

DHANMAJIRI SATHE WRITES: CURRENT AGITATION IS A REFLECTION OF LACK OF LARGE-SCALE INDUSTRIALISATION IN PUNJAB

Relevant for: Indian Economy | Topic: Agriculture Issues and related constraints

The agitation of farmers, mainly from Punjab, has raised issues pertaining to development economics as we have understood it since the early Fifties. Development theory illuminates how a backward-agricultural economy can become an industrialised (including services) one. It also says that before an economy is on the path to industrial revolution, it should have an agricultural revolution — the output and productivity in agriculture increases by such an amount that labour is freed to work in industry and the industrial labour can be fed by agriculture's surplus output.

In Punjab, an agricultural revolution (the Green Revolution) has clearly occurred — there is huge surplus output. If Punjab had been an independent country, once it had experienced an agricultural revolution, a sensible policy would have encouraged domestic industrialisation, possibly by restricting imports in the initial stages, and surplus labour from agriculture would have shifted to industry. But Punjab is part of a bigger country. So, it has got the advantage of having easy access to the Indian agricultural market. Punjab has been selling wheat and rice at Minimum Support Price (MSP) to the Food Corporation of India. The MSP and the APMCs, as they have developed in Punjab, have made the farmers much better off than most of their counterparts in the rest of India. The MSP and the well-functioning APMCs were a part of a deliberate strategy of the central government to have first, food sufficiency and, then, food surplus, so that a situation like that in the mid-1960s does not reoccur. This situation was achieved some time back at a macro-level — though this does not mean that Indians are not under-nourished.

Increasing agricultural incomes expectedly led to an increase in demand for industrial products like tractors, cars, washing machines. These products are produced in states (Tamil Nadu, Maharashtra and Karnataka) which developed as industrial hubs. In short, Punjab has had an agricultural revolution, but it has not moved on to an industrial revolution as it has easy access to products produced in rest of India.

Within an economy, one expects some geographical specialisation depending on natural resources and land fertility. Obviously, mines would have to be in Jharkhand. For that reason, Punjab was selected for the Green Revolution. One cannot really expect all states to be efficient in production of all goods. But Punjab then becomes an intriguing case. The question then is: What should be the unit for “development”?

The second thing that happens due to an agricultural revolution is that labour released from farms can be shifted to industry. But hardly any industrialisation has occurred in Punjab. Punjab remains an “agricultural” state and, unfortunately, is proud about it. The current agitation, in a very fundamental sense, is a reflection of the lack of industrialisation. In Bihar, too, hardly any industrialisation has occurred and so the landless, marginal and small farmers migrate to other states. But in Punjab, this class of people is not as poor as the Bihari farmer who migrates, but they are not as rich as the big farmer in Punjab.

However, there is nothing in the Punjab economy that should stop it from moving on to an industrial revolution. But policy in Punjab has been stagnant. As long as farmers could get a reasonable MSP and the people were fairly well off, state governments over the years did not seem to be under pressure to do anything else.

Hopefully, the current crisis will be sorted out in a satisfactory manner. But the basic fault line will remain. The urban population in Punjab is around 40 per cent. This needs to increase by way of more industrialisation.

The current agitations should be a wake-up call for Punjab's policy makers. From a food-scarce economy, the Indian economy has shifted to surplus-in-some crops economy. Consequently, no government can continue with an open-ended MSP for almost all farm output (wheat here). In fact, this was one of the points debated between Sharad Joshi and V M Dandekar way back in the 1980s.

Some big farmers have become like the permanent government employees and are trying to protect their incomes — that is their right. What is not clear is why the [BJP](#) felt the need to pass these laws so urgently. One would have expected any government to make unpopular changes very quietly, without announcing them, as is usually done in India.

Nevertheless, the government will have to buy some foodgrain at MSP to keep its buffer stocks, and for supplying through the PDS. So, a middle path needs to be found for the surplus farmers and for the government — in Punjab and other states with a similar agrarian profile. Additionally, as all governments in the developed world do, the government will have to interfere, give subsidies when needed but the private sector will also have to expand.

Further, generally speaking, incomes from industry are higher than from agriculture. If more industry is set up in Punjab, incomes will be higher. The small and marginal farmers would be the first ones to shift to work in industry if the opportunity arises in the state. The big farmers could diversify to non-wheat non-rice crops as they have the capacity to take risks.

Industrialisation of Punjab is not really difficult. It has a decent law-and-order situation, people are entrepreneurial, hard-working, educated and healthy. Punjab should now learn from Bangladesh and Vietnam and go in for labour-intensive industrialisation — it is a different matter that the entire country needs to learn from them. There is a lot that a state government can do especially with respect to small- and medium-scale industries. These industries should be then allowed to become big. Punjab could show the path here.

This article first appeared in the print edition on December 21, 2020 under the title “The missing second revolution”. The writer is emeritus professor at the Savitribai Phule Pune University

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