

# Too bad to swallow

The food subsidy bill forces states into mindless adherence to a Central formula. We should trust our federal polity to use money in imaginative ways.

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March 16, 2011 02:30 IST

The National Advisory Council (NAC) has now sketched out the contours of a national food security bill. The goal is worthy: Protecting all children, women and men from hunger and food deprivation. To some, the bill might appear utopian. The truth is worse. The bill reminds us of John Stuart Mills denunciation of a government policy of his day: What is commonly called Utopian is something too good to be practicable; but what they appear to favour is too bad to be practicable.

Much of the debate about the food security bill has been about the proposals for the PDS. Is it really necessary for coverage to be near-universal? And why is it important that food subsidies be distributed only through the PDS?

The evidence on both these questions is unusually clear-cut. The data is unambiguous that targeting methods (introduced in PDS in 1997) have excluded most of the poor. While better methods might be found, it is also clear that these would not be accurate either. If all of the poor are to be counted in, it would be far better to exclude some obvious categories such as income-tax payers, vehicle-owners and large landowners and to offer subsidies to the rest.

With regard to the second question, there has been about two decades of research on quantitative assessments of the efficiency of the PDS. The research is remarkably consistent in showing large illegal diversions of subsidised grains to the open market. In addition, numerous case studies have shown that even when the poor possessed the ration cards, they face problems with respect to the low quality of grain, unpredictable availability and irregular hours of operation of the PDS shops. It is no wonder, therefore, that many poor households do not use the PDS even when they have the necessary entitlement.

The response of the NAC to the demonstrated failure of the PDS is to repose more faith in it. Make entitlements legal, have grievance redressal officers with wide powers, hand over fair price shops to community institutions, put in mechanisms for community monitoring and social audits and use technology to computerise the PDS distribution chain. A handful of

states have indeed made the PDS work on the back of such reforms. However, legislating that PDS should work all over India just as in Chhattisgarh or Tamil Nadu ignores the state specificities that made them successful and also completely discounts the possibilities of alternative models that other states might come up with.

Indeed, an equally valid response would be to conclude that the PDSs failure is systemic and that the proposed PDS reforms will not work. Most states already have provisions for stringent policing and for the involvement of community institutions in managing and monitoring fair price shops. Yet, little has been achieved except to enlarge the set of players that need to be placated. Community institutions are not exempt from capture by dominant caste groups (often allied with the PDS dealer). Therefore, adding more layers of bureaucracy, whether from the government or outside it, will not help.

The NACs unshakeable faith would perhaps be somewhat comprehensible if there were no alternatives available. This is not so. The world over, social programs have made dramatic progress with direct cash transfers. Here the subsidy is directly transferred to the consumer who uses it to buy food (and not necessarily just rice and wheat). In India, financial inclusion programmes in Bihar and Rajasthan are based on this model of direct transfers. It is stunning, therefore, to find out that the NAC draft bill makes no space for such programmes.

We do not claim to know that direct transfers will solve all problems. Nor are we sure that it can fully supplant the PDS. However, we do know that wise policy-making requires experimentation and adjustment. It is not inconceivable that within this decade, technology would allow us to deliver subsidies seamlessly through direct transfers. What is truly deplorable about the NAC draft is that it freezes the future and disallows adaptation to such possibilities. We hardly need to point out that modifying obsolete and outdated legislation is an immensely slow and cumbersome process.

The Central government does not and cannot deliver food subsidies. For this reason, successful interventions have happened at the initiative of state governments mid-day meals, cheap rice, universal access, supply-chain computerisation. The food subsidy bill should not restrict potential innovations by states because of mindless adherence to a Central formula. The food subsidy bill should be rewritten to confine itself to norms regarding coverage, entitlement and its financial equivalent and grievance mechanisms. States should be allowed to make subsidiary laws and administrative notifications. The bill should trust India's federal polity to use the financial commitments of the bill in imaginative and appropriate ways. The top-down approach does not speak well of the NACs claim to speak for the poor.

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First published on: 16-03-2011 at 02:30 IST