It is time for Kumbhakarna to wake up

The arguments for a universal, not targeted National Rural Employment Guarantee Act as well as for a universal Public Distribution System (PDS), are far stronger than most people realize. Rural India is in deep and continuing distress. Unemployment continues to rise. Output growth continues to fall; last year's gross foodgrains output was 205 million tonnes, or only 162 kg. net output per head of population. Loss of purchasing power owing to drastic reductions in the State's spending on rural development during the last decade, continues and is reflected in a steep fall in per head foodgrains absorption which is now one of the lowest in the world at around 154 kg, for all-India, 20 kg. lower than a mere six years ago, and it is lower still in village India where calorie intake per head continues to decline. For comparison, China's per head annual foodgrains absorption is over 300 kg. Forty years of successful effort in India to raise foodgrains absorption through Green Revolution and planned expansionary policies, has been wiped out in a single decade of deflationary economic reforms and India is back to the food grains availability level of fifty years ago. The farmers of Punjab and Haryana are in crisis for they have lost internal markets to the tune of 26 million tonnes of food grains – for if grain absorption had been maintained at least at the 1991 level of 178 kg per head instead of falling, the internal demand would have been 26 million tones higher than it actually is today.

While in the early 1990s when economic reforms started there were three states which had one- third or more of rural population below 1800 calories daily energy intake, the latest NSS data show five additional major states to have declined to that position. There is already a sub-Saharan Africa within India – half of our rural population or over 350 million people are below the average food energy intake of SSA countries. Of the rural population 75 percent was actually poor in 1999-2000, being below 2400 calories required daily intake, but the Planning Commission gave us an unrealistic estimate of only 27 percent by applying a poverty line which is far too low at less than Rs.11 per day, at which less than 1900 calories could be accessed.

Farmers exposed by trade openness to falling global prices, even as input costs and credit cost rose, have descended into deepening indebtedness and are losing assets including land. From 1998 to date over nine thousand farmers have committed suicide These desperate acts of self-destruction continue unabated – there were 780 recorded suicides during the last year in Andhra Pradesh after the Congress came to power, and over the last three years, new centres of crisis have emerged in Karnataka and Vidarbha, while nearly 1300 suicides have been recorded in Kerala in Wyanad district alone. International bodies project continuing fall in real prices of primary products up to 2010, so there is no solace in trying to access external markets, The cornering of purchases of tea, coffee and spices by Transnational Corporations, following the downgrading of State marketing boards, has driven producer prices to levels far below global prices.

Rural India is crying out for work and food. The NDA government had exported a record 17 million tonnes of foodgrains out of stocks from June 2002 to October 2003, despite the worst drought in fifteen years. Rather than start food-for work on a larger scale to generate employment, it used exports and open market sales to get rid of most of the 40 million tonnes of excess stocks, which had built up owing to more and more empty stomachs over four preceding years, as falling purchasing power prevented the poor from buying enough food, and as the actually poor were denied BPL cards because they were not officially deemed to be poor. This experience has shown that more exports are easy – simply let your own population go hungry by following income-deflating macro policies and by ‘targeting’ the PDS, and apparent ‘surplus’ for export automatically emerges. The exports were at below BPL price and were mostly used as animal feed abroad.

It was the agrarian crisis and the utterly callous policies of the NDA which led to its trouncing in last year’s elections and the catapulting to power of the Congress on the promise of providing a rural employment guarantee. But the euphoria has been short-lived. As far back as the 7^{th} Plan, 1985-90, when Rajiv Gandhi was the Prime Minister, the average share of rural development expenditures in Net National Product (NNP) had been raised to nearly 4 percent, with very positive effects by way of rising employment and rising real wages. In rural development expenditures I include five heads – agriculture, rural development, special areas programmes, irrigation and flood control, and village and small scale industry.

It might interest Sonia Gandhi to know that in the first year of UPA rule, rural development expenditures taking these same heads, have been slashed to an all-time low of 0.6 per cent of NNP. The absolute outlay (budgetary estimate) was a paltry Rupees 13.5 thousand crores as anyone may check from the latest *Economic Survey 2004-05*, and this sum is exactly the same, even without any adjustment for price rise, as that spent under Rajiv Gandhi fifteen years ago in 1990-91. This brutal contraction in spending last year has added to the present continuing crisis of jobs and has increased hunger. Very seldom has a newly elected government administered such a slap in the face to its own constituents. Facing drought, under the same heads the NDA had spent Rs. 42,000 crores in 2002-03 fiscal and increased it to Rs.51,000 crores in 2003-04, the latter sum still amounting to less than 2.5 percent of NNP. Who could have imagined that the new government formed as a result of the peoples’ agony, would slash budgeted rural development expenditures to less than a third of the already inadequate spending by the NDA.

Union Finance Minister P.Chidambaram has acted as though the agrarian crisis simply did not exist and has pulled the same trick Manmohan Singh had done as Finance Minister in 1991 - used the initial year in power, to cut development expenditures sharply and deflate the economy, a prescription without any rational basis but always dogmatically urged by global financial interests. He has signalled clearly that his priority is to appease finance and adhere to the arbitrary spending cuts spelt out in the Fiscal Responsibility and Budgetary Management Act, and not to address rising unemployment and hunger. The contrast could not be more marked, with the recent actions of the governments of France and Germany, which have relaxed fiscal austerity norms to deal with much milder unemployment problems than we face today in India.

But those in charge of the nation’s finances should remember that 2005 is not 1991. Rural India is in acute distress and the distress is bound to turn to turmoil if its crisis is not addressed. It is not too late. The need of the hour is to implement immediately and with sincerity a demand driven, universal employment guarantee and at the same time to abolish the arbitrary division between the ‘above’ and ‘below’ poverty line population to allow the poor to access affordable food. The Standing Committee of Parliament on the NREG Bill has submitted a very positive report supporting a universal, non-targeted Act and Sonia Gandhi's recent assurance that the NREG Act when passed will be applicable without targeting, is also heartening.

Any argument that may be put forward that the resources are not there, is simply untrue. The total budgeted outlays on rural development over the entire 10th Plan, 2002 to 2007, is a bit over Rupees 300,000 crores. Three years of the Plan period are over, and only one-third of this, or about Rs.100,000 crores have been spent, 87 percent by the NDA and 13 percent by the UPA last year. To meet the overall 10th Plan spending target, during each of the remaining two years, fiscal 2005-6 and 2006-7, at least Rs.100,000 crores have to be spent. Of this up to thirty thousand crores should be on the NREG and the remainder on the urgent development requirements of agriculture, rural development, irrigation and village industry. Large though the sum of Rs.100,000 crores per year may sound, it is less than 4 per cent of projected NNP and far too small for the needs of 700 million people.

Although they may not yet be aware of it, the Prime Minister and Finance Minister today have a historic choice before them. How will history remember them: will they take the disastrous path of Bruning's deflation, or the virtuous path of Roosevelt's New Deal? Chancellor Heinrich Bruning of Germany, nicknamed the 'Hunger Chancellor' had continued to follow deflationary policies even when unemployment was already high, in order to appease international financial interests. The resulting even higher unemployment discredited the Weimar Republic and made the rise to power of fascism a certainty. President Roosevelt, on the other hand, following what came to be known as Keynesian policies, offered expansionary macroeconomic measures to lift the USA out of depression. What India needs today is a genuine new deal for the rural poor. All those who understand the urgency of the issue of agrarian distress in this country today would wish to convey a sense of that urgency to the government. It is time for Kumbhakarna to wake up.

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