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Growth and other concerns

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Photo: Ranjeet Kumar

I was awakened early one morning recently by someone who said he was enormously enjoying my on-going debate on economic growth in India. I was very pleased that I had given someone some joy, but I also wondered what on earth he could be talking about, since I have not been involved in any such debate. As it happens, I am getting a steady stream of telephone calls and electronic communication about this alleged debate. Since I could not generate the memory of any such debate, I tried to recollect any solitary remark on economic growth in some other context that I might have made in the last few months. I managed to resurrect the memory of having said in passing, in a meeting of TIE (The Indus Entrepreneurs) in Delhi in December, that it is silly to be obsessed about overtaking China in the rate of growth of Gross National Product (GNP), while not comparing ourselves with China in other respects, like education, basic health, or life expectancy. Since that one-sentence remark seems to have been interpreted in many

different ways (my attention to that fact was drawn by friends who are more web-oriented than I am), I guess I should try to explain what that remark was about.

GNP growth can, of course, be very helpful in advancing living standards and in battling poverty (one would have to be quite foolish not to see that), but there is little case for confusing (1) the important role of economic growth as means for achieving good things, and (2) growth of inanimate objects of convenience being taken to be an end in itself. One does not have to “rubbish” economic growth — and I did not do anything like that — to recognise that it is not our ultimate objective, but a very useful means to achieve things that we ultimately value, including a better quality of life.

Nor should my remark be taken to be a dismissal of the far-reaching relevance of comparing India with China. This is a good perspective in which to assess each of the two countries and a lot of my past work — on my own and jointly with Jean Dreze — has made use of that perspective. It is of some historical interest that comparing India with China has been the subject matter of discussion for a very long time. “Is there anyone, in the five parts of India, who does not admire China?” asked Yi Jing (I-Tsing, in old spelling) in the seventh century, on returning to China after being in India for ten years, studying at the ancient university in Nalanda. He went on to write a book, in 691 AD, about India, which presented, among other things, the first systematic comparative account of medical practices and health care in these two countries (perhaps the first such comparison between *any* two countries in the world). He investigated what China could learn from India, and what, in turn, India could assimilate from China. Comparisons of that kind — and more — remain very relevant today, and I have discussed elsewhere the illumination we can get from such comparisons in general, and in comparative medical practice and health care in particular (“The Art of Medicine: Learning from Others,” *Lancet*, January 15, 2011).

What goes wrong in the current obsession with India-China comparison is not the relevance of comparing China with India, but the field that is chosen for comparison. Now that the Indian rate of economic growth seems to be hovering around 8 per cent per year, there is a lot of speculation — and breathless discourse — on whether and when India may catch up or surpass China's over-10 per cent growth rate. Despite the interest in this subject, comparable to that in the race course (the betting comes from the West as well as Asia), this is surely a silly focus. This is so not merely because there are so many elements of arbitrariness in any growth estimate (the choice of prices for weighting is only one of the problems, as any serious economist knows), but also because the lives that people are able to lead — what ultimately interest people most — are only indirectly and partially influenced by the rates of overall economic growth.

Let me look at some numbers, drawing from various sources — national as well as international, in particular *World Development Reports* of the World Bank and *Human Development Reports* of the United Nations. Life expectancy at birth in China is 73.5 years; in India it is still 64.4 years. Infant mortality rate is 50 per thousand in India, compared with just 17 in China, and the under-5 mortality rate is 66 for Indians and 19 for the Chinese. China's adult literacy rate is 94 per cent, compared with India's 65 per cent, and mean years of schooling in India is 4.4 years, compared with 7.5 years in China. In our effort to reverse the lack of schooling of girls, India's literacy rate for women between the ages of 15 and 24 has certainly risen, but it is still below 80 per cent, whereas in China it is 99 per cent. Almost half of our children are undernourished compared with a very tiny proportion in China. Only 66 per cent of Indian children are immunised with triple vaccine (DPT), as opposed to 97 per cent in China. Comparing ourselves with China in these really important matters would be a very good perspective, and they can both inspire us and give us illumination about what to do — and what not to do, particularly the glib art of doing nothing.

Higher GNP in China has certainly helped it to reduce various indicators of poverty and deprivation, and to expand different aspects of the quality of life. So we have every reason to want to encourage sustainable economic growth, among the other things we can do to augment living standards today and in the future. Sustainable economic growth is a very good thing in a way that “growth mania” is not. We need some clarity on why we are doing what (including the values we have about our lives and freedoms and about the environment), and getting excited about the horse race on GNP growth with China is not a good way of achieving that clarity.

Further, we have to take note of the fact that GNP per capita is not invariably a good predictor of valuable features of our lives, for they depend also on other things that we do — or fail to do. Compare India with Bangladesh, where, as Jean Dreze pointed out in an article many years ago, “social indicators” are “improving quite rapidly” (“Bangladesh Shows the Way,” *The Hindu*, September 17, 2004). In terms of income, India has a huge lead over Bangladesh, with a GNP per capita of Rs.3,250, compared with Rs.1,550 in Bangladesh, in comparable units of purchasing power parity. India was ahead of Bangladesh earlier as well, but thanks to fast economic growth in recent years, India's per-capita income is now comfortably more than double that of Bangladesh. How well is India's income advantage reflected in our lead in those things that really matter? I fear not very well — indeed not well at all.

