

Book

What's going on in India?

The glory. After 40 years of economic growth that barely exceeded population growth, India turned into a growth miracle, pulling hundreds of millions of people out of destitution. At Independence in 1947, Indians were perhaps the most malnourished large population in human history. Life expectancy at birth was close to 30 years. Today, each generation is taller than the previous one, gross medical signs of malnutrition are rare, more than 95% of Indians say that they get “enough food every day”, and the prevalence of extreme stunting and wasting is falling. Child and infant mortality rates are declining, and are lower in India today than in England in 1945. Girls are going to school *en masse*, even in places where their mothers are illiterate. That a few, smallish, Asian tigers could achieve such miracles is one thing. That India (and China) could do so for more than 2 billion people is surely one of the remarkable and benevolent transitions of all time.

So why the uncertainty? The World Bank classes India as a middle-income country, yet a third of the population lives below the destitution poverty line. Indians comprise a third of all of the world's poor. According to WHO's international growth standards, a half of India's children are severely malnourished, more than in most of sub-Saharan Africa, despite Africa's much lower incomes and higher mortality rates. The rate at which poverty is falling is much lower than would be warranted by India's growth rate if growth were equally spread. Many government schools and clinics are disfigured by worker absenteeism, for which the culprits usually face no consequence. Private health care fills in, but private practitioners are not regulated, are often entirely unqualified, and routinely

and indiscriminately dispense the antibiotics, injections, and intravenous drips that their clients demand. Public doctors are qualified, but most spend little time with their patients and rarely undertake even basic medical tests. The Public Distribution Scheme (PDS), which provides heavily subsidised food to the poor, is rife with corruption, its food is often adulterated, and only a little more than a half of what is destined for the poor reaches them; the rest is lost through poor storage or sold off by corrupt officials. Critics

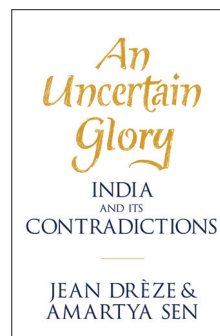
“Drèze and Sen believe that better health care and education and higher incomes can help transform India's democracy through reasoned public debate, to which their book is an important contribution.”

levy similar charges against the more recent employment scheme that guarantees 100 days of work to each rural household at a government wage. All this, like the glory, is essentially common ground.

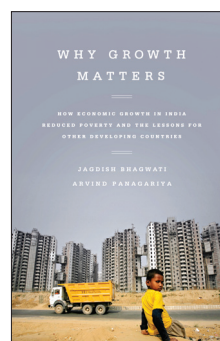
In *An Uncertain Glory: India and its Contradictions*, Jean Drèze and Amartya Sen argue that the Indian Government can do much better, and indeed is already doing better. They believe that the PDS, for the first time in history, is making a serious dent in poverty, that the employment guarantee scheme, despite its difficulties, is an important source of employment and of higher agricultural wages. Drèze, when he is not writing, is a successful activist who played an important part in the creation of the employment guarantee scheme. He is currently working to reform the public distribution system—a National Food

Security Act was passed by India's lower house, the Lok Sabha, last month—and helped pass the Right to Information Act. This last Act, Drèze and Sen argue, is an important tool for limiting corruption and making government serve its people, not prey on them, as is too often the case today. Drèze and Sen believe that better health care and education and higher incomes can help transform India's democracy through reasoned public debate, to which their book is an important contribution. In this new world, of whose coming they see many hopeful signs, collective action will enhance and support the role of the private market in generating wealth and wellbeing.

