

Free power behind Punjab's decline

By Priya Yadav, January 30, 2013

CHANDIGARH: Punjab's biggest strength, its agriculture, is proving to be its curse as well. A report, Economic Freedom of the States in India, 2012, has analyzed the reason for Punjab's decline from 6th position to 12th and has put the blame at the doors of politicians for monopolizing trade in mandis and inflicting the curse of free rural electricity on the entire state.

The report, which was recently published, has been authored by eminent economists including Swaminathan S A Aiyar, a research fellow at the Cato Institute USA, Bibek Debroy, professor at centre for policy research, Ashok Gulati, chairman of the commission for agricultural costs and prices besides Lavessh Bhandari, also an eminent economist.

Busting the 'myths', doled out as excuses by politicians for Punjab slipping badly on the economic front, Aiyar said, " Being a border state is no excuse. Gujarat too is a border state, is the most industrialized and fastest growing state. Terrorism caused decline, yes, but 1992, when it ended, was long time ago. Chattisgarh has worse situation presently fighting Maoists, so does Orissa and Bihar, but they have surged ahead of Punjab registering 10% growth, way ahead of 'peaceful' Punjab."

The usual rhetoric doled out by politicians that Punjab is landlocked and has lost out to other states, has been slammed in the report citing example of fast growing neighboring Himachal Pradesh and Uttarakhand, which too are landlocked. "Punjab may not have rich minerals and ores but it has the biggest natural wealth - its fertile soil, which no other state can boast of," he said.

Citing real reasons for Punjab's decline, the report says, "Punjab used to have large revenue surpluses in its glory days but now it has the highest fiscal deficit. This high figure arises out of huge unwarranted subsidies, the chief culprit being free power to farmers, so that the government is not even able to pay salaries on time, leading to demoralization and cynicism among staff, who look for avenues to make money illegally. The excuse of terrorism wears thin since the state has been given debt relief by three finance commissions in a row for insurgency that died 20 years ago."

"Free electricity to farmers is sinking Punjab," says Aiyar. The report too states that apart from the destruction of aquifers, free farm electricity has now become the biggest cause of state's fiscal troubles, costing Rs 5,000 crore every year.

The report has sought to put into black and white, a known truth, which the politicians and bureaucracy keeps silent about. "Why is there so much control of government on agriculture. Why are the farmers not allowed freedom?" said Aiyar.

The report says, apart from wheat and paddy, "in case of other crops, the mandis have obtained a trade monopoly that is mercilessly exploited by a limited group of traders with political connections." Former chief secretary SC Aggarwal has been quoted saying, "several bureaucrats have attempted to end the monopoly of mandis but met with severe political resistance - traders are prominent politicians and are also traditional financiers of leading political parties."