

The politics of a Minimum Support Price

Facilitating a bargain between wealth accumulators and welfare seekers seem to have become the key function of politics

A new constituency

1. The current wave of competitive welfarism disconnects Indian politics from the middle class that believed in and cheerfully ushered in a majoritarianism-market compact.

2. The slew of welfare schemes, which often includes a few hundred rupees in cash doles, creates a massive political constituency. Politics seems less about aspiration and more about desperation.



June 3
Free rides for women in government buses and metro trains

August 1
Free electricity for people consuming up to 200 units under domestic connection

September 3
Free entrance coaching scheme for students from Scheduled Castes extended to students who have passed Class X and XII from

August 27 Waiver of arrears on water bills and late payment surcharge



Fundamental Problems:

1. It is easy to blame individual leaders or natural disasters such as the COVID-19 pandemic for this knot. The mismanagement and the incompetence of individual leaders may aggravate it, but the fundamental puzzle is the friction between the dictates of democratic politics and market-driven development.
2. The divergence between the principles of market economy and imperatives of a democratic society is the core dilemma of liberalism. The entrenched liberal notion that market and democracy are integral to each other is being questioned by leaders of both.
3. For instance, in the United States, popular leader Bernie Sanders calls himself a 'democratic socialist', while Peter Thiel, one of its reigning capitalist moguls, fears that democracy will stall human progress and derail order.
4. The trajectory of technological and economic progress is making this divergence increasingly stark.

A conflict arises

1. More than the question of inequality, the conflict between the political and economic orders arises out of the shrinking ability of the latter to fulfill the basic aspirations of the masses through market mechanisms.
2. The interests of the consumer and the investor conflict with those of the citizen and the labor, Robert Reich points out in Supercapitalism.
3. A politician facing the electorate has to create and protect jobs and build public amenities; incentives for job creation, if at all, are indirect and distant for the investor, who is ever looking for reducing the workforce or moving work to cheaper places and workers.
4. Politicians are trying to restrict the mobility of capital through measures such as global minimum tax, etc. Capitalism, meanwhile, is trying to escape the planet itself, and in the interim, to free itself from state authority through technological routes such as cryptocurrencies.

'Jobless growth' is accepted

1. As the composition of the economy shifts in favor of activities that require little labor, the same amount of growth creates fewer jobs. More than a decade ago, 'jobless growth' had become a talking point in Indian political debates.

07.01.2022

Friday



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2. Nobody talks about it today — not because the problem has been resolved but because everyone has accepted it as normal.
3. The downward trickle has become feeble. Politicians respond to this reality. For instance, a politician told a gathering in Uttarakhand that he would create lakhs of jobs once in power, but it could take time. “...in the interim, we will pay ₹5,000 to every unemployed person.”
4. A universal basic income is an idea that is now being discussed globally. Barons such as Elon Musk and Bill Gates support a universal basic income for the entire population in the days to come.

Welfarism, redistribution

1. This is turning the ‘there is no free lunch’ bombast (which politicians and business leaders mouthed in unison in the early 1990s) on its head. Subsidies were then rolled back, and people were asked to compete for sustenance and success.
2. Pushed to the wall, they revolted and voted out government after government. Welfarism returned, and how.
3. Not only that, the Mahatma Gandhi Employment Guarantee Act — a rural employment scheme that provides 100 days of employment/jobs a year at a minimum wage to anyone who asks for it — survived, and grew by four times between 2014 and now.
4. It was ridiculed as a monument to the failure of the predecessor regime but today, it is the lifeline of the current regime, alongside add-ons such as free cooking gas and cash incentives to farmers.
5. Welfarism is secular — all parties are looking for new opportunities for compassion signaling. In Kerala, the free ration kit, last Onam, came with a sweet and vermicelli among its items. In other places, free laptops, bicycles and smartphones seem to be a part of the welfare mix.
6. Redistribution has become critical for the survival of democratic politics everywhere — the United States or India.

More generosity now

1. Welfare schemes have created significant development outcomes in the long and short term, as experience from the many Indian States over the decade's shows. They were seen as the deepening of democracy.
2. When welfare is weaponized to mute substantive political questions, its impact on democracy is less reassuring. The current generation of welfare

07.01.2022

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schemes does not come as a right of citizens but as the generosity of the individual leader.

- 3. Similarly, while the promotion of entrepreneurship by the government is laudable, turning it into a call to the people to create jobs rather than seek them, redefines aspiration as an individual burden and responsibility.*

Facilitating a bargain between wealth accumulators and welfare seekers appears to have become the primary function of politics. But it is unclear whether this will remain an infinitely sustainable lubricant that mitigates the fundamental friction, and whether the state might fall back on coercion.