Indian Development: Selected Regional Perspectives

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CHAPTER

1 Radical Needs and Moderate Reforms

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Abstract

This chapter presents an analysis of the persistence of endemic deprivation in India, and of the role of public action in addressing that problem. It emphasizes the need to go beyond the narrow focus of current policy debates on the issue of market-oriented reforms aimed at accelerating the rate of economic growth. These reforms can contribute to the elimination of basic deprivations in India, but they need to be supported and supplemented by a far more active involvement in the provision of basic education, health care, social security, and related fields.

Keywords: India, endemic deprivation, public action, market-oriented reforms, economic growth, education, health care, social security

Subject: Urban, Rural, and Regional Economics, Economic Development and Growth, Economywide Country Studies, Asian Economics

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1. Ends, Means and Practical Reason

Economic policies in India have undergone much change over the last few years, and more changes are in the process of being implemented. The central approach underlying these reforms, initiated in 1991, involves a greater reliance on the market mechanism, and this translates into a class of public policies including deregulation and reduction of governmental controls, greater autonomy of private investment, less use of the public sector, more opening of the economy to international trade, less restrictions on the convertibility of the rupee, and so on. While many critics had wanted faster reforms (and a quicker change—basically in the same direction), there can be little doubt about the gathering force and the growing reach of the reforms, or about the break that has been initiated in the established conventions of Indian planning and policy-making. Nothing quite like this has happened earlier in the Indian economy, since independence—or for that matter, before it.

Outside India the reforms have been fairly universally welcomed, but they have been, since their inception, the subject of severe debate within India. The controversies have been extensive, and the arguments on each side quite forceful and firm. This collection of essays is not—at least not directly—a contribution to those debates. Rather, it is a part of an attempt to shift the concentration of economic arguments away from the
p. 2 rather limited issues on ↳ which these largely political debates have tended to focus. The object is not so much to search for authentic answers to familiar and well-rehearsed questions, but to ask and explore quite a different set of questions. These broader investigations, we argue, are needed right now, and they can *inter alia* alter even the way the more traditional queries are answered.

There are two elementary points of departure. First, there must be an attempt to link the strategies of development to something more fundamental, in particular, the *ends* of economic and social development. Why do we seek development? What can it achieve, if fruitful? How are the successes and failures of policies —including the 'reforms' of traditional policies—to be judged? It is only with an explicit recognition of the basic ends that debates on means and strategies can be adequately founded.

The second basic departure takes us beyond the scrutiny of ends, to the investigation of means. What are the means that have to be employed to achieve these ends felicitously? While the debates on the current reforms concentrate on a particular class of means related to the use or non-use of markets (such as incentives for private investment, reliance on international trade, and so on), there are many other means, especially dealing with the 'social' side of economic operations and successes, which typically tend not to figure in these debates. To the foundational lacuna of neglecting the scrutiny of the basic ends is, thus, added the more immediate gap of ignoring the examination of some powerful means that help us to achieve those ends. In fact, we argue that achievement of even the limited objectives of the current reforms will depend crucially on conscious and organized pursuit of the social means on which economic performance and results are frequently conditional.

This collection of essays presents and develops the arguments for taking a much broader view of the needed economic and social change in India. In this first chapter the reasoning is developed at the national level, looking at India as a whole. That reasoning has been developed more extensively in the companion volume (Drèze and Sen, 1995). While that is mainly a 'national' study, the argument draws, among other things, on the deep diversities that characterize the varied economy of India. The diversities are partly related to India's varied history before independence (for example, the bulk of modern Kerala is made up of what were
p. 3 ↳ so-called 'native states'—Travancore and Cochin—formally outside the British empire) and after the British left (for example, the relative strengths of political parties have been quite different in the different regions of India). But the diversity relates also to the nature of the Indian constitution, which identifies as 'state subject' many areas of governmental action that are crucial to economic and social development. Thus, the historical diversities have tended to be consolidated and reinforced by the legal structure of the Indian union. An understanding of the Indian economy has to be informed by an adequate recognition of deep-seated regional diversities and heterogeneities.

2. Regional Diversities and Contrasts

Given the extremely heterogeneous character of the Indian economy and society, India's achievements and failures cannot be understood in composite terms, and it is essential to examine the experiences in sufficiently disaggregative form—and in adequate detail. In the set of studies in this book, the regional perspective has been extensively explored, concentrating on three states in particular: Kerala, West Bengal, and Uttar Pradesh. Kerala's achievements in the social fields have been quite remarkable, including an achieved life expectancy of well over 72 years (69 for males and 74 for females by 1991) that compares well with China's (69 years) and South Korea's (71 years) achievements, despite the much greater economic advancement of these other countries. At the other end, Uttar Pradesh remains one of the most backward states in India, and had this state of 140 million people been an independent country, it would have been not only one of the largest, but also one of the most socially deprived countries in this world—giving its citizens less than some of the worst-performing economies in sub-Saharan Africa. We have to ask why—and to what extent—Kerala has succeeded, and why Uttar Pradesh has failed so badly in precisely those fields. West Bengal's experience is more mixed, including some remarkable achievements and some conspicuous failures. Again, we have to identify the successes and deficiencies there, and link them with the nature of policies pursued and the overall political economy of West Bengal.

p. 4 The internal diversities in India offer a great opportunity to learn ↳ from each other. This is part of the objective of this set of studies. This must not, however, be taken to suggest that the lessons for India must come mostly from 'inside'. On the contrary, there is a great deal to be learnt from successes and failures of other countries as well. Even Kerala, successful as it is in many social fields, must learn more about how to generate and stimulate straightforward economic growth—an area in which it has been conspicuously unsuccessful.

Some 'lessons from abroad' have often been aired in the current economic debates, particularly in motivating the on-going reforms and deregulation. It is, however, important, in learning from other countries, to take an adequately comprehensive and discriminating view of their experiences. I shall argue, later on in this chapter, that some parts of the essential lessons — related in particular to the generation of social opportunities — have been particularly neglected in the typical readings of these experiences.[1] This collection of studies is aimed at scrutinizing the lessons from other countries as well as from within India itself.

