

South Asia

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Economic development, human suffering

By Kunal Kumar Kundu

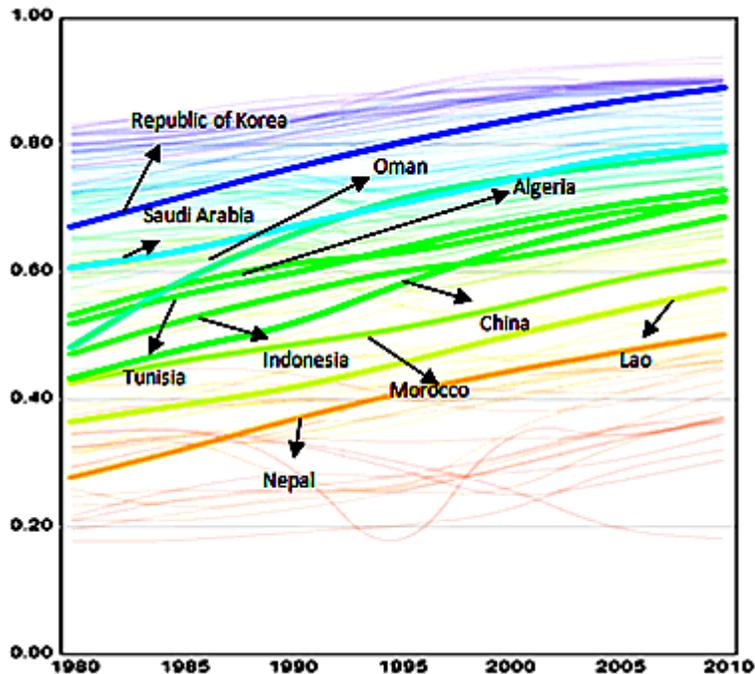
The recent visit to India by United States President Barack Obama made many realize that India is being looked on as a beacon of hope (along with China) in a global economy still struggling to come to terms with the effects of recession. With an expected growth rate of between 8.5% and 9% and adequate domestic demand, the potential exists to grow at double-digit rates. If India is not an enticing story, what is?

Yet, this is the scenario that is lapped up by foreign investors and a handful of Indians who have been able to participate in the growth story. That is not the case with the majority, for good reason.

In the recently released 2010 Human Development Index (HDI - published by the United Nations Development Program), India still ranks a lowly 119 among the 169 countries. Agreed, India did make some big strides in some of the index parameters, especially in gross domestic product (GDP) growth, wherein the country is among the top 10 movers. In fact, since 1980 (when HDI was first reported), India's HDI value increased from 0.320 to 0.519.

During this period, life expectancy at birth increased almost 9%, mean years of schooling by close to three years, expected years of schooling by four years and per capita gross national income by 2.5 times. Despite this, however, India still has a long way to go, especially in indicators from the non-income category, where other countries have done much better.

Hybrid HDI value (Top movers, deviation from fit)



Source: UNDP

As can be seen from the chart above, India is not among the top 10 HDI movers during this period. China, for example, is, and its current rank is 89, as many as 30 places higher than India.

Despite making some headway, India continues to fare badly on indicators such as life expectancy, education and per capita income. Life expectancy at birth, for example, is 64.4 years (a little more than nine years less than in China), while people in high HDI countries are expected to live beyond 80 years. The world average is 69.3 years.

The number of years spent in school, a poor 4.4 years for India, compare dismally with the global average of 7.4 years. In terms of per capita income, measured on purchasing power parity terms, despite the improvement, Indian income is still less than a third of the world average.

The HDI measures are certainly not sacrosanct, and suffer from various shortcomings. The weights, for example, are arbitrarily fixed, and this may not be the best way of measuring since the index is quite sensitive to variation in weighting. Even the purchasing power parity comparison for per capital income can lead to anomalies due to the presence of non-tradable goods and services and distortions from exchange-rate anomalies, tariffs and taxes.

According to George Mason University's Professor Bryan Caplan, the way HDI scores are produced can lead to anomalous results because each of the three components (a long and healthy life, access to knowledge and a decent standard of living) are bounded between zero and one. As a result, rich countries effectively cannot improve their ranking in certain categories, even though there is a lot of scope left for economic growth and longevity.

"This effectively means that a country of immortals with infinite per-capita GDP would get a score of .666 (lower than South Africa and Tajikistan) even if its population is illiterate and never went to school," writes Caplan.

Nevertheless, even if we assume that the ranks can be somewhat distorted, one can still come to a conclusion about the country's ability to improve the quality of life of its citizens. I, for one, am not surprised by India's dismal rating."

According to a World Bank report, approximately 60 million children are underweight in India. Given its impact on health, education and productivity, persistent under-nutrition is a major obstacle to human development and economic growth in the country, especially among the poor and the vulnerable, where the prevalence of malnutrition is highest.

The progress in reducing the proportion of undernourished children in India over the past decade has been modest and slower than what has been achieved in other countries with comparable socioeconomic indicators. While aggregate levels of under-nutrition are shockingly high, the picture is further exacerbated by the significant inequalities across states and socioeconomic groups - girls, rural areas, the poorest and scheduled tribes and castes are the worst affected - and these inequalities appear to be increasing.

This is a very stark reminder of the unfinished agenda. Economic reforms that India has engaged in heralded a new phase and the country was propelled into a high economic growth path. What India now needs are social reforms to enable the fruits of growth to spread far and wide. What we are seeing on this front are only piecemeal efforts, not on a scale the country of this magnitude requires.

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