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STARVING THE POOR

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There is no greater scam in India at this time than the so-called food subsidy. Under the cover of “food security”, the government is keeping millions of tonnes of food out of reach of poor people.

Even at the best of times, undernutrition levels in India are extraordinarily high. According to the second National Family Health Survey (1998-9), about half of all Indian children are chronically undernourished. The latest Human Development Report places India at the rock bottom of the international scale in this respect, with only Bangladesh doing worse. This year, with drought affecting large parts of the country for the second or third time in a row, undernourishment and starvation could spread even further.

Against this background, unsuspecting observers may welcome the fact that the Indian government is spending about Rs 10,000 crores this year on the “food subsidy”. Surely this helps to bring food within reach of poor families? Far from it. The food subsidy is essentially the deficit of the Food Corporation of India (FCI), whose operations are now chiefly geared to keeping food prices up rather than down. This has been achieved (temporarily at least) by accumulating massive amounts of food in FCI godowns. Today, foodgrain stocks are approaching 50 million tonnes.

The Indian public is so used to large numbers that it is easy to lose sight of the staggering scale of this hoard. It may help to think of it as the equivalent of one tonne of food for each household under the poverty line. If all the sacks of grain lying in FCI godowns were lined up in a row, the line would stretch for a million kilometres - more than twice the distance from the earth to the moon. When millions of people are undernourished if not starving, hoarding food on this scale – at enormous cost – is nothing short of implicit mass murder.

There are two major reasons why the food subsidy is so large at this time. One pertains to the FCI's high operating costs (including the storage costs). According to one estimate, those accounted for nearly half of the total food subsidy in the mid-1990s. The second reason is that, at this time, the FCI is buying far more food than it is selling. The difference is a net addition to stocks - the latter continue to grow by leaps and bounds.

what they gain on one side from subsidised food obtained from the public distribution system (PDS) pales in comparison to what they lose as a result of having to pay higher food prices in the market. This is all the more so bearing in mind the low quality of PDS foodgrains. In some areas, it is reported that even “BPL” (below poverty line) households see little advantage in purchasing food from ration shops rather than from the market, because the price differential is too small to compensate for the quality differential. These households, in other words, effectively gain nothing from subsidised PDS sales; on the other hand, they bear the burden of high food prices in the market as a result of the FCI’s hoarding operations.

Meanwhile, unintended constituencies are merrily feeding at the “food security” trough. Rats and worms are devouring the stocks. Ration-shop dealers, distribution agents and other intermediaries are selling PDS food on the black market. According to the Planning Commission, 36 per cent of PDS wheat and 31 per cent of PDS rice is appropriated by private parties, at the all-India level. All this boosts the “food subsidy” (i.e. the deficit of the Food Corporation of India), without doing anything for the hungry.

The question arises as to why these mounting stocks are not used to fund a massive expansion of the public distribution system, food-for-work schemes or other anti-poverty programmes. This appears to be largely a matter of political priorities, organisational abilities, and willingness to bear the financial costs associated with such programmes (e.g. the non-wage component of food-for-work schemes). Addressing these “bottlenecks” is an urgent direction of political action at this time of widespread hardship across the country.

It would be a mistake, however, to assume that income-generation programmes alone would succeed in absorbing the current food stocks. According to several recent studies, it is only at very low levels of income that foodgrain consumption rises with additional income; beyond that, income increases lead to higher consumption of pulses, vegetables, milk, fat and related items, but foodgrain consumption remains more or less unchanged. This suggests that, after a point, income-generation programmes will not help to resolve the fundamental imbalance between foodgrain demand and supply at the prevailing price. Resolving that imbalance ultimately calls for a decline in the relative price of foodgrains. That, in turn, would conflict with a paramount objective of food policy at this time, namely the continuation of relatively high foodgrain prices.

The conviction that food prices have to be “supported” (i.e. kept up) is so strong and so widespread that it has clouded any reasoned analysis of the social consequences of high food prices. Many people, especially poor people, would gain from a decline in food prices.

