



Farm laws and 'taxation' of farmers

Farmers "Net taxed"

Over the past three decades, a major rationale offered in favour of liberalising Indian agriculture was that farmers were "net taxed". In other words, incomes of farmers were kept artificially lower than what they should have been. It was argued that this "net taxation" existed because protectionist policies deprived farmers of higher international prices, and the administered price system deprived farmers of higher domestic market prices. If there were more liberal domestic markets and freer global trade, prices received by farmers would rise.

Farm Laws to end Net Taxation

The farm laws would weaken restrictive trade and marketing policies in India and "get the markets right". This, in turn, would eliminate negative support and raise farmers' prices.

Example of Milk:

In these debates, a common example cited is that of milk. There is no Minimum Support Price (MSP) in milk, and a substantial share of milk sales takes place through the private sector, including multinationals like Nestle and Hatsun. Yet, India's milk sector is growing faster than the foodgrain sector. If the milk sector can grow without MSP and with private corporates, why not other agricultural commodities. This article attempts a closer look at these claims.

PSE and its estimation

1. The PSE is estimated using a methodology advocated by the OECD. The OECD defines the PSE as the annual monetary value of gross transfers from consumers and taxpayers to agricultural producers, measured at the farm gate level, arising from policies that support agriculture.
2. The PSE has two components. The first is market price support (MPS). MPS is that part of the gross transfers to producers arising from "a gap between domestic market prices and border prices of a specific agricultural commodity.
3. The second is budgetary transfers (BOT). BOT includes all budgetary expenditures on policies that support agricultural production. PSE is the sum of MPS and BOT, expressed also as a percentage of the value of agricultural production.
4. The PSE for Indian agriculture in 2019 was ₹-1,62,740 crore or -5.5% of the value of production. Within the PSE, the MPS was negative while BOT was positive.



5. The MPS was ₹-4,61,804 crore or -15.5% of the value of production. The BOT was ₹+2,99,064 crore or +10.1% of the value of production.

Problems

1. The MPS is a wrong measure of taxation in agriculture because the international price is no “true price” to be accepted as a benchmark.
2. Also, a country like India with a population may not be able to cash price differential for food security reasons. Export for rice and wheat tend to be low despite huge production.
3. Further, a negative MPS, by itself, implies neither a government that squeezes revenues out of farmers nor the absence of absolute profitability in agriculture. In fact, what is missed in these debates is the elephant in the room: the BOT. The West’s PSEs in agriculture are positive and higher than India’s because they have higher BOT than in India.

Structural reforms for NEP 2020

Bottom Line: Governing bodies for universities and colleges must be reframed to make them equitable

Rationale for reforms

1. While the policy covers a wide spectrum of issues, including reforms in school and higher education, the emphasis should also be on the need to restructure the governing bodies for universities and autonomous colleges.
2. First, the system of appointments of vice-chancellors and syndicates, or governing councils, the key authorities for any university, needs to be revised.
3. The appointments are often mired in controversies, with frequent reports in the past of aspirants for the post of vice-chancellors and membership of syndicates indulging in unethical practices to gain favour.
4. Luckily, the NEP talks of creating new structures, such as a Board of Management, to replace the syndicate system.

Reforms needed

1. Further, with the vice-chancellor as chairman, the Board should consist of former vice-chancellors drawn from other universities, members drawn from industry, the alumni, eminent public intellectuals, principals of affiliated colleges on rotation and members representing the non-teaching staff.
2. The Board’s decisions should be taken by consensus or by a majority of the members present. Proceedings should be conducted in virtual mode and made available for stakeholders’ viewership.



3. For the appointment of vice-chancellors of universities, search committees constituted for such purposes must be thoroughly restructured. The government's and chancellors' role in such committees must be done away with.
4. The practice of having government nominees, chancellor's nominees and university nominees should be stopped and it should be replaced by drawing an eminent former vice-chancellor or academician of proven integrity and administrative capability for the post of chairman.
5. Applications for the post of vice-chancellors can be invited through advertisements on the university website and through newspapers.
6. Another important issue is the accountability of faculty and the best way to ensure that is to put in place an institutional structure of 'academic audit'. Faculty members must mandatorily upload on university websites their annual plans for research and innovative modes of teaching.
7. There is an urgent need to overcome faculty shortage by recruiting teachers in order to overcome the existing trend of higher educational institutions relying on guest faculty.
8. Finally, in order to improve the higher education ecosystem, excellence in teaching, research, innovation, entrepreneurship and social contribution must be encouraged.
9. The NEP's recommendations, like the introduction of four-year courses that have the option of re-entry and exit, one- or two-year postgraduate courses, and setting up of an Academic Bank of Credit for credit transfers, may be helpful.