

Misconceptions about the Food Economy*

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The Indian intelligentsia has an incredible propensity to swallow the self-serving arguments of metropolitan capitalism that are typically supposed to constitute 'economic wisdom'; and nowhere is this more evident than in the case of India's food economy. There is a plethora of centre-page articles in newspapers these days suggesting that Indian kisans should move away from producing foodgrains towards other crops, which is actually a demand that metropolitan countries have been making for quite some time. They want us to import foodgrains from them, of which they have a surplus, to meet the excess of our domestic demand over domestic production. This would take us back to the pre-Green Revolution days; and now members of the Indian intelligentsia are echoing in various ways this metropolitan demand to diversify away from foodgrains.

Sometimes their argument is that the kisans of Punjab and Haryana are caught in a "cereal trap" where they keep producing cereals which are not very profitable for them and of which the country now has a surplus, because they are lured by the provision of a Minimum Support Price that reduces their risk. Sometimes the argument is put differently: the Punjab and Haryana kisans have to move away from MSP-supported activities to other more lucrative ones, for which Modi, perhaps precipitately, is providing a way through his three agriculture bills.

This entire position, apart from echoing the demand of advanced countries, and supporting the Modi government implicitly or explicitly, also shows the same contempt for the kisans as the government does; they constitute on this view a bunch of ignoramuses who cannot see what is good for them which Modi can. But let us ignore the motives and the prejudices of these intellectuals and just examine their argument.

There is no gainsaying that there are massive foodgrain stocks with the Food Corporation of India at present and that this has become a regular feature of the Indian economy of late. But to conclude from this that India grows more than enough foodgrains for its requirements is the height of folly. A country which is ranked around 100th among the 111 or so hunger-afflicted countries for which a world hunger index is prepared, cannot be said to be self-sufficient in foodgrains if it has surplus stocks. This is not just an arbitrary judgement. Whenever the amount of purchasing power in the hands of the people has increased, stocks have tended to dwindle, which means that the stock build-up has been caused by a shortage of purchasing power in peoples' hands rather than their having as much food as they want.

The solution to the stock build-up therefore is to put purchasing power in the hands of the people through transfers and through an enlargement in the scope of MGNREGS. Ironically, doing so would not cost the government anything. If the government borrows say Rs.100 from banks to make these transfers, and if this amount which comes into the hands of the working people is spent on foodgrains, then it would come back to the Food Corporation of India. The FCI in turn would repay this amount to the banks from whom it had borrowed for buying foodgrains from the kisans. As

the FCI is part of the government itself, this means that what the right hand of the government would have borrowed from banks (for transfers), the left hand of the government would be paying back (through the FCI); there would be no net increase in the indebtedness of the government as a whole. But because the FCI, though government-owned, is off-budget (it was not till the early seventies), there would be an increase in the fiscal deficit in the budget, which however is utterly inconsequential.

In other words, once the crop has been bought from the kisans, handing it to people rather than holding it as stocks has no ill-effects whatsoever; on the contrary it is immensely beneficial for multiple reasons: it allays hunger, improves peoples' living standards and reduces the cost of stock-holding.

We assumed above that all the purchasing power coming into the hands of the people is spent on foodgrains; but even if a part of it is spent on other goods, it still remains entirely beneficial in a demand-constrained economy. True, the fiscal deficit will go up in this case in an authentic sense and not just spuriously as in the previous case, but this would have no ill-effects whatsoever; on the contrary it would provide a stimulus for economic recovery by increasing the degree of capacity utilization in non-foodgrain sectors.

But if instead of putting purchasing power into the hands of the people to lift foodgrain stocks, the land that is currently growing foodgrains is devoted to some other use, then that would amount to condemning the people forever to mass hunger. Since hunger is because of the lack of purchasing power with the people, a change in land-use, from foodgrains to other uses, can reduce hunger only if the total employment generated directly and indirectly by such a shift is higher than before. Now, even if we assume that employment per acre is the same whether the acre is devoted to foodgrains or some other crop, such a shift in land-use will not reduce hunger, as the purchasing power in the hands of the people will remain the same as before. So the panacea for reducing hunger is not a shift of acreage away from foodgrains but putting purchasing power in peoples' hands. And as for the argument that kisans should move towards agro-processing, that is unexceptionable, but does not constitute an argument for reducing acreage under foodgrains.

There is in fact a very common misconception here. If an acre devoted to producing foodgrains fetches less income than the same acre devoted to some other crop, then a shift away from foodgrains is supposed to be beneficial. The misconception lies in the fact that it is not the income earned per acre that matters for society but how much employment is generated directly and indirectly through such a shift (assuming all along that foodgrains can be imported without any problems at the going prices, which itself is a completely false assumption in a world of imperialism). If the shift of an acre from foodgrains to some cash crop for export, doubles the income for the landowning kisan but halves the employment generated on that acre, including what gets generated through multiplier effects, i.e. the expenditure of the higher incomes, then there would be a massive increase in destitution in the countryside; and when this happens the higher income of the landowning kisans too would slip out of their hands, since the corporates that buy from them for exporting, would bid down their purchase price because of the much greater destitution around. It is therefore not the apparent income gain but the employment effect of a shift of acreage that must be

taken into consideration. (And even that is not enough because of imperialist arm-twisting of any country that becomes food-import-dependent)

If the solution to stock accumulation lies in putting purchasing power in peoples' hands, the solution to lack of profitability for kisans in foodgrain production lies in raising the MSP and the procurement prices for foodgrains. It would be argued of course that if the MSP and procurement prices are raised, then that would raise food prices for the consumers; but this is a non-sequitur. Procurement prices can be raised without raising issue prices through an increase in the food subsidy. And any one objecting to such an increase in food subsidy on the grounds that there is a shortage of resources to meet the subsidy bill, should remember that any redistribution in society, any attempt to improve income distribution, entails taxing some to subsidize others. Anyone who cries over the peasants' meagre income but is unwilling to advocate the use of fiscal means for rectifying it, is being utterly dishonest, merely shedding crocodile tears for the peasants while actually carrying forward, unwittingly perhaps, an imperialist agenda. And all this is quite apart from the fact that what appears at first sight as the easy way to raise peasants' income, through a shift towards more lucrative cash crops, can make them pauperized when the prices of these crops crash in the world market, as they inevitably would since they are subject to wide fluctuations (from which the MSP system protects peasants).

The peasants gathered on the Delhi border understand all these issues much more clearly than either Modi or the intelligentsia advocating a shift away from foodgrains. Ironically it is the latter who are suggesting that peasants are ignoramuses!

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