

Poverty and Agricultural Policy since Dantawala

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Prof. M.L. Dantwala Memorial Lecture

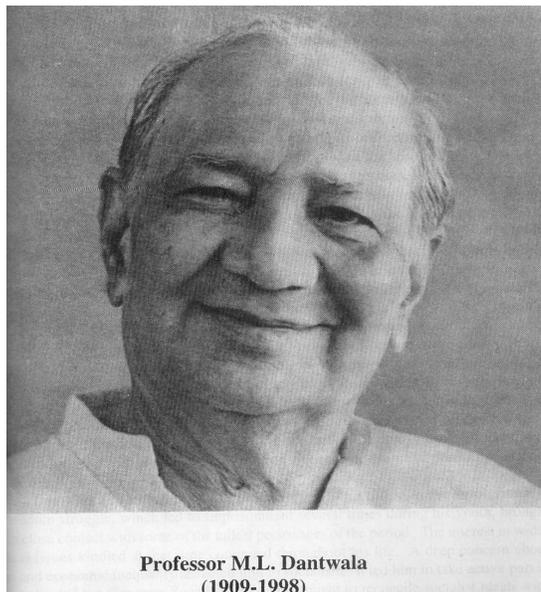
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About Prof. M.L. Dantwala



Professor M.L. Dantwala

For all of us in the Indian Society of Agricultural Economics, Professor Dantwala's passing away is a grievous and irreparable loss. We will remember with affection and gratitude his invaluable contribution in a variety of capacities to nurturing the Society and the journal, establishing healthy norms and conventions for their functioning, the tactful, human and yet principled manner in which he managed the Society, and the sage counsel which he gave even in his retirement. We will miss his gracious and lively presence.

His passing away is no less a loss to the wider community of economists and the country. His many accomplishments and contributions are detailed in the accompanying Obituary. As a professional economist, he wrote extensively on all aspects of agricultural and rural development. He was incisive, prescient and critical without being dogmatic. Among the first to criticise

the notion that inadequate price incentive is the main reason for slow agricultural growth, he emphasized the critical importance of technological improvement and institutional change for sustained growth. He was for government intervention in food markets in order to protect the poor against the ravages of inflation. Even as he supported green revolution technology (despite risks of increasing inequality), he strongly endorsed the concept of targeted poverty alleviation programmes. At the same time he constantly reiterated the need to make sure that these programmes augmented the productive, asset base of the poor and make it more productive; the necessity to improve the quality of programmes and their implementation, and the role of integrated local level planning. A consistent supporter of land reform, he was an early advocate of loans to finance the landless and land-poor to acquire land. Later in his life, faced with the consequences of rising demographic pressure on limited land, he saw that land redistribution would not by itself be adequate; and that raising productivity and diversifying employment are essential to eradicate poverty. Much of what he had to say on these subjects remains pertinent and valid even now.

Prof. Dantwala was among the major public figures of his times: active involvement in the freedom struggle, which led to imprisonment several times during his youth, brought him in close contact with some of the tallest personages of the period. The interest in wider political issues kindled at that time continued throughout his life. It led him to take active part in the founding of the Congress Socialist Party. He sought to reconcile socialist ideals with Gandhian ideas through the concept of Trusteeship which meant that property owners must hold and use their wealth not for their personal benefit but for the common good of the entire Society.

Over the years, while supporting the need for state intervention for the poor, he became increasingly skeptical of the government as the instrument for engineering social transformation. The Emergency was a serious blow to his faith in government. Deeply upset at this attack on democracy, he resigned from a number of official positions he held at that time. He came to the conclusion that voluntary community action and stronger and more active organs of civil society are critical to check the state's abuses and to transform society. His last book, significantly, was on voluntary action. Prof. Dantwala was throughout an active

participants in debates on public policy. He also sought to influence actual policy through participation in numerous official and non-official committees. Several academic institutions and NGOs have benefitted from his presence on their Boards and the interest he took in their affairs.

