

COMMENT

WELFARE MAFIA

THE RESULT OF GOVERNMENT-led welfare schemes has not been satisfactory anywhere in the world. And it is more so in India. Soviet Russia built a huge welfare machinery but it collapsed under the weight of luxury and waste perpetrated by the Communist Party officials. Indira Gandhi implemented *Garibi Hatao* programmes the beneficiary of which was the government welfare Mafia rather than the poor. The government schools are today ensuring that few children pass the exams and trapping poor people into substandard education. The government is taxing people to fund a well-orchestrated bureaucratic edifice of welfare. But the targeted beneficiaries do hardly get benefits.

Union Finance Minister wants to apply a single and uniform rate of tax to handloom and powerloom, to handmade paper and machine-made paper, to harvesting of wheat by agricultural labour or by automatic harvesters, or to the laying of cable by manual labour and by excavator by the telephone company. This treats capital and labour-intensive methods of production equally and reduces the demand for labour. Union Finance Minister should instead apply lower rates of tax to labour-intensive products. No, that is not on their neo-liberal agenda.

Winner of Nobel Prize in economics Prof Edmund Phelps has suggested that the European governments provide subsidy to employment instead of running huge money-guzzling welfare schemes. Such differential rates of taxes will benefit those telephone companies that lay cables by manual labour and hurt those that do the same by excavators. Companies will compete with each other to employ more workers so that they can avail of tax concessions. Present law requires that manufacturing companies undertake an energy audit of their operations. A similar 'employment audit' can be required by manufacturing and service companies. The government can impose a 'High Capital-Labour Ratio Tax'. Companies that employ more capital and less labour may be subjected to a higher rate of tax.

Economic reforms should be applied to welfare sector as well. Nitish Kumar Government in Bihar has decided to implement the *Antyodaya* scheme through vouchers that can be encashed by the beneficiary at a shop of his choice. The same formula should be applied to central schemes like Integrated Child Development, Rozgar Guarantee and Indira Awas. Beneficiaries can be provided coupons that can be encashed for the specified service at designated locations. This will create competition among the welfare providers and help dismantle the government welfare Mafia that is making merry by locking the poor into poverty.

The Sultans of Delhi may take a lesson from Egypt. The Mubarak government had in place a scheme where bread was provided almost free to the people. It cost barely 10-15 paise at India prices. Yet, it failed to contain the dissatisfaction among the people. Economic growth failed its leaders because man does not live by bread alone. Egyptian Government failed to manage *inequality*. It failed to build in people and employment friendly schemes in the main economic policy. India must give up this blind pursuit of economic growth and moderate it with pro-people policies otherwise the persons in authority in Delhi may go the Egypt way.

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