

An astonishing Budget

This year's budget has made the biggest leap in constructing a comprehensive welfare state for India

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THE LAST BUDGET of the BJP/ NDA government will be seen as a remarkable one for many reasons.

It will be looked upon in terms of determining the chances of the BJP winning the election. That is a political question which different people will judge differently, and we will only know the answer in fifteen months. It can be looked at from the point of view of its likely economic impact. As of now the GDP growth rate is forecast to be 7.5% and may end up at 8% as a result of the policies. The GST seems to have bedded down and will increase income elasticity of the total revenue. The finance minister has been able to keep the deficit in control both in the outcome for 2017-18 where he missed by a small amount (3.5% rather than 3.2%) as well as reverting to the long run consolidation path for the next year (3.3%). The finance minister also adopted a debt income target of 40%. There was a lot about farmers getting higher MSP, the Operation Green, about infrastructure in rail and air transport, tax incentives for women, a capital gains tax, a de facto tax cut in the form of a standard deduction for income taxpayers, concession for the elderly in terms of a higher threshold for their interest incomes.

All this is much in line with previous budgets. But this year's budget has made the biggest leap in constructing a comprehensive welfare state for India. It has been known for a long time that the need to spend money on sudden illness or a persistent health complaint worries not just the families defined as BPL, but also those further up the income scale being lower middle or even middle-class. Normally, anti-poverty programmes focus on consumption to provide a minimum

calorific standard to the neglect of other items such as housing, schooling or health. Poverty is about more than food consumption. If a society can extend its anti-poverty programme to cover health, it can take a large step towards establishing a welfare state.

A health care system is something which only developed (high or at most medium income level) countries can attempt. The USA avoided the issue till Obama tried to introduce his Affordable Care Act. Even that is being sabotaged by Donald Trump. A very feeble welfare state which exists in America will be weakened further.

It is rare for a low-income country to attempt to introduce one. In his latest Budget, Arun Jaitley proposed an insurance scheme giving up to ₹5 lakh for ten crore households or up to 50 crore individuals. The implicit total commitment is ₹5 lakh crore. But, in any year, only a fraction of individuals will need to spend on healthcare. If this fraction is 20%, then the total outlay will be ₹1 lakh crore. This is a reasonable sum of money to afford up to two-fifths of the total population the guarantee that they are free of care for the burden of spending out of pocket for healthcare. This will be the largest such scheme in the world.

The creation of a health care system in this ambitious but manageable way opens the way to a much more comprehensive welfare system over the future. It is usual in this sort of schemes that a ratchet effect sets in. The scheme will have to increase its coverage; the largest

scheme will just get larger still. India will then be the first country among the developing countries to have fitted itself with a Universal healthcare system.

The British health system was created by nationalising the supply of health care—GPs, their surgeries, surgeons and higher specialists, hospitals and ambulance services, etc. The private sector is a small, highly expensive and specialised one. Then the commitment is provision of universal

healthcare free at the point of use. This puts immense pressure on the resources required to deliver the service as the zero price means there is perennial excess demand, add to this an ageing population which increases the demand.

The clever thing about the Indian proposal is that there is no requirement that families use public facilities. This means there will be scope for private

providers to enter the field. One can foresee a rush of domestic and foreign investment to meet what will be a steadily growing demand.

If India manages to register a steady growth of 7.5-8% for the next decade or so, governments of one party or another can build on this basis to elaborate a more comprehensive welfare provision. The outlines of such a welfare provision are to be seen already. Insurance and pensions for the elderly, empowerment of women, children, the disabled and other vulnerable sections, provision of affordable housing in rural and urban areas, expansion of education and skill development have all been initiated already.

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