Prof. Dantwala's rich and varied contributions to the Country's public life will be remembered with respect and set an example worthy of emulation by succeeding generations.

Introduction

Prof. Dantawala's slim monograph on poverty since Dadabhai Naoraoji is a classic paper. Immersed as I have been in the measurement of poverty and malnutrition question, I have always known that the numbers issue is set in the larger societal question of what is the minimum requirement of subsistence. As the marxist scholar Eric Hobsbawm has stated elegantly examining it through the centuries, this is a dynamic standard by which society measures itself. It changes as we progress. What was acceptable half a century ago would not be today and it will rise again. Invited to deliver at the Bombay School of Economics, which were later published by the school as a part of a well known series. Concluding the third lecture Dantwala Saheb said Alagh is a carpenter in the most elegant sense of the term.

Dadabhai Naraoji raised the issue of poverty in the context of the 'specie', question and the drain effect. A part of the larger imperialism debate issue and was obviously raising it not just as a measurement question but of poverty and deprivation in the globally exploitative economy and Dantwala as a prominent Indian socialist was at the heart of that more important socio economic question of global exploitation in his poverty paper.

To say that I was a carpenter was a great compliment to a 33 year old economist who was a chela of the iconic Dantwala. It brought me back to my University of Pennsylvania days as a student and a teacher there and my teacher the nobel lauriate Lawrence Klien teaching us the approach of the cowles commission that you face a problem and then develop the theory to solve it and that is carpentry and economics at its best.

Soon thereafter, V.N. Dandekar, Dantwala's personal friend was to organise a 3 day retreat at Lonavala on the measurement of poverty question. I was then in the planning commission as PPD adviser modelling the green revolution in the agricultural sub model of the fifth five year plan, which Dantwala saheb read on request from Lakdlawala Saheb, and sent me extensive pencilled notes on the first draft. Getting back to Dandekar, he would organise meetings within the budgets of the sponsors, but tell them, I will spend as I want to. So he would bring out the bottle in the evening to go with the marathi chicken and jowariya roti. The whole day we were discussing body weight, sex, and occupational status as determinants of calorie needs and akroyd scale as on Indian foods. Remember the attack from K.N. Raj and George, at the CDS

Kerala on the consequences of ignoring tapioca in the diet. I have opposed prohibition in Gujarat and so don't drink there. Elsewhere I am also what can be called a social drinker, in the sense of giving company. Anyway as Dandeker was pouring the whiskey, Pranob Badhan who was an invitee at the seminar, piped in 'you are giving Yoginder more' to which Dandeker shot back, 'body weight my friend, bodyweight,' much to the amusement of all, at the comparison of the pathan and the elegant bengali. The seminar interestingly was being attended by Vithal Babu from the Andhra cadre of the I as and Ashok Parthasarathi from the PMO's office. I knew Pranob because we were both selected at the university level, he at Burdwan and me at Jaipur by the great A.K. Dasgupta. In those days much against the prevalent orthodoxy both me and Pranob had built up the case for an agricultural income tax as opposed to the arguments of scholars like Prof. Lakdawala.

Dantwala's presidential address to the Indian Society of Agricultural Economics was to make a powerful plea to have an effective agricultural price policy and he designed a framework for it. This was Dantwala at his best. You are to establish systems to reverse exploitation on a global plane and you have to do it at home. He was a major factotum of the congress socialist forum and Jawahar Lal Nehru was their leader. Jawahar Lal would lead Ashoka Mehta, Jay Prakashji and others. To the fiery Mehta and comrades like Dantwala, it was always a tinge of regret that Bapu would catch hold of both strategy and tactics effortlessly and they would have all have to fall in line, with a tinge of remorse.