One of the broad conclusions to emerge is the need for much more radical changes in the Indian economy and society, in order to achieve the basic goals that were unambiguously outlined at the time of India's independence, but which still remain largely unaccomplished. The problem with the economic reforms currently under way is not that they are not needed, nor that they are overexacting, but that they are basically inadequate and unbalanced.[2] The departures are too moderate—and too tolerant of parts of the established tradition of economic planning in India. More—rather than less—radicalism is needed at this time. In this first essay, an attempt is made to put that general case forward.[3] This is followed, in subsequent chapters, by the regional studies that look respectively at the experiences of Uttar Pradesh, Kerala, and West Bengal.

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3. Intrinsic Value and Instrumental Role of Human Capabilities

In his famous speech on India's 'tryst with destiny', on the eve of independence in August 1947, Jawaharlal Nehru reminded the country that the task ahead included 'the ending of poverty and ignorance and disease and inequality of opportunity'. Some achievements have indeed been made in these general areas, including the elimination of substantial famines, fairly successful functioning of our multiparty democratic system, and the emergence of a very large and quite successful scientific community — achievements that compare favourably with what has happened in many other parts of the world. However, it is not hard to see that much of the task that Nehru had identified remains largely unaccomplished, and that we have fallen quite far behind the best performers. We have to ask what obstacles we face, how they can be eliminated, and whether we are already on course in remedying the underlying deficiencies.

Nehru's list of the tasks that India faces is well worth remembering in taking stock of where we are, and more particularly where we are *not*. As Nehru pointed out, the elimination of ignorance, of illiteracy, of remediable poverty, of preventable disease, and of needless inequalities in opportunities must be seen as objectives that are valued for their own sake. They expand our freedom to lead the lives we have reason to value, and these elementary capabilities are of importance on their own.[4] While they can and do contribute to economic growth and to other usual measures of economic performance, their value does not lie only in these instrumental contributions. Economic growth is, of course, important, but it is valuable precisely because it helps to eradicate deprivation and to improve the capabilities and the quality of life of ordinary people.

We must not make the mistake—common in some circles—of taking the growth rate of GNP to be the
p. 6 ultimate test of success, and of treating the removal of illiteracy, ill-health, and social deprivation ↳ as — at best — possible means to that hallowed end. The first and the most important aspect of Nehru's listing of what we have to do is to make clear that the elimination of illiteracy, ill-health, and other avoidable deprivations are valuable for their own sake — they are 'the tasks' that we face. The more conventional criteria of economic success (such as a high growth rate, a sound balance of payments, and so forth) are to be valued only as means to deeper ends. It would, therefore, be a mistake to see the development of education, health care, and other basic achievements *only* or *primarily* as expansions of 'human resources'—the accumulation of 'human capital'—as if people were just the *means* of production and not its ultimate *end*. The bettering of human life does not have to be justified by showing that a person with a better life is also a better producer.

This issue of intrinsic importance is an appropriate starting point, because we must assert first things first, but our analysis cannot, of course, stop at basic issues only. Something that is of intrinsic importance can, *in addition*, also be instrumentally momentous, without compromising its intrinsic value. Basic education, good health, and other human attainments are not only directly valuable as constituent elements of our basic capabilities, these capabilities can *also* help in generating economic success of a more standard kind, which in turn can contribute to enhancing the quality of human life even more. Many of the ingredients of a good quality of life — including education, health, and elementary freedoms — clearly do have instrumental roles in making us more productive and helping us to generate more outputs and incomes. As I shall presently discuss, the lessons of economic and social progress across the world over the last few decades have forcefully drawn attention to the instrumental importance of education, health, and other features of the quality of human life in generating fast and shared economic growth (on top of the direct intrinsic importance they have). It will, of course, be a mistake to see the enhancement of human capabilities as being invariably effective in raising economic performance, since the political economy of *actual use* can be very different from the *potential* possibilities generated. But without generating those possibilities the question of their use would not even arise, and this is a lesson that many other countries have learned with very good effect.

In looking back at what Jawaharlal Nehru saw as our 'tryst with destiny', we must both assert (1) the
p. 7 inalienable eminence of basic capabilities and the quality of life in judging the success of economic ↳ and social policies, and (2) the contingent but significant practical importance of many of these capabilities (especially those related to education, health, and elementary freedoms) in promoting economic growth, and through it further advancing the quality of life that people can enjoy. While the improvement of human life is its own reward, it also offers — as it happens — other rewards which in turn can create the possibilities of further augmentation of the quality of life and our effective freedom to lead the lives we have reason to seek.

The subject of development economics, since its inception in its modern form in the nineteen-forties, has been full of sombre theses of a multitude of 'vicious circles', and there is a general air of pessimism that has characterized this discipline. In that context, the importance of this 'virtuous circle' in achieving economic and social progress can scarcely be overemphasized.

4. On Learning from Others and from India

India can learn a lot from the experiences of other countries which have done, in different ways, better than we have. More on that presently, but we must also note the fact that India has much to learn from India itself. We live in a most diverse country, and in many spheres our records are extremely disparate. The average levels of literacy, life expectancy, infant mortality, etc., in India are enormously adverse compared with China, and yet in all these respects Kerala does significantly better than China. For example, in adult female literacy rate, India's 39 per cent is well behind China's 68 per cent, but Kerala's 86 per cent rate is much higher than China's. Indeed, as will be presently shown, in terms of rural female literacy, Kerala has a higher achievement than *every* individual province in China. Similarly, compared with China, Kerala has higher life expectancies at birth (69 for males and 74 for females, compared with China's 68 and 71 years, respectively), a lower fertility rate (1.8 *vis-à-vis* China's 2.0), and a much lower rate of infant mortality (17 and 16 per thousand live births, respectively, for boys and girls in 1991, compared with China's 28 and 33 years, respectively).[5]

p. 8 There are a great many things that we can learn from within the country, by using the diversity of our experiences, particularly in the use of public action.[6] In some respects, Kerala — despite its low income level — has achieved more than even some of the most admired high-growth economies, such as South Korea. All this has to be recognized and its lessons used in policy-making elsewhere in India. But at the same time, we must also note that Kerala has much to learn from the experiences of other countries on how to stimulate economic growth. Kerala's performance in that sphere has been quite dismal, even compared with many other Indian states. The political economy of incentives is of crucial importance in translating the potential for economic expansion, implicit in human development, into the reality of actual achievement in the economic sphere. Kerala has to learn as well as teach.