Jagdish Bhagwati and Arvind Panagariya's paean to economic growth, *Why Growth Matters: How Economic Growth in India Reduced Poverty and the Lessons for other Developing Countries*, takes a different tack. (In India, the book is titled, after Jawaharlal Nehru's speech on the eve of Independence, *India's Tryst with Destiny*, and aggressively subtitled *Debunking Myths that Undermine Progress and Addressing New Challenges*, on which more below.) Here, growth is the central player, and the acceleration in growth—and a consequent acceleration in the rate of poverty reduction—is attributed to the economic reforms of the early 1990s, the (partial) dismantling of the “licence Raj”, the web of red-tape and bureaucratic regulation that stifled growth while fostering rent-seeking and corruption. They recommend dismantling what remains, especially long-standing restrictions on hiring and firing of workers that, they argue, are responsible for the failure of India to match China's extraordinary success in labour-intensive manufacturing. Bhagwati and Panagariya are far



An Uncertain Glory: India and its Contradictions
Jean Drèze, Amartya Sen.
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ISBN 9781846147616



Why Growth Matters: How Economic Growth in India Reduced Poverty and the Lessons for other Developing Countries
Jagdish Bhagwati, Arvind Panagariya. PublicAffairs, 2013.
Pp 304. US\$28.99.
ISBN 9781610392716



Associated Press

Indian school children receive a free meal at a government school on the outskirts of Jammu, India, on Aug 22, 2013

from *laissez faire* zealots. They often advocate the need for government regulation, and agree that Indian poverty requires government action. But they are deeply sceptical of the government's ability to deliver food, education, or health care, and argue for a strictly targeted system of cash transfers and vouchers instead. To them, the corruption and failings of the PDS and employment guarantee scheme are irremediable.

These are familiar (and reasoned) positions, variants of which have been around for a long time. I would like to believe that Bhagwati and Panagariya are wrong, and Drèze and Sen right. But there is no doubt that there is a long and difficult road ahead to achieving more effective government and better democracy in India.

Yet Bhagwati and Panagariya go too far. In my view, they tread much too close to the "poverty denialism" strain in the Indian debate. They throw out WHO's international growth standards for children, and dismiss as "nonsense" the possibility that children in Kerala could be more malnourished than children in Senegal. They claim—without direct evidence or argument—that Indians are genetically shorter. Bhagwati and Panagariya suggest that what malnutrition exists in India is

the result of a poorly chosen diet—too little milk and fruit—and they argue that government attempts to address malnutrition "might push them towards obesity", not to mention exacerbating corruption. They also suggest that child malnutrition in India, if it is a problem at all, is not a serious one.

The claim that India's economic reforms were the key to poverty reduction is not seriously developed in *Why Growth Matters*, and Bhagwati and Panagariya seem to have their own poverty estimates (referred to in the list of references as "in progress" although I can find no reference to it on the web). The Indian poverty data are controversial and not easily interpreted and the literature contains claims that range from no acceleration in poverty reduction to there being little poverty left. Beyond that, economists know very little about the determinants of growth, and although no one mourns the end of the licence Raj, the story of India's growth is as clouded as the story of its poverty reduction. One big difference between the two books is that Drèze and Sen believe that health and education are preconditions for economic growth—and the international historical evidence surely supports that position—

whereas Bhagwati and Panagariya believe that growth should come first, with health and education as something of a luxury that should come once the country can afford it.

Neither book adequately recognises a major statistical puzzle: a large share of Indian growth does not appear to accrue to anyone. The poor do not fully share in India's growth, which can be partly explained by rising inequality (the extent of which is controversial), but the average household also does not do as well as does the country, which should be impossible. My own take is that the data on households miss some of what people have, overstating poverty, and understating its rate of decline. But India's national accounts are weak, and growth rates are probably not as high as is claimed. No one argues that the Indian Government deliberately manipulates its statistics, but Indian politicians and their administrators are in no hurry to mount a close enquiry into the miracle that they see as their greatest achievement.

As its Indian title forewarns, the first half of Bhagwati and Panagariya's book sets out to debunk a series of so-called myths. This is all rather odd: it is hard to believe that some of these "myths" were ever believed by anyone. Eventually, it becomes clear that these myths are held only by a straw man version of Amartya Sen, who seems to be the true target—something that has become clearer still in the media (particularly the Indian press) in the fallout over the two books. For readers of *Why Growth Matters*, this subtext is not only unnecessary for the argument, it is thoroughly unpleasant. Such personal animosity—which appears to be unreciprocated by Sen, and certainly makes no appearance in *An Uncertain Glory*—does much to win the argument for the other side.

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