

Draft

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## **Poverty, Development and Democracy in India**

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### **Introduction**

In October 2010, the *Economist* magazine had a cover with a lead editorial titled “How India’s growth will outpace China’s”. The magazine predicted that by 2013 India would be growing faster than China and that over the next quarter century India would be the fastest growing large economy in the world.

In August 2013, the same magazine had another cover on India, this time titled, “How India got its funk”. The argument now was that the economy was in a mess and that it faced an economic slump unless it undertook bold reforms of the Economist variety.

I am not a great fan of the *Economist* but I mention these two cover stories here only to give you an example of how such assessments of the Indian economy, which are quite representative of mainstream opinion inside and outside India, quickly change. In this case the *Economist* was wrong in the optimism it expressed in 2010 as also the pessimism with which it views the Indian economy in 2013.

The problem more is actually that such assessments are very selective in their portrayals of the Indian economy.

*Given the broad theme of my talk here of poverty, development and democracy in India, what I will argue over the next 20-25 minutes is that vast changes have indeed taken place in India’s economy over the past 20-30 years, but when it comes to reducing extreme deprivation, India’s biggest challenge for many decades, the record over the past two-three decades has been at best patchy .*

*This to my mind is because of what I would describe as the “dysfunctional” nature of Indian democracy. India is a vibrant electoral democracy. But this democracy has a lot to answer for, especially for its inability (some would even say unwillingness) to make growth and its benefits more broad-based in a country where even after three decades of strong growth some 270 million people still do not consume the nutritional minimum necessary for subsistence. India’s situation in*

*this regard pre-dates the global economic crisis though it may have become more difficult to tackle in its aftermath.*

## **Performance of the Indian Economy**

First, some facts on the performance of the Indian economy.

Notwithstanding the current slowdown – to an under 5% annual growth – there are certain incontrovertible facts about how well the economy has performed. Taking a longer view, India has been growing at close to 6% a year since the early 1980s. This makes it the second fastest growing economy in the world in the past three decades. Growth was exceptional in the first decade of this century when it averaged 7.6%

Overall, India's pace of growth in the past 30 years has been almost 60% higher than in the previous three decades. And because population has grown more slowly than before, income per head has grown twice as fast as before.

In the process India has moved up the ranks from a low-income country to a low middle-income country, in the World Bank's classification of countries (middle income is per capita GNI of \$1036 to \$4085 on World Bank Atlas basis). On a ppp basis India's per capita income now stands at, \$3200 (2005 US \$).

How has this growth been achieved?

Growth was driven by the public sector in the 1980s but since the early 1990s, it has been the private sector that has been the one showing dynamism. This was the result of the sweeping lifting of controls in the early 1990s as part of what in India is called "economic liberalisation"

Focussing in the past two decades, on services and to a lesser extent on manufacturing, India's entrepreneurs have changed the face of at least urban India.

There has been a good deal of rent seeking and what can only be called the expropriation of public resources underlying this growth. A good part of the growth has also been facilitated by large-scale expansion of consumer credit. But there is little doubt about the emergence of a private sector entrepreneurial dynamism, especially since the early 1990s.

As a consequence, new sectors have opened up for output expansion and employment growth. These include information technology, finance, communications, entertainment, retail and even real estate. The result has been that at least for a segment of urban India – especially the educated and the adventurous – India's growth experience over the past two decades has been a transformative experience.

It will be very difficult to argue – as some indeed continue to do – that India's growth since the early 1990s has been entirely to the benefit of the propertied and the well-off salariat. There is no question that there has been a shift from wages to profits in the distribution of income. However, certain urban strata that

had been left out from the growth process earlier have been able to now reap its benefits though these strata are not very large in population.

But this has been only one side of the India growth story.

The other side which does not get much attention in the world outside or for that matter even in India's media is the halting progress that has been made in employment creation, improvement in social indicators and poverty reduction even over the two decades of rapid growth.