While the encouragement of economic incentives and opportunities has varied between different parts of the country, there has been a generally counterproductive regulational environment in India that has restrained economic growth all over the country over many decades. We can profit a good deal from trying to understand what other countries have been able to do in generating economic growth and in utilizing that growth for improving qualities of human life. In the recent reforms, this issue of learning from the experiences of more successful economic performers has loomed large. I shall presently have more to say on the lessons to draw from the experiences of other countries, and in that context, I shall have to argue that some crucial features of the experiences of the more successful countries may have been seriously missed. But before that, the importance of removing counterproductive controls and regulations must be discussed.

5. Counterproductive Regulations and Necessary Reforms

Comparison of India with the experiences of other countries is often made to motivate changes in economic
p. 9 policy, for example, to ↳ defend a programme of economic reforms — involving liberalization of trade, deregulation of governmental restrictions, encouragement of private initiative, and so on. In this context, attention is paid to the remarkable achievements of South Korea, Hong Kong, Singapore, Thailand, and other countries — including China in recent years — which have made splendid use of market-based economic opportunities. Such comparisons are indeed illuminating, and there is much to learn from these countries.

The counterproductive nature of some of the governmental restrictions, controls, and regulations has been clear for a long time. They have not only interfered with the efficiency of economic operations (especially for modern industries), but also have often failed lamentably to promote any kind of real equity in distributional matters. The privileges were often exploited for the sectional benefit of those with economic, political, or bureaucratic power, or those with the opportunity to influence people with such power. A radical change was certainly needed for these basic reasons, in addition to the short-run crises that actually prompted the change that did occur.

The scope of and rewards from greater integration with the world market have been and are large, and India too can reap much more fully the benefits of economies of scale and efficient division of labour that many other countries have already successfully used.[7] While greater reliance on trade is sometimes seen as something that compromises a country's economic independence, that view is hard to sustain. Given the diversity of trading partners and the interest of the different partners to have access to the large economic market in India, the fear that India would be an economic prisoner in the international world of open exchange is quite unfounded. This does not deny the importance of getting the terms and conditions right, including having fair regulations from GATT (or its successor) and other international institutions. But in general there is little reason for fearfully abstaining from the benefits offered by the greater use of the facilities of international trade and exchange.

p. 10 I am not commenting here on the appropriateness or sufficiency of the exact pattern of current economic reforms that is being introduced in India. Rather, I am pointing to the necessity and general desirability of economic reforms that remove counterproductive regulations and restrictions and allow greater use of the opportunities of international exchange. There is a strong case for such a change, and that case is not overwhelmed, in general, by any real reasons for fearing exploitative trading relations. The wisdom of going in this direction does not, however, deny the importance of many other policy changes that are also needed, on a priority basis, to pursue economic prosperity through greater integration with the world market.

6. India and China: Comparisons and Contrasts

In judging how India has been doing, it is useful to contrast its experiences with those of China. Whenever India is compared with much smaller countries, such as Hong Kong or Singapore, which have very successfully integrated with world markets, there is understandable scepticism about the relevance of these comparisons; these are effectively city states and can do many things that a country of the size of India cannot. In contrast, China, which is of a similar size — in fact larger — than India, provides an interesting and instructive comparative picture. This is not just because of size (though that is relevant too), but also because China too started off from being in a state of much poverty and deprivation. Also, the Chinese civilization, like the Indian, has a long tradition of trade and commerce (along with traditional, non-market, social conventions), and furthermore, both India and China have the additional similarity of having large expatriate communities which could play important instrumental roles in achieving more integration with the world of international commerce and trade. The comparison with China is, thus, quite significant in understanding where India is and in scrutinizing what it can and should do.

Table 1 presents comparative figures on adult literacy rates in India and China. India is well behind China in this field — particularly so in the realm of female literacy. In addition to the figures for the Indian average,
p. 11 Table 1 also gives data for two states within India that respectively do much better (Kerala) and ↳ much worse (Uttar Pradesh) than the Indian average. Uttar Pradesh's male and female literacy rates of 56 and 25 per cent, respectively, lie very much behind China's 87 and 68 per cent, but on the other side, Kerala's 94 and 86 per cent lie well ahead of China's achievements.

Table 1. Adult Literacy Rates, 1991

	Males	***Females***
India	64	39
China	87	68
Kerala	94	86
UP	56	25

Source. Census data (see Drèze and Sen, 1995, Statistical Appendix).

China too is, of course, a heterogeneous country of many provinces. Fig. 1 presents the data for rural literacy rates for males and females for the Indian states and the Chinese provinces put together. Several features of this comparison are obvious from the figure. First, the Chinese provinces generally do very much better than the Indian states. Second, nevertheless the best performer among all the Indian states and Chinese provinces put together is Kerala, and the worst performer is Tibet, so that the extremes go in the opposite direction to the relative pictures of means and modes. Third, while Kerala is comfortably on top, following Kerala come a whole bunch of Chinese provinces before the next Indian state comes into the league. Similarly, while Tibet is indubitably at the bottom, above it come a big group of Indian states before we get to the next low performing Chinese province. Finally, there is some evidence in Fig. 1 that with the exception of Tibet, the Chinese provinces are more closely bunched together than are the Indian states. It is that bunched modal achievement of China that is so far above the run of Indian states.

Table 2 turns to matters of life and death, and presents the comparative picture of life expectancies at birth, infant mortality rates, total fertility rates, and female—male ratios in the population. Again, China is well ahead of India on the average, and tremendously ahead of Uttar Pradesh, but still significantly behind
p. 12 Kerala in each of these respects. ↳

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Table 2. Life and Death, 1991

	Life Expectancy		*Infant Mortality Rate*	*Female—male Ratio*	*Total Fertility Rate*
	Males	***Females***			
India	59	59	80	0.93	3.6
China	68	71	31	0.94	2.0
Kerala	69	74	17	1.04	1.8
UP	57	55	98	0.88	5.1

Source. Drèze and Sen (1995), Statistical Appendix.

