Department of Political Science

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E-Content

Modern Political Systems (MPS) is a compulsory paper taught in M.A. Political Science (in first and second semesters). It is a crucial paper that, amongst others, deals with theories and problems of development and under-development in Afro-Asian countries. The syllabus addresses issues related to political modernization, political development and political culture of the Third World Countries (TWCs). The present article penned by this author addresses these issues in the Indian context. Focusing on the political economy of India, it examines developmental policies and priorities, issues of growth and equity and the challenges posed to India's journey on the highway to democracy. As this article is directly related to MPS syllabus, it is expected to impart greater insight to students studying the above mentioned issues in the Indian perspective.

Human Development in Post-Liberalization India's Economic Growth: The Quest for an Inclusive Democracy

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(*Abstract*)

The central theme of the paper revolves around investigating the role and impact of globalization on India's growth in the post-1990 period, particularly post-2000. Notwithstanding the advent of globalization in India at the beginning of 1990s and India achieving some impressive economic gains, it is debatable whether the fruits of development have reached the bottom-most sections of the society and whether we have achieved an inclusive democracy? Or, whether ours is an imperfect growth- an economic growth devoid of a humane face and leading to a greater inequality? Are we gradually and unconsciously adopting a growth pattern that is regionally more lop-sided, urbanized and concentrated in the privileged sections than an equitable, humanized and sensitized growth? The paper investigates these issues and finds that India has been struggling to find a proper balance between rapid economic growth on the one hand, and social justice and human security on the other hand. As growth and equity are seemingly contradictory notions, the goal of building an inclusive democracy has become all the more prolonged and gruesome. While acknowledging that rapid economic growth is must for a nation, attempts have been made by policy makers to find a right developmental model that incorporates equity, justice and inclusiveness within itself. Supported by wide-ranging and authentic sources, the paper primarily addresses the issue of globalization-generated inequality in India that has become the dominant theme in the development debate of India in the current perspective. The project of building an inclusive democracy is incumbent on a just and harmonious

accommodation of growth and justice in the development model of the country. This is the crux of the paper.

When examining globalization's impact on India, it is to be remembered that generally three phases of India's growth pattern could be delineated from the time of independence upto the beginning of 1990s. Phase I from 1947 to 1955; Phase-II from 1955 to 1990; and Phase III- from 1990 upto the present. While phases I and II are conspicuous of India's vulnerability arising out of its socio-economic and scientific-technological backwardness coupled with western countries' attempt to fish in India's troubled waters and influence India's course of economic development, phase III heralds a new era of growing confidence, maturity, knowledge, competitiveness and entrepreneurship that has become more manifest in the 21st century. It is this phase, which witnessed far-reaching changes in India's economic policy, assumes the primary focus of the current paper. Economic reforms that gradually stabilized after a weak start during the initial years of 1990s, ushered in both prosperity as well as challenges to human survival, particularly for the weak and the marginalized. This phase saw the worsening of human scenario amidst lop-sided and elitist growth; thus giving rise to popular discontentment and resentment against the economic reforms. The resentment sent out a strong message to the policy makers that equity cannot play second fiddle to growth, that social and human development cannot be sacrificed in the name of economic growth, and that economic policies, exclusivist in nature cannot usher in a genuine and harmonious democracy. The search, however, for a right developmental model suited to India's socio-economic-cultural milieu is still on that incorporates the virtues of both growth and equity.

India's adoption of globalization: Wings to economic growth!

India started as a reluctant player in the arena of globalization. Overcome by certain compelling factors at the beginning of 1990s, such as, the depleting foreign exchange reserves, the slump in trade, commerce and industrial sectors, the rising inflation, and the overall worsening of India's monetary and fiscal scenario, India approached the IMF for a loan to tide over the extreme crisis and the latter obliged but not without imposing the 'Structural Adjustment Programmes' (SAPs) on a reluctant India. The SAPs included policies such as, giving way to free-trade, free-market, open competition, lowering of trade and tax barriers, removal of subsidies, environmental and labour reforms, holiday concessions, reducing government expenditure on social sectors, shrinkage of governmental role, de-regulation and de-bureaucratization, amongst others.

Consequent to the adoption of these programmes, the then Narasamiha Rao government aided by its Finance Minister Manmohan Singh effected wide spread changes in its socio-economic policies. Nicknamed as 'economic reforms', the changes saw farm subsidies, public planning, protection to native industries and state expenditure on social sectors and vulnerable classes getting greatly reduced. However, by the end of the day, the economic reforms, succeeded in eliminating much of government controls and regulation. Economic reforms opened gateways to private sector firms and MNCs to work and invest in India. Foreign Direct Investments (FDIs) and Foreign Institutional Investments (FIIs) were encouraged. Foreign Direct Investments (FDIs) largely came in consumer durable areas and not in social and infrastructure sectors where it was required most. Nevertheless, the IMF policies enabled India to achieve a relatively higher growth in GDP something which was hovering around a meager 3-4% with an annual growth of around 5% by 1990.

Working in tandem with the new circumstances, the Government formulated a New Trade Policy (2004-09) that gave fillip to export promotion, import liberalization and integration of the trade with the economic development of the country. Pragmatism became the watchword of the new trade policy, identifying the thrust areas which had the potential for generating employment in urban and semi-urban areas. These areas were agriculture, handicrafts, handlooms, gems and jewellery, and leather and footwear.

India's economic reforms started yielding rich economic dividends by the turn of the 21st century. These reforms placed industry, trade and commerce and export promotion activities at the centre of the economic revival of the country. Foreign direct and indirect investments started flowing in different sectors leading to enhanced employment and income of the people. As a result, all sectors of economy grew significantly but "the service sector emerged as the fastest growing sectors of India with annual growth rate of above 9% since 2001, which contributed to 57% of GDP in 2012-13". The country has also become a major exporter of IT and IT-enabled services, Business Process Outsourcing (BPOs) services, and software services with $167.0 billion worth of service exports in 2013-14. It is also the fastest-growing part of the economy *(Indian Economy, 2015)*. It also happens to be the largest private sector employer in India. Agriculture contributes 17% (2013-14) to the country's GDP although this share is declining now. Industry is another significant sector which contributes nearly one-fourth to GDP and generates employment for almost one-fifth of the total workforce. Data further informs that the Indian auto industry is one of the largest in the world with an annual production of 21.48 million vehicles in FY 2013-14. Besides, India has $600 billion worth of retail market in 2015 and is one of world's fastest growing E-Commerce markets.

