

The Arithmetic of Empowering Governments Are we missing the premise and the pathway?

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It is significant to note that J. M. Keynes, the father of Modern Economics, as early as 1930s had stridently laid down the role of government in championing the cause of down-trodden. Verily, the magnum opus of Keynes, titled “The General Theory of Employment, Interest and Money” sheds light on the role by the governments across the globe to address the imbalances caused by the ‘The Great Depression of 1930s’.

As Keynes would say, “*The most important Agenda of the State relate not to those activities which private individuals are already fulfilling, but to those functions which fall outside the sphere of the individual, to those decisions which are made by no one if the State does not make them*”.

In developing economies like India, the concept of welfare policy intervention gathered momentum and grown by leaps and bounds appealing to several segments of the society - common man, political parties and government bureaucracy. Nevertheless, the vulnerable population, who are the prime beneficiaries see government intervention as the main source of survival in the otherwise inequitable society. The haves’ and the have nots’ divide is a spill-over of the technological advancements in the highly competitive world, that has let down the well-being of backward sections in particular. The market-oriented growth which has led to a new class of poor, the ‘**Ultra Poor**’, a Lipton’s coinage¹, mandated government intervention to address the needs of the poor primarily and also to foster the economic well-being of the country as a whole.

Interestingly, the welfare policy discourse, merited attention in various economies, be it in the category of an UDC, developing or developed. The development think-tanks and policy-makers alike saw government intervention as an alternative development paradigm. Thus, the emerging ‘Politics of Poor’ is an index of transcendence of public policy interventions beyond fiscal functions theory of Richard Musgrave, a pioneer in the field of Fiscal Economics and the celebrated Father of Modern Public Finance. In his important work, titled “The Theory of Public Finance” (1959), Musgrave has clearly classified the functions of government as follows:

- ✓ **Allocation**
- ✓ **Re-distribution**
- ✓ **Stabilization**

¹ The term ultra-poor was coined in 1986 by Michael Lipton of the University of Sussex. (The Guardian: Scott MacMillan, Mon 12 Jan 2015).

Musgrave saw the government as having an important economic role and developed a theory on the way taxes and other factors interact in areas where goods and services —roads, schools, courts and national defense, for example were best provided by the government. (Tandon).

The treatise of Musgrave outlined the arenas and ways in which government intervention addresses and could address the economic distress of humanity at large with the focus on destitute population. In fact, Adam Smith had advocated laissez-faire policy in which the role of government in economic matters was negligible. According to him, government has to take care of defense, law & order and control of strategic industries only. It was Musgrave's taxonomy that put forth the fiscal functions of the government alongside the traditional functions of the government postulated in Smithian ideology.

However, it seems that in the contemporary world, the issue of market failure – the private sector letting down the welfare of the society at large – has become more of a political debate than an issue, with an added emphasis on the former.

Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA) in 2005 and the National Food Security Act in 2013, which are pillars of the inclusive growth agenda.

This being the scenario, the core argument of this short paper is: In the process of empowering governments as a champion of welfare paradigm, are we missing the premise and the pathway? In a nutshell, there is need to study the policy-making process to understand its pro-poor rationale. Indian context would be suitable empirical segment for this research as from the first plan of 1950s till the present day MGNREGA, Indian policy-makers see welfare interventions as

Any of the major programs of India - school meals; the Integrated Child Development Services; the NREGA; the public distribution system; and social security pensions for widows, the elderly, and disabled persons² – are absolute fits for the exploratory work, whose premise is studying the politics of policy-making. It is argued that impact studies *per se* would be insufficient to understand whether the Keynesian and Musgravian postulations are preserved or have got immersed in the politics of welfare.

² How welfare wins: Discursive institutionalism, the politics of the poor, and the expansion of social welfare in India during the early 21st century, *Policy and Society*, 2023, 42(4), 506–525: Indrajit Roy