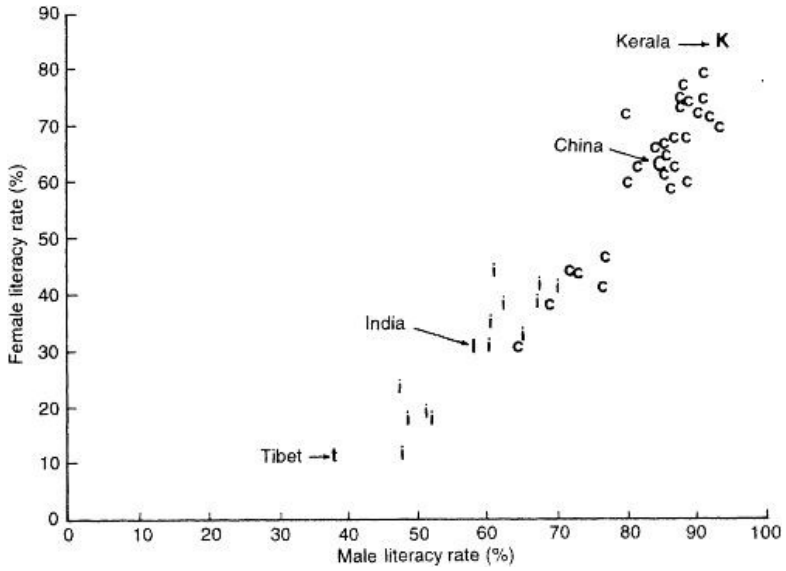

FIG. 1. Rural Literacy in Indian States (1991) and Chinese Provinces (1990)

The distinction of Kerala is particularly striking in the field of gender equality. The female — male ratio in the population tends to be well above unity, because of the survival advantages that females have over males in terms of age-specific mortality rates whenever they receive comparable attention and care. In Europe and north America, the female-male ratio tends to be around 1.05 on the average, though it would have been somewhat lower had there not been extra male mortality in past wars the demographic effects of which still linger. In contrast, in many countries in Asia and north Africa, the female-male ratio is well below unity, and this is the case in India too.[8] But China's female—male ratio of 0.94, while higher than India's 0.93, is not really very high, whereas Kerala's ratio is close to 1.04, and is much higher than unity even after note is taken of greater emigration of men out of the state. This is a comparable ratio to that obtaining in Europe and north America and shows how much more equal Kerala is in terms of some elementary matters of gender parity, compared with China as well as the rest of India.

But leaving out the particular issue of gender equality, China's overall performance is enormously better than India's. While Kerala does better than China in terms of life expectancy, fertility rates, and infant mortality, the gap between the two, in each of these fields, is typically a good deal less than that between the average pictures of India and China.

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7. India's Educational Backwardness and Lessons of Kerala

In view of the remarkable expansion of higher education in India (we send about six times as many people to the universities and other higher educational establishments as China does, relative to its population), it is extraordinary how little we have progressed in basic education. When I gave my Lal Bahadur Shastri Memorial Lectures in 1970 (entitled 'The Crisis in Indian Education'), the contrast between our attention to higher education and neglect of elementary teaching had seemed intolerably large.[9] But that gap has, if anything, *grown* rather than shrunk over the last 25 years. I had tried to argue that there were deep-seated class biases in the pressures that have determined Indian educational priorities, and that the inequalities in education are, in fact, a reflection of inequalities of economic and social powers of different groups in India.[10] The educational inequalities both *reflect* and help to *sustain* social disparities, and for a real break, much more determined political action would be needed than has been provided so far by either those in office, or by the parties that have led the opposition. The weakness, in this field, of even parties of the 'left' is particularly striking, given the fact that elementary education has been one of the few really solid achievements of the countries led by communist parties—in places as diverse as Soviet Union, China, Cuba, and Vietnam.

The traditionally elitist tendencies of the ruling cultural and religious traditions in India may have added to the political problem here. Both Hinduism and Islam have, in different ways, had considerable inclination towards religious elitism, with reliance respectively on Brahmin priests and on powerful Mullahs, and while there have been many protest movements against each (the medieval poet Kabir fought against both
p. 15 simultaneously), the elitist hold is quite ↳ strong in both these religions. This contrasts with the more egalitarian and populist traditions of, say, Buddhism. Indeed, Buddhist countries have typically had much higher levels of basic literacy than societies dominated by Hinduism or Islam. Thailand, Sri Lanka, and Myanmar (Burma) are good examples.

There is even some evidence that when Western imperialists conquered countries in Asia and Africa, they tended to expand—rather than counteract—the biases that had already existed in the local cultures. For example, the British in India took little interest in elementary education, but were quite keen on creating institutions of higher learning in the good, old Brahminical mode, whereas the same British in Buddhist Burma gave much encouragement to the expansion of elementary teaching, even though they tended to do rather little for higher education.[11]

The point of this passing thought is not to argue that India must remain imprisoned by its past, but only to indicate the necessity of explicitly addressing the questions of both *ancient* and *modern* biases that shape Indian educational policies—reflecting prejudices of class divisions as well as of traditional cultures. The difficulty in getting even 'left-wing' parties interested in combating inequalities in education relates to the general social atmosphere in India (including the nature of the leadership of the different parties) which takes some major disparities as simply 'given' and not particularly worth battling against (in view of other —perceived to be more 'pressing'—challenges).

There is, however, some encouraging information in the remarkable heterogeneity that characterizes India in the field of elementary education. Advances of basic education have often come from forces that have railed against traditional politics (including protests against the historical hold of caste practices), or
p. 16 against traditional cultures (sometimes in the form of missionary activities). While the latter ↳ may explain the higher achievements in elementary education in, say, Goa or Mizoram, Kerala has had the benefit of both types of breaks (education-oriented lower-class movements as well as missionary activities), in addition to the good fortune of having royal families in Travancore and Cochin that happened to be atypically in favour of elementary education.

In drawing policy lessons from Kerala's experience of public action, note must be taken of two particularly instructive features. First, a real difference has been made by political activism in the direction of educational expansion for the lower-caste—and lower-class—groups. In the general picture of political apathy towards elementary eduction that is characteristic of much of India, Kerala is a big exception, and the results vindicate the attention that has been paid to this.[12] There is, thus, much evidence here of the importance of political leadership and initiative and of popular involvement in making a real difference in the realization of basic capabilities of the people at large.[13] The lessons to draw are of relevance not only for policy-makers and political leaders in office, but also for opposition parties and the politically-conscious public at large.

