CHAPTER – 7

➢ CONCLUSION & SUGGESTIONS
CHAPTER – 7

CONCLUSION & SUGGESTIONS

It should be obvious enough that economic growth can be extremely helpful in removing poverty. This is both because the poor can directly share in the increased wealth and income generated by economic growth, and also because the overall increase in national prosperity can help in the financing of public services (including health care and education), which in turn can be particularly useful for the poor and the deprived. This does not however, make economic growth the only means—not necessarily even the principal means of poverty removal. This is so for at least three reasons.

First, poverty need not take the form only of low income; there are other kinds of deprivation which we have already discussed, reflecting various ‘unfreedoms’ varying from prevalence of preventable or curable illness to social exclusion and the denial of political liberty. How much income the poor get is only one determining influence among many others in
dealing with deprivation and poverty, in an adequately broad sense.

Second, even in so far as we concentrate on income poverty only, the ability of the poor to participate in economic growth depends on a variety of enabling social conditions. We have already commented on this in various contexts and stressed in particular the enabling roles and basic education, good health, micro credit facilities, land reforms, social security arrangements, environmental sustainability, legal provisions, and related factors.

Third, the fruits of economic growth may not be automatically utilized to expand basic social services. There is an inescapable political process involved here. Furthermore, different kinds of public arrangements may receive very different priorities. For example, South Korea did much better in channeling resources to education and health care than, say, Brazil did, which too had fast economic growth, and this greatly helped South Korea to better pursue growth with equity, compared with the then Brazil.
However, South Korea too continued to neglect arrangements for social security, thereby remaining vulnerable to downside risks, and in fact paid a heavy price for this when the economic crises of 1997 came. Since recessions do occur from time to time, provisions are needed for 'downturn with security' as well as for 'growth with equity'. Removal of poverty and deprivation requires a great deal more than relying on one simple associative connection between economic growth and the incomes of the poor.

The 1999-2000 estimates appear to alter this conclusion, in that they indicate a significant decline in poverty in the nineties (at least on the basis of the standard '30 day recall' method). However, these estimates are not comparable with the pre-1999 estimates, due to methodological differences between the 55th round and earlier rounds. In the case of '30 days recall', the methodological changes introduced in 1999-2000 unambiguously 'pull down' the poverty estimates. In the case of '7 day recall', it is not clear whether the 1999-2000 poverty estimates are biased upward or downward, compared with what would have been obtained on the basis of the earlier
methodology. As discussed by Angus Deaton (2001) in a detailed assessment of the evidence, ‘the 55th round is not very useful for assessing the trend in poverty’.

The non-comparability problem is duly noted in official publications, including the government's latest ‘economy survey’. However, these and other expert warnings have not prevented a host of enthusiastic commentators on the ‘redesigned’ 1999-2000 estimates as a long-awaited ‘proof’ of rapid poverty decline in the post reform period. Even the Finance Minister’s ‘budget speech’ of 28 February 2004, which drew on the very same economic survey, concluded firmly that ‘poverty has fallen from 36 percent in 1993-04 to 24 percent or less now.

There is no solid basis for this conclusion, given that the poverty estimates are not strictly comparable with earlier ones. This is not the end of the story, however, because there are also reasons to doubt the accuracy of poverty trends for the nineties as they emerge from pre-1999 National Sample Survey data. For one thing, even average pre-capita expenditure has not risen in the 1990s according to NSS data,
and this is hard to reconcile with the rapid increase in per-capita incomes implicit in the GDP and other aggregate statistics. It is quite possible that this inconsistency relates to growing underestimation of per-capita expenditure among richer households on the part of the National Sample Survey, and if this were the case, then poverty estimates would remain credible. However, this particular explanation for the growing discrepancy between NSS and 'National Accounts' data remains quite speculative, and the jury is still out on this dispute.

Furthermore, the price indices that are used to convert nominal figures into 'real' expenditures seem to overestimate true increases in the cost of living, as has been discussed by Angus Deaton and Alessandro Tarozzi (2000) in particular. When the price indices are corrected, achievements in poverty reduction are more substantial. Deaton and Tarozzi's own adjustments do not go beyond 1993-04, but similar corrections for later years are likely to go in the same direction (that is, to show a greater reduction of poverty than the unadjusted NSS-based estimates indicate).
There is also a possible issue of reliability of some of the poverty estimates based on the annual, ‘thin’ rounds of the National Sample Survey, as opposed to the larger quinquennial rounds (in the nineties, the latter took place in 1993-04 and 1999-2000). Even the so-called ‘thin’ samples are in fact fairly large (about 50,000 households), so that the standards errors of the corresponding all-India poverty estimates are very small. However, the effects of non-sampling errors may differ across the thin samples, due to differences in sampling design.

Further work is required to bring the different sources of information more fully in line with each other. There is clearly some uncertainty in the available poverty estimates, and the contrary indications await resolution on the basis of further investigation. There is, of course, a real possibility that refinements and corrections of the estimates will reveal, in due course, that income poverty has in fact substantially decreased in the nineties. But it is worth noting that even if one were to endorse the official 1999-2000 head count ratio of 26 percent, which is known to be biased downward, one would
find that poverty reduction in the nineties has proceeded at a similar rate as in earlier decades, in spite of a significant acceleration of aggregate economic growth. As things stand, this is the most optimistic reading of the available evidence.