Scholars hold that the path of growth and development has been aided by "six major drivers of the Indian economy: market size, size of the working population, knowledge and ability, financial structure, availability of information, and open competition." First, India's market size and its purchasing power has increased along with the rapidly growing middle class, from just 25 million in 1996 to more than 160 million in 2014, and which by the end of 2015, is expected to go up to 267 million. This is more than the size of the middle class of EU or USA. The second driver of the Indian economy is the size of the working population. In the next 25 years, the young population of India is slated to increase which will contribute to the productivity of the economy. This is revealed by the 2026 Census Projection report according to which the percentage of people in the age group of 15-59 (the working age) is likely to increase from 57.7% of the total population in 2001 through 61% in 2006 to 64.3% in 2026. Similarly, knowledge, entrepreneurial capability and confidence of the leadership in the working population have added to the strength of the Indian economy. A sound financial structure constitutes the fourth driver of the economy. The country is gradually moving towards financial maturity and stability and this is reflected by Reserve Bank of India's (RBI) figures which says that India's total foreign exchange reserves stood at US$ 353.46 billion for the week ended July 31, 2015.This includes Foreign currency assets (FCAs) worth US$ 329.87 billion and gold reserves amounting to US$ 18.25 billion.

India's external economic profile, as per RBI data has considerable improved as short-term debt to total external debt ratio fell to 17.8% in 2014-15, the lowest in eight years. This could give boost to the central bank and the government in a volatile external financial situation. In 2013-14, the ratio stood at 20.5%. Besides, figures of the Controller General of Accounts show that the government is keeping deficit under control. The fiscal deficit in the first two months (April-May) of the fiscal year 2015-16 stood at 37.5% compared with 45.3% during the same period last year. Revenue deficit was 43.8% of the budgeted Rs.3.9 trillion against 54.2% during the same period last year. With regard to infrastructure building and capital expenditure, the government spending has stood at 13.6% of the budgeted amount against 11.4% spent during the same period a year ago.

The growing awareness of the consumer and availability of information is India's strength of the economy. This is exhibited by the enactments of the Right to Information Act (RTI), 2005, Consumer forums, increased consumer and human rights litigations and greater use of information and communication technology (ICT). Open competition and greater transparency in recruitments, public dealings and businesses have further given strength to India's growth process.

Besides the above factors, economic success has also been attributed to its primary reliance on its domestic market, focus on consumption rather than investment, on services more than on industry, and on high-tech rather than low skilled manufacturing. It has been pointed out that India's growth is mainly due to increase in domestic productivity and consumption. Consumption accounts for 64% of India's GDP, as opposed to 58% for Europe, 55% for Japan, and 42% for China. This model, he maintains, has resulted in better insulation of the economy from global fluctuations, and less increase in inequality among its people (measured by Gini index in a scale of 0 to 100, putting India at 33 (with China at 45, USA at 41 and Brazil at 59). Moreover 30-50% of the GDP growth is due to rising productivity rather than increase in the amount of capital or labour, making the economy less susceptible to the fluctuations in foreign investment.

The post-liberalization era has also seen a rise in the fortunes of Indian companies. According to statistics released by the Forbes 'Global 2000' list for the year 2014, there are 54 Indian companies in Forbes' annual list of the world's 2000 largest and most powerful public companies. Reliance Industries is ranked 135 on the list with a market value of 50.9 billion dollars and 72.8 billion dollars in sales as on May 2014. Reliance is followed by State Bank of India which is ranked 155 and has a 23.6 billion dollars market value.

India’s impressive economy growth in the post-1990 period following economic reforms has earned India rich accolades from various leading financial dailies. The *Economist* held that these reforms have led to “an increased foreign competition, privatization of certain public sector industries, opened up sectors hitherto reserved for the public sector and led to an expansion in the production of fast-moving consumer goods” *(The Economist, 2003).* While another described it as the coming of age by the private sector “showing maturity, handling the change by squeezing costs, revamping management, focusing on designing new products and relying on low labour costs and technology”.

Thus, pursuant to the economic liberalization of 1991, India’s economic growth rose phenomenally which is depicted here in the following GDP figures in percentage from the fiscal year 1999 to 2018:

Fiscal Year (FY)	**Year**	**Growth Rate (GDP) (%)**
FY 99	1998-99	6.6
FY’00	1999-00	6.4
FY 01	2000-01	6.0
FY02	2001-02	5.6
FY03	2002-03	4.4
FY04	2003-04	8.2
FY05	2004-05	6.9
FY06	2005-06	8.1
FY07	2006-07	9.2
FY08	2007-08	8.7
FY09	2008-09	6.7
FY10	2009-10	7.2
FY11	2010-11	8.6
FY12	2011-12	6.9
FY13	2012-13	7.6
FY14	2013-14	6.7
FY15	2014-15	5.9
FY16	2015-16	7.9
FY17	2016-17	7.1
FY18	2017-18	6.5
FY19	2018-19	7.5

Source: Economic Surveys, from 1999 to 2018.

