UNIT 1 ALTERNATIVE PARADIGMS OF DEVELOPMENT

Structure

1.0 OBJECTIVES

After reading the unit you will be in a position to:

- distinguish between growth and development;
- discuss the various institutional approaches to development;
- explain the implications of different trade strategies in the context of domestic structural changes and the process of globalisation; and

- discuss the major concerns and challenges of development with a perspective on current developmental paradigms.

1.1 INTRODUCTION

Approaches to development is a subject that interests not only students of Economics but also of other social science disciplines. It is also of concern to politicians and policymakers. While it can be an exciting subject for these reasons, it can also be frustrating for the reason that there is often no consensus on what exactly should be its boundaries. In view of this, the present unit discusses some of those aspects of development on which there is a reasonable consensus. Beginning with providing a distinction between growth and development, the unit dwells on the debate of 'why growth alone is not enough'?. The section on 'approaches to development' then relates the alternative paradigms of development to the concept of 'structural adjustment' in the reforms context. An account of concerns and challenges of development (e.g. poverty, inequality, unemployment and regional disparities) exposes the readers to the persisting problems of development planning in India. Some new dimensions of development like human development and sustainable development are also discussed in the unit.

1.2 DISTINCTION BETWEEN GROWTH AND DEVELOPMENT

The terms 'growth' and 'development' are usually used to mean the same thing. Growth and development are usually indicated in terms of per capita Gross Domestic Product (GDP) or simply, per capita income. A growth in the per capita GDP is supposed to contribute to a rise in the standard of living of the people in general.

But in a strict sense 'growth' and 'development' do not mean the same. To appreciate the complexity of problems associated with development, it is necessary to understand the difference between 'growth' and 'development'. First, 'growth' refers to increase in per capita GDP, which is measured in terms of annual changes and is a short-term phenomenon. 'Development' refers to long-term aspects of the changes in per capita income. Second, growth focuses on the end product of the economic activity viz. per capita income. Development refers not only to change in per capita income but also the accompanying processes of structural changes. That is why growth is referred to as a narrow concept while development is a broader one. Development is growth-plus something more which cannot be captured by changes in per capita income alone.

Third, growth, based on per capita income, is an 'average' measure derived by dividing the total national income by the total population. One can increase growth of per capita income by reducing the growth rate of population! That is not development. Since per capita income is an 'average', its mere growth does not necessarily indicate people are becoming better. A small proportion among population i.e. the rich may be becoming richer and a large proportion i.e. the poor may not be gaining in any way. Distribution of income resulting from growth must therefore be taken into account before something can be said definitively about the general level of development.

Fourth, growth measured in per capita income terms is an accounting entity. It is based on market valuation, which often underestimates non-market activities which make significant contribution to development. Fifth, growth, measured in terms of changes in per capita income would tell us what one has but does not tell us what one gets out of it. This is where people's capabilities make a difference to development which growth, in terms of per capita income, cannot explain.

Finally, in the context of global change, there is growing concern for development that is sustainable. Growth in per capita income is often associated with negative effects of depletion of non-renewable resources and pollution of environment. In other words, growth does not reveal these negative effects on development.

The message that growth alone is not desirable has been conveyed by the UNDP Human Development Report, of 1990's, in the following manner. We should avoid the following five types of growth processes: (1) Jobless growth, implying a growth process which does not create additional jobs or which reduce the existing job opportunities; (2) Ruthless growth, implying a growth profile, which aggravates inequalities in the system; (3) Futureless growth, implying a growth paradigm, which creates non sustainability, through environmental degradation; (4) Voice less growth, implying a growth process, which does not improve the empowerment of the deprived sections of the society; and, finally (5) Rootless growth, implying a growth process which destroys the cultural roots and traditional life styles of the society.

The perception outlined in the above paragraph, brings out that focusing on growth alone could be detrimental to the goal of realising development in a comprehensive manner.

1.3 APPROACHES TO DEVELOPMENT

For achieving the goal of economic development, there are several approaches. The approaches require specific institutional framework within which economic activities are carried on. Broadly, the market and state are two broad institutions which are expected to facilitate economic activities. What follows is a description of approaches to development which involve state and market in different degrees.

