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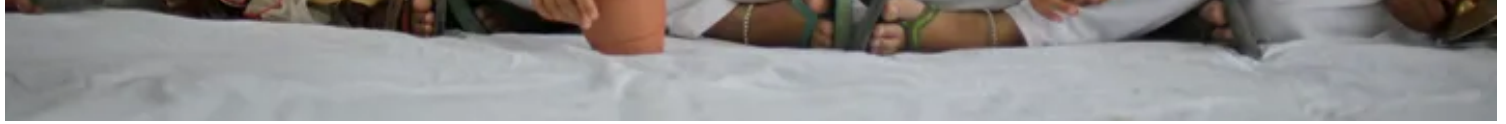
Too Late For Quick Fix, Farm Crisis A Lesson For Next Government

Expert Says Modi Government's Agriculture Policy Was "Business As Usual" Before Defeats in State Polls Last Year

By Akshay Deshmane

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ASSOCIATED PRESS Children of farmers who committed suicide during a protest in New Delhi in July, 2017. Their campaign was for demanding better prices for farm produce and relief from debts. Placards on the left read, "Suicide is no solution to any problem" and those on the right, "Give farming industry status".

NEW DELHI —Nearly a fortnight after the ruling [BJP](#) lost all three assembly elections last month, Prime Minister [Narendra Modi](#) held a [meeting with senior members of his cabinet](#) to discuss possible sops for farmers which could be declared and implemented before the 2019 Lok Sabha election. Since then, there have been intense discussions [within](#) government and among wider policy circles about possible solutions for agrarian distress as well as multiple problems of the rural economy.

Bharat Ramaswami, Professor of economics at the Ashoka University, believes that, over much of the Modi government's tenure it "seems to have not been alive to the fact that what's happening in the farm sector could be an electoral challenge." It woke up only after the losses in assembly elections in the Hindi heartland states in late 2018 and six months before the Lok Sabha election. In this, Prof. Ramaswami believes, there is a "lesson to the next government" that it should not look for solutions to such complex problems in the last six months of its term. Speaking on the sidelines of a seminar at Brookings India, Prof. Ramaswami also said that, "rural wages have not done very well. And this is partly a reflection of poor agriculture economy, in general. This government has not emphasised enough programs like MNREGA which create incomes at the bottom of the pyramid."

Edited excerpts from the interview:

We are speaking in a context in which rural India and agriculture are yet again in the headlines. They are also getting attention in [government policy](#) which is being intensely

debated in light of results of the recent state elections and farmers' protests. Do you expect any positive, medium-term solution to come out of the current discourse or some quick-fix for all the problems being discussed?

Well, the positive thing that I am looking forward to is that perhaps this would be a lesson to the next government that comes in, of whichever dispensation it is, that, "Let's not look for a solution to the complex problems in last six months of our term but let's start right at the beginning."

And these intense deliberations that you are talking about within the government and outside...there will always be competing voices. On the one hand, the demands of competitive politics would mean that we want instant solutions and then there will be other voices which will be preaching caution and which will talk about the medium term and long term solutions. Right now, perhaps, the government may not think it can afford to listen to these things. But I do hope that once they are brought up, they are on the table, that the new government will learn and say, "Ok. Let's get moving and let's act on this."

So do you believe that this government has not done anything in the past four and half years to address issues relating to agriculture and rural India?

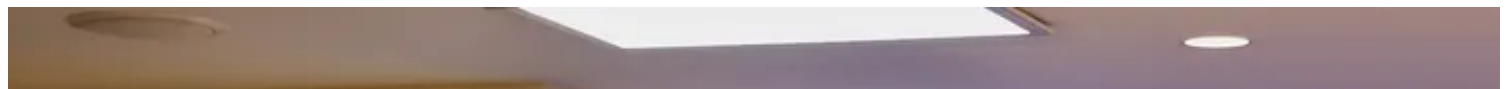
It seems to have woken up to this problem at this point. It seems to have not been alive to the fact that what's happening in the farm sector could be an electoral challenge but it has now woken up to it. Now, there has been agriculture policy going on in terms of business as usual scenarios and this has happened not just with this government but previous governments as well. It's just that this government couldn't even complain that it has been unlucky because what it has seen is in the last three years, this slump in prices, some of it is self-inflicted because of demonetisation; and only some of it because the world prices have fallen. We know that good things or bad things—often they are not earned, they just

happen and so every government has to be prepared for it.

Based on multiple reports in the public domain, there are [two-three options](#) that the government is looking at in terms of quick fixes for the problems of the farm sector. One is, obviously, [interest free loans](#) and another is to do with income support. Loan waiver, it seems, has been more or less discarded. Which one, from among these options, makes the most sense to you as a quick-fix?

