

HOLE IN BUDGET

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MUCH HOPE LIES IN THE political impact of writing off loans of farmers. There is doubt whether this will deliver. The Government had similarly written off loans of farmers two decades ago under the leadership of Choudhary Devi Lal. That measure did not beget votes then. Perhaps the contradiction is not yet clear. The Finance Minister has promised to double the flow of credit to farmers in the next two years. He has told the increase in such flow of credit as a major achievement of the Government. More flow of credit means that farmers are burdened with more loans. The Finance Minister is increasing the indebtedness of the farmers and telling this as a major achievement. On the other hand, the Finance Minister is writing off debt of the farmers also telling this as a major achievement. If debt is good, then there was no need to write off the same. If debt is bad, then there was no need to double the same. The Finance Minister is like a doctor who gives iron tablets to the patient to increase his blood count only to extract more blood from his veins. He wants to keep the farmers locked in the vicious cycle of more loans, more debts, more loss and more write offs.

The farmer's problem is that of price of his produce. There was a bumper crop of bajra in Rajasthan few years ago. Farmers were very happy. However, this euphoria did not last. Soon the price of bajra in the market declined from Rs 5.50 per kg to Rs 2.50. It became difficult for farmers to even retrieve the cost of harvesting. For one thing agricultural productivity has continuously improved in the last fifty years, yet the farmer's fate has been downcast. Reason is that the gains from increased production are wiped off by a decline in prices. Strangely, the Finance Minister has not said a word on the need to raise prices of agricultural commodities in his budget speech. This silence is ominous. It indicates that the Finance Minister is interested in keeping farm prices on the lower side, in consequence, the gains made by farmers from write off loans will be small and soon forgotten while loss incurred by them from low prices will be large and perpetual. This policy will not beget votes for the Congress if the opposition can raise the question of declining prices.

There is a positive aspect for the farmers, however. Prices of agricultural commodities had been declining in the last three decades. They have started looking upwards in the last two years. There is a fundamental shift in nature of world agriculture today. Previously agriculture was mainly producing food and fibres like cotton. Less rise in world population limited the demand for these products. Lately, agriculture has become a source of fuel. Corn is being converted into bio-diesel in the United States. This is leading to shortage of this crop for feeding purposes and increase in its price. Brazil is converting sugarcane juice directly into *ethanol*. This is leading to less availability of sugar in the world markets. India is planning to grow *jatropha* on dry lands in a big way. This will lead to less production of bajra and ragi. The diversion of agricultural land to production of bio-fuels is leading to an all-round increase in prices of agricultural commodities. Write off loans will truly provide relief to farmers in this situation. They will be relieved of interest burden and benefit from rising prices. Yet, this may not translate into votes for the Congress because large farmers will benefit

from this price rise while large number of voters will suffer. Small and marginal farmers, agricultural labour and urban people buy their food from the market. They will have to pay higher prices for this. The gain in votes from farmers will be more than nullified by loss of votes from these constituencies. Truly, the Congress faces a dilemma. If it pitches for votes of the farmers and allows prices to rise, then it loses the votes of the poorer workers. On the hand, if it keeps the prices low then it loses the votes of the farmers.

The Finance Minister could have adopted a different policy. He should have allowed the prices of agricultural commodities to rise and first secured votes of the farmers. Then he should have got an increase in wages of the workers and alleviated the pain of high food prices. He could have made a scheme of providing low rates of tax on companies that employ large number of workers. Condition can be imposed on government contracts to do works by manual labour rather than by tractors and excavators. Machines that eat away jobs like harvesters could be taxed highly. Such policies would lead to higher demand for labour in the market and to increase in wages of the workers. Presently, the worker buys wheat flour at Rs 12 per kg and earns Rs 100 in a day. He would have no difficulty in buying wheat at Rs 15 per kg if his daily wages rise to Rs 200 per day. Such a policy would reach benefits of high price to the farmers and benefits of high wages to the workers. Unfortunately, the Finance Minister has not faced this contradiction head on and left the matter to the vagaries of the market. The possibility of a huge increase in prices of food items in the coming months is very much there. This will totally undo the political advantage of write off loans.

The fate of myriads of other pro-poor schemes is likely to be no better. The Finance Minister has increased expenditures on education, for example. This is unlikely to beget votes. The government teachers will benefit more and people less. In a survey of schools in Uttarakhand this writer found that government teachers were paid salary of Rs 10,000 while private teachers were paid only Rs 2,500 per month. Yet only 23 percent of students in Government Schools were able to solve maths questions against 46 percent in private schools. Clearly, education is suffering not from lack of funds but from lack of competition and accountability in government schools. This failure of the Government system is being camouflaged by giving out free mid-day meals. It is as if the Government is providing incentives to students to enroll in Government Schools so that they do not pass the exams. People are disillusioned with Government Schools. Increased expenditures on this will not beget votes. The condition of other schemes like Employment Guarantee and Insurance for the unorganized workers will be no better because they all suffer from the same bureaucratic hurdles. The need was to provide education vouchers to the people that they could encash at government or private schools. This budget is unlikely to beget votes for the Congress if the Opposition raises these issues. □□□