

# Food Security Act: Economists letter to Sonia Gandhi

## Synopsis

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May 31, 2011

*Dear Smt Gandhi,*

We, a group of academic economists, are writing to you about the proposed National Food Security (NFS) Act legislation that is of profound importance to India's economy.

We believe that it is appropriate that India pursues the goal of genuine food security for all through a law that guarantees a minimum transfer to every adult except a small subset of the most affluent who are easy to identify (only income-tax payers, government employees and owners of motor vehicles and landed property worth more than 10 lakh should be excluded.) Experience has shown that any less inclusionary programme inevitably leaves out large numbers of poor people and thus defeats the goal of food security. Moreover, the inclusion of the "middle classes" creates a body of relatively empowered citizens who will protest whenever the benefits stop coming.

However, expanding coverage to a majority of the population through the PDS is problematic. More than two decades of 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. Many poor households do not use the PDS even when they have the necessary entitlement.

It is vital, therefore, to not only consider comprehensive reform of PDS but also to actively and urgently explore alternative models of subsidy delivery. For instance, it is very likely that in the very near future, technology and infrastructure may allow us to deliver subsidies seamlessly through direct transfers whether in terms of food stamps or cash.

We wish to stress that while the theoretical case for direct monetary transfers (indexed to food prices) is quite strong, we are not advocating an immediate switch-over to such a system. We believe that experimentation with alternatives will provide us the evidence to expand whichever system is shown to work the best.

Accordingly, we urge you to draft the **National Food Security Act** in a way that would (1) provide an entitlement to a fixed basket of food or its monetary equivalent to all but the richest individuals, and (2) permit alternatives to the public distribution system for delivering this entitlement. The method of delivering the subsidy should be left open to change as the available technology and the associated infrastructure change.

Sincerely,

Dilip Abreu, Princeton University;

Farzana Afridi, Indian Statistical Institute, Delhi;

Pulapre Balakrishnan, Centre for Development Studies, Thiruvananthapuram;

Abhijit Banerjee, Massachusetts Institute of Technology;

Sangeeta Bansal, Jawaharlal Nehru University, Delhi;

Pranab Bardhan, University of California, Berkeley;

V Bhaskar, University College, London;

Sukanta Bhattacharya, University of Calcutta;

Archishman Chakraborty, York University;

Satya Chakravarty, Indian Statistical Institute, Kolkata;

Amrita Dhillon, University of Warwick;

Anil B Deolalikar, University of California, Riverside;

Chandras Deshpande, **Maharashtra Economic Development Corporation**, Mumbai;

Bhaskar Dutta, University of Warwick & Indian Statistical Institute, Delhi;

Mukesh Eswaran, University of British Columbia;

Maitreesh Ghatak, London School of Economics;

Chetan Ghate, Indian Statistical Institute, Delhi;

Parikshit Ghosh, Delhi School of Economics;

Ashima Goyal, Indira Gandhi Institute for Development Research, Mumbai;  
Sumeet Gulati, University of British Columbia;  
Tarun Kabiraj, Indian Statistical Institute, Kolkata;  
Ashok Kotwal, University of British Columbia; Amartya Lahiri, University of British Columbia;  
S Madheswaran, Institute for Social and Economic Change, Bangalore;  
Anandi Mani, University of Warwick;  
Debasis Mishra, Indian Statistical Institute, Delhi;  
Manipushpak Mitra, Indian Statistical Institute, Kolkata;  
Dilip Mookherjee, Boston University;  
Anirban Mukherjee, Globesyn Business School, Kolkata;  
Sharun Mukand, University of Warwick;  
Karthik Muralidharan, University of California, San Diego;  
Rohini Pande, Harvard University;  
Bharat Ramaswami, Indian Statistical Institute, Delhi;  
Debraj Ray, New York University;  
Ranjan Ray, Monash University;  
Tridip Ray, Indian Statistical Institute, Delhi;  
Shubhro Sarkar, Indira Gandhi Institute for Development Research, Mumbai;  
Arunava Sen, Indian Statistical Institute, Delhi;  
Rajiv Sethi, Barnard College, Columbia University;  
Sudhir Shah, Delhi School of Economics;  
E Somanathan, Indian Statistical Institute, Delhi;  
K Sundaram, Delhi School of Economics;  
Sandip Sukhtankar, Dartmouth College;  
Vandana Upadhyay, Rajiv Gandhi University, Itanagar;  
Wilima Wadhwa, Indian Statistical Institute and ASER Centre, Delhi.