

NOT SO BASIC

Relevant for: Indian Economy | Topic: Issues Related to Poverty, Inclusion, Employment & Sustainable Development

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FIRST, it was the PM Kisan Samman Nidhi Yojana targeted at small and marginal farmers by the outgoing NDA government just two months before Lok Sabha elections, with a commitment to pay Rs 6,000 annually. Now it is the Congress that has announced a minimum income guarantee scheme — the Nyuntam Aay Yojana, which promises to provide Rs 6,000 a month or Rs 72,000 annually to 20 per cent of the poorest households in the country. Apart from these, some states, too, have already unveiled similar schemes. There are two features in the schemes announced by the two parties, one of which is that both are clearly driven by electoral opportunism. The other notable fact is that both are silent on what they plan to do with existing welfare schemes. There is no doubt and, as many economists have acknowledged, that cash transfer, especially when it is unconditional, is the way forward. It is seen as less patronising, in step with the market economy and providing the poor a choice. But what is unfortunate is the manner in which Rahul Gandhi frames what he calls a “ground breaking idea.” He says if [Narendra Modi](#) can give money to the richest, the Congress can give it to the poorest. In juxtaposing the two, he reinforces the demonisation of capital and fails to acknowledge what industry does best — create wealth, jobs and growth for the economy.

The issue is not really about finding additional resources — estimated to be Rs 3.6 lakh crore — for such a scheme. What presents a real political economy challenge is eliminating or phasing out some of the welfare schemes, including inefficient subsidies such as that on urea. Instead, governments find it politically expedient to raise fresh revenues by taxing the rich, which only serves to disincentivise the job creators, rising entrepreneurs and innovators. Economic reforms in India have been slow and it's only over the last two decades that the 7-7.5 per cent growth rate has become the new norm. Poverty levels have been falling but because of poor skills, agrarian distress and glaring gaps in the health-education ecosystem, millions of young men and women are in despair when it comes to earning enough to meet their rising aspirations. This explains why there is a felt need to address the problem of endemic poverty through a Basic Income scheme with experiments underway in many countries to counter the backlash arising from rising inequality.

In a country with a large number of poor, the only antidote to poverty is sustained double-digit growth over the next 20-30 years. This alone will create jobs, helping India reap its demographic dividend, and, in the process, lift millions out of poverty. This will require governments to simultaneously create an enabling environment for the young and for reviving the animal spirits of entrepreneurs and businessmen and women. A handout may be good politics but it's a leg-up that's both good politics and economics.

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