1.3.1 Market Based Approach

Under conditions of well developed perfectly competitive markets, resources are used optimally by minimising the costs and maximising profits. Price signals, including the profits, serve as incentive to investment for achieving faster growth. Therefore, ideally, perfectly functioning markets without any intervention are seen as a strategy for faster accumulation and growth. But, in the post-II world war era, when most of the former colonies which became independent and embarked upon the process of development, these countries faced serious gaps in markets as they were underdeveloped in many of these economies. The absence of markets was particularly conspicuous in the 'subsistence segments'. There were several areas of development of public goods for which there was no market but there was a pressing public need. Therefore, most of these underdeveloped countries turned to the state as an essential requirement for development process.

1.3.2 Role of State and Planning

Early writers on development emphasised the need for a major role for the state in the production process. In underdeveloped countries with subsistence agriculture, weak industrialisation, poor infrastructure, vast underemployment, low income, savings and investment, the need was for a big push in investment. With low savings and poor state of development of markets, there was neither incentive nor ability for the private sector to undertake the investment role. Hence, the need arose for the state to intervene for planned investment in a big way spread not only over industry and infrastructure sectors, but also in transforming subsistence agriculture to higher productivity agriculture by investing in irrigation infrastructure, agricultural Research and development, as also in the agricultural extension services. Thus, in India for instance, at least up to 1991, the public sector, assumed growing importance for providing accelerated growth in core sectors of the economy. These core sectors included railways, power, telecommunications, roads and shipping, and investing though moderately, in the social sectors like education and health. The protagonists for state intervention were pessimistic about the market's ability to deliver the desired economic change in key sectors, which in their view could be achieved through planned mobilisation and allocation of resources to the public sector.

More recently, however, public sector has fallen out of policy grace on the grounds of state intervention generating red-tapism, corruption (rent-seeking), inefficiency and losses. Based on these arguments, there has been a tendency towards reducing the role of the state. There are still those who argue that state's role should not be minimal particularly in the areas of health, education, infrastructure, and providing the right environment for entrepreneurial activity to flourish.

1.3.3 Mixed Economy Approach

Mixed-economy brings together the state and the market as a framework for approach to development. It involves co-existence of private enterprise side by side with public enterprise. The mixed economy combines the salient features of capitalism and socialism. Capitalist enterprises with self-interest and profit motive operate in a number of activities. Side by side, public sector production, not with profit motive, but with larger social interest operate in production as well as social sectors. India is regarded as a good example of mixed economy. The Directive Principles of State Policy of the Indian Constitution states that the State shall direct its policy to secure better distribution of ownership and control of the material resources of the community and prevent concentration of wealth in the hands of a few. This obligation brings the state into the fields of production and distribution. The planned development approach in India is also premised on a mixed-economy model with the coexistence of public and private sectors whose respective role is demarcated by the state. Initially, primary role in planned development was accorded to public sector and the private sector was to supplement the efforts of the public sector.

Since the introduction of economic reforms in 1991, there has been substantial expansion of economic space of private sector and its contraction for the public sector. Private sector has come to dominate almost all sectors of the economy often calling into question the Constitutional primacy accorded to the state in the Indian economy. Thus, the substance of mixed-economy approach in India has moved from a state with the control of commanding heights of the economy to a state with a very diminutive role leaving the commanding heights to the market.

1.3.4 Inclusive Growth

'Inclusive growth' appears as an official development strategy for the first time in India in the 'Approach Paper' of the Eleventh Five Year Plan. However, the concept of 'growth with justice' or 'growth with equity' has been part of the planning strategy in India. The basic premise for 'growth with justice' (here emphasis is on distributional justice) has been that in an economy with gross disparities in wealth and assets, growth of national product without intervention would result in perpetuation of inequalities. Since besides growth, reduction in inequalities is one of the objectives of development, it has been considered necessary that the very growth strategy should involve appropriate institutional arrangements to ensure equitable distribution of the gains of growth. An institutional framework for growth with equitable distribution envisages a substantial role for state in the productive sectors as much as in the regulation of production and distribution.

