

Celebrating 50 Years
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Sir Angus S. Deaton
Jagdish N. Bhagwati
Peter Nijkamp
Peter B.R. Hazell
Yoginder K. Alagh

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Anjali and Kiran Lamba

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Message from Professor Sir Angus S. Deaton



The Sardar Patel Institute of Economic and Social Research was the first academic institution that I ever visited in India, more than 40 years ago. By then, *Anvesak* had already started contributing significantly to the studies of the Indian economy. I send it my best wishes on its fiftieth birthday, and hope it continues to flourish for at least another fifty!

Angus S. Deaton
(Nobel Prize Winner in Economics)
Professor
Princeton University
USA

Message from Professor Jagdish N. Bhagwati



Anvesak is a journal that is a fitting tribute to Sardar Patel and to eminent Gujarati economists such as Professor Lakdawala, Professor C.N. Vakil, Dr. Anjaria, Dr. Pada Desai, and Lord Meghnad Desai who were among the luminaries of the Indian economics profession. The 50th anniversary of *Anvesak* is an important milestone and I am delighted that we will be celebrating its Golden Jubilee. As a Gujarati economist, who is proud of our achievements in Economics, I extend to the Editor my profound congratulations on this occasion.

Jagdish N. Bhagwati

University Professor (Economics, Law and International Relations)
Columbia University
USA

Message from Professor Peter Nijkamp

Proficiat



Economics is not a ‘dismal science’ that studies only the shadow sides (such as poverty or unemployment) of our societies. No, it studies the great opportunities for mankind to create a more sustainable world that will serve human well-being and societal prosperity. Admittedly, there is no economy in the world that is always ‘sunny side up’. But the challenge is to turn threats into new possibilities. This is what I would call ‘the blessing in disguise’ hypothesis. The current COVID-19 pandemic is a good illustration of this. It has forced us not only to develop new forms of ‘social distancing’, but also to develop new vaccines that will help improve health conditions all over the world, not only in corona times but also in case of other infectious diseases in the future.

Anvesak has served the economics disciplines in India for more than 50 years. It has played an important role in building up professional capacity in the very difficult discipline of economics. I wish to congratulate *Anvesak* for its golden jubilee. We all recognize nowadays that the only antidote against ‘fake news’ is solid and well grounded scientific knowledge. I wish the editors, editorial board and in particular the readership of *Anvesak* much success in realizing its ambitious scientific goals, which at the end will benefit the whole country of India.

Peter Nijkamp

Professor

Tinbergen Institute

Amsterdam, The Netherlands

India's Incomplete Agricultural Transformation

Professor Peter B.R. Hazell



Congratulations to *Anvesak* on 50 continuous years of publication. 1971 to 2021 spans an interesting period in India's history, and especially for her agricultural transformation. When issue number 1 was published India was still an agrarian economy confronted by rapid population growth, slow national economic growth, widespread poverty, and periodic famines, and the Green Revolution was beginning to dramatically help transform the situation. Today, India is one of the fastest growing economies in the world, has a highly diversified and more urbanized economy, and not only feeds itself but is also a major agricultural exporter. Despite these successes, important challenges remain for an agricultural transformation that is still far from complete.

India today is trapped in a situation where nearly half her workers remain in agriculture producing less than a fifth of national GDP, mostly on farms less than 2 ha in size and with low land and even lower labor productivity. As a result, average farm incomes are about half the national average and rural poverty and malnutrition remain stubbornly high. Compare this to China which has gone through an equally dramatic transformation over the same period, but now has only a quarter of her workers left in agriculture, and although they also work predominantly on very small farms, their labor productivity is about twice as high as in India.

There are several reasons for the more constrained agricultural transformation in India.

1. India has not created nearly enough productive nonfarm jobs to pull more workers out of agriculture. The

manufacturing sector did not grow to absorb sufficient numbers of largely unskilled agricultural workers as in China and some other East Asian countries. Most of the nonfarm growth has been in services, and mostly in small scale enterprises with labor productivities that are not much better than agriculture. Continued rural population growth on a fixed land base has added to the problem, leading to a situation where most farm holdings are now so small (average 1.2 ha) that they cannot provide viable household livelihoods without supplementary income from nonfarm sources.