Paying rich tributes to India’s journey on the path of development since independence, the World Bank observed: “*With 1.2 billion people and the world’s fourth-largest economy, India’s recent growth and development has been one of the most significant achievements of our times. Over the six and half decades since independence, the country has brought about a landmark agricultural revolution that has transformed the nation from chronic dependence on grain imports into a global agricultural powerhouse* *that is now a net exporter of food. Life expectancy has more than doubled, literacy rates have quadrupled, and health conditions have improved. India will soon have the largest and youngest workforce the world has ever seen".*

These reforms have been commended by many scholars and even hailed as 'India's second independence' that saw immense growth potential in the new policies. As one of them writes: *"…in July 1991… with the announcement of sweeping liberalization by the minority government of P.V. Narasimha Rao… opened the economy… dismantled import controls, lowered customs duties, and devalued the currency… virtually abolished licensing controls on private investment, dropped tax rates, and broke public sector monopolies…. [W]e felt as though our second independence had arrived: we were going to be free from a rapacious and domineering state".*

Supporting the government's reform policies of 1991, Arvind Pangarhiya, counters the arguments of economists such as *Desai and Virmani,* who argue that it were the government's liberalization policies of the '80s that led to an increase in the growth during this decade and that the continued growth in the '90s is an outcome of those liberal policies. Virmani terms the liberalization during 1980s and 1990s as "sub-phases" of an overall phase. He attributes the shift in the growth rate in the 1980s virtually entirely to liberalization. These scholars assert that liberalization in trade and industry of the '80s has yielded the desired dividends in the '90s as well and the credit for the renewed growth in the '90s could not be given exclusively to the reform policies of 1991. Refuting these arguments, Pangarhiya asserts that the liberalization in the 1980s laid down the groundwork that helped carry out systemic and systematic reforms in the 1990s. He argues that growth during the 1990s has been more robust and far less volatile. Following the June 1991 crisis, he observes, the annual growth rate quickly picked up and reached the 5.1 percent mark in 1992-93 and never fell below 4.4 percent subsequently. The five year averages of growth rates during 1992-93 to 2001-02 have ranged from 5.5 to 6.7 percent (see the last six entries in the second column of Table 2). This compares with the five-year averages of growth rates ranging from 4.8 to 6.2 percent during 1981-91 and 3.3 to 6.2 percent during 1977-91**.**

Summing up the debate on India's impressive growth since inception of liberalization policies in India in 1980s, Das observes that after three post-independence decades of meager progress, the country's economy grew at 6 percent a year from 1980 to 2002 and at 7.5 percent a year from 2002 to 2006 -- making it one of the world's best-performing economies for a quarter century. In the past two decades, the size of the middle class has quadrupled (to almost 250 million people), and 1 percent of the country's poor have crossed the poverty line every year. At the same time, population growth has slowed from the historic rate of 2.2 percent a year to 1.7 percent today -- meaning that growth has brought large per capita income gains, from $1,178 to $3,051 (in terms of purchasing-power parity) since 1980. India is now the world's fourth-largest economy. Soon it will surpass Japan to become the third-largest." He thus, goes on to declare this period as *'a triumph of economic reforms over India's darkest economic decades'.*

Economic growth sans humane face!

Notwithstanding the post-1991 success stories of a globalised India, social and human development has eluded economic growth. Economic reforms with emphasis on FDI, MNCs, IMF, World Bank and WTO-propelled policies of SAPs have generally benefitted the rich, educated, skilled, trained and middle-class urban-based population. The phenomenal growth in the service sector, and to some extent in the manufacturing sector, largely came at the cost of the agricultural sector.

Grim statistical figures have revealed the deep divide and fault lines in terms of human and regional developments that had come to stay notwithstanding the rapid economic growth of the last two decades. The unorganized, unskilled and untrained workers involved in unorganised and informal sectors have been at the receiving end. Women, children, dalits, tribals and minorities who collectively constitute a major chunk of the vulnerable population have largely remained outside the domain of economic gains. If the increased GDP brought about a 'Shining India', then it also created a 'Suffering India' where the weak and the marginalized people had no place in India's impressive growth story. Large swathes of population have remained outside and untouched of the fruits of economic reforms in India.

The persistence of poverty and hunger in the post-reform period, among other factors, has been one of the major areas of concern. This is demonstrated by the fact that out of the world's 872.3 million people below the new poverty line, 179.6 million people lived in India. In other words, India with 17.5% of total world's population, had 20.6% share of world's poorest in 2013. Likewise, a look at the statistics on hunger reveals a tell-tale story of the development saga in the post-economic reforms period. According to the Global Hunger Index-2011, India stands at 67th rank among the 80 nations having the worst hunger situation which is worse than nations such as North Korea or Sudan. 25% of all hungry people worldwide live in India. The report states that though there have been some improvements since 1990 for children but the proportion of hungry in the population has increased. Data says that 72% of infants and 52% of married women in India have anemia, while 44% of children under the age of 5 are underweight.

Health issues, primarily over the last decades, have become a serious cause of concern among scholars on development studies. According to a 2005 report, 60% of India's children below the age of three were malnourished, which was greater than the statistics of sub-Saharan African region of 28%. One in every three malnourished children in the world lives in India. The estimates vary within the country. It is estimated that Madhya Pradesh is having the highest rate of 50% and Kerala the lowest with 27% . Although India's economy grew 55% from 2001–2006, its child-malnutrition rate only dropped 1%, lagging behind countries of similar growth rate**.**

The situation is especially worrisome in rural India where over 68% of India's total population, half of which live below the poverty line and constantly struggle for better and easy access to health care and services. Statistics reveal that rural people confront many kinds of health problems such as, malaria, diabetes, cancer and quite often, these are very serious in nature leading to death. Similarly, postpartum maternal illness is quite common among poor rural women which again results in increased maternal mortality. However, according to a recent study conducted by the UN agency for children, UNICEF, and Govt. of India, there have been encouraging signs as the proportion of underweight children has fallen from 42.5% a decade ago, to just under 30% now. Similar improvements have been noticed in the incidence of malnutrition.

In addition, there is a problem of high infant mortality rate despite health improvements during the last thirty years as a result of economic growth. More than two million children die every year from preventable infections. Casualties to early childhood diseases, inadequate newborn care and childbirth-related causes have been occurring. Approximately 1.72 million children die each year before turning one. The under five mortality and infant mortality rates have been declining, from 202 and 190 deaths per thousand live births respectively in 1970 to 64 and 50 deaths per thousand live births in 2009 . Likewise, Maternal Mortality Rate is high. Only 15 per cent of mothers receive complete antenatal care and only 58 per cent receive iron or folate tablets or syrup. Economic growth has not contributed to infrastructure development like hospitals, roads, water and sanitation which are lacking in rural areas. Shortages of healthcare providers, poor intra-partum and newborn care, diarrheal diseases and acute respiratory infections also contribute to the high infant mortality rate .