For agricultural labourers, migrant workers, slum dwellers, in short all those among the poor who buy most of their food on the market, cheaper food would be a blessing. People living in drought-affected areas that are poorly served by the public distribution system would also get substantial relief from being able to buy cheap food on the market, instead of being at the mercy of the PDS mafia.

What about the farmers? As it is, they have not been doing too well in recent years, with the slowdown of agricultural growth in the nineties followed by widespread drought. Their livelihoods are further threatened, in some cases, by the imminent lifting of quantitative restrictions on agricultural imports in compliance with WTO regulations. Against this background, is it not imperative to sustain high foodgrain prices?

There are two answers to this question. One is that the poorer sections of the farming community benefit very little, if at all, from price support measures. Consider for instance small farmers in, say, Orissa or Jharkhand or Chattisgarh. These farmers typically sell little grain, if any, on the market; instead, they tend to combine subsistence farming with labour migration and other income-earning activities that allow them to buy non-food commodities. Hence, higher food prices do not help them. What would help them is an improvement in productivity, based for instance on technological innovation and crop diversification. There is an enormous potential for productivity improvement in large parts of the eastern region, which has been grossly neglected. Instead, massive resources have been spent on promoting unsustainable farming patterns in Punjab, Haryana and other privileged areas.

The second answer is that, whatever the pros and cons of lower food prices, it is in any case not possible to sustain artificially high prices, short of destroying or exporting the surplus food. Storing surplus food only postpones the problem. Worse, it aggravates it, by giving farmers misleading signals to the effect that they should continue growing more foodgrains instead of diversifying their crops. Sooner or later, this is bound to lead to a glut in the foodgrain market and a collapse of market prices, defeating the price-support policy. In fact, declines in market prices have already happened this year in large parts of the country. The glut is likely to intensify after the rabi harvest, especially as private traders are unlikely to take the risk of buying large quantities of food. It is reported that plans are afoot to deal with this impending "crisis" through official procurement of up to another 20 million tonnes of wheat. But this only amounts to digging the hole deeper and deeper.

Temporarily keeping prices up by storing food at massive public expense is not an effective way of helping needy farmers. In so far as supporting food prices is a sensible objective, the only sustainable and equitable way of doing it is to generate income among the

poorer sections of society. This is particularly so at this time of widespread drought, when income-generation programmes can play a crucial role in sustaining people's effective demand for food. The case for using food stocks without delay to fund massive employment programmes (the traditional backbone of drought relief in India) is overwhelming.

Why, then, is so little being done to use food stocks for drought relief purposes? There appear to be three basic constraints, concerned respectively with political, financial and structural factors.

The political constraint is simply that drought relief is not (at least not yet) a priority in the corridors of power. The poor have never counted for much in India's lopsided democracy, and with the growing orientation of economic policy towards the (so-called) middle class, their concerns have been further marginalised. Drought, for instance, hardly figures in expert discussions of the forthcoming budget.

This political invisibility of drought-related issues struck me after a recent visit to Rajasthan's state secretariat in Jaipur. While some able and public-spirited administrators were hard at work, the dominant mood was one of complacency and abdication. The most common attitude was to downplay the drought, if not blame the victims for their own predicament. One official assured me that the drought was "media hype", and that people were doing just fine. Another explained to me how he had learnt from Amartya Sen's work that the first sign of a famine is food scarcity and a rise in prices, neither of which could be observed in Rajasthan today. (It is hard to think of a more radical inversion of Sen's analysis.) Asked about the possibility of curbing electricity consumption in Jaipur during the drought period, the Chief Minister proudly told us (P. Sainath and myself) that he had already done it. As he spoke, the lights of Jaipur's lavish wedding parties and glittering avenues were glowing across the evening sky.

A similar feedback emerges from New Delhi's various bhawans (Yojana Bhawan, Krishi Bhawan, etc.). A senior official at the Finance Ministry, for instance, assured me that "people do not have the capacity to absorb more food" [sic].

Initially, I took it that all these good people were trying to pull the wool over my eyes. It gradually became clear, however, that they actually believed what they were saying. And to be fair to them, there is little in Jaipur (let alone Delhi) to remind the middle classes that they live in the capital of a drought-affected state. The atmosphere there is one of economic boom and unprecedented opulence, with plenty of internet cafés, smart restaurants and fashionable boutiques. The "social distance" between government officials and drought-affected people further enhances the political invisibility of the latter's predicament.

