

Rahul Gandhi's Nyay becomes Anyay as it ignores the real issue

By: [Sunil Jain](#) | Updated: March 29, 2019 7:56 PM

Apart from being too expensive, Rahul Gandhi's income scheme – like Modi's – will ensure real solutions are not implemented.

Much of the criticism of Congress party president [Rahul Gandhi's](#) Nyuntam Aay Yojana (Nyay)—which promises to give country's lowest fifth households Rs 6,000 per month—not surprisingly, has centred around its lack of affordability. At Rs 360,000 crore, or 1.7% of GDP, it costs slightly more than what the government spends on subsidies like those on food, fertiliser, LPG and several others today. So, if the subsidy bill is to be doubled, since the Congress is clear other subsidies are not going to be cut, there is a clear problem of where the money is going to come from. One Congress official suggested, on TV, that taxes would have to be raised, but raising tax levels and collecting them are two different things; collecting extra taxes equalling 1.7% of GDP can take several years. Besides this, there is, right now, no system of identifying the bottom fifth of households in terms of income.

Equally problematic, as FE has pointed out earlier, is the issue of what this does to the relative position of various income groups and the backlash this will cause. Households in the lowest income group (decile 1) earned Rs 193,255 per year, according to Price's ICE 360o all-India survey for 2015-16; the actual survey throws up a lower number, but this has been blown up to align it with GDP data. Households in the second decile, D2, earned Rs 250,298 while it was Rs 279,788 for D3 households, Rs 321,871 for D4 households, etc (see table).

Now give Rs 72,000 per year to D1 and D2 households. On average, D1's income rises to Rs 265,255 and D2's to Rs 322,298. As a result, households in D1 continue to remain D1, but D2 households now go up the income chain to D4 while D3 moves to D2 and D4 moves to D3.

It's education that matters

(Even in low income groups, it is the lesser educated that earn the least)

Avg household income, ₹ per annum

Population Decile	Education Level		Avg for Decile
	Illiterate to Primary	Matric to Graduation+	
D1*	176,297	225,227	193,255
D2	226,100	285,738	250,298
D3	246,930	319,849	279,788
D4	278,183	370,461	321,871
D5	297,715	395,233	347,383
D6	313,023	444,076	383,045
D7	353,068	521,119	455,313
D8	388,611	595,044	523,607
D9	449,544	738,151	660,005
D10	588,732	1,148,297	1,025,302
Average	314,669	611,731	484,981

*Lowest 10% of population in terms of per capita income

Source: Price, ICE 360^o survey, 2015-16

Both Rahul Gandhi's plan as well as prime minister Narendra Modi's income-supplement scheme for farmers—Rs 6,000 per year—are aimed at alleviating a problem of low income that, right now, is not getting resolved in the normal course of economic growth. In the case of Modi's schemes, for instance, though he has done well to spend more on creating irrigation facilities, the problem is of not being able to create free markets—both at home as well as by way of unrestricted exports—so that farmers get a better price. With Modi failing to free up markets over the last five years—at least in states ruled by the BJP—this compounded the problem caused by depressed global prices. So, instead of coming up with a solution, Modi came up with the Rs 6,000-scheme. Should Modi get re-elected, the question is whether he will attempt reforms to genuinely free agriculture markets or simply settle for trying to raise this sum in order to keep farmers happy. Second-guessing politicians, especially those of Modi's calibre, is not a good idea, but if the past five years are any indicator, freeing markets may be given the go-by. The problems of massive sugarcane dues—right now, over Rs 28,000 crore—is primarily due to bad government policy, but instead of trying to fix this, like previous

governments, Modi, too, has been content with coming up with new sugar 'packages' from time to time.

Much the same could happen with Rahul Gandhi's plan, especially if it gets the party the required votes in the polls over the next couple of months; after the farm loan waiver worked so well for the party in 2008, both the Congress and other parties have tried this very tactic several times in subsequent assembly elections. If the government gets used to the idea of dole being a substitute for good policy, chances are real reforms will never take place. Data from Price's ICE-360o survey clearly show that, even in the lowest income groups, the problem is related to no- or low-levels of literacy. In the lowest decile, households headed by those who have studied till just primary school—this includes illiterates—have an annual income of Rs 176,297 as compared to Rs 225,227 for those where the household-heads have studied till anywhere between matric and graduation. Indeed, in D1, households headed by illiterates earn Rs 91,498 and this more than doubles to Rs 193,060 if the educational qualification is primary school and to Rs 242,234 if a graduate degree is received.

In the second decile, households headed by illiterate people earn Rs 125,594 as compared to nearly double that— Rs 243,848—if the level of education is even primary school and to Rs 315,303 in case a graduate-level education is completed. For illiterate-to-primary households, as a group, the income was Rs 226,100 as compared to Rs 285,738 when the education levels are from matriculation to graduation.

At an overall level (see table), this throws up interesting policy prescriptions. So, even though they are in the D2 income category, illiterate-to-primary households earn roughly similar amounts to matric-to-graduate households that are in the D1 category. Households in the illiterate-to-primary category in the 5th decile earn an amount that is roughly similar to matric-to-graduate households in the second decile.

This gets further accentuated when the education levels are disaggregated. A graduate household in D1 earns Rs 242,234 as compared to Rs 237,434 for an illiterate household in D8, that is a household in the top 30% of the country in terms of income. Ideally, then, the government should be focusing on ensuring everyone gets a high level of education; after this, the focus has to be on the quality of education, on ensuring there is enough investment in the

economy so that everyone can get a job appropriate to the level of skill/education, and later on ensuring that more sophisticated jobs are created so that salaries go up even further. The politics of dole, however, takes the focus away from this.