

GOOD ECONOMICS FOR GOOD POLITICS? — AN INDIAN PERSPECTIVE

Abstract

Poor economic conditions have been the igniting force behind the wide scale protests seen in various parts of the world in the recent past. This challenge has been met with introduction of protectionist, inward-looking policies and use of nationalistic sentiments by politicians. There has been a shortage of new ideas to correct the imbalance. It raises the question whether good economics is also good politics or not. This paper takes the Indian examples and experiences in account to analyse relationship between economic initiatives and political success.

Key words: Economics, Politics, Indian Elections, Employment, Nationalism, Universal Basic Income.

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In the globalized world, the countries as well as their concerns are likewise interconnected. If there is a trade war mounting between US and China, it has implications all over the world. The continuing protests on the streets in the different parts of the world in the recent past have one reason in common: anger against prevailing economic policies that are unable to resolve the common man's problems related to poverty, unemployment, inflation and inequality.

Protectionist policies are being announced and implemented by countries to combat their economic ills and contain the anger of their people. But, do such policies bring economic prosperity?

Another major tool supposed to extinguish the anger has been the spread of nationalistic sentiment, thereby implying that the main cause of all economic ills is the migrants who have deprived the locals from attractive jobs in their own land. This has been used successfully by politicians for acquiring power or for shielding their governments from public unrest. Presi-

dent Trump could not have possibly won election had he not called for 'America First' and jobs for Americans. Political leaders in several European nations facing similar crisis have also resorted to use aggressive nationalism as their key policy for promoting their political interests.

It's time to discuss and analyze which is a better tool for gaining political success: some good initiatives to tackle economic woes or the spirit of nationalism and populist policies?

I take more examples from my country, India, which is presently experiencing rather fierce general elections during April-May 2019 on these issues. While the country is facing severe problems of unemployment and farm distress, issues like nationalism & national security have taken centre stage rather than debates on plans to tackle the relevant issues.

However, we have examples from the recent past where sound economic proposals have won the hearts of electorate and won elections for the proposing parties.

Congress Party had achieved impressive success in 2004 elections through its economic initiative of promising at least 100 days of employment guarantee according to the scheme called MNREGA, and repeated its success during the elections of 2009.

Farm loan waivers have been used as a political tool several times by state governments. Though not an economic success, but it has fetched political success during the elections to Congress in three states.

Still, the politicians tend to reuse the unsuccessful old formulae as solutions to the new problems. For instance, the calls for reservation of jobs for locals and discouraging jobs to migrants from other Indian States; although Indian Constitution has permitted inter-state migration and migrants have in fact made great contributions to the economic success of several Indian states.

In a country where estimated 30% of population are migrants, two-thirds of them being inter-state migrants and mostly women migrating to other states after marriage; such apathy towards migrants seems unjustified. However, senior leaders like Chief Minister of the state advocated that there would be no incentives to industry without 70% of local employment. As if this was not enough, his counterpart proposed a law, prescribing to make 80% of local employment mandatory for any firm in his industrially developed state.

Once again, farm loan waivers have been announced in Congress manifesto; while the ruling party has declared direct transfer of Rs. 6,000 to small farmers in their accounts in three instalments. It is observed that only one third of loans are taken by farmers from organized institutions. Hence, these loan waivers actually do not serve the complete purpose.

However, there has been introduction of few innovative ideas during the election. Congress manifesto has promised to ensure a minimum income level of Rs. 12,000 to each family, by providing them

direct transfer of Rs. 6,000 per month in their bank accounts. This scheme has been termed as 'Nyay' (meaning Justice in Hindi language). This is on the lines of the concept of Universal Basic Income (UBI), being proposed and debated in several other countries. This is supposed to be the game-changer in this election. Here are the salient points of Nyay Scheme:

The Nyay scheme is targeted towards 500 million families who are the poorest 20 per cent in India. Nyay scheme guarantees to each family direct cash transfer of Rs. 72,000 a year and as far as possible the money will be transferred to a bank account of a woman in the family. There will be a design phase (3 months), followed by pilot and testing phases (6–9 months) before the rollout of the plan. The estimated cost may be less than 1 percent of the GDP in the first year, and less than 2 percent of the GDP in the second year and thereafter. As the families move out of poverty, the cost will decline as a proportion of the GDP. Nyay scheme is to be funded through new revenues and rationalisation of expenditure.

However, there are few apprehensions in the minds of political rivals and economists about the viability of such a scheme. First objection is that it will provide easy money to poor families and will diminish their motivation to work. However, having an income of Rs. 12,000 per month may meet basic needs, but can't be called a luxury. Hence, this argument doesn't hold much ground. Secondly, it is feared that this scheme is going to cause huge fiscal deficit and ruin the economy. Since it is estimated to cost around 1% of GDP only, the outgo may be less than the huge amount of NPAs written off by banks. Moreover, the Scheme may benefit the economy with increase in purchasing power and demand.

The ruling BJP has pledged to double the income of farmers by 2022. The Prime Minister Kisan Samman Nidhi announced that the interim budget is promised to be extended to all the farmers in the country.

The Congress has promised a separate 'Kisan Budget' (Budget for Farmers), besides establishing the national Commission on Agricultural Development and Planning and the Commission on Marginal Farmers and Agricultural Labour.

People have expectedly become sceptical to such newer and big promises made during the election time. Hence, there is lack of credibility to such pledges. The issue of black money, which happened to be a big issue in the last election; a promise was made to bring back the black money deposited in foreign banks. However, the initiative hasn't progressed considerably. There were also promises to generate over 20 million jobs for youth every year.

However, the situation is getting difficult every year with the regard to employment. Now, in its manifesto, the Congress has included a pledge to generate 2.2 million jobs within next 10 months along with 1 million jobs in rural bodies.

It would be interesting to observe from Indian election results the final verdict on whether good economics necessarily means good politics too; whether economic issues or the issues related to nationalism attract more support from electorate. The results of the general elections in India would prove to be an important case study for politicians as well as for economists and social scientists of other countries.