Beyond their political significance, the story of the farm laws, from their conception to repeal, raises critical questions about India’s economic policymaking frameworks and pathways to reform factor markets. It is tempting to interpret the year-long twists and turns through the prism of politics. The means of pushing reform — first by promulgating ordinances and then bulldozing bills through Parliament without deliberation and consensus-building — have been widely critiqued, even by committed free-marketers. The decision to repeal the laws is undoubtedly a triumph of democracy. The timing has given credence to the view that electoral calculations guided this decision. Regardless, the fact that protesters made a bullhorn government nervous enough to reverse a decision, rather than risk an electoral setback, speaks volumes for the power of people and the real dissonance in the movement represented.

But an exclusive focus on the politics of it all misses the underlying weakness of our economic policy frameworks, shaped as they have been by the 1991 moment, that were at the heart of the anxieties of the farmers protests. The protest and subsequent repeal is not a story of market economics vs realpolitik. Rather, it is a story born out of a flawed economic paradigm, which has refused to recognise the complexities of how markets operate in the real economy. Our debates on factor market reforms need to acknowledge these complexities to create genuine, competitive markets.

Comming off the stifling licence raj, the need to free animal spirits from the tentacles of the State was at the heart of the 1991 moment. For the big reforms of the day — deregulation of industrial licensing, capital markets and exchange rates — this was essential to induce competition and efficiency in finance and industry. And it is this framework of deregulation that has been extended to our policy debates on factor market reforms in the real economy — land, labour and agriculture. But the reality, as the farm law saga teaches us, is far more complex. Agriculture markets across the country are at varying degrees of maturity. They are simultaneously deeply dependent on the State, captured by State political elites, and abandoned by the State. The degrees of dependence and abandonment vary across regions. This is why state governments, not the Centre, ought to play the lead role in shaping market reforms.

Consider this. The protesting farmers from Punjab, Haryana and western Uttar Pradesh are locked into a system where State intervention, driven by the logic of minimum support price (MSP) and the Agricultural Produce Marketing Committee (APMC) mandis, dominates. The State is not a benign actor. It has created and sustained local elites with vested interests — traders, middlemen and money-lenders, each of whom extracts to control market power. This undermines competition and compromises farmer interests in different ways. But farmers have learnt to negotiate these relationships of extraction. And the State through MSP and mandis has served as insurance that gives them bargaining power. Any attempt to break this system will inevitably, as the protests amply demonstrate, unleash anxieties.

In this context, the move toward genuine competition will not be viable without the State demonstrating its willingness to protect farmers interests and gain their trust. In the rush to get the State out of the way, the farm laws, by their design, failed to do this. The laws opened agricultural markets to competition with no regulation, save for bare provisions such as a PAN card for purchases. They required no registration or licensing of buyers, no counterparty risk mechanisms, no price signalling system and provided a weakly designed, bureaucratic dispute resolution system. It is no surprise then, that for the protesting farmers, the laws were a signal of State exit that risked them losing bargaining power to big corporates. The frequent invocation of Ambani and Adani during the protests was an illustration of these anxieties.

In most parts of India, the State is surprisingly invisible to farmers, and markets operate through local oligarchies controlled by small-time traders and regional agro-commercial capital. The State’s absence has meant little to no market infrastructure, which makes competition from other private players, including farmers’ collectives, enterprises and corporates, a pipedream. These farmers need the State to invest — in market infrastructure, in accessible agricultural credit, in risk management — for markets to work. The real bottleneck to better markets, ironically, in much of India is the absence of the State.

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And this is the real lesson from the farm laws. An absent State cannot facilitate genuinely competitive markets nor can it protect the interests of the vulnerable. This is not a naïve argument for continued State control and unsustainable subsidies. Rather it is a reminder that factor market reform — reform that induces genuine market competition, requires a new imagination. One that focuses on bringing the State where it should be, and not as our 1991 frameworks suggest, getting the State out of the way.

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