

No social progress without higher GDP growth

THE APPROACH paper for the XI Five Year Plan has drawn flak from expected quarters. The CPM and the Kerala State Planning Board are strident in their criticism of the approach paper's emphasis on the need for rapid and sustainable economic growth rate and not giving sufficient attention to social objectives.

Of course, no one can disagree with the premise that 'jobless growth' will only exacerbate inequalities, do nothing for reducing unacceptably high levels of degrading poverty and also worsen spatial inequality. The question, however, is whether it is realistically possible to tackle unemployment, poverty and inequality without achieving high and sustained GDP growth. I do not know of any economy in the world where social objectives have been achieved without the rapid growth. The East Asian miracle,

which saw Japan and South Korea reach the status of developed economies (with per capita incomes higher than \$10,000 in the same time as India's per capita income has risen only to about \$750), has been based on rapid growth.

China abandoned all ideological baggage in 1978 to go for sustained and rapid growth and now its poverty levels are far below ours. The story is being repeated in Taiwan, Malaysia, Vietnam and Thailand. But unfortunately, in our country, we are unable to reach a consensus even on this rather straight-forward economic proposition that growth is a necessary condition for employment generation and poverty reduction. Thankfully, CPM's West Bengal unit, having learnt from the East Asian experience, has unambiguously dropped 'statism' in favour of achieving



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growth. In fact, it is disingenuous for the Kerala Planning Board paper to chide the use of averages by giving a rather tasteless analogy because they must themselves be surely using these averages or else we must all learn how planning is done in that part of the world!

But, of course, saying that growth is a necessary condition does not imply that it is also a sufficient condition for either employment generation or poverty reduction. But the question here must be about how to achieve the desirable nature of growth. Here both papers

unequivocally argue for greater and all pervasive state intervention on the assumption that state intervention per se is good.

I am sure those who argue like this are aware of predatory states that have rapaciously looted and cheated their people in Africa and in the erstwhile COMECON. The authors of these papers must be aware of the doings of our own political and babu class which has been discredited in the eyes of the public because of widespread governance failure in the country. And yet the CPM continues to extol the virtues of unbridled public sector expansion. They seem to be simply unaware that in many regions small entre-

preneurs are today scared of expanding their businesses because that elicits a call from the mafia as the state is unable to deliver its basic function of providing adequate law and order.

To criticise the approach paper for its preference for market-based solutions and not once talk of the need to improve governance in our country displays an ideological and self-serving bias that will surely not yield inclusive growth. Worse still, it leads away from the much-needed consensus on the necessity for rapid and sustainable economic growth

without which India cannot claim its rightful place in the world.

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