

New welfarism of India's Right

Traditional redistribution, which aims to deliver on intangibles like health and education, has ceded to a distinctive 'New Welfarism', where Centre is demonstrably providing tangible essentials to citizens

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The New Welfarism of the Narendra Modi government represents a very distinctive approach to redistribution and inclusion. (Illustration by C R Sasikumar)

The recently released fifth round of the National Family Health Survey (NFHS-5) provides reliable and independent evidence to assess the micro-development performance of this government before Covid struck. The survey covers many dimensions of health, nutrition, and overall quality of lives. Here we focus on one that government policy consciously targeted—New Welfarism—and another that was not but has been of long-standing interest, the stunting of children. The contrast offers potentially important lessons for the political economy of policy-making and for the state of the economy itself.

The New Welfarism of the Narendra Modi government represents a very distinctive approach to redistribution and inclusion. It does not prioritize the supply of public goods such as basic health and primary education as governments have done around the world historically; it is also somewhat ambivalent about strengthening the safety net which past Indian governments have pursued with mixed success. Instead, it has entailed the subsidized public provision of essential goods and services, normally provided by the private sector, such as bank accounts, cooking gas, toilets, electricity, housing, and more recently water and also plain cash.

Before discussing the findings, several caveats need emphasis.

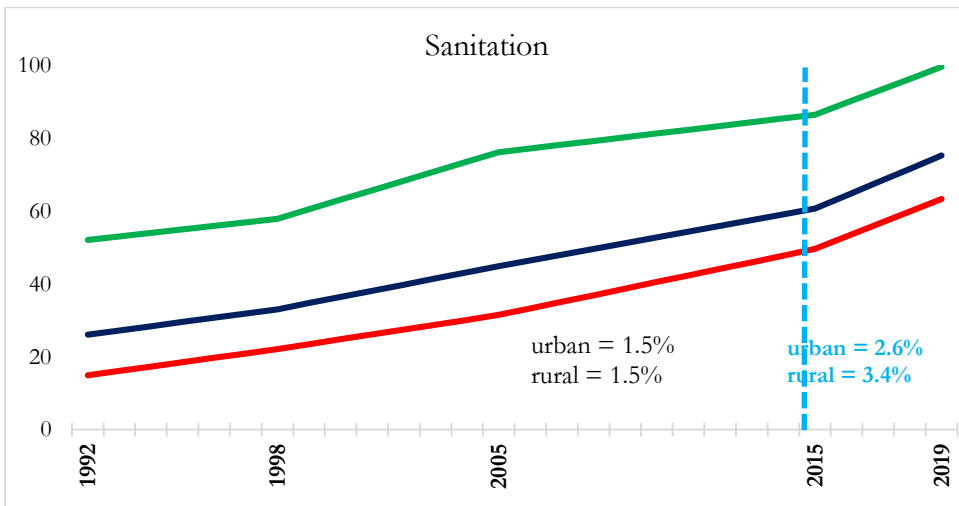
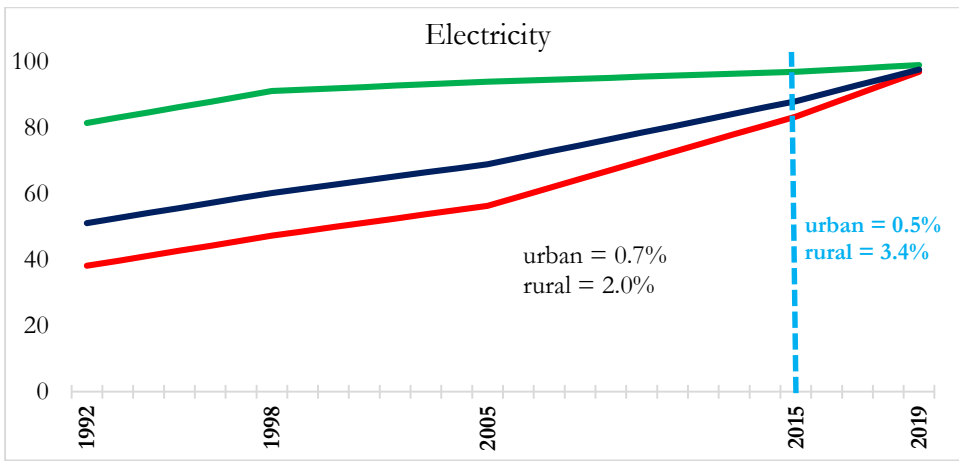
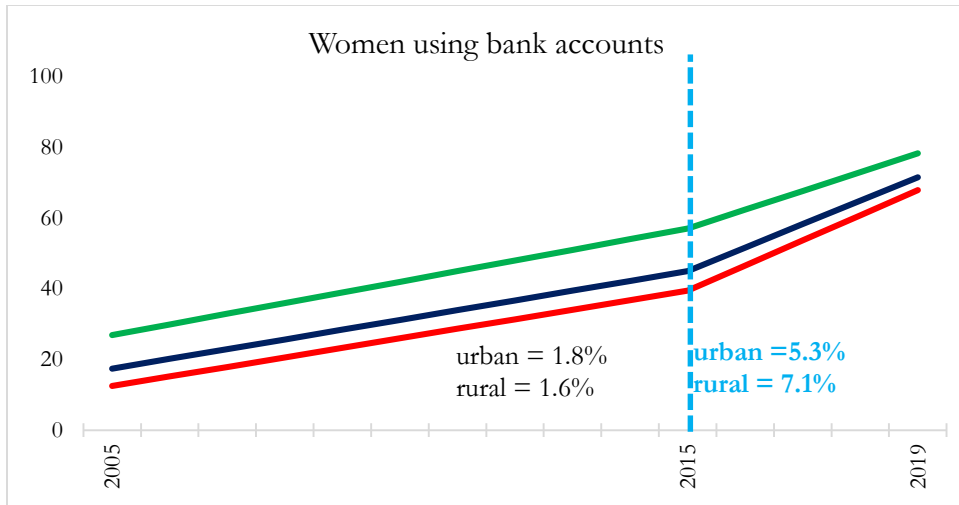
- Since the latest round only has data for 17 states and 5 Union Territories, our findings cover only 54 percent of India's population. Madhya Pradesh, Uttar Pradesh, Punjab, Rajasthan and Tamil Nadu are notable exclusions.
- Our findings cover only some government programs which targeted the provision of women's bank accounts, electricity, sanitation, and cooking fuel, respectively. They do not cover housing for lack of data.
- Even where data are available, they may not capture the granularity of the outcome. For example, "access to power" does not mean families have 24x7 power from the grid; "access to cooking gas" is no guarantee of its daily use.
- Even though the New Welfarism was a central government initiative, significant state-level variations suggest that the center can neither take full credit nor bear all the blame for outcomes.