Second, the historical heterogeneity *within* Kerala itself is also quite instructive. When the state of Kerala was created in independent India, it was made up, on linguistic grounds, of the erstwhile native states of Travancore and Cochin, and the region of Malabar from the old province of Madras in British India (what is now mostly Tamil Nadu). The Malabar region, transferred from the Raj, was very much behind Travancore and Cochin in social development (including literacy and life expectancy—and mortality rates generally).
p. 17 But by the eighties, Malabar had so much 'caught up' with the ↳ rest of Kerala that it could no longer be seen in divergent terms.[14] The initiatives that the state governments of Kerala took, under different 'managements' (led by the Communist Party as well as by the Congress), succeeded in transforming Malabar into being basically at par with the rest of Kerala. Since Kerala has had a rather special history, it is important to note that a region need not be imprisoned in the fixity of history, and much depends on what is done here and now. In this too Kerala itself offers a lesson for the rest of India on what can be done by determined public action, even without having the favourable historical circumstances of Travancore and Cochin.

The heterogeneity within India is illustrated and explored in Table 3 which gives information on the literacy
p. 18 rates of rural children in India as a whole and in the two states of Kerala and ↳ Uttar Pradesh. It turns out that while nearly all the children in the age group of 10 to 14 years are literate in Kerala, one-third of the UP male children and more than three-fifths of the UP female children of that age group are clearly illiterate. The picture is similarly dismal for school attendance for India as a whole and even more so for Uttar Pradesh.

Table 3. Literacy and Schooling: India (1987–88)

	India	*Kerala*	*UP*
I. Rural literacy rate (Children 10–14)			
Males	73	98	68
Females	52	98	39
II. Percentages of rural children attending school			
Age 5–9: Males	52	87	45
Females	40	83	28
Age 10–14: Males	66	93	64
Females	42	91	31
III. Percentage of children 12–14 ever enrolled			
Rural: Males	74	100	73
Females	49	98	32
Urban: Males	89	100	81
Females	81	99	61

Source. Drèze and Sen (1995), Table 6.1, based on Census and National Sample Survey data.

Finally, it is totally remarkable that in rural India in the age group 12 to 14 years, more than a *quarter* of the boys have *never* been enrolled in any school and more than *half* the girls have *never* been enrolled either. As expected, in Kerala nearly all the boys and girls of this age group have had some schooling, and on the other side, in Uttar Pradesh the percentage of rural children of this age group who have been totally out of school are even higher than in India as a whole. In fact more than two-thirds of the UP girls between 12 and 14 have never had the benefit of any schooling at all. This is an appalling picture of neglect of basic education, and shows how very backward the bulk of India is—in terms of an important element of 'the task' that Nehru identified in 1947—and furthermore, how abysmal the failure is in India's largest state. With more than 140 million people, had Uttar Pradesh been a country on its own, it would have been one of the largest countries in the world and would have been—or close to being—the lowest in terms of school education in the entire world.

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Indeed, in the field of elementary education, India is not only behind China or Sri Lanka or South Korea, but also worse off than the average of 'low income countries other than India and China' (as defined by the World Bank), the comparative data for which are given in Table 4. Even in comparison with sub-Saharan Africa—perhaps the most problematic region in the world now with its record of recurrent famines—India does not shine. While it just about matches the literacy rates of Nigeria, it falls well behind the achievements of many of the African states, including Botswana, Zimbabwe, Kenya, and Ghana (Table 4). If India's relative performance is 'middling' in many fields of economic and social development, its record is far below that—close to the very bottom—in the fields of literacy and elementary education.

Table 4. Adult Literacy Rates, 1990: Developing Countries

	Total	*Female*
India[a]	52	39
China	78	68
Average of low-income countries excluding China and India	55	44
Zimbabwe	67	60
Botswana	74	65
Kenya	69	58
Nigeria	51	39
Ghana	60	51

Note. Age 7 +, 1991.

a *Source*. Drèze and Sen (1995), Statistical Appendix, Table A. 1, for India and China; *World Development Report 1994*, Table 1, for other countries.

8. The Economic Handicap of Educational Backwardness

While education and the development of human ability and skill must not be valued *only* as instruments to other ends, their instrumental importance must *also* be acknowledged (as was discussed earlier). In the analysis of 'growth-mediated' social progress, public education can be both *favourable* to economic growth (through expanding the opportunities of economic expansion) and *favoured* by economic growth (through generating more resources for such support).[15]

The economic roles of school education, learning by doing, technical progress, and even economies of large scale can all be seen as contributing—in different ways—to the centrality of direct human agency in generating economic expansion. Recent work on economic growth has brought out sharply the role of labour, education, and experience, and the so-called 'human capital'. This has helped to fill the large gap identified as a 'residual' in the basic neoclassical model of economic growth, and recent growth theory has done much to bring out the function of direct human agency in economic growth, over and above the contribution made through the accumulation of physical capital. Our attempt to learn from the experiences
p. 20 of 'the East Asian miracle' and other cases of growth-mediated ↳ progress cannot ignore the wealth of insights that the recent theoretical and empirical analyses have provided.[16]

The crucial role of education and skill makes it all the more essential to pay attention to public policy to expand basic education and to promote skill formation. The role of widespread basic education has been quite crucial in countries that have successfully grown fast making excellent use of world markets: for example, the so-called four 'tigers' in East Asia (namely South Korea, Hong Kong, Singapore, and Taiwan), and more recently, China and also Thailand. The modern industries in which these countries have particularly excelled demand many basic skills for which elementary education is essential and secondary education most helpful. While some studies have emphasized the productive contribution of learning by doing and on-the-job training, rather than the direct impact of formal education, the ability to achieve such training and learning is certainly helped greatly by basic education in schools prior to taking up jobs.[17]

In the context of learning from the experiences of the fast-growing economies of East Asia, it is important to recognize that all these countries—South Korea, Hong Kong, Singapore, Taiwan, Thailand, and post-reform China—had enormously higher levels of elementary education at the time they went for fast economic growth and greater integration with the world economy. The point is not that these countries have a much higher base of elementary education *now* than India currently has, but that they *already had* radically higher levels of elementary education in the nineteen-seventies, when they went rapidly ahead, compared with what India has *now*.

p. 21 Table 5 presents some comparative figures on this. India's current level of adult literacy at 52 per cent is not only enormously lower than the current figures for China, Thailand, South Korea, or Hong Kong, but compares very unfavourably with the adult literacy rates of around 70 per cent at the time these countries respectively launched their rapid economic expansion (from 1980 in China and around 1960 or thereafter in Hong Kong, South Korea, and Thailand).

