

Open letter-2

December 22, 2020

To

Shri Narendra Singh Tomarji,

As economists who have a deep engagement with India (we are a group of around 40 economists from across the world who work on the Indian economy), and who desire a fair distribution of income and wealth in the country, we are seriously concerned about the recent Farm Acts that have led to sustained protests by farmers. While small and marginal farmers in India need remunerative prices and better market access for their farm output, it is not at all clear that the Farm Acts proposed by the central government will ensure that.

Moreover, the timing of the present Acts (in the midst of a pandemic) and the way they have been rushed through the parliament, raises serious questions about the intentions of the central government and the integrity of the process involved. As several economists have argued, there are major problems with these Acts:

(a) Academic work from Africa, Latin America and even India has shown that no clear benefits accrue to small and marginal farmers from contract farming. These small and marginal farmers constitute the majority of agricultural producers in India, and these Acts can impact their welfare adversely. Similarly, farm produce marketing has been regulated (although only a small part of the overall market is sold through Agricultural Produce Marketing Committees (APMCs)) in order to reduce the arbitrary power of the much more powerful private market intermediaries vis-à-vis small and marginal farmers.

Instead of strengthening this regulation to protect vulnerable groups, the current Acts seek to weaken existing institutions by promoting a 'dual system' of regulated and unregulated markets that can only further strengthen private contractors, market intermediaries and large corporate bodies, while bypassing APMCs and increasing the vulnerability of the small and marginal farmers.

The power of the Indian private corporate sector has grown substantially over the past three decades. The ability and willingness of successive Indian governments to regulate and rein in this sector have been limited – this has been starkly exposed by some high-profile cases of fraud. Given this, the promotion of contract farming, agribusinesses and the corporate sector in agriculture through these Acts is likely to reduce the autonomy and bargaining power of small and marginal farmers and thereby hurt them. This would also worsen the already high rural-urban disparities and overall inequality.

(b) Any robust democracy addresses the needs of various communities from the bottom up and relies on the presence of properly functioning checks and balances and a division of labour among various political units. The framers of India's Constitution were well aware of this and gave states as well as the central government various rights and responsibilities. Given this background, agriculture is handled differently by each state based on the needs of the local populations, although there are commonalities across states.

These Acts seek to undermine the relative autonomy of states in the formulation of policy and institutional responses. Moreover, there is a visible erosion of the rights of minority religious groups and Dalits over the last five to six years in India. These Acts have further contributed to a feeling of alienation on the part of particular regions and religious groups (e.g., Sikhs in Punjab), although (as media reports indicate) farmers from several regions have been involved in protests. In a multi-cultural and multi-regional Indian nation, central government agricultural policy should accommodate the needs and demands of people from different regions and communities and make indicative policies accordingly (i.e., not impose a one-size-fits-all policy prescription).

We, therefore, urge the central government to first repeal these Acts and then conduct proper negotiations with various farming groups from different regions of India about the way forward. There are several experts on the ground that have dealt with farming issues (production, marketing, credit, remunerative prices, ecological issues etc.) and they also need to be brought to the discussion table also before further steps are undertaken.

Signatories (representing the group):

Sripad Motiram (Associate Professor of Economics, University of Massachusetts Boston)

Sirisha Naidu (Associate Professor of Economics, University of Missouri Kansas City)

Smita Ramnarain (Associate Professor of Economics, University of Rhode Island)

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