### **Trends in Social Indicators and Poverty Reduction**

There is a good deal of academic debate in India on these issues. Abstracting from the debate, one can outline some broad features:

- (i) *Employment*: Employment growth has fluctuated since the early 1990s. Two features stand out. One employment growth has lagged behind output growth. Two, women have moved into and out of the labour force, depending largely on how difficult family circumstances have been as also more recently on the demand for education. There has been an explosion in university education but with that there has been a growth in the pool of the educated unemployed (men and women) as well.
- (ii) *Human Development*: India has edged up in the UNDP's league of countries classified by the human development index, from the low to the medium human development category. But it is still currently ranked at a lowly 136 out of 186 countries, and is ranked below even small economies such as Tajikistan, Namibia and Guatemala.
- (iii) *Poverty*: The incidence of nutritional poverty has declined. The decline was fairly rapid in the 1980s, slow in the 1990s and the pace of reduction has picked up again since the early 2000s. The most recent official statistics tell us that 22% of the 1.2 billion population has to be classified as poor, 26% in rural India and 14% in urban India. This is about 270 million people classified as poor, down from 404 million in 1993-94. This is a commendable reduction and let us for the moment set aside the controversies over measurement and recognise this record. This measure of poverty is based on a measure of subsistence nutrition. With a more humane poverty line, this number doubles.
- (iv) *Multi-dimensional Poverty*: If we expand the notion of poverty and bring into the picture other basic necessities like shelter, access to clean drinking water, sanitation, clean fuel, electricity etc, the picture becomes much more dismal. Estimates of "multidimensional poverty" when defined according to access to these commodities/services or entitlements afflicted 520 million in 1992-93 and declined to 470 million in 2005-06.<sup>1</sup>

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<sup>1</sup> "A Chakravarty-D'Ambrasio View of Multi-Dimensional Deprivation: Some Estimates for India" by D. Jayaraj and S. Subramanian, *Economic & Political Weekly*, Volume 45, No 6, February 6, 2010

*What comes through in this overview is that the benefits of growth have indeed trickled down but it has been just that...a trickle. India is likely to attain some of the MDGs by 2015, but in important areas like halving the population affected by extreme hunger, increasing access to safe sanitation, attaining the target for the maternal mortality ratio and even that for infant mortality, it is likely to fall short.*

- (v) *South Asia comparison* The most damning criticism of India's recent record in the social sector comes from a comparison with other countries in south Asia (Pakistan, Bangladesh, Sri Lanka, Bhutan and even Nepal). In their recent book, Jean Dreze and Amartya Sen have brought out some uncomfortable facts. When we examine a set of 10-12 social indicators – life expectancy, IMR, access to improved sanitation, mean years of schooling, proportion of underweight children, child immunisation rates, etc – India's rank among the six countries of south Asia has actually fallen behind in all cases since the early 1990s. Per capita Income, on ppp terms may have tripled between 1990 and 2011, but in social indicators India is doing very poorly. In comparative terms, Bangladesh, Sri Lanka and even Nepal, Bhutan and Pakistan seem to have outstripped India in advancement in social indicators.<sup>2</sup>
- (vi) *Impact of privatisation* The period of growth since the early 1990s has coincided with the period of economic reform, which has also involved a good dose of privatisation. Of relevance here is the abdication of the state from the provision of important services – especially in school education and health services. The public school system has been falling apart and even the poor are compelled to turn to expensive private education. Public provision of health services has also collapsed, again people depend now more on private health care.

To be able to answer why progress has been so slow in making a major dent in poverty and related forms of deprivation, I would say we would need to understand the working of India's democracy.

Before that, since this is a conference on gender and health, let me spend a little time outlining the state of people's health.

### **Health: The next crisis in India**

As in many other areas, there has been some improvement in India's health indicators. Life expectancy has increased, infant mortality has come down, overall mortality has also fallen and contrary to many dire predictions of a few decades ago, the fertility rate too has declined.

But in many other sectors the pace of progress has been very slow, and more worrying there are emerging dark spots in health.

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<sup>2</sup> *An Uncertain Glory: India and its Contradictions* by Jean Dreze and Amartya Sen (Oxford: 2013)

Let me list these in bullet form

- The state in India spends just 1.2% of its GDP on public delivery of health services, compared to the 3.8% of GDP that China does. Public health services have been starved of attention in recent decades.
- Only a third of total (public and private) spending on health in India is by the public sector. The world average is close to two-thirds. Out of pocket spending on health is therefore as much as two-thirds of the total and this places a huge burden on household budgets
- Immunisation rates among children in India are among the lowest in the world and have shown little sign of change since the late 1990s.
- Child under-nutrition rates are among the highest in the world, with over 40% of children under the age of 5 being underweight. Again there was little sign of improvement in broadly the first decade of this century
- Many sectors associated with better public health, for example sanitation, have been neglected.
- India has turned its back on implementing a programme of universal health coverage, though a comprehensive plan has been prepared and presented to the government. This is contrary to global trends, where, for example, Thailand and Mexico have successfully introduced universal coverage.
- The result of the neglect of public delivery of health services and the growth of the commercial sector is the growing pre-dominance of commercialised health care, increasingly built around private insurance much like the disastrous US model.
- However, I must mention a few bright spots. Some states (provinces) have an excellent public health service system and a beginning has been made with a rural scheme, the National Rural Health Mission. But these are exceptions.