Economic reforms may have brought prosperity in industrial, technological and the entrepreneurial sectors, the unprivileged classes having no access to basic amenities of have remained deprived of the fruits of economic growth. Several basic socio-economic issues which could have been solved by improved economic growth are still waiting for credible state action. India's rank of 102nd among the 132 countries on the *Social Progress Index 2014* is a manifestation of this reality. Compiled by a US-non-profit group Social Progress Imperative, this index measures human well-being going beyond traditional economic measures, like per capita income or GDP. According to the Index, among the BRICS countries, only India ranked lower than the 100th position on the list of the Social Progress Index 2014.

The practice of defecating in the open, particularly in rural India, in the absence of toilet or latrine at homes, has further compounded the health problem of the under-privileged classes. According to a World Bank report released on the eve of the first-ever U.N. 'World Toilet Day' on November 19, 2013, over 600 million people in India or 53 per cent of Indian households (over 50 per cent of the population) defecating in the open in the absence of toilet or latrine. It says that more than 2.5 billion people worldwide lack access to toilets, one billion people practice open defecation and 600 million in India openly defecate. Cautioning on the dangers of open defecation, the World Bank said that "open defecation lies at the root of many development challenges, as poor sanitation and lack of access to toilets impact public health, education, and the environment," said Jaehyang So, Manager of the World Bank's Water and Sanitation Project.

Problems abound on the literacy front too despite the growth in literacy rate from 52.2% in 1991 to 74.04% in 2011. However, this is still lower than the worldwide average and the country suffers from a high dropout rate. Scholars like Amartya Sen and Jean Dreze have pointed out that there are serious problems related to other aspects of education such as the quality, enrollment and the infrastructure. Besides, literacy rates and educational opportunities vary by region, gender, urban and rural areas, and among different social groups.

The destructive aspects of the current economic growth have also severely impacted the environment. This is demonstrated by the ever-increasing pressure of corporate sector on forests and rich agricultural lands. The rampant urbanization and industrialization process, and the ever increasing rate of concrete jungles coming up in the form of SEZs, EEZs, food parks, multiplexes, industrial corridors, housing schemes, dams etc. at the expense of the environment is a tell-tale story of the current economic reform driven by the imperatives of globalisation. India's corporate-driven development process has taken a toll of environment which is demonstrated by the rising global warming, Greenhouse Gases and Ozone depletion. The ever-increasing environmental pollution- water, air and noise- due to increased industrial activity and automobile emission is taking a huge toll on people's health and livelihood. The increased instances of earthquakes, *Sunami*, cyclones, landslides etc. are the manifestation of unbridled economic activity at the cost of environment. Scholars hence hold that "degradation of the environment is the direct outcome of the process of capitalist development. Forests, in the ongoing development programmes are considered just for consumption or for mining. Consequently, in the scheme of economic growth, forest as a resource does not exist. The current development model does not consider the need to strengthen the relationship between natural capital and economic growth resulting in an acute livelihood crisis for the vast majority depending on these resources for survival.

Another aspect of corporate globalization-led economic growth is the issue of land acquisition. Under the pressure of MNCs and corporate/business houses, violent methods have been adopted to acquire the rich agricultural lands of farmers and evict the latter from their lands. Land acquisition purportedly being done for industrial and infrastructural projects has resulted in the head-on collision between the farmers and the state. In the process, farmers, peasants and tillers have been pushed off their lands and out of agriculture. Land acquisition under faulty schemes and unaccompanied by proper compensation and relief and rehabilitation policies have led to massive unrest and violent protest. As a result, there have been violent struggles against land acquisition in Singur, Nandigram, Haryana, Orissa, Andhra Pradesh, Madhya Pradesh and Uttar Pradesh. The Mahamumbai SEZ project of the Reliance Ltd. Company in Raigad district of Maharashtra was forced to shut down due to massive protest. The Nandigram and Sindur police firing that resulted in the killings of several people in West Bengal in 2007 is still very much alive in the minds of the people. A study reveals that one of the driving factors behind resentment is that land far in excess of needs have been taken over. According to the report, about 53,000 hectares of land acquired for SEZs several years ago are still lying vacant. About a quarter of India's districts are witnessing mass protests over land acquisition issues. The study identified 252 land conflicts spread over 165 districts, spanning practically all states, in 2013-14. This is an increase of over 40% over 2012*.*

In the name of economic development, farmers, workers and tribals have been pushed out of their habitat and livelihood. A consistent pattern of violation of the basic entitlements of vulnerable groups in rural and tribal India has been witnessed ever since the introduction of economic reforms in India, particularly after the year 2000. Development-induced displacements (DIDs) and Project-induced Migration (PIM) have become the order of the day due to the increased mining, irrigation, housing and industrial projects in the rural and tribal areas. This has resulted in massive uprootment, displacement and migration, especially of poor tribals. The scenario is particularly troublesome with regard to the mineral-rich states of Orissa, Jharkhand, Chattisgarh and Madhya Pradesh where as a result of extensive mining activities carried out by MNCs, the condition of the tribals has gone from bad to worse. They have been rendered beggars and are leading pathetic and wretched lives in slums all across the country*.*

Legislations, such as Forest Rights Act, Panchayat Extension Scheduled Areas (PESA) and the like for safeguarding the rights and livelihood of forest dwellers have been circumvented and distorted to seize the tribal lands. According to the Ministry of Tribal Affairs (MTA) nearly 85 lakh tribals were displaced (55% of the total displaced persons) up to 1990 on account of mega developmental projects like dams, mining, industries and conservation of forests etc. Lakhs of tribals have additionally been displaced since mid-1990 without proper rehabilitation. Further, no sincere attempts have been made for their proper rehabilitation and integration into the modern development processes. They have been left out of the compensation calculations because their land rights are not recognized. Also, their use of common forests is not given any value*.*

