

High Growth Fails to Feed India's Hungry

James Lamont

Financial Times, December 22, 2010

The toll booths on the expressway between New Delhi, India's capital, and the satellite city of Gurgaon tell their own story of the country's fast-paced economic growth.

When the toll road was built, its architects forecast that by now 120,000 vehicles would pass through its gates daily. Today, about 210,000 stream through in a torrent of commuter traffic. India's economic growth is forecast at 8.5 percent in 2010, making it the fastest growing large economy after China.

Yet the benefits of that economic boom are far from universal: the rapid growth is concentrated in a handful of states, particularly in the south, and among a tight circle of businesses.

The uneven economic performances in a country of continental proportions, alongside an unhealthy fixation with the headline growth rate among policymakers, have become issues of concern.

Amartya Sen, the Nobel Laureate economist, issued a stark warning to New Delhi about how "stupid" it was to aspire to double-digit economic growth without addressing the chronic undernourishment of tens of millions of Indians.

The country's emergence as a responsible power hangs on the quality of its growth, and whether it is transforming the

lives of its 1.2 billion people. A growth map that resembles a patchwork quilt has given rise to a debate about whether India is expanding as one country and tackling poverty.

India's gathering success is less assured when highly populated states such as Uttar Pradesh, Madhya Pradesh and Chhattisgarh – where per capita incomes are considerably lower than the national average – continue to fall behind.

Undernourishment is a vital indicator. Despite rising growth, the average calorie intake among India's poorest has been stagnant for more than a decade. 11 out of 19 states have more than 80 percent anaemia, and more than half of India's children under the age of five suffer stunting and poor brain development from inadequate nutrition.

Rather than seeking to drive growth higher, Prof Sen recommends higher public spending on health and education, and to take notice of how China has fed its people better.

Jagdish Bhagwati, another highly respected economist and a Professor at Columbia University in New York, stirred up debate by arguing that rising incomes were felt widely across the country and were not bypassing the poor. "[Success in] denting poverty significantly, though nowhere near enough, is that poverty is now seen by India's poor and underprivileged to be removable," he said.

Other academics warn against celebrating the achievements of India's higher rates of economic growth prematurely.

"The Forbes list of Indian millionaires lingers a lot less in my memory than the images of misery that stare at us when we, the luckier Indians, step out of the comfort of our apartments," says G Sabarinathan, Indian Institute of Management, Bangalore.

India's 28 states present a mixed picture, and a largely unchanging one. On the one hand, extreme India is an industrialised and wealthy country, on the other it is stubbornly poor.

The states of Maharashtra, Gujarat, Karnataka, Tamil Nadu and Delhi are the established economies driving India's growth, with dynamic manufacturing and service sectors. They generate bulk of exports and attract the most foreign investment. There, incomes are rising among large urbanised workforces.

Then there is the rural and populous hinterland of Uttar Pradesh, Madhya Pradesh, Orissa, Chhattisgarh, Bihar and Jharkhand, long characterised by low growth and some of the lowest per capita income. Of these, Bihar, with a population of 90 million, has surprised many by recently recording higher rates of growth. But Uttar Pradesh, with a population similar to Brazil and notorious for social marginalisation, trails badly.

For decades, the ranking of states by income by the International Monetary Fund and others has changed little.

In 2010, the World Bank warned: "In 2000, the [Indian] state with the highest per capita income average was four and a half times the per capita income of the poorest state. In 2008, the difference ... was almost unchanged."

South Asia Bureau Chief, Financial Times