The Boundaries of Welfare*

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The Narendra Modi government has now carried its penchant for undermining institutions to the national budget itself. Not only has it treated what should have been an interim budget, as its tenure lasts barely two months into the new financial year, as a full-fledged budget, but it has also palpably refrained from applying its mind to several key budgetary schemes. The aim has been not to launch some seriously thought out schemes for the poor but to create hype-worthy news.

Consider the three main "sops" of the budget. Twelve crore "small landholding families" are to be given Rs 6,000 each annually. This is a paltry amount, but let us ignore that. The scheme does not distinguish between irrigated and un-irrigated tracts. Minister Piyush Goyal also did not specify whether "landholding" refers to "land-owning" or "land-operating", and whether "land" includes "homestead land". But one can infer that he was referring to "non-homestead" "land-owning" households. Indeed according to the NSS (Report 571) the number of households with "ownership holdings" between 0.002 hectares (below which land would be solely for homestead) and 2 hectares, comes to 13.3 crore in 2013, which is close to the number he mentioned. What this means, however, is that both labourers and tenants are left out of the scheme. In short, a host of absentee landowners would get the government handout, while actual cultivators without ownership rights would be left out.

Besides, the estimation of the number of ownership holdings from a sample survey is one thing; but the actual identification of who owns what over the country as a whole, where crores of households are involved, is quite another. The Telangana Rythu Badhu scheme, the presumed inspiration behind all these programmes, was preceded by an updating of land records that established land ownership. But given the abysmal state of land records in the country as a whole, whose rectification would take months at the very least, the idea that immediate payments within the current financial year itself can be made to the deserving beneficiaries, and that too to the tune of Rs 20,000 crore, defies reason. Little thought has clearly gone into the launching of this scheme.

As for the pension scheme for the workers in the unorganised sector, it does not promise a pension to the existing old people; it does not promise a pension that is half the minimum wage, which has been a long-standing demand, and which, if implemented, would mean a pension of around Rs 5,000 per month today itself, compared to the promised Rs 3,000 per month 30 years from now for a 29-year old of today; above all, however, it is a contributory scheme. Minister Goyal talked about the government contributing a matching amount, but the figures he cited belie this promise. If a male worker just turned 29 pays Rs 100 per month until he is 60, then by that date he would have contributed a total sum close to Rs 1,50,000 at 8 per cent annual compound interest rate. Given the current male life expectancy of 65 years, he should be able to live the remaining five years of his expected life at almost Rs 3,000 per month out of his own savings. Where, then, is the government's matching contribution to the pension scheme?

This scheme, in short, is essentially a savings scheme, not a pension scheme. It creates a saving instrument for unorganised sector workers, but is not a pension

scheme with substantial government contribution. Much noise, however, will no doubt be made about how it helps 10 crore unorganised sector workers.

The third major "sop" relates to income tax rebate, where the main provision is that individuals having annual taxable income up to Rs 5 lakh will get full tax rebate and will not be required to pay any income tax. This, curiously, is not expected to make much of a difference to income tax revenue: The share of income tax receipts to GDP is expected to go up despite these concessions from 6.4 per cent in the current year's revised estimate to 6.6 per cent next year.

This is likely to be window-dressing; and in any case not much can be read into the budget figures, since fudging statistics has become an official habit these days. For instance, despite a whopping shortfall of Rs 1 lakh crore in GST collections in 2018-19 (RE) compared to the budget estimates, and no curtailment in expenditure, the fiscal deficit relative to GDP, which is the one figure that globalised finance watches closely, has remained almost unchanged between budget and revised estimates (3.4 instead of 3.3 per cent). No doubt, the new exaggerated GDP estimates, by pushing up the denominator, have done the trick.

To say this is not to endorse the view of finance that the fiscal deficit should always be strictly bounded, a view that Joan Robinson, the renowned economist, had called the "humbug of finance"; it is only to underline the growing vacuity of official statistics, including budget figures.

Interestingly, however, the government has not used its predilection for manipulating statistics to show larger allocations for MGNREGA and other pro-poor programmes. MGNREGA allocation has marginally declined by Rs 1,000 crore. Goyal has said that funds will be made available for MGNREGA if needed; but this is exactly what all previous finance ministers have said even while whittling down the programme. A recent ground-level study shows that a good deal of demand for employment under MGNREGA is not registered at all; and the actual employment provided is only 68 per cent of the registered demand.

The niggardliness towards MGNREGA and the exclusion of labourers and tenants from the Pradhan Mantri Kisan Samman Nidhi scheme on the one hand, and income tax concessions together with the handouts to farmers up to 2 hectares (which will comprise holdings of better-off peasants in irrigated tracts) on the other, suggest that the government's electoral strategy is to win over the "intermediate classes" while ignoring the poor. But the lack of application of mind that marks several key budgetary schemes may thwart even this electoral strategy.