Farmers' suicide starting from the later part of the '90s and now several lakhs in number, is another aspect of the destructive side of the globalization policies in the agricultural sphere. It is estimated that from 1995 to 2013, a total of 296,438 Indian farmers committed suicide*.* Farmers' suicide rate in India has ranged between 1.4 to 1.8 per 100,000 total population, over a 10-year period through 2005. Scholars like Prabhat Patnaik and Jayati Ghosh have attributed farmer's suicide to the structural changes in the macro-economic policy of the Indian Government that favoured privatization, liberalization and globalization*)*. Vandana Shiva, the noted environmentalist and social activist, notes that "rapid increase in indebtedness has been at the root of farmers taking their lives… Debt is a reflection of a negative economy, a losing economy." She observes that "the policies of trade liberalization and corporate globalization have set off a widening spiral of debt and despair initiating the process of farmers' suicide since 1997"*.*

Problems abound in all areas of human development inspite of impressive economic growth. Reflecting on the scenario, Jean Dreze and Amartya Sen, thus observe *"indeed, even today, after 20 years of rapid growth, India is still one of the poorest countries in the world, something that is often lost sight of, especially by those who enjoy world-*

class living standards thanks to the inequalities in the income distribution. According to World Development Indicators 2011*, only 16 countries outside Africa had a lower "gross national income per capita" than India in 2010: Afghanistan, Bangladesh, Cambodia, Haiti, Iraq, Kyrgyzstan, Lao, Moldova, Nepal, Nicaragua, Pakistan, Papua New Guinea, Tajikistan, Uzbekistan, Vietnam and Yemen. This is not exactly a club of economic superpowers".*

Scholars have observed both the progress and the poverty arising out of economic reforms. They assert that "there has been a revolution in India's economic development. Economic reforms widened the arena of the private sector…. high growth was accompanied by striking rise in income inequalities and exclusion of rural and urban poor from the growth process. Growth was constantly under pressure to comply with the expectations of international investors and frequent financial crisis have consumed more attention than efforts to ameliorate human poverty. Growth has failed to make a dent in areas of poverty, literacy, public health, sanitation, etc." Not denying the progress taken place in core social sectors since the turn of the present century, scholars have, however, held that growth has been tardy and uneven, and that there is a disconnect between India's economic growth and socio-economic development.

Inclusive Growth in India's planning process

The growing exclusivity of the marginalized sections from India's rapid economic growth has thrown up the issue of inclusive growth. Inclusive growth refers to the incorporation of social and human development alongwith economic growth. The growing exclusivity of the disadvantaged groups from India's economic growth and the need for inclusive development has been acknowledged by the Planning Commission in its approach paper on the Eleventh Five Year Plan which was titled: "Towards faster and more inclusive growth". The approach paper observed:

"….. that economic growth has failed to be sufficiently inclusive, particularly after the mid-1990s. Agriculture lost its growth momentum from that point on and subsequently entered a near crisis situation. Jobs in the organised sector have not increased despite faster growth. The percentage of our population below the poverty line is declining but only at a modest pace. Malnutrition levels also appear to be declining, but the magnitude of the problem continues to be very high. Far too many people still lack access to basic services such as health, education, clean drinking water and sanitation facilities without which they cannot claim their share in the benefits of growth. Women have increased their participation in the labour force as individuals, but continue to face discrimination and are subject to increasing violence, one stark example of which is the declining child sex ratio." It further states that "the 11th Plan provides an opportunity to restructure policies to achieve a new vision based on faster, more broad-based and inclusive growth. It is designed to reduce poverty and focus on bridging the various divides that continue to fragment our society."

The approach paper observed that rapid economic growth would remain meaningless if unaccompanied by a corresponding upliftment of the poor and weaker sections. However, it is to noted that an earlier version of the inclusive growth model, themed

'Growth with Social Justice and Equality' was adopted in the 9th plan alongwith the target of high economic growth. But the 11th Plan formally introduced the agenda of faster and more inclusive growth necessitated by the development-induced displacements. The 11th Plan acknowledged that high economic growth had taken place but had failed to achieve inclusive growth and social justice for the poor and the deprived people. The Plan, therefore called for "improving the condition of the vulnerable sections, reducing poverty and inequality by adopting more broad-based policies and judging these policies by their performance and target achievements and not merely by sectoral outlays as had been happening before." The plan emphasized the need for the continuing rapid economic growth as that was essential for increasing the incomes of the, people and uplifting the people out of poverty.

Realising that the private sector could contribute substantially to faster and inclusive growth, the Plan called for strengthening the private sector. It also emphasized the need to remove restrictive policies, introduce reforms for greater private participation and the role of the markets, and provide incentives to the entrepreneurs, especially the Micro, Small and Medium Enterprises (MMEs).

The 12th Plan (2012-17), came in the backdrop of the slowdown in the global economy as a result of the Euro zone crisis and other allied factors. The crisis affected the entire world including India which saw the latter's annual growth rate dropping to 6.2% in 2011-12 and this continued till the first year of the 12th plan. The Plan lays great emphasis on reviving the economy and investors' sentiment together with a strong emphasis on inclusive growth. The agenda of rapid economic growth and inclusiveness of the 11th Plan has been carried forward with the subtitle: *"Faster, Sustainable and More Inclusive Growth".* Inclusiveness is sought to be achieved through poverty reduction, mainstreaming the marginalized sections, minimizing the gender disparity and regional disparity and income disparity among people. For sustainable growth, an all round human development in which literacy, educational, health, nutrition, and living standards of the deprived people are taken care of together with a sustained focus on improving and strengthening infrastructure, such as, power, transport, telecommunications etc. Highlighting the statistics, the Plan accepts that inclusive growth has been taken place since the last few years as in the 11th Plan as poverty has decline, agriculture growth improved, and per capita consumption in rural areas has grown over the years since 2004-05 at the rate of 6.6.% per year as against a mere 1.1% per year in the preceding ten years. However, people's expectations and needs have also grown in proportion to the economic growth and hence, to measure the progress in the inclusiveness of growth, the Plan lays down 25 monitorable indicators which include the GDP, poverty and unemployment, education, healthcare, infrastructure including rural infrastructure, environment and service delivery.