Not all that much has changed. It's all new. It's all the same. It's clear to me that the nyaya scheme is a successor to Dantwala's perception of poverty from the thinking of Dadabhai Nawroji. The future lies in all round agricultural development and if more is needed on that please take off the shelf Dantwala's cotton marketing in Saurashtra, an all time classic. But until then you also need support. The cotton farm needs protection from marauding animals and a fencing. If futures don't work because of thin markets the state has to step in and not throw away the baby with the bath water. The Bombay school and Dantwala are in the tradition of a relevant market socialism and not the dreary and heavy hand of the state. The lactating mother has to have her nutrition and the girl child holds up half of the sky. If you can do it right a cash transfer is better than doles. Good. Good not only for the farmer but also for the landless labourer and marginal farmer.

More generally today, this much is history of ideas. Important to me as a teacher. But does Dantawala have relevance to the agricultural world of today and tomorrow. On May 1, 2019 as i write this it is

extremely likely that some extremely antidelivian ideas contemporary scene be the recipients of the butt of criticism, most justified, some vicuos. My speculation is along positive lines. As we emerge out of the dark ages of attacks on knowledge, institutions and fact based policy arguments, ill the thinkers of the past like Dantawala have some relevance for us. If so we should pause and recapitulate.

A monopoly of trade in grains was short lived. In the eighties, in the evenings I spent with them in Mumbai, Pune or Ahmedabad, they would recount with amusement their thinking in the end of the decade of the Sixties of the last century. For a limited period of time complete nationalisation of wholesale trade in grain could be traced back to the influence of thinking of economists OF their INFLUENCE. But soon private trade was introduced, particularly in higher quality garins. These were generally high-priced, more than the quality differential that the Commission for Agricultural Costs and Prices allowed, the Food Corporation of India purchased at, and were largely privately traded.

If prices slumped, the State Governments would intervene but in a limited way, with limited funds, and with nowhere like the organisation that FCI has.

Going into the Contemporay Scene

The agriculture issue has gained public attention as the terms of trade which had risen in the first decade of this century after falling in the period after the Manmohan Sigh liberalisation-were again moving against the farmer.

Since 2013, according to CACP, the fall in the terms of trade was around five per cent.

So when everybody else's income was rising, the farmer was losing out and was coming out on the road. We don't have data on the terms of trade for the last two years, but according to most indications of price relatives, the farmer was not doing too well.

Can Higher MSPs Do the Trick? For farmers and the Policy Makers?

All this is well known. More recently, the twist was with the claim that ‘MSP would be 50 per cent higher than the cost of production’. The increase in MSP announced was respectable. The increase in cereal crops, with some exceptions was 15 to 20 per cent higher than last year. Oilseeds were 13.42 per cent and cotton 23.97 per cent higher. Jowar, castor and sugarcane MSPs were marginally lower than last year. These are all good prices, taking into account that government has, for more than a decade, given bonuses on CACP recommendations. The novelty this year was the claim that a 50 per cent increase in MSP has been provided over the cost of production.

The increase in MSP over the cost of production – measured as all paid-out expenses (A2) plus family labour (A2+FL)- was above 50 percent in case of each *kharif* crop. So, the NITI Aayog’s top officials – Rajiv Kumar and Ramesh Chand, are correct when they say that MSP is ‘fifty percent higher than paid out costs’. But M.S. Swaminathan is correct too, when he said that the increase is below what was recommended. The National Commission on Farmers led by Swaminathan had said that the MSP should be “at least 50 per cent more than the weighted average cost of production”. This needs explanation.

The big question is, should the support price cover only the paid-out costs or all the costs.

All costs would include the imputed values of owned land, imputed interest on own capital, imputed value of family labour and imputed remuneration for the management function of the farmer.

Specific difficulties arise and questions are raised on the imputation of the values of farmers’ own resources.

The NITI Aayog’s Economists argument that rental and interest imputations on capital costs should not be incorporated in MSPs as was recommended by the Swaminathan Committee, leaves much to be desired. Rental incomes, it is correctly argued, are unearned income as defined in Ricardian Economic Theory. But, we do not follow these principles in setting tax or tariff policies for non-agricultural goods. If Mr. Adani can get income nice, why not the farmer.