Table 5. Adult Literacy Rates, 1960–90

	1960	*1980*	*1992*
India	28	36	52[a]
South Korea	71	93	97
Hong Kong	70	90	≈ 100
China	n.a.	69	80
Thailand	68	86	94

Note. Age 7 +, 1991.

a *Source*. Drèze and Sen (1995), p. 38.

There has been an astonishing failure of adequate public action in expanding elementary and secondary education in India. While 'too much' government has been identified, with some plausibility, as a problem of past policies in India, in fact in the field of basic education (and also those of elementary health care, land reforms, and social security), 'too little' government action—rather than 'too much'—has been the basic problem.[18] This is not to deny that India can quite possibly achieve high rates of growth of GNP or GDP even with present levels of massive illiteracy. It is more a question of the strength and the nature of the economic expansion that can occur in India today, and the extent to which the growth in question can be participatory.[19]

The social opportunities offered by market-based economic growth, particularly of integration with modern world markets, are severely limited when a very large part of the community cannot read or write or count,
p. 22 cannot follow printed or hand-written ↳ instructions, cannot cope easily with contemporary technology, and so on. The objective of integration with the world market—important as it is—is deeply hampered by India's unusually low level of basic educational development. The inequality in Indian educational policies and achievement thus translates into inequalities in making use of new economic opportunities. The *distributive* failure supplements the effect of educational backwardness in restricting the *overall* scale of expansion of employment-generating modern production.

The persistence of endemic illiteracy and educational backwardness in India has many adverse effects. It limits, in general, the freedom and well-being of the Indian masses, and has a direct role in the relative deprivation of women in particular. It sustains high levels of mortality and fertility rates.[20] It contributes to the comparative lack of pressure for social change, and to the moderateness of political demand and pressure for effective public attention in such fields as health care.[21] But in addition the lack of elementary education also makes the goals of economic expansion very much harder to realize. We have to face here two quite distinct but interrelated problems that limit the attainment and use of economic growth. First, elementary education is extremely important for successful integration with the world market. The nature and range of the commodities sold by, say, South Korea since the seventies or China from the eighties bring out clearly how crucial basic education is for catering to the world market, with production to specification and reliable quality control. Second, the wider the coverage of the population that takes part in the integration with the world market, the more 'participatory' the process of growth would tend to be, raising the income-earning power of large parts of the nation. Even if India were to grow very fast with its highly technical industries (making use of special skills that India has cultivated and drawing on the trained middle-class labour force), such as modern computer software or engineering products, the bulk of the Indians may still receive little reward from it.

p. 23 To make a relevant comparison, in the sixties and the seventies the Brazilian economy grew very fast but achieved rather little reduction of poverty—in economic as well as social terms. The lack of participatory nature of that growth was extremely important in that outcome. Comparing Brazil's problems with patterns of more inclusive growth processes in east Asia tends to bring out the big difference made by participatory growth, and the specific role of whdespread basic education in east Asia.[22] India stands in some danger of going Brazil's way, rather than South Korea's, and there is something quite important to choose there.

9. The Role of Pre-reform China in its Post-reform Success

In learning from China, we have to pay particular attention to what has been achieved in China in the post-reform period. But if the analysis presented here is correct, we must resist the common tendency now to 'rubbish' what China had already done before the reforms. The spread of basic education across the country is particularly relevant in explaining the nature of Chinese economic expansion in the post-reform period. The role of mass education in facilitating rapid and participatory growth has been quite crucial in the integration of the Chinese economy with the world market. The big step in the direction of mass education was decisively taken in China in the pre-reform period. The literacy rates in China by 1982 were already as high as 96 per cent for males in the 15–19 age group, and 85 per cent even for females in that age group. This social asset made participatory economic expansion possible in a way it would not have been in India *then*—and is extremely difficult in India even *now*.

A similar thing can be said about widespread health care and systems of nutritional attention, which China developed in the pre-reform period, but from which post-reform China has benefited a great deal. The
p. 24 importance of basic health and nutrition in economic development has received much attention in the ↳ recent literature.[23] In assessing the economic success of post-reform China, the groundwork done in the pre-reform period would have to be adequately acknowledged.

Another area in which the Chinese post-reform expansions have benefited from pre-reform achievements is that of land reforms, which has also been identified as having been of great importance in the east Asian economic development in general.[24] In China, things went, of course, much further than land reforms, and the extremism of communal agriculture certainly was a considerable handicap for agricultural expansion in the pre-reform period. But that process of collectivization of land had also, *inter alia*, abolished landlordism in China. When the Chinese government opted for the 'responsibility system', it had a land tenure pattern that could be readily transformed into individual farming without intermediaries, not weighed down by the counteracting weight of tenurial handicaps (as in many parts of India).[25]

It is interesting that the institutional developments that have favoured participatory economic growth throughout east Asia (in particular, the spread of basic education and health care, and the abolition of landlordism) had come to different countries in the region in quite different ways. In some cases, even foreign occupation had helped, for example, in the land reforms in Taiwan and South Korea. In the case of China, the pre-reform governments had carried out, for programmes of their own, radical changes that proved to be immensely useful in the economic expansion based on marketization in the post-reform period.

These connections are extremely important to note in having an adequately informed interpretation of the Chinese successes of recent years, and in drawing lessons for it for other countries. If India has to emulate China in market success, it is not adequate just to liberalize economic controls in the way the Chinese have recently done, without also creating the social opportunities that post-reform China enjoyed through
p. 25 education, health care, and land reform—to a great extent inherited from pre-reform achievements of that
↳ experimental country. The force of China's market economy rests on the solid foundations of social changes that had occurred earlier, and India cannot simply jump on to that bandwagon without paying attention to the enabling social changes—in education, health care, and land reforms—that made the market function in the way it has in China.

10. Economic Development through Social Opportunity

The central issue in economic development is to expand the social opportunities open to the people. In so far as these opportunities are compromised—directly or indirectly—by counterproductive regulations and controls, by restrictions on economic initiatives, by the stifling of competition and its efficiency-generating advantages, and so on, the removal of these hindrances must be seen to be extremely important. The expansion of markets has a crucial role to play in this transformation.