To implement the goals of inclusive growth and usher in a genuine inclusive democracy, changes have to be initiated at the policy the micro and macro levels. Planning has to be devised not solely in terms of achieving more GDP growth but also improving the physical quality index of people's lives and this includes basic minimum wants that concerns the everyday lives of the people. The basic problems arising out of the current economic policies should be tackled alongwith the traditional issues that have worked at cross-purposes with demands of inclusive growth in India. However, both – past and present issues must be taken together in dealing with problems of strategies of balanced economic and social growth. Many factors go into the making of a balanced socio-economic growth and they all collectively need urgent attention and action of policy planner and decision makers. The following issues need urgent attention of the policy makers to usher in inclusive growth:

a. Eliminating extreme poverty, disease, hunger and squalor
b. Raising public expenditure on health and nutrition.
c. Increased investment in education, training and development of skills
d. Social Justice, gender equity and empowerment of weaker sections
e. Access to essential services and improving public delivery services
f. Participatory Governance and responsive administration
g. Introducing agriculture reforms including land reforms
h. Addressing Infrastructural issues- rural and urban
i. Generating new sources of energy with special focus on renewable energy and alternative sources of energy
j. Eco-friendly and sustainable environmental development and conserving natural resources.
k. Generating employment with special focus on labour-intensive sectors
l. Controlling the inflation and stabilizing the price system
m. Combating Corruption and controlling black money

The role of the state in minimizing extreme poverty, misery, disease and hunger is one of the most critical requirements of a balanced growth. No democracy can be successful if a large segment of its population is under-fed, malnourished or starved. It is unfortunate that still a vast majority of India's population is under the scourge of these evils. Deaths occurring on account of repeated droughts in various parts of the country or crop failure leading to hunger deaths and farmers' suicide in Maharasthra, Andhra Pradesh, Telengana, Orissa and other states has led to the demeaning of inclusive growth. According to a New Delhi-based report of Centre for Equity Studies, Bihar, Jharkhand and Madhya Pradesh account for the three hungriest states of India. The people of these states suffer from the worst kind of problems that one can think of. In a book titled: "Starvation and India's Democracy", the author Dan Banik observes that the policy makers, bureaucracy and public representatives do not wish to be held accountable for high-levels of malnutrition, and even hunger deaths on the ground that a developing country has to pass through these pangs before it achieves stability and self-reliance. However, the 10th, 11th and the current 12th plans have started giving more attention to these problems on an urgent basis. The Centre has committed to put in more resources and efforts to deal with these crucial problems. Apart from overcoming these critical challenges, increased efforts are needed to address the health, housing, nutrition and living standard of people. The affirmative action of the governments can undo the deprivation suffered by the people.

<u>Growth and Social Justice- Are they Compatible?</u>

As development debate goes on, scholars seem divided over whether neo-liberal policies can bring about growth with equity? Whether growth should be given precedence over redistributive policies or vice-versa? Whether the market represented by private actors in the form of business houses and corporate groups can take care of the interest of the deprived masses? Whether the demands of social justice can be met alongwith the rapid growth of economy? Whether capital would be attracted to non-profitable areas of social development? Whether a retreating state in a globalised would be able to safeguard the rights and interests of vulnerable sections?

Scholars are divided over these issues. The noted economists Amartya Sen and Jean Dreze assert *"that though economic growth is necessary for ensuring development, it would be a mistake to "sit back" and rely on economic growth per se to transform the living conditions of the unprivileged."* He cautions against the dangers of *"unaimed opulence" – the indiscriminate pursuit of economic expansion, without paying much attention to how it is shared or how it affects people's lives"*

Sen rejects the "conventional wisdom" of economics that considers development in terms of growth, a growth that believes in maximizing the profits. He says the market economists who consider the purpose of development as guaranteeing growth and who consider this freedom as most important that paves way for other freedoms are mistaken. Calling their demand of growth to be allowed unrestricted as "madness", he observes that this way of considering growth would make "socially useful members of society such as school teachers and health workers feel more threatened by conservative economic policies that do army generals".

He holds that the welfare of human beings should occupy the centre-stage and developing their capabilities would lead them to freedom. Therefore, "development should be seen as a process of expanding freedoms". To achieve development, he calls for "removing poverty, tyranny, lack of economic opportunities, social deprivation, neglect of public services and the machinery of repression."He cites examples of how the per capita income does not necessarily lead to greater life expectancy. Instead of searching for answers in accumulating profits, he argues for strengthening the accessibility of public services by the poor.

Jagdish Bhagwati and Arvind Pangriha, Columbia University economists, in sharp contrast, forcefully argue for economic growth supported by market economy and liberal state policies to meet the challenges of poverty alleviation in India. Both economists argue that market-induced economic reforms initiated in early 1990s set India on a path of higher growth and this process should be continued with further reforms to successfully overcome the poverty challenge. Emphasizing on the need of promoting trade liberalization and minimizing government interference in growth process, they call for making the best use of democracy and rule of law which is well saddled in India. They disapprove of the 'mixed economy strategy that India adopted after the independence attributing it as the prime reason of India's slow growth while the newly industrialized nations of East Asian took another path of development.

