

NOTE

Agenda for the Voter

B J writes :

The voter thinks that he will not be able to influence policies of the government hence he is happy to take the pouch and sari during the elections. This will not do. The voter must realize that the politician wants his vote. If the voter is willing to give his vote for a sari, then that is what the politician will give him. But if the voter demands employment, then that is what the politicians will deliver.

The voter must demand rational economic policies for employment generation. Government must impose taxes on industries that eat jobs. A large number of voters made their living by handlooms at one time. Farmers made a living by weaving in lean seasons. This has come to an end now. Taxes have been reduced on power looms. The scheme to provide subsidized yarn to handloom weavers has been ended. This has led to an increase in the price of handloom cloth. Machine-made cloth made in power looms of Surat is cheaper nowadays. Handloom cloth no longer sells. Indeed, the customer is getting cheap cloth now. But does he have the money to buy it? Cheap machine-made cloth is displayed in the shops but the weaver has no money.

This is the supply side fallacy promoted by the World Bank and other multilateral institutions. They argue that cheap cloth will make cost of living less, give fillip to the economy and the higher level of economic activity will lead to the creation of more jobs. But this does not happen because the loss of jobs in production of machine-made cloth is large while the gain to the economy from availability of cheap cloth is small.

The way forwards is to impose high taxes on power looms. The price of cloth in the market will increase and handloom will again start selling. One lac jobs will be lost in Surat but one crore will be created across the country. Similarly, high taxes on bottled soft drinks will restart selling of buttermilk and sugar cane juice; taxes on readymade garments will revive the jobs of tailors; taxes on excavators will lead to more jobs in laying of cables. The Government will get more revenues from two sources—from higher taxes on domestic machine-made production and higher import duties on foreign goods.

The main argument against this policy is that of global competitiveness. It is contended that high cost of cloth, soft drinks and laying of cables will lead to higher cost of production in all sectors of the economy and price Indian goods out of the global market. This problem is easily solved. The taxes collected from the imposition of high excise- and import duties can be used to give export subsidies. Say, the incidence of these taxes on iron ore exports is Rs 25 per ton. An export subsidy of this amount will then protect exports.

This is the route to the welfare of farmers as well. High import duties must be imposed on palm oil and that money should be used to pay export subsidies on turmeric, pepper and ginger.

The increase in prices of cloth and wheat in the economy will not impact the voter adversely. He would be earning a daily wage of Rs 200 per day against Rs

100 presently. He will easily be able to buy wheat at Rs 20 a kilo. He will also be able to buy health and education from the market with this money and make his pucca house. There will remain no need for the Government to run the large number of welfare schemes. These schemes are ostensibly run to provide relief to the poor but actually serve the middle classes. The huge amount of money being spent on health, education, anganwadi, mother and child care, etc. can be wholly discontinued if the daily wage rate in the economy is suitably increased. The money being spent presently in these welfare schemes should be distributed among all voters-rich and poor equally-in the form of voter pension. Every family may get about Rs 2,000 per month without additional financial burden on the Government budget.

The Government has good intentions in starting the Employment Guarantee Programme. Large numbers of people are getting employment even though for few months in a year. But the programme suffers from two problems. One, it breeds a culture of dependence. The power of market is not tapped for generation of employment. Secondly, the beneficiary becomes dependent upon the Government doles. Nobel Laureate Edmund Phelps has suggested that European Governments should give employment subsidies instead of unemployment compensations. This suggestion should be implemented. The Employment Guarantee Scheme is but a form of unemployment compensation. High taxes on machine-made goods are a form of employment subsidy. Replacing expenditures on Employment Guarantee Scheme with taxes on machine-made goods will eliminate the need for such programmes. It will additionally bring revenues for the Government.

The voter should focus on this demand. Issues like the nuclear deal, insurance reform, Special Economic Zone policy and Foreign Direct Investment policy must be ignored for the time being. Decentralization is also a non-issue. Power still rests with the authority that 'decentralizes' just as authority remains with the Managing Director who decentralizes in favour of the manager. □□□