But the creation and use of social opportunities on a wide basis requires much more than the 'freeing' of markets. They call emphatically for an active public policy that could enable people to use the opportunities that the possibility of more trade—domestic and international—offers. Perhaps above all, it calls for a rapid expansion of basic education—overcoming the massive illiteracy and educational backwardness that characterize much of India.[26] This requires the provision of literacy and elementary education as fundamental opportunities for all (rather than leaving the majority of women and a large proportion of men illiterate), and the spread of secondary education on a very much wider basis (rather than that opportunity being confined fairly narrowly to particular classes). India's record in both these respects is quite dismal, despite the fact that literacy and school education have been part of the rhetoric of Indian planning since independence.

That rhetoric continues and there is perhaps even some intensification of it, but change in this field is still
p. 26 extremely slow, and there is little practical evidence of serious priority being attached ↳ to it in the way that liberalization and market reforms are receiving. Table 6 presents growth rates of expenditure and teaching inputs in elementary schools over the decades, and while the percentage growth rates of recurring expenditures have moved up, that increase has not been adequate to compensate for the increase in relative costs (including teachers' salaries). Indeed, judged in 'real' terms, the percentage expansion of the number of teachers has actually fallen steadily from the fifties, to the sixties, to the seventies, and through the eighties. That trend has not been reversed recently—to some extent quite the opposite has happened. The number of primary school teachers per unit of population has *fallen* between 1980–1 and 1990–1. Since the economic reforms, there seems to have been a further fall, and there has in fact been a decline in the absolute number of primary school teachers between 1991–2 and 1992–3.[27]

Table 6. Growth Rates of Expenditure and Teaching Inputs in Elementary Schools (percentage per year)

	Recurring expenditure at 1970–71 prices	***Number of teachers***	***Teacher—population ratio***
1950–51 to 1960–61	8.5	5.6	3.6
1960–61 to 1970–71	5.8	4.5	2.3
1970–71 to 1980–81	2.8	2.7	0.5
1980–81 to 1984–85	11.1	2.1	0.0
1984–85 to 1989–90	10.8	1.6	–0.5

Source. Drèze and Sen (1995), p. 122.

There is little evidence that the seriousness of India's educational backwardness has been officially recognized in any practical way by New Delhi. This is particularly odd, since—as was discussed earlier—basic education is not only important for the well-being and freedom of the people and for social change,
p. 27 but also for the success of India's economic reforms. The prospects of participatory growth ↳ in India and India's ability to make good use of the opportunities of integration with the world market are significantly compromised by the extraordinary backwardness of basic education in this country.

There are also other expansions of social opportunity that call for urgent attention. These include the need for more widespread and better health care, greater access to provisions of social security, more effective and sweeping land reforms, and in general, enabling the more constrained sections of the population to lead a less restrictive life, including being more free to make use of the facilities that the spread of markets could provide.

11. The Need for a Bigger Departure

Policy debates in India have to be taken away from the overwhelming concentration on issues of liberalization and marketization. The nostalgia of the old debates 'Are you *pro* or *anti* market?', or 'Are you *in favour* or *against* state activities?' seem to have an odd 'hold' on all sides, so that we concentrate only on some issues and ignore many—often more important—ones. While the case for economic reforms may take good note of the diagnosis that India has too much government in some fields, it ignores the fact that India also has too little government activities in many other fields, including basic education and health care, which makes people's lives miserable and which also limits the possibility of economic expansion. We may need 'more markets', but we also have to go 'more *beyond* the markets'. What needs curing is not just 'too little market' or 'too much market', but 'too little market' in some areas and 'too little *beyond* the market' in others.[28]

To emulate the use of markets in China or South Korea, without taking note of their vast and highly productive experience in public education and health care, and without understanding the role of these governmental activities in encouraging economic expansion cannot be adequate. It is, at best, 'piece-meal copying' of others—not really 'learning' from others. We have to go well beyond liberalization to get somewhere.

p. 28 What applies to learning from abroad holds also for the lessons ↳ that we can get from, the divergent experiences within India. In the chapters that follow, the experiences of Uttar Pradesh, Kerala, and West Bengal are studied in some detail. While their successes in raising living standards and the quality of life have varied greatly, all the states do need to pay more attention to creating the economic conditions for fast, participatory growth of their respective economies. But that message cannot be seen to be one of just reducing the role of government control and regulations. There are positive initiatives to be taken for raising the human capabilities that make life worthwhile and which can also—given the appropriate economic climate—serve as the basis of fast and participatory economic growth.

The radicalism that is needed cannot be met by just removing restraints through deregulation and reform, and it must also embrace the positive duties of a responsible government to create social opportunities that are valuable in themselves and which can also help the process of economic development. While learning from the successes abroad, we have to take note of the totality of the experiences in making them so successful, and in applying these lessons from elsewhere, we have to bear in mind the need for a fuller view of the government's role. The contrasts between the experiences of different states in India and their enormous variations in achieving social progress are of interest not only for their direct role in raising well-being and in reducing human deprivation, but also for the indirect part they can play in enhancing the nature and quality of economic growth.

The fundamental changes that are needed in India cannot be met just by moderate reforms that only focus on reducing the negative activities of the government, neglecting the positive functions that it can perform in bringing social opportunities within the reach of all. The studies of the contrasting experiences of the Indian states that follow are aimed at providing insights into—and understanding of—a crucial aspect of the needed radicalism. It supplements the focus on learning from abroad which has been such an important motivating factor in the recent economic debates in India. The lessons from within India have to be fitted firmly into the understanding we can gain from experiences abroad.

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Notes

* This chapter draws extensively on a monograph jointly authored by Jean Drèze and myself, *India: Economic Development and Social Opportunity* (Oxford University Press, 1995). The research underlying that monograph (to be referred to occasionally as the 'companion volume') has been closely connected with the studies included in the present volume.

1 This diagnosis has been developed in greater detail in the companion volume (Drèze and Sen, 1995).

2 For a more comprehensive development of this line of analysis and its extensive implications, see Drèze and Sen (1995).