On the issue of redistributive policies, while Sen believes that redistributive justice supported by the desired institutional reform should take precedence and this would drive growth. Bhagwati disapproves this contention and asserts that "redistribution, as distinct from growth, cannot be the answer to removing poverty." However, Bhagwati and Panagarihya are not totally at variance with Sen and Dreze as both argue for adopting redistributive policies "designed to ease the plight of society's most impoverished members"*.*

In addition to the above debate, there are scholars who do not hold that the state can provide inclusive growth with a focus on vulnerable groups given the compulsions in the era of globalization. Atul Kohli argues that the modern state though has progressed in terms of economic growth, is on the roll back and cannot perform the social welfare functions which it used to play during the era of socialism in India before the decade of 1980. According to him, the earlier India state was essentially a socialist state caring for the welfare of the people and despised capitalism. But now capitalism, not socialism has become the dominant language of the state. He holds that the contemporary state caters more to the requirements of the corporate sector than anybody else and therefore, the political elites are least interested in the state's redistributive policies in education, land reform, employment and the health sectors. He attributes the falling standards and dismal efforts of the state to the growing apathy and inefficiency of the state because of which even popular government programmes such as MNREGA have largely failed. The growing collusion between the state and corporate elites is undoing the welfare character and the policies of the state. Though not totally pessimistic, he calls for building up popular pressure and creating a suitable electoral environment wherein political elites could be compelled for taking up social interest issues and reviving social democratic politics*.*
Vivek Chibber arguing almost on the same lines, too holds that in a post-liberalised India, the social security paraphernalia whatever little that was too has ceased to exist "as the space for laboring classes has narrowed, as their political muscle has waned and their presence in the policy apparatus has been more precarious." He asserts that in the aftermath of the economic reforms, the political support for the social welfare has declined. The hold of the 'dominant groups', implying capitalists, has increased over the economic and political systems resulting in falling wages, strikes and lockouts at public sector units*.*

Popular perceptions about a balance between growth and equity are not particularly encouraging given the nature of growth over the last two decades of economic reforms in India. The growing constriction of the Indian state as a result of the economic reforms brought under the influence of structural adjustment policies of IMF and World Bank has led to a debate whether rapid economic growth achieved with the greater involvement of private capital can contribute to justice and equity? The state is increasingly withdrawing from core social sectors paving way for industrial and corporate houses to invest in profitable areas and reap rich economic gains. The poor have been left at the mercy of the market to fend for themselves with little relief coming from the state. Though impressive economic growth has been achieved but at the cost of the growing vulnerability between and among states, regions and people. The rise in the GDP has not translated into an inclusive and equitable growth in the real sense as terms like 'jobless growth, 'employment-hostile growth', and 'job-destroying growth' have been used to define the post-1990 economic growth in India.

Scholars are skeptical about equity and justice becoming a part of a capitalist growth system because of the inherent contradiction between profit and charity (social service). Markets are never interested in equity, charity, inclusivity or poverty reduction, their guiding principle only being growth and profit. They argue that economic reforms have largely skipped equitable and inclusivity in the growth process and this is evident by huge disparity among people where "the richest 1 per cent of Indians own nearly half (49 per cent) of India's personal wealth. The rest 99 per cent are left to share the remainder among ourselves. And that too is very unequally shared. The top 10 per cent Indians own nearly three-quarters (74 per cent) of the country's personal wealth. The remaining 90 per cent share a meagre quarter. At the other end of the spectrum, of the world's poorest 20 per cent people, nearly one in four are Indians".

Critics argue that in a globalised world, the state has become the savior of market and private capital and less concerned with the social welfare issues confronting people. This, in the new avatar of a neo-liberal state which is marked by under-investment in critical social sectors and where "growth does not allow trickling down". In its new form, the state has emerged as a mediator or a regulator that manages the essential services and the relationship between business-doing private firms and the common masses. As the current state is more interested in bagging business contracts and inviting foreign investments, it is giving way to the demands of the MNCs. The state, as a result, cannot afford to annoy the private players for the fear of losing capital and thus the fight for vulnerable masses and their interests gets weakened. During the last twenty years, the state (both the central and state governments) are increasingly withdrawing from social welfare activities leaving the poor and the marginalized sections at the mercy of the market and private players. The later is getting active at the cost of the inactivity and apathy of the former. The selling of the public sector units (PSUs), the downgrading of social security cover to the workers, and the increased retrenchment in the labourer sector are some of the manifestations of growth with inequity wherein business activities flourish, capital gets concentrated in the educated elite urban classes and the vulnerable masses are push to the margins of the society struggling for their survival. Many scholars have attributed the growing misery of people to the neo-liberal political-economy and hold that unless the state is "brought back", there can be no equity, justice and a balanced social and human development despite rapid economic growth.

The search for an Inclusive Democracy

Notwithstanding the conflicting nature between growth and equity as deliberated by scholars; policy makers, administrators and experts are still discussing ways to incorporate both economic growth and human development in India's democracy. Though a disconnect between the two, it is, however, to be recognized that India is not a unique or the first example of 'growth without equality' as growth-generated inequality is found even among the developed countries. USA and West European countries both suffered social crisis and unrest during the period of industrialization and even after that. Massive retrenchment, unemployment and unrest were witnessed in western nations as recently as 2007 which continued for another five years following the global financial crisis. Infact, growth or no-growth, inequality has become a dominant factor in developing as well as developed countries. Scholars acknowledge the inevitability of growth-generated inequality in the process of a nation's forward movement. Today the need for rapid economic growth has been accepted by all countries, the only major issue being how this growth is to be achieved, whether through the state-driven or free-market economic system? As India has embraced globalization, it has to follow the free market system which allows for a greater role of the private sector and the state playing the role of an "honest regulator, facilitator and a service provider". The state would have to allow a greater role for the market and private capital while playing a positive role in social sectors and catering to social justice for the disadvantaged people. There can be no going back to the old socialism, nor would this be feasible when the whole world is increasingly integrating into a market-economy fold.

Though much criticized, the role of the private capital and technology in bringing down extreme poverty and unemployment has been recognized by leading scholars like Jagdish Bhagwati and Arvind Panagarihya. According to them, it is a fallacy to think that private capital and equity cannot go together on a misplaced notion that capital would always work at cross-purposes with state's affirmative policies or that capital would take a flight where demands of equity or social justice come in. Infact, as Bhagwati and Panagarihya, through their seminal works have shown that the gains achieved from economic growth could significantly contribute to social justice and reduction in poverty given an honest and sincere implementation of redistributive policies.