Life expectancy in Bangladesh is 66.9 years compared with India's 64.4. The proportion of underweight children in Bangladesh (41.3 per cent) is a little lower than in India (43.5), and its fertility rate (2.3) is also lower than India's (2.7). Mean years of schooling amount to 4.8 years in Bangladesh compared with India's 4.4 years. While India is ahead of Bangladesh in male literacy rate in the youthful age-group of 15-24, the female rate in Bangladesh is higher than in India. Interestingly, the female literacy rate among young Bangladeshis is actually higher than the male rate, whereas young females still do much worse than young males in India. There is much evidence to suggest that Bangladesh's current progress has much to do with the role that liberated Bangladeshi women are beginning to play in the country.

What about health, which interests every human being as much as anything else? Under-5 mortality rate is 66 in India compared with 52 in Bangladesh. In infant mortality, Bangladesh has a similar advantage, since the rate is 50 in India and 41 in Bangladesh. Whereas 94 per cent of Bangladeshi children are immunised with DPT vaccine, only 66 per cent of Indian children are. In each of these respects, Bangladesh does better than India, despite having less than half of India's per-capita income.

This should not, however, be interpreted to entail that Bangladesh's living conditions will not benefit from higher economic growth — they certainly can benefit greatly, particularly if growth is used as a means of doing good things, rather than treating it as an end in itself. It is to the huge credit of Bangladesh that despite the adversity of low income it has been able to do so much so quickly, in which the activism of the NGOs as well as public policies have played their parts. But higher income, including larger public resources, will enhance, rather than reduce, Bangladesh's ability to do good things for its people.

One of the great things about economic growth is that it generates resources for the government to spend according to its priorities. In fact, public resources typically grow faster than the GNP: when the GNP increases at 7 to 9 per cent, public revenue tends to expand at rates between 9 and 12 per cent. The gross tax revenue, for example, of the Government of India now is more than four times what it was in 1990-91, at constant prices — a bigger rise than GNP per head.

Expenditure on what is somewhat misleadingly called the “social sector” (health, education, nutrition, etc) has certainly gone up in India, and that is a reason for cheer. And yet we are still well behind China in many of these fields. For example, government expenditure on health care

in China is nearly five times that in India. China does, of course, have a higher per-capita income than we do, but even in relative terms, while China spends nearly two per cent of its Gross Domestic Product (GDP) on health care (1.9 per cent to be exact), the proportion is only a little above one per cent (1.1 per cent) in India.

One result of the relatively low allocation to public health care in India is the development of a remarkable reliance of many poor people across the country on private doctors, many of whom have little medical training, if any. Since health is also a typical case of “asymmetric information,” with the patients knowing very little about what the doctors (or “supposed doctors”) are giving them, the possibility of fraud and deceit is very large. In a study conducted by the Pratichi Trust, we found cases of exploitation of the poor patients' ignorance of what they are being given to make them part with badly needed money to get treatment that they do not often get (we even found cases in which patients with malaria were charged comparatively large sums of money for being given saline injections). There is very definitive evidence of a combination of quackery and crookery in the premature privatisation of basic health care. This is the result not only of shameful exploitation, but ultimately of the sheer unavailability of public health care in many localities around India.

The central point to seize is that while economic growth is an important boon for enhancing living conditions, its reach depends greatly on what we do with the fruits of growth. To be sure, there are large numbers of people for whom growth alone does just fine, since they are already privileged and need no social assistance. Economic growth only adds to their economic and social opportunities. Those gains are, of course, good, and there is nothing wrong in celebrating their better lives through economic growth, especially since this group of relatively privileged Indians is quite large in absolute numbers. But the exaggerated concentration on their lives, which the media tend often to display, gives an incomplete picture of what is happening to Indians in general.

And perhaps more worryingly, this group of relatively privileged and increasingly prosperous Indians can easily fall for the temptation to treat economic growth as an end in itself, for it serves directly as the means of their opulence and improving lifestyles without further social efforts. The insularity that this limited perspective generates can even take the form of ridiculing social activists — “*jholawalas*” is one description I have frequently heard — who keep reminding others about the predicament of the larger masses of people who make up this great country. The fact is, however, that India cannot be seen as doing splendidly if a great many Indians — sometimes most Indians — are having very little improvement in their deprived lives.

Some critics of huge social inequalities might be upset that there is something rather uncouth and crude in the self-centred lives and inward-looking temptations of the prosperous inner sanctum. My main concern, however, is that those temptations may prevent the country from doing the wonderful things it can do for Indians at large. Economic growth, properly supplemented, can be a huge contributor to making things better for people, and it is extremely important to understand the relevance and role of growth with clarity.

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