## **Democracy in India**

Let me return to seeing India's achievements and the lack of them through the prism of democracy,

To the outside world, India is a beacon of democracy. It indeed is. Other than for a brief period of 20 months in the 1970s, elections have been regularly held since the early 1950s. They have taken place without a hitch at the central/federal, state and now even to local bodies at the village level.

Yes, there has been violence, and yes there has been booth capturing but these are not the defining features of Indian elections.

The defining features actually are that unlike in most parts of the democratic world, the Indian voter is now more and not less involved than before. And this involvement seems to increase as you move down the income and social calendar.

*Since the late 1970s, there has been (i) a rise in the voter participation rate, (ii) a rise in women's voter turnout (iii) a rise in the rural turnout and (iv) equally*

*important, a sharp rise in voter turnout among the scheduled castes and scheduled tribes. All these have made Indian democracy more "inclusive".*

However, we tend to focus too much on these procedural practices of democracy (such as on holding elections for example). These have no doubt been placed on a strong foundation. On the other hand, the substantive practices of democracy – that is, the accountability of institutions/elected officials, engagement with institutions outside elections, deliberations in democratically elected institutions and inner-party democracy -- are all well below potential.

In addition, we have a greater criminalisation of politics, a preponderance of the wealthy among elected legislators, capture of legislative bodies by businesses and family-based control of political parties. All this gives the practice of democratic institutions a certain unhealthy direction.

It is such features of Indian democracy that make me describe Indian democracy as "dysfunctional" or at best "half-functional". I would say Indian democracy is thriving on the surface, but at its core it is performing far from satisfactorily as an instrument for achieving social goals.

It would be wrong to paint the functioning of democratic institutions in India in purely black and white terms. There remains a throbbing vitality in the practice of Indian democracy by the deprived and vulnerable. There is a constant mobilisation of groups, demands are made on the state, and agitations on the streets ask for answers.

But, as the political scientist Partha Chatterjee put it, there is increasingly no narrative of a transition in these mobilisations by the under-privileged, of a transition to a larger goal. There are no universal demands but only demands for concessions for specific groups, be it in terms of affirmative action reservation, cash transfers, or handouts of one kind or another.

### **India a divided society**

To understand why India's democracy has taken this course and has not been able to respond more urgently to the needs of the majority, one must appreciate the extent to which India remains an extremely divided society and how it may well have become more divided in the period of reform and rapid growth.

I would agree with Amartya Sen that the "dividing line between the haves and have-nots is not just a rhetorical cliché but also an important part of diagnostic analysis"<sup>3</sup>

Recent information collected from income surveys suggest that inequality in India as measured by the Gini coefficient is as much as in Brazil and South Africa.<sup>4</sup> There is also reason to believe that inequality has worsened between rural and urban India and within urban India<sup>5</sup>

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<sup>3</sup> Ibid, p 242

<sup>4</sup> Dreze and Sen, *ibid*, page 227 citing India Human Development Surveys

<sup>5</sup> Loc cit

But it is not this kind of inequality that is relevant for understanding the limits of democratic functioning in India.

India has always been socially and economically a deeply divided society. What makes inequalities in India somewhat different from that in many other countries is that they run on multiple axes that reinforce each other.

One can count five such axes: (1) the traditional caste inequalities, (2) class inequalities, (3) gender inequalities, (4) rural-urban inequalities, and (5) regional inequalities.

So if you are a girl from a village in one of India's traditionally poor regions in central India born into a lower caste family that has earned its income from unskilled labour, then the chances are you are doomed to stay poor and uneducated for life.

On the other hand if you are a young man from Mumbai, Delhi or Bangalore and have been born into a relatively well-off upper caste family, you should have little to fear. You are born with markers of advantage; you have to be terribly incompetent to make a mess of your life.

I would not suggest that all of India's disparities and deprivations are constant. Some like caste certainly are being loosened but it is all happening far too slowly for it to make a material difference to the structure of Indian society.

In this divided society that is governed as a parliamentary democracy, the state is not fully controlled by the haves nor is it autonomous. But who has the maximum influence on the state? There are innumerable formulations by commentators, political groups and social scientists on which class rules India. But all agree on one thing, that it is a coalition of interests that is the ruling elite. This coalition is neither fixed in its membership nor does every member have the same influence.