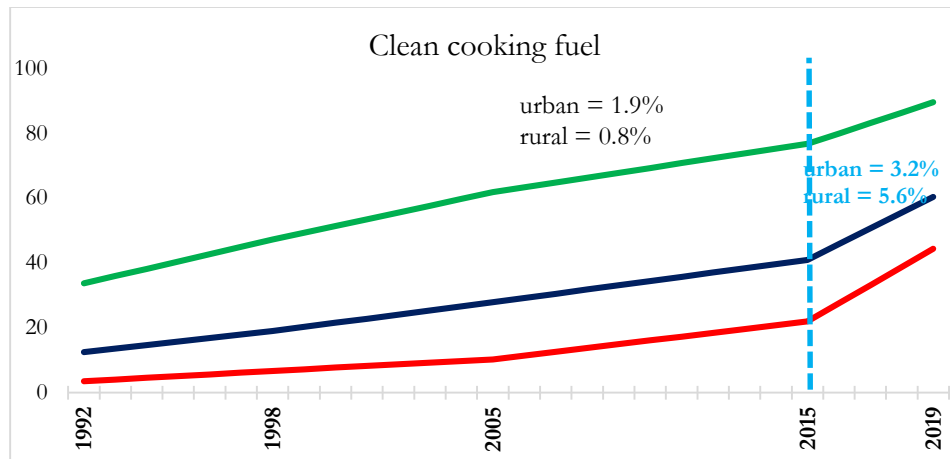
Figure 1 illustrates the key findings.

First, major progress has been made by this government in achieving its New Welfarism. By 2019, 72 percent of all women had bank or savings accounts that they report as being able to use themselves, 98 percent of all households had access to electricity, nearly 70 percent to improved sanitation, and 60 percent to clean cooking fuel.

Second, the pace of improvement, measured as the percent of households that have gained access to these goods and services each year, has accelerated since 2015 (the lines tilt more sharply upwards). Improvement has been especially marked in rural India.

Figure 1. Access to essential services (% of households)





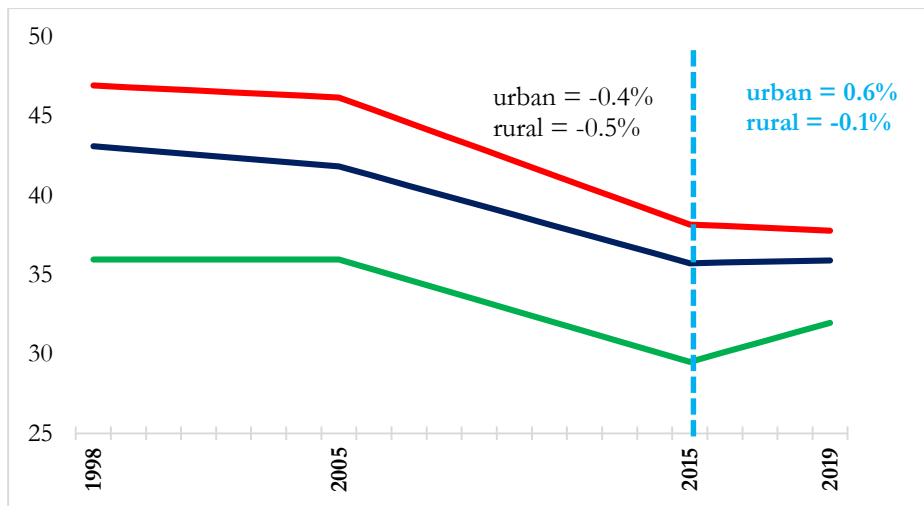
Notes: All the numbers are percent of households that have access to the good/ service in question. Red, green, and blue refer to data for rural, urban and all households, respectively. Data are for the 5 years ending in the year labelled on the x-axis, with data for other years linearly interpolated. Data are for 15 states for which numbers are available for all the rounds of the NFHS. Data for women's bank/ savings accounts—available only after 2005—capture financial inclusion and women's empowerment because they are accounts that women themselves use. Numbers in the charts are the percentage point changes per year of access to households before (black) and after (blue) 2015.