2. Inappropriate agricultural policies have not helped. While input subsidies made sound economic sense when helping to launch the Green Revolution, they have long since served their purpose and should have been phased out.¹ Instead, they have been maintained to offset distortionary price and trade policies that favor consumers at the expense of farmers. The OECD estimates that by holding the prices of major commodities below relevant international benchmarks, the Producer Subsidy Equivalent (PSE) for Indian farmers over 2014-2016 was -6.2%, despite input subsidies worth 6.9% of gross farm receipts.² Penalizing farmers in this way distorts incentives for farmers to grow the commodities consumers most want, discourages on farm productivity investments, adds to environmental woes and water shortages, and contributes to poverty and malnutrition. It also burdens the government with a huge subsidy bill that leaves far too little budgetary resources for investing in capital formation and agricultural R&D essential for longer term productivity growth. The Government is planning to spend Rs. 2.2 lakh crore on agriculture in 2021, but only 10% of that will go to capital formation and agricultural R&D, while 55.5% will go to input subsidies including agricultural insurance, and 34% to the PM-Kisan direct farm income support program.

What is to be done? To the economist, the obvious solution is for the government to liberalize India's agricultural markets, let prices adjust to relevant international benchmarks, slash input subsidies, and use part of the budgetary savings to bring public investment in capital formation and agricultural R&D to the levels needed to accelerate agricultural productivity growth. On the downside, these reforms would increase the need for food subsidies to offset higher prices for the poor, and the cost would have to be contained by reforming the current food subsidy system to make it more efficient and better targeted.

But this solution is far from complete. Apart from obvious political hazards of trying to undo long entrenched subsidy policies – as witnessed by current farmer demonstrations, this approach would only partially fix the agricultural transformation problem. It would still leave huge numbers of tiny farms in place that cannot provide viable livelihoods, or even feed the families that depend on them. While there is substantial growth potential within

¹ Fan, S., A. Gulati, and S. Thorat (2008), "Investment, Subsidies, and Pro-Poor Growth in Rural India", *Agricultural Economics*, 39 (2): 163–170.

² OECD/ICRIER (2018), "Agricultural Policies in India", *OECD Food and Agricultural Reviews*, OECD Publishing, Paris. <https://doi.org/10.1787/9789264302334-en>

agriculture, this would be most accessible for small farms that can successfully link with high value market chains, and medium sized farms (greater than 4 ha) that can still make a decent living from growing lower value food grains. Even under optimistic assumptions, this would still leave a huge number of small farms that would still need some form of supplementary income. Continued use of farm input subsidies is an inefficient and not very effective way of supporting these farms, and a direct income supplement like the PM-Kisan program has some attraction. But longer-term solutions must lie in the creation of many more productive jobs outside agriculture, and supporting policies that can help more agricultural workers make the transition to those jobs.

In many ways, this is the standard transformation problem that has faced just about every country that has progressed beyond middle-income status, and nearly all have ended up with some form of farm support policy that has extended into higher income status. Europe, the US, and Japan, for example, still provide their farmers with generous amounts of financial support, and there is no exit in sight. China and some other East Asian countries are already moving in the same direction. But it is one thing for a country with a smallish percentage of workers in agriculture to be able to afford such farm support, while the challenge facing India is much more daunting with nearly half her workers remaining in agriculture. It is hard to see viable solutions to this problem without renewed and rapid post COVID-19 growth in the Indian economy, and with more imaginative policies for a) creating productive jobs outside agriculture and b) helping agricultural workers' transition to those jobs. I do not pretend to have the answers, but there is clearly a rich and important agenda here for future policy research, and for *Anvesak* to encourage and publish over the next 50 years.

Peter B.R. Hazell

Emeritus Fellow, International Food Policy Research Institute (IFPRI)

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India @ 75

Professor Yoginder K. Alagh



Anveshak has completed 50 years of its publication journey. What were the big events and trends in the last half century as the nation celebrates the 75th anniversary of Independence? From a policymaker's perspective, there is recently a book by a retired bureaucrat which documents the journey (Datta, 2021). I was fortunate to be in the Driver's Seat as it were, spending 19 years of a 35-year career on invitation at Delhi in the Planning Commission, first planning food and energy self-reliance, then sustainable rural development given the land, rivers, soils and climates of my lovely country, and later running its premier university (Jawaharlal Nehru University) as it got into the top select category. Datta was a colleague at the beginning working with me in the Planning Commission, defining poverty and I also use his story. He is generous enough in 2020 to say that when he finished his training as an Indian Economic Service officer, he opted for the Planning Commission and was sent to me to decide if we would accept him. I reportedly grilled him for three hours on his Statistical Training (I don't 'grill' anybody but may have had a robust discussion) and then asked him to join his work; and giving him a 'brief', I asked him to work on defining poverty in an analytical context. There was a poverty line (in terms of Rupees per person per day) defined by an Eminent Persons Group in the early Sixties. Its report was unavailable. I wanted some solid work done, introducing consumer behaviour in rural and urban areas by income class. I told Datta that R. Radhakrishna and Atul Sarma at my mother Institute at Ahmedabad had worked on it. They got onto the job and the PPD (person-per-day) Calorie Requirements Task Force I chaired in 1976 defined a line which separated the Non-Poor and the Poor in urban and rural areas. The work initially appeared in the early *Anveshak* volumes before it was published