Income support is the best of the lot. In terms of Direct Benefits Transfer. I must push back against the idea of interest free loans because the access to institutional loans is still very limited so it will not benefit a lot of people but income support to all those who own land can reach a lot of people even though it will not help agriculture labour. But I am in favour of it for the reason that the current policies of providing subsidies have outlived their utility and they are now damaging the agriculture economy. So income support can reverse these losses and set the sector on a more dynamic path.

However, for this to be true, some of the really distortionary policies should be withdrawn. Two policies that I would like to single out are power subsidy, because it is very damaging to our environment and threatens our future income growth, it's not sustainable at all. And the fertiliser subsidy, which is very opaque, and we don't really know who gains how much from it. And so I think both these things need to be restructured in terms of direct income support. There is no doubt that agriculture is getting a bad deal on many counts even if it is getting free power so the important issue in all of these things is that we must progress on multiple fronts; there is no one simple solution and I really hope that the government will be alive to all this so that it takes a view that is focused on farmer welfare as well as on the most efficient ways of providing support.





Professor Ramaswami believes that the income support idea being considered by the Modi government could "set the sector on a dynamic path" if power and fertiliser subsidies were "restructured in terms of direct income support".

In your presentation, a lot of emphasis was there on sustainable income growth for farmers. Could you elaborate how that could be achieved?

By sustainable income growth we mean growth in incomes without repeated subsidies. So the idea is that there are some sectors in the economy that are growing rapidly. A lot of them are outside agriculture. There are also some sectors which are growing rapidly within agriculture. For instance, milk or livestock or horticulture. The idea is that labour and employment should move from sectors such as rice and wheat, which are not growing rapidly, to the sectors that are growing rapidly. That's where they will find employment opportunities; that is where incomes will grow and the economy grows. So this is no different from a company deploying resources to activities that are growing rapidly.

So, how do you assess the Doubling Farmers' Income initiative of the Modi government?

I would not judge a government by its outcome because these will take a long time to

fructify. If you want to see (the impact of) the right policies, we will have to see it over a period of five to ten years. What you have to judge it is by the coherence of its policy agenda. So the thing is that when we talk about doubling farmers' income, one component of it will have to be some amount of subsidy, but not huge. Because that cannot double farmers' income; subsidies cannot alone do it for sure. The other way is that they will have to facilitate and create a pathway for farmers and labour to migrate to more lucrative options. And have they been able to do it coherently is the question.

If you see the budget pronouncements every year, they have something for it. But it does not seem to be informed by a coherent worldview. What are our binding constraints which prevent this migration of labour to these other activities and let's address them one by one; that's what is missing.

“Rural wages have not done very well. And this is partly a reflection of poor agriculture economy, in general. This government has not emphasised enough programs like MNREGA which create incomes at the bottom of the pyramid.”

I would also like to know what you make of the government's record on rural wages. An RBI study last year said rural wages have seen a [sharp fall](#) since 2014. What reasons would you attribute for the extent of this steep fall?

Rural wages have not done very well. And this is partly a reflection of poor agriculture economy, in general. This government has not emphasised enough programs like MNREGA which create incomes at the bottom of the pyramid. And I think that's very important not only because of the direct income support it gives to these households; what it does is it stimulates the consumption of these households. And the consumption of these households is directed towards food. It's directed towards vegetables, milk...their consumption of these items is much below what it should be. So if we would have done it that way, it would have not only given them direct support, it would have also boosted consumption and, therefore, demand of these things and farmers would have also benefited.

But then the government says it has increased allocations to [MGNREGA](#). So how can you say MNREGA is ignored?

If you talk to states, they will say it may be available for them on paper but it's never available for them to withdraw those funds. So there is a gap here between what is on paper and what operates on the ground.

CMIE Data estimates that [eight million jobs](#) have been lost in rural India in 2018. What do you make of this?

Yes, the numbers are staggering. But I don't know the CMIE data very well so I don't want to comment on it. But it's very disturbing if it's true. What I will say is this: i think it is quite striking that between 2014 when this government took over and, up to this time, early 2019, there has been no authoritative study on employment that has been released by this government. I think it is quite shocking by itself. There is complete silence. We don't know what's going on. If we don't have good records, good data, I don't know how a government can claim that it is in touch with reality. It's just not possible. Maybe they know but they are

not sharing it with us. So, we have no way of assessing this. The default position is we may have to believe the CMIE. Because that's the only survey that's being done.

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