The Price fixing Rules provide that, according to the existing practice, DES applies a normative rate of interest at 12.5 per cent on working capital and 10.0 per cent on the fixed capital. Considering that a large

proportion of farmers resort to non-institutional loans from sources like moneylenders, a higher rate of interest should be provided.

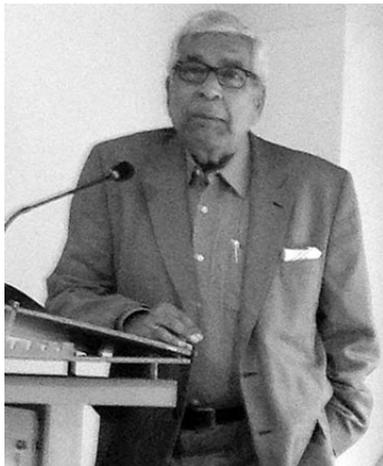
The case for including actual interest costs seems quite clear. But it seems very unlikely that there will be policy coordination between agricultural price policy and tariff policies to protect the efficient Indian farmer. Getting players like Walmart to buy farmer's produce and give them space in its warehouses is far more important, but simultaneously we are told that this is slowed down because of the influential trader lobby. In pulses, vegetables and fruits, and milk and milk products – where demand is rising fast and which drives food and agri inflation-the infrastructure has yet to be built.

The Challenge of Procurement at MSP

That 150 percent business is a 'no-brainer' and is taking away policy focus from more important areas of infrastructure and credit provision. Policy coordination is always easy in a textbook, but normal persons don't like to give up power. Only the exceptional become more powerful by shedding power and coordinating for the larger good. Another reason could be a fear of rule-based systems. For then, you are not seen as the benefactor and this can be important in pre-election periods. There are real problems. M.L. Dantawala is as relevant today as he was then.

To have MSPs and, separately, free imports is like pouring water in a leaking bucket. He saw it then formulating the framework for the APC and Agricultural Policy in India. Perhaps there is a divinity which inspires the chosen ones!

About Prof. Yoginder K. Alagh



Prof. Yoginder K. Alagh

Yoginder K Alagh (born 14 February 1939) is a noted Indian [economist](#) and former [Union Minister](#) of Government of India. He was the Chairman of [Institute of Rural Management Anand \(IRMA\)](#) from 2006 to 2012. Recently he has been appointed as the Chancellor of the [Central University of Gujarat](#), Gandhinagar.

Alagh was born at Chakwal in Punjab, now in Pakistan, to Bhagat Ram. He studied at Maharaja's College, Jaipur and Department of Economics at University of Rajasthan. He holds a doctorate in Economics from the [University of Pennsylvania](#), USA.

Academic Career : He has taught Economics at the University of Rajasthan, [Indian Institute of Management Calcutta](#), [University of Jodhpur](#), [Swarthmore College](#) and the [University of Pennsylvania](#). He has acted as the 7th Vice-Chancellor of the [Jawaharlal Nehru University, New Delhi](#). Also founding member of Centre for Environmental Planning and Technology (CEPT), Ahmedabad presently one of India's pioneered Planning and Public policy institute.

Political Career: He was elected to [Rajya Sabha](#) from Gujarat in November 1996 and continue till April 2000. From 1996 to 1998, he was a Minister of State (Independent Charge) for Planning and Programme Implementation, Science and Technology and Power for Government of India. He headed various institutions and Commissions and acted as expert with a number of UN organisations. He was also the Member of Planning Commission, Govt. of India.

Awarded V K R V Rao Prizes in Social Science Research in 1981 in Economics discipline. The award is instituted by Institute for Social and Economic Change, Bengaluru, India.

Fellow, Indian Society of Agricultural Economics, Elected First Fellow of the Society in 2011