- Perhaps, the most striking change relates to women's financial inclusion and empowerment. Every year, pre-2015, an additional 1.5 percent of women in rural areas were acquiring bank or savings accounts that they could themselves use. Post-2015, this rose to 7.1 percent, a near 5-fold increase. In rural Bihar, the number of women with accounts jumped from 6.6 percent in 2005 to 25 percent in 2015 to almost 50 percent in 2019.
- Post-2015, 3.4 percent of households were gaining access to better sanitation, compared to 1.5 percent before.
- For cleaner cooking fuels, the pace increased seven-fold to 5.6 percent of households every year after 2015.
- In rural electricity, 2 percent of additional households were getting power every year pre-2015, and the pace increased to 3.4 percent of households every year.

Third, performance on some metrics falls short of earlier claims. The clearest example is sanitation: the India-wide average of access to clean sanitation is still a little under 70 percent, far from the declaration that India is 100 percent open-defecation free. The Bihar number is only 49 percent.

Turn next to child stunting, which has long been a major Indian failure, of state action and societal inaction. Figure 2 plots stunting rates, defined as when a child's height-for-age is two standard deviations below the global norm. After showing a slow but steady decline, especially between 2005 and 2015, there has been a disappointing reversal thereafter with overall stunting rates flattening and urban rates rising. And because stunting reflects nutrition, which in turn derives from income and consumption, this story—of retrogression not just stalled progress—is incompatible with a dynamic economy, distributing the benefits of development widely.

Figure 2. Stunting Rates (% of under-5 children)



Notes: As for Figure 1. Green and red refer to data for urban and rural, respectively. Declines represent improvement.

What explains the difference between the success of New Welfarism and the failure on stunting?

The New Welfarism embodies a vision, both imbued with conviction and laden with calculation. The conviction is that providing these goods and services will make a critical difference to the lives of the poor. Indeed, the New Welfarism recalls the Basic Needs approach to development that was in intellectual vogue several decades ago. The conviction also stems from a belief that the power of technology can be harnessed to achieve successful implementation.

New Welfarism's calculation is that there is rich electoral opportunity in providing tangible goods and services, which are relatively straightforward to deliver, measure, and monitor. Traditional government services such as primary education are intangible, which are difficult even to define, much less measure. But when the government promises toilets, for example, everyone can monitor progress. Either a toilet has been installed, or it has not.

Opportunity is also spotted in providing benefits that can be delivered in the political present as opposed to intangibles that might accrue at some more distant point in time. Critical to exploiting that opportunity is ensuring that deliverables can be attributed to the Union government. To this end, the central implementation machinery (bureaucracy and banks) is deployed as much as possible. And to erase any doubt about the source of the benefits, the policy is backed-up by strong and persistent messaging, highlighting the achievements and the benefactor.

In contrast, improving child nutrition is precisely the sort of intangible benefit that is difficult to achieve, measure, or monitor. Households cannot easily see whether and to what extent better nutrition has been provided; its benefits, embodied in happier, healthier, and cognitively stronger children, are even less clearly discernible. Moreover, better nutrition takes time and patience to deliver. And, many factors beyond state-directed efforts are necessary for proper nutrition. In particular, families need a broader macro-economic environment of robust growth of income, purchasing power and consumption.

So, two conclusions might be drawn from this tale of two outcomes. First, governments need visions, both substantive and political. Second, some outcomes require direct, relatively easy action (like delivering tangible goods and services) but others will be more difficult, requiring above all a dynamic economy, and a conception of the policies and institutions that will support it.

In some ways, this Indian experience is consistent with a broader global trend (Poland, Hungary and Turkey). Even without delivering broad-based prosperity, populist leaders and parties are finding electoral success through a potent, new cocktail: leveraging the identity politics of the right, embracing tepidly, even rejecting, the market-focused neo-liberalism of the center, and appropriating the redistributive economics of the left. Except that in India today, traditional redistribution (strong safety nets or improved public good provision) has ceded to a distinctive New Welfarism, where the central government is demonstrably and effectively providing tangible essentials to its citizens.

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