While not totally disagreeing with Bhagwati, Amartya Sen and Jean Dreze too consider economic growth an imperative for the country. Both accept the need for reconciling equity and economic growth, both call for inclusive and harmonious development and both consider social stability as vital for economic growth. While demolishing the myth that equity and economic growth are contradictory, Sen, unlike Bhagwati and Pangariya however, suggest that the development of people's productive capacities and ensuring their basic freedoms through development should take place prior to economic reforms.

It would be false to attribute all the miseries arising out of economic reforms to the market and capital, totally disregarding the inept attitude and the role of the state and its agencies. Inspite of sufficient resources at its command, the state has faltered in delivering results as is manifested by almost forty long years of socialism in the post-independence period. The growing prosperity in some states- Maharashtra, Gujrat, Goa, Haryana, Tamil Nadu- proves that the state has been active both in social and economic sectors due to which these states are much better off than states like Bihar, Orissa, U.P., Jharkhand, Chattisgarh and West Bengal where basic social indicators like health, education, sanitation, maternal and infant mortality rates etc. have been abysmally low, much lower than the national average. Naturally, the issues of social justice, equity and growth have been relegated to the backbenches of development. However, it is encouraging to see the traditional *BIMARU* states doing better as compared to the past.

What ails India's growth story, however, despite a spectacular growth in the last many years is that a justified redistribution of the gains accrued has not taken place. The poor and the marginalized have not been benefitted by economic reforms. Infact, their condition has worsened in many ways after the reforms began. This is demonstrated by the fact that the much-needed poverty alleviation programmes have not yielded the desired results. Infact, as data demonstrates, the condition of the peasants and vulnerable sections have worsened in many respects. The skill development and capacity building of the marginalized people has not taken place which could have gainfully ushered them in the job market. Rather, the unorganized sector largely employing the unskilled, untrained and unprepared population has grown over the years by leaps and bounds. The surplus population in agriculture and allied sector has not found a way out in non-agriculture job market. Only a marginal improvement in the poverty level can never bring about substantial development in a nation's status. The adoption of globalization or neo-liberal policies have not worked to India's social and human development as these policies produce positive results only with trained or skilled manpower and vice-versa, would produce negative results in a weak or under-developed societies. While economic reforms were adopted for faster economic growth in the post-1990 period, the fall-out of globalization on human security was not taken care of by the state. The state remained a mere by-stander allowing non-state actors to play their individual roles without bothering to protect the masses from the exploitative market forces. The scores of scams and scandals besides the virtual institutionalization of corruption resulting in the siphoning of precious resources from the economy and its concentration in few privileged hands, however, proves that the state indeed has become weak or an accomplice in exploiting its own citizens. The increased inequality and disparity in the face of heightened economic prosperity indicates that there is something vital amiss in our developmental model. The much-desired link between economic growth and equitable redistribution, between growth and social justice is missing.

Notwithstanding the contention of critics who argue that globalization is bound to unleash negative forces on the vulnerable people and a weak state remaining incapable to deal with this situation, many states in India have proved that a willing state can improve social security and provide social justice to people amidst economic growth. Policy makers are sufficiently aware of the leakages and drawbacks of the system that has crept in as a result of irresponsible implementation of socio-economic policies.

The search for the elusive missing link between growth and justice, therefore, has to be in the form of not only attending to the corruption menace, but also ensuring that the welfare schemes for the vulnerable classes reach them in the right earnest, failing which market would manifest in its ugly form and economic growth would boil down to the growth of some privileged sections.

Any talk of economic growth and human development would be meaningful only when there is a rich stock of skilled and trained human resources at the nation's command living as we are in an age of globalization characterized by massive growth in information and communication technology. The search for the missing link demands that economic reforms need to be tailored according to the people's needs, aspirations and the environment we are living in. Only the skilled and the trained human resources will get greater opportunities to progress. India's booming service and IT sectors which contributed impressively to India's GDP (although only 1% to GDP) bears testimony to this fact. There is a complimentary relationship between the masses and the market, in as much as, markets being tailored to generate employment for the working population and masses being trained to meet the standards of the markets. Only when this two-way relationship is converted into policy framework, can there be a better harmony between the market and the masses leading to a just, fair and balanced growth.

Instead of developing harmony between the markets and masses, India today contrarily is witnessing an intense competition between the markets and the masses. Infact, the situation has become market vs. the masses, as both are pitted against each other, where the former is looked upon as an exploitative agency and a tool of western imperialism working in India for extracting the precious national wealth and destroying the livelihood, culture and wealth of the people. The critical balance between the markets and the masses has thus become the missing link. The role of the state becomes critical as with a rolled-back or a weak state, the balance between the masses and the markets and between economic growth and an inclusive society cannot be achieved.

Conclusion: Looking into the future

India is a huge country with immense opportunities as well as challenges. In an age of globalization and intense competition, while economic growth aided by impressive performance in manufacturing and service sectors has been witnessed, the challenge of providing social justice and social security to the deprived masses through affirmative state actions confronts the policy makers. It is a well-understood and acknowledged fact that India needs rapid economic growth which apart from generating the much needed employment would also give a boost to critical social sectors and contribute to poverty reduction which is the main objective of economic reforms. Therefore, the project of building an inclusive democracy hinges on the enhanced economic and industrial activities, coupled with ensuring human security and human development, particularly of the weaker sections.

Building an inclusive democracy has thus to be in the form of a more responsive and a sensitized handling of the issues confronting weaker sections and an administration equally wedded to accountability and other norms of good governance. It is to be noted that social justice and economic growth are not strange bed-fellows but inherently intertwined. Without giving a fillip to economic growth, no amount of social upliftment policies or programmes can be successful for want of resources as Bhagwati and Pangariya have persistently tried to establish. Social justice programmes can never fructify in the absence of improved economic growth. Foreign investments and entrepreneurship can play a vital role in expediting and expanding the country's economic potential.

From the futuristic perspective, India is gradually, but surely and steadily, moving in the direction of building a humane society and an inclusive democracy where both growth and equity; justice and prosperity would co-exists. Time, resources and a strong political will only determine how fast the goal of an inclusive democracy is achieved.

(Sanjay Gupta)

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