elsewhere. I took that report and put it through discussion to get it validated. That then defined the Official Poverty Line (OPL), which lasted for a decade. Ending a later term as Member I wanted to get it changed since it had served its purpose and social norms on minimal standards now changed; so, the Lakdawala Committee was set up. Prof. Lakdawala passed away but the Report which doesn't have his signature is called the Lakdawala Poverty Line. It essentially did not change the Line; only price level was updated. Later Suresh Tendulkar did the same only the Rural was used for updating for Urban areas also. I was a spectator to all this, not keeping quiet. I got polite hearing, being the grand daddy; but nobody was willing to tamper with the Alagh Poverty Line corrected for prices. Working with a pencil, I figured out that nobody is willing to take less and more there is not to give.

We wanted to change the World we had inherited. Indian food production was stagnating and the American Hudson Institute was predicting millions would die. We built a model based on data to give us the Drivers to change that. Datta describes it. In 1979, I am asked in the World Bank if my target was 125 millions tonnes of grain, which 5 years earlier they had called the dreams of the wild haired boys of India's Planning Commission, how come production was 127 million tonnes. I said Ms. Gandhi, then in jail, by the UF Govt., supported us and jokingly pointed out that coming from Ahmedabad I put in 'reserves' when making strategic decisions.

Datta gives the insider's story. It ends with the Planning Commission abolished as also rule based resource allocation given up by the NDA Govt. He is deeply disturbed and writes a chapter on his anguish. My only hope is that somebody out there reads his book and takes action on it, to build up a Road Map for implementation of the Farm Laws.

In fact, there is another danger. The Harvard economist of Romanian origin, Nicholas Georgescu-Roegen was a mathematician and developed The Law of Entropy, namely with finite resources which indicates that if you keep on overusing them, you may reach a point of destruction from which there is no going back (Georgescu-Roegen, 1971). It is the closest we come to the Hindu doctrine of *Pralay*. We must ensure we don't reach there.

I am, in fact, an optimist. We must endure that the one born now will go to college. The first child will come late and the last one early. They hold up half the sky. Then we will garner The Demographic Dividend (Alagh, 2019). A half century is a brief period in a great nation's destiny; also in an Institution's progress.

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Yoginder K. Alagh

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Celebrating 50 years of *Anvesak*: Editor's Note

This issue marks the 50th anniversary of *Anvesak*, the biannual journal of the Sardar Patel Institute of Economic and Social Research (SPIESR). According to the schedule, this issue was supposed to be published in 2020, but the Covid-19 catastrophe has delayed its publication. However, *Anvesak* 50(2) is an opportunity to celebrate a tradition of publishing research outputs that provoked as well as engaged debates on different issues that were found to influence economic growth and development. Throughout these 50 years, *Anvesak* has published critical research papers that encouraged and induced significant theoretical, methodological and empirical/analytical debates on various issues related to economic and social development.

On this occasion, the Team *Anvesak* would like to take the opportunity to acknowledge and celebrate the contributions of the authors, and greatly appreciate the cooperation of our esteemed reviewers and readership. The support provided by the Editorial Board, the Advisory Board, and the entire SPIESR family in successfully bringing out the *Anvesak* 50(2) is gratefully acknowledged. I am extremely grateful to Professor Sir Angus S. Deaton, Professor Jagdish N. Bhagwati, Professor Peter Nijkamp, Professor Peter B.R. Hazell and Professor Yoginder K. Alagh for kindly responding to my request and thereby sending me their 'messages' to encourage us in celebrating the golden jubilee of *Anvesak*. Especially, I express my sincere gratitude and indebtedness to Professor Peter B.R. Hazell who has been so kind to send us a very insightful reflection on some aspects of India's agricultural transformation over the past 50 years, titled *India's Incomplete Agricultural Transformation*. The piece

contributed by him, I am sure, would re-stimulate thinking processes of the concerned thinkers in both academia and policy domain to engage further in the long-standing debate on agricultural transformation.

Last but not the least, we are deeply grateful to the Indian Council of Social Science Research (ICSSR) and the Government of Gujarat for their financial support.

Five research articles are published in the present issue. Besides, this issue reproduces the entire *Anvesak* 1(1) to commemorate the beginning of the journal's journey in 1971. Over the years, *Anvesak* in its own capacity has tried its best to provide an authentic platform for both academic knowledge creation/dissemination and policy debates. *Anvesak* is committed to recover further and devoted to continue to serve its readers in the years to come.

Subrata Dutta
Editor

30 September, 2021