Pending further evidence on these matters, it is useful to move away from the narrow focus on head-count ratios of income poverty that has dominated this debate, and to consider a broader range of social indicators. Indeed, as discussed earlier, the standard focus on income or expenditure does not do justice to the variety of deprivations we are concerned with, and furthermore, within that narrow approach, the head-count ratio has particularly limited information value. Looking at the broader evidence of social indicators in the nineties, a somewhat different picture emerges, with areas of accelerated progress as well as inactions of slowdown in some fields. The point is illustrated in Tables in the previous chapters, which presents a sample of basis social indicators. Starting with areas of concern, the decline of infant mortality appears to have slowed down in recent years. During the eighties, India achieved a reduction
of 30 percent in the infant mortality rate from 114 to 80 between 1980 and 1990. During the nineties, however, the infant mortality rate declined by only 12.5 percent from 80 to 70.

Similarly, the growth rate of real agricultural wages fell from over 5 percent year in the 1980s to 2.5 percent or so in the 1990s. Given the close (inverse) association between real agricultural wages and rural poverty, this pattern is consistent with the belief that poverty has continued to decline in the nineties, but perhaps at a slower rate than in the eighties. Incidentally, the regional patterns of growth rates in agricultural wages tend to strengthen our earlier observations, relating to regional disparities. Real wages have grown quite fast in most of the western and southern states (especially Gujrat, Tamil Nadu and Kerala – more than 5 percent per year in each case), but rather slowly in much of the northern region, especially the poorest states (e.g. 0.3 percent per year in Bihar and 0.7 percent per year in Orissa).

Note should also be taken of the related issue of rising economic inequalities in the nineties. There is much evidence
of this problem, and while statistical confirmation of it awaits adequate data, two aspects of the problem are fairly well established. First, as noted earlier, inter-states that were already comparatively advanced (notable in the western and southern regions) grew particularly fast, second, there is also strong evidence of rising rural-urban disparities in the nineties, as one might have expected given the Sectoral imbalances discussed earlier. Given the adverse social consequences of economic inequality (ranging from elitist biases in public policy to the perpetuation or reinforcement of other types of inequality), this accentuation of the economic disparities, from an already high base, is not a trivial matter.

None of this implies that the nineties have been a period of ‘impoverishment’ as is sometimes claimed. Clearly, there has been continued of uneven progress in terms of most basic indicators of living conditions. There has been accelerated progress in the specific field of elementary education. But while the impoverishment thesis does not survive close scrutiny, nor does the claim (often made by enthusiastic advocates of the current brand of economic reforms) that the
nineties have been a period of unprecedented broad-based improvement in living conditions. If anything, the overall progress of social indicators was somewhat more impressive in the 1980s, a period of steady improvement on most fronts. The potential benefits of accelerated economic growth appear to have been diluted by severe imbalances in growth patterns, growing inequalities, and continued state inertia in crucial social fields.

The broader picture of social progress also contains a useful reminder that eliminating deprivation is as much a matter of public action as one merely of economic growth. Indeed, if there is one area where a 'take off' of sorts did take place in the nineties, it is that of elementary education, which also happens to have received enhanced attention from the central and state governments as well as from a wide range of non-government institutions.

Taking a longer view, there is much evidence that the reduction of poverty has typically been faster (other things given) in regions with better-developed social opportunities. Since the role of social opportunities in fostering the reduction
of poverty and deprivation is not conditional on liberalization, we can look at a longer time series to see how that story emerges. What is particularly increasing and from the policy point of view especially relevant is the fact that in the long haul (between the 1950s and early 1990s) there is a clear connection between initial social achievements on the one hand, and the subsequent reduction of income poverty on the other. The experience of the 1990s, when states with a better level of social preparedness (particularly in the southern and western regions) have done quite well, while much of the northern region remained mired in poverty, appears to corroborate these earlier investigations.

To conclude, India’s development experience in the 1990s, far from undermining the case for focusing on social opportunities, reinforces it. What is perhaps particularly important at this time is to give adequate recognition to the complementarities between economic progress and social opportunities. India has done reasonably well in the former respect in the 1990s, but the continued neglect of the latter (despite some positive change in the specific field of
elementary education) has seriously compromised the gains that might otherwise have been derived from the country's renewed economic dynamism. The course of Indian development in the coming decade depends a great deal on the extent to which this imbalance is corrected in the near future.

Against this background, with the advantages of hindsight's as it yield, what are the directions and lines of attack on poverty, which might help eliminate at least its worst from within, say a decade and eradicate it by about the end of the century? Any nearer targets, though more alluring, are likely to be elusive. First and foremost, the objective of eradication of poverty must be integrated with the goals of planned development, and acknowledged as its central and prime aim. It must be recognized too, that attainment of this objective entails a continuing, relentless war, with a series of hard-fought battles against what is at once a scourge and malaise.

It follows that reasonable political stability and national consensus with continuity at the Centre and in the States of
Governments willing to adhere to at least the main elements of the programe for removal of poverty, all –be-it with flexibility in its design and strategy having a hard core of common content, are a sine qua non of victory in the struggle against poverty.