The second constraint is financial. The coffers of state governments are empty, making it difficult for them to bear the cash costs of income-generation programmes (e.g. the non-wage component of food-for-work schemes). At the state secretariat in Jaipur, 'paise naheen hai' (there is no money) was a constant refrain. Finding money to pay the salaries of government employees is the top priority of the finance wizards, if not the single priority. Rumour has it that all kinds of development schemes have been halted, downsized or postponed for that purpose. Even widow pensions, I was told, had not been paid during the preceding eight months for lack of funds.

The financial constraint is exacerbated by the tendency of different parts of the public sector (e.g. the Food Corporation of India, the state governments, different ministries) to protect their own budgets and "pass the buck". State governments, for instance, currently have to buy food from the central government at the "BPL price". Thus, the low social cost of food at this time of bloated stocks is not reflected in public accounting practices.

The thought arises, of course, that part of the food stocks could be sold on the market to generate the required cash resources. This brings us to the third issue - the structural constraint. This constraint derives from the primacy of the price-support objective, discussed earlier. If food stocks are released on the market, food prices will fall. This would undermine the central government's commitment to sustain a "minimum support price" (MSP). In other words, whatever food the government may sell to generate cash resources will, in effect, have to be bought again to sustain the official MSP.

This problem, incidentally, applies not only in relation to the "overheads" involved in organising (say) employment programmes, but also to wage payments themselves. If wages are paid fully in kind, the market demand for food is bound to decline, compelling the government to procure more food if the MSP is to be sustained. In short, the government cannot have its cake and eat it: either it has to generate independent cash resources for drought relief programmes, or it has to adopt a lower MSP.

To these three basic constraints, one has to add further impediments of a more routine nature: bureaucratic inertia, infrastructural bottlenecks, lack of communication between ministries, and so on. The "blame game" between central and state governments is another stumbling block. State governments, for instance, complain of inadequate food allotments from the central government. The central government, for its part, blames state governments for failing to make full use of their existing allotments. Constructive efforts to resolve these differences are few and far between.

In overcoming these constraints, the first step is to ensure that the welfare of drought-affected people becomes a major political priority. That, in turn, is unlikely to happen unless drought-affected people are able to build countervailing power and alter the prevailing biases of public policy. As it happens, a redeeming feature of droughts in contemporary India is that they tend to be periods of intensified political action and popular mobilisation. The 1970-3 drought in Maharashtra led to growing social awareness of the right to work, later enshrined in the state's pioneering "employment guarantee scheme". The 1987 drought in Rajasthan gave birth to a powerful movement for the "people's right to information". Even the Naxalite movement has important roots in the devastating droughts of the mid-1960s.

This year, similar processes have already begun in some drought-affected states. On 18 February, for instance, more than 1,000 farmers and labourers from drought-affected districts of Rajasthan held a public meeting near the state secretariat in Jaipur, in a spirited attempt to make their voices heard. Their startling testimonies exposed the self-satisfied claims of the administration. In one village of Pali district, people have to fetch drinking water from a distance of 20 kilometres. In Rajsamand, the district's largest lake has dried up for the first time in 300 years. In Udaipur district, two starvation deaths have already been reported. In tribal areas of Chittaurgarh, drought-affected families are selling their meagre assets to buy food. In some villages, children are withdrawn from school by impoverished parents. Distress migration and cattle deaths are widespread. As for relief programmes, they are virtually non-existent as things stand: the coverage of relief works is negligible, and even the public distribution system does not function in many areas. Everywhere, people who seek relief are told that "there is no money" and that "orders are awaited" for the initiation of relief programmes.

This meeting was a major wake-up call for the state government (and there are early signs of a positive response). Gatherings of this kind also give a sharp sense of the latent political power of the underprivileged. The paradox of mounting food stocks amidst widespread hunger provides a natural rallying point for further popular mobilisation across the country. Therein lies an important hope not only of resolving that paradox but also of achieving more lasting changes in the balance of political power.