

Govt needs to ready solutions that will facilitate agrarian transition without hurting farmers

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There are two dimensions along which PM-WANI has broken away from the past — regulatory and technology.

Since the mid-1980s, a truly voluminous amount of research on economic

reforms has made a rather obvious point. Such reforms are never purely economic. They are inevitably political.

Over two decades back, I added an analytic distinction to the political economy literature. Some reforms, such as trade and exchange rate and capital market reforms, were primarily in elite politics, whereas labour and agricultural reforms tended to enter mass politics. My premise behind the elite-mass distinction was not that trade and exchange rate reforms were irrelevant to mass welfare. It was simply that their impact on the masses was indirect unless external trade constituted a large proportion of a country's GDP. In contrast, elites were more directly connected to the global flows, and, therefore, changes in the external economic regime had straight consequences for them.

Another implication of this distinction was that in democracies, reforms affecting the elites were easier to put through, whereas those aimed at altering mass behaviour were much harder. Influencing imports and exchange rates, industrial licensing and capital markets, India's 1991-93 reforms were essentially contested in elite politics. A Bombay-Plan business group did emerge to oppose reforms, but it disappeared into thin air.

Agricultural reforms affect millions of farmers directly. Thus, they quickly enter mass politics in developing countries, where the rural sector is huge. If the English language media, the internet and the bureaucratic corridors are the primary arena of elite politics, the street and vernacular media are where mass politics is fought. Mass mobilisation does not head directly to finance ministries; it occupies the streets.

Of course, this is not the Modi regime's first encounter with mass mobilisation. The anti-CAA protests were the first. The [pandemic](#) killed those protests. Moreover, because they were led by Muslims, they were an easy target for the

government, for the regime could use against them its standard ideological trope of national disloyalty and the menace of vigilante counteraction. The farmers pose a far more serious political threat. Few categories are as legitimate in Indian politics as that of farmers. One can defeat them, but not easily crush them.

This is not to say that delegitimising tropes of national disloyalty were not tried. That protesting Sikh farmers were Khalistanis was briefly suggested by regime-supporters. Delhi quickly figured out the danger of such a delegitimising strategy. If the government were to decide to beat back Sikh farmers as Khalistanis, it would only raise the spectre of 1980s-style violent politics in Punjab. Moreover, the farmers are not agitating as Sikhs, but as agriculturists, as kisans. The Modi regime clearly has a serious political problem on its hands. It has no quick delegitimising tools in its kit.

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If politics thus is tricky, how about economics? After all, a political solution now would in any case require economic proposals. What options does the government have?

While the economics of the three reforms is not faultless, let us note that some of the proposed steps go in the right direction. Fundamentally, the reforms seek to deal with a larger problem of development that all societies must face, with the exception of those that did not have a peasantry, such as Singapore. In the political economy of development, the concept of "agrarian transition" captures what is at stake.

This concept means most of all that farm incomes cannot go up in a durable manner (i) if farmers remain tied to the land and do not proceed to non-agricultural occupations; (ii) if a substantial proportion of farmers does not

move from producing grains such as wheat and rice to higher value-added cash crops such as vegetables and fruits, or engage in dairy or poultry production; and (iii) since the land quantity is relatively fixed (unlike other factors of production such as capital and labour), the per capita size of farms goes down with increasing family size, making farm consolidation necessary for higher income gains for farmers, either through farm cooperatives or contract farming.

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Even in 1995, when I published a book about the agrarian transition in India, it was becoming clear that Punjab and, to a lesser extent, Haryana were producing too much wheat and rice, water tables were dropping, and chemical fertilisers were being overused, giving a short-run production boost but hurting long term productivity. It was also clear that driven by minimum support prices (MSP), the Food Corporation of India was procuring too much grain, far beyond the storage capacity, with a few million tonnes actually rotting.

In trying to address these problems, the government has made several mistakes. Basically, the government has the right long-term transformation in mind, but it has no good theory of transition. The latter is necessary for success.

First, democratic governments achieve progression to higher value-added farming by creating incentives for the shift, not by punishing those farmers who have become used to producing grain. This is normally done via some kind of income support for farmers, while they make the switch. Without income support, withdrawal of MSP for wheat and rice is too punitive.

Second, it is also odd that the government wishes to expose the farmers, not

the industrialists, to the rigours of the market. Scholars often draw a distinction between business-oriented and market-oriented economic policies, the former relying on the government's favouritism towards some industrialists, the latter driven by the idea of free competition. The government's overall economic policy is business-oriented, but it now wants agricultural policy to be market-oriented.

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Third, the idea of contract farming is meaningful only when legal and administrative support is provided to farmers. Otherwise, the bargaining situation is heavily stacked against the small farmer for the industrialist possesses greater economic, administrative and legal knowledge. Instead of providing such support, the new law says that farmers have no legal recourse if things go wrong. They should assume an absence of malintentionality.

Belief in good intentions is established through trust, not by administrative fiat. The trust deficit between protesting farmers and the government is enormous. In Parliament, the debate on farm bills was shabbily short. And outside Parliament, there was no great consultation with farmer organisations.

The solution can now only be premised upon the government listening in a credible manner, and coming up with solutions that facilitate the agrarian transition without hurting peasants. Punjab's farmers have staying power. Coercion will backfire.

This article first appeared in the print edition on December 16, 2020 under the title 'Sow seeds of trust'. The writer is Sol Goldman professor of international studies and professor of political science at Brown University

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