3 The sections that follow have much in common with the first Lakdawala Lecture ('Beyond Liberalization: Social Opportunity and Human Capability'), which I gave in New Delhi, at the Institute of Social Sciences, on 29 June 1994.

4 The capability perspective in assessing individual advantage and social progress has been presented and analysed in Sen (1980, 1985a, 1985b), Drèze and Sen (1989), and Nussbaum and Sen (1993). For extensions, applications, and critiques, see also Rawls(1982, 1993), Roemer (1982, 1994), Atkinson(1983, 1989), Nussbaum (1988), Arneson (1989, 1990), Pogge (1989), Crocker (1991), Cohen (1989, 1990, 1994), Hossain (1990), Schokkaert and van Ootegem (1990), van Parijs (1990), Sugden (1993), Herrero (1994), among other contributions.

5 The sources of these data include Coale (1993), Office of the Registrar General of India (1993), World Bank (1994), UNDP (1994), and Drèze and Saran (1995); see also the Statistical Appendix in the companion volume (Drèze and Sen, 1995). The life expectancy estimates for India for 1991 are 'provisional' and draw on unpublished works at the Registrar General's Office, for which we are most grateful.

6 See the chapters that follow, on the experiences of three particular states: Uttar Pradesh (Jean Drèze and Harts Gazdar), West Bengal (Sunil Sengupta and Haris Gazdar), and Kerala (V.K. Ramachandran) and ending with a paper on inter-district comparisons of mortality, fertility, and gender differences (Murthi, Guio, and Drèze).

7 The actual scope of international division of labour depends to a great extent on the importance of economies of scale, which the recent literature on growth and trade has illuminatingly explored; see particularly Krugman (1986, 1987), Romer (1986, 1987a, 1987b), Helpman and Krugman (1990), and Grossman and Helpman (1991).

8 On this subject, see my paper, 'Missing Women', in the *British Medical journal* (Sen, 1992), and the literature cited there. For a general review of the literature (including critiques of the estimates of Drèze and Sen, 1989, and of Ansley Coale, 1991) and some new estimates of his own, see Klasen (1994).

9 'The Crisis in Indian Education', Lal Bahadur Shastri Memorial Lecture, given in New Delhi on 10–11 March 1970, for The Institute of Public Enterprise, Hyderabad. Reprinted in Malik (1971) and partially in Chaudhuri (1972).

10 The argument, presented in my Lal Bahadur Shastri Lecture (Sen, 1970), that 'the rot in Indian education is ultimately related to the structure of Indian society' (reprinted in Malik, 1971, p. 273) unfortunately continues to hold, and there has been in the last quarter of a century quite inadequate public effort to overcome the legacy of those social inequalities.

11 The relevance of these issues was briefly discussed in my paper 'How Is India Doing?', *The New York Review of Books*, 1982; see also Drèze and Sen (1995), chapter 6. On a personal note, as a young child in Mandalay, I remember being struck by the throng of Indian professors in Burma (my father was one of them for a while) coming from a country with extremely little literacy to one where most people appeared, even then, to be able to read and write. The divergence between India's extensive development of higher education and its extraordinary neglect of basic education comes out most sharply in contrast with the opposite tendency in countries like Burma.

12 See particularly V.K. Ramachandran's chapter on Kerala in this volume. Ramachandran goes through the long history of Kerala's educational expansion, and the emergence and development of other forms of public intervention, and outlines the role of public participation and local leadership in bringing about the changes the results of which make Kerala stand out so sharply in India.

13 West Bengal, the state other than Kerala in which left-wing parties have been in office for substantial lengths of time, have tended in the past to share the conservative scepticism (common in India) of elementary education, and its record in school education, while better than that of many states, has been relatively indifferent. However, there has been in very recent years a shift of governmental policy in the direction of emphasizing elementary education, and there are some early signs of rapid progress beginning to be made in this field. See the chapter on West Bengal, by Sunil Sengupta and Harts Gazdar, in this volume.

14 On this, see T.N. Krishnan (1994).

15 On this, see Drèze and Sen (1989), chapter 10.

16 On different aspects of the relations involved, see Krugman (1986), Romer (1986), Barro (1991), Stokey (1991), Young (1991), Mankiw, Romer, and Weil (1992), Lucas (1993), among other contributions.

17 Despite having quite a different focus of emphasis in the past, the World Bank has also acknowledged these connections in its recent study of 'the East Asian miracle', which draws on a vast range of empirical works: 'We have shown that the broad base of human capital was critically important to rapid growth in the HPAEs [high-performing Asian economies]. Because the HPAEs attained universal primary education early, literacy was high and cognitive skill levels were substantially above those in other developing economies. Firms therefore had an easier time upgrading the skills of their workers and mastering new technology' (World Bank, 1993, p. 349).

18 These issues are discussed extensively in the companion volume (Drèze and Sen, 1995).

19 On the characteristics of participatory growth and their relevance in enhancing living conditions, see Drèze and Sen (1989), chapter 10.

20 The paper in this volume by Murthi, Guio, and Drèze presents an extensive inter-district comparison of the relations between women's and men's education and employment opportunities, on the one hand, and the levels of mortality and fertility rates, on the other.

21 On the relation between education and other aspects of social choice, see Tapas Majumdar (1983, 1993).

22 See particularly Birdsall and Sabot (1993a, 1993b) and McGuire (1994). On aspects of the Brazilian experience in particular, see also the article by Ignacy Sachs in Drèze and Sen (1990). On aspects of South Korean economic development, see also Amsden (1989) and Wade (1990).

23 See, for example, Dasgupta and Ray (1986, 1987).

24 See, for example, Amsden (1989), Wade (1990), and World Bank (1993).

25 Within India, West Bengal has done much more than any other state in carrying out land reforms. On this see the chapter on rural poverty in West Bengal (by Sunil Sengupta and Haris Gazdar). But the traditional inequities in land holdings are very strong in many parts of India.

26 There is also considerable evidence that the rate of return to basic education tends to be higher in countries that are more 'open', with less restriction on trade. On this and related issues, see Birdsall and Sabot (1993a, 1993b).

27 On this, see Tyagi (1993), p. 82. On the decline of real per-capita government expenditure on education after 1991, see Prabhu (1995).

28 The argument in this direction has been more extensively presented in the companion volume (Drèze and Sen, 1995).