

India – The contradictions of economic growth*

Antal Mester

Jean Drèze – Amartya Sen:

*An Uncertain Glory – India and its Contradictions
Princeton University Press, Princeton, 2015, p. 448*

ISBN: 978-0-69-116552-3

Jean Drèze and Amartya Sen are both economists and co-authors of numerous publications. These two acknowledged researchers of India are also excellent social scientists, and the analysis of economic development and social justice, as well as the social consequences of growth bear utmost importance in their publications. Additionally, Amartya Sen was awarded the Nobel Memorial Prize in 1998 for his activity in the reform of welfare economics.

This work describes India's economic changes and the influence of such on the society and on the welfare of its people since the country's independence. As also suggested by the title, the balance of the past period of almost seventy years is rather contradictory. In ten chapters, the book details the impact of the GDP growth seen in past decades, including the effects in the area of education and healthcare, and also analyses the freedom of press, corruption, poverty and the situation of women within the population. The work openly takes a critical tone, and social inequality occupies a central place. At the same time, it is a good read, written in a free and easy style, with a rich bibliography. This review focuses on the chapters examining India's economic performance.

After the end of an era as a British colony, India won its independence in 1947, becoming the world's most populous democratic state. Economic growth accelerated: as opposed to the first half of the 20th century (when annual average GDP growth was 0.9 per cent), the annual average growth between 1950 and 1980 was 3.5 per cent, rising to 5.2 per cent, 5.9 per cent and 7.6 per cent in the 1980s, 1990s and 2000s, respectively. This makes India the second fastest growing economy among the developing large economies. Regarding the growth rate, the country

* The views expressed in this paper are those of the author(s) and do not necessarily reflect the official view of the Magyar Nemzeti Bank.

*Antal Mester is a PhD student of the University of Pécs; his research area is the economic relation of India and Hungary.
E-mail: mester.antal@gmail.com.*

is catching up with its regional competitor, China. In the period under review, life expectancy at birth increased more than twofold (from 32 to 66), the infant mortality rate fell to one quarter of its previous level, and the illiteracy rate among women decreased from 91 to 35 per cent. However, the benefits of economic growth were not distributed evenly among the various social strata, thereby further increasing inequalities in terms of income. Furthermore, the authors highlight the difference that while in China a large portion of the growth results was reinvested in infrastructure developments and the establishment of the social care system, this was not typical in India. Basic services, such as clean potable water, electricity and primary healthcare, are still not available for hundreds of millions of people.

In the first decade of independence, India's leadership set the goal of implementing two five-year plans. The initial growth of the economy (4.1 percent average annual GDP growth) lasted until the mid-1960s. This was followed by severe droughts in several subsequent years, which substantially retarded the performance of the primary sector which had a dominant weight; in addition, between 1965 and 1973 India was at war with Pakistan, which generated major expenditures for the budget. As a result of these factors, the GDP growth rate decelerated in that decade, and due to poor average harvest results in agriculture, masses of people had to live in need. The growth of gross domestic product accelerated once again in the 1980s, initially induced primarily by the development of the agricultural sector. This was a collateral social benefit of the period during which higher harvest yields made a strong contribution to the reduction of general poverty, since in that social class agriculture was the only source of living for many households. The increase in the trade deficit and external indebtedness was also a phenomenon of the 1980s, which – coupled with soaring oil prices – finally led to a financial crisis in 1990. However, this crisis did not last long, and as a result of structural changes and the increase in foreign investments, growth accelerated from the 1990s. Meanwhile, several economists noted that the actual income of workers increased to a much lesser degree than the GDP growth would have justified. Drèze and Sen present China as an example: between 1981 and 2005 the income of industrial workers in China rose by 600 per cent, while the increase was only 70 per cent in India during the same period.

Probably the most thought-provoking chapter of the book is the comparative analysis of India and the poorest countries of the world. Based on extensive research, the authors analysed a huge volume of parameters and compared the economy's general indicators with the numbers measuring the wealth of the population. The results highlight the Janus face of the boom in India: the Indian state is at the end of the row in several general society indicators even among the poorest countries; these include the ratio of undernourished children (2010: over 40 per cent), infant mortality (2011: 47 per 1,000 live births), existence of basic

hygiene conditions (when the book was written, half of all households lacked water systems), number of years spent in school among the population over 25 years of age (2011: 4.4 years) or illiteracy among women.

In the next chapter, the authors compare the performance of the Indian state with the countries of the region (Bangladesh, Bhutan, Pakistan, Sri Lanka and China) based on the data from 1990 and 2011. The figures show that per capita GDP measured using purchasing power parity increased here to the largest degree after China. Nevertheless, in terms of the improvement in indicators reflecting the social situation (life expectancy at birth, vaccination coverage of children, etc.), India underperformed severely compared to its neighbours. This resulted in the unusual situation where in terms of many indicators India performed relatively better in 1990 than in 2011, despite the substantial GDP growth. According to 12 such indicators, compared to the aforementioned countries, India advanced only in terms of per capita GDP as mentioned above. This can be regarded as a failure and clearly highlights the improper use of the achievements of the prospering economy. The authors cite Bangladesh as an example: there the per capita income is less than half of that of India, but the infant mortality rate is lower, children's vaccination coverage rate is higher, and general hygiene conditions are also much better. Comparing the data with the indicators of other BRICS countries, the shortfalls are even more spectacular. However, the two authors emphasise that there are major differences between the individual federal states of India: in the more advanced southern region (such as Kerala, Karnataka, Tamil Nadu, Maharashtra) the indicators are much closer to the figures of the BRICS states, in contrast to the circumstances in the northern territories. In the north, the ratio of those living below the poverty line is extremely high, coupled with almost no access to healthcare and education services.

On the whole, it may be stated about the book that the authors always support their arguments with figures; on the other hand, it should be noted that they do not investigate examples where the country made major achievements. These include, for example, the highly qualified labour force easily communicating in English, or the strength and growth potential of the industries representing high added value (information technology, pharmaceutical industry).