My own formulation is that India's ruling elite is now made up of large Indian business, the new entrepreneurs (especially in finance and IT), the upper segment of the middle classes which has benefited from the pro-market policies of the past two decades, the upper echelons among the bureaucracy and even sections of the media.

This ruling elite functions in a parliamentary democracy, so it is necessary for its own legitimacy and reproduction to operate through the state and provide a basic minimum of services, but only a basic minimum, for the majority of the electorate. That is why you have various welfare programmes for the poor and that is also why progress in improving the quality of life is so slow.

But the institutions of democracy are not fully engaged with agendas that should improve the quality of life of all Indians and do not meaningfully respond to demands to improve the quality of life. Therefore there comes a time when groups and associations of both the under-privileged and the not-so-poor look only to extract concessions from the state. They have no other expectations from the institutions of democracy and their participation in elections is aimed at maintaining survival or just a little more.

On the other hand the ruling elite does have a narrative of transition. It always had one. In the immediate flush of independence, the narrative was of a nation-building project. The narrative now is different. India's elite hopes to eventually fully integrate itself with the global economy in the expectation that it can be on equal terms with the elite of the global economy.

The ruling coalition has therefore become impatient with the rules of parliamentary democracy that hold it back from being part of the global economy.

For example, it is impatient that acquisition of land from farmers for export processing zones or new infrastructure must be based on consent of those who are to be dispossessed.

It is impatient with the idea that even in extreme cases, land for infrastructure development cannot be achieved by eviction alone.

It is also impatient with welfare programmes that aim at providing social security if the costs threaten to breach fiscal ceilings imposed by international institutions and rating agencies.

It is likewise impatient with any large-scale welfare programme that could pre-empt resources and therefore lobbies against what it calls "populism"

### **The Future**

All this points to a somewhat gloomy future. The enclave kind of growth that India has witnessed in the past two decades has not had a major impact on the multiple deprivations that the majority of the population suffers from. There certainly has been some change but not much. One does not see how more of the same growth will make much of a difference.

At the same time, India's enclave kind of growth is itself held back by the pulls and pressures of parliamentary democracy. It is no wonder then that India's ruling elite now show an impatience with the demands of the deprived for an improvement in its condition. It has no compassion for the poor. It sees no need for a growth strategy that would be inclusive. It sees democracy as coming in the way of fulfilling its potential. This seems to set the stage for some form of authoritarianism that would take India in yet another direction.

But India has time and again proved itself and its critics wrong. Let me explain why one need not be hopelessly pessimistic.

The fact that the elite is a coalition of interests and needs legitimacy in a parliamentary democracy means that there are opportunities and spaces for mobilisation of agendas that could make a material difference to the lives of India's poor and vulnerable.

Let me give three examples.

India has a strong Domestic Violence Act on its statutes. This act was legislated after years of pressure and lobbying by women's groups. The legislation was



finally enacted in 2005. Though implementation has been haphazard, it has been a movement forward

Second, India now has the largest employment guarantee progress in the world. Enacted in 2005, the National Rural Employment Guarantee Act guarantees 100 days of work every year to each household in rural India. The work is of largely unskilled nature and is meant to add to the productive potential of rural assets. The record has again been uneven, but it has been widely recognised to have provided some social security and raised market wages for the rural poor. This legislation was initially on the manifesto of one political party, but if it were not for years of campaigns and lobbying by other political parties and people's groups, it would never have been enacted.

The third example of what concerted campaigning can achieve is the National Food Security Act., which was enacted just a couple of months ago. It promises to provide 5kg of cereals every month at very nominal prices to every member of two-thirds of India's population. The NFSA when fully implemented could become the world's largest food security programme. This legislation was again on the manifesto of a political party but it took five years of campaigning and mobilisation by people's groups as also intervention by the judiciary for Parliament to enact it.

These forms of social protection cannot be dismissed as populist programmes. India's mid-day meal programme for school children as also the older public distribution programme have been found in recent research to have contributed to as much as 30% of the reduction in poverty that has taken place in the first decade of this century.<sup>6</sup>

So what I am trying to argue is that even as the overall picture can be one of unfulfilled potential, India's democracy offers parties and groups spaces within which to push for change – even if these are incremental in nature.

But the question really is if change is coming so slowly as to threaten the social cohesion as exists and will it then push India's democracy in the wrong direction?

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<sup>6</sup> "In-kind Food Transfers" Parts I and II by Himanshu and Abhijit Sen, *Economic & Political Weekly*, Volume 48, Nos 46 and 47, November 16 and 23 (2013)