for the BJP in a 21st century, progressive India. Vipul Pande, Nainital

DEMOCRACY IN PERIL

THIS REFERS TO the editorial, 'Whose data' (IE, January 31). The Union government's continuous intervention in the data released by multiple institutions, most recently the National Sample Survey, has produced two grave consequences. One, the autonomy of institutions has come under threat and two, question marks have been understandably raised on the veracity of the data itself. These do not augur well for a democracy. Nirmal Kapadia, Gandhinagar