The introduction of economic reforms meant structural adjustment from a predominant role of the state in the economy to growing importance of market forces. Market driven economic structure is likely to have more emphasis on growth and less on social equity. Hence, since the early phase of economic reforms there has been a call for 'structural adjustment with human face'; 'human face' referring to equity and increased empowerment. The experience of economic reforms in India has shown relatively high growth performance. But there has been slow rate of reduction in poverty, low levels of employment growth, increase in rural-urban disparities, inequalities across social groups, and regional disparities. Agriculture suffered neglect causing widespread distress among farmers. The rate of decline in infant mortality has slowed down in the reform period. The high growth rates reflecting the growth of services, information and communication technologies, foreign trade and foreign exchange reserves, financial markets etc. brought unprecedented prosperity to a small section. But a large segment of rural and informal India has been excluded from this prosperity. There has been social exclusion in terms of regions, social and marginal groups, women, minorities, and children.

It is, in this context, that the Approach Paper to the Eleventh Five Year Plan suggests moving 'Towards Faster and More Inclusive Growth'. It acknowledges that the economic growth has failed to be sufficiently inclusive, particularly after the mid-1990s. The Eleventh Plan aims at restructuring policies to achieve a more broad-based and inclusive growth.

Check your Progress – 1

1. What is the basic difference between growth and development?

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2. What is the rationale for the role of state in an underdeveloped economy?

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3. What is the place of distributional aspect in 'inclusive growth'?

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1.4 ROLE OF TRADE AND STRATEGIES OF TRADE

Early thinking on development tended to equate 'industrialisation' as development and then focus on the role of trade in industrialisation. Trade, often, was referred to as engine of growth. This was largely on the basis of classical Ricardian inspiration that free trade served as the engine of industrial revolution in England. This is also essentially what is called as 'free trade' argument. There are two leading ideas here. Firstly, international trade overcomes the narrowness of the home market and provides an outlet for the surplus product above domestic requirements. Secondly, by widening the market, international trade improves the division of labour raising the general level of productivity within the country. But this is countered by the protectionist school by arguing that for underdeveloped countries which export raw materials and import manufactured goods, international trade has been unfavourable to these countries.

1.4.1 Export-Oriented Approach

The earlier version of export-oriented (outward-oriented) strategy of trade for development emphasised that developing countries' comparative advantage lay in highly specialised primary commodities. An open trade regime would result in each developing country's continued specialisation in a few primary commodities. The demand for these commodities are likely to be both price and income elastic. Increased export earnings and growing domestic demand would bring in investment and growth of domestic industry and the economy. It is argued that outward oriented economies are better to gain from trade because of specialisation that leads to the benefits of economies of scale, cost reduction by increased competition, etc. Further, increased competition because of open-trade breaks monopolies. Free trade also promotes flow of more direct foreign investment. To drive home the advantages of export or outward-oriented trade strategy, the example often cited is East Asia's (Singapore, Hong Kong, South Korea and Taiwan) free trade policy and growth success during the period of 1960s to 1980s.

1.4.2 Import Substituting Industrialisation

The policy of government intervention to protect domestic industrial production to replace imports has come to be known as 'import-substituting industrialisation', or ISI. An important rationale for this policy is the 'infant-industry argument'. In the face of competition from industrially developed countries, the nascent or new industries in developing countries may not develop. And imports of manufactured commodities from developed countries will continue. Therefore, it is argued that in the initial stages of industrialisation, state protection is necessary for the development of domestic industries in the developing countries. Starting infant industries for the production of commodities hitherto imported, by banning imports or imposing high tariffs on imports, has become one of the popular policies in many developing countries.

In 1960s, a further argument in favour of the ISI was added by the structuralist school headed by Raul Prebisch of Latin America. Based on trade data, he argued that in a free trade regime, developing countries were exporting primary commodities and importing manufactured goods. Because of inherent increase in the elasticity of demand for manufactured goods and declining elasticity of demand for primary products, the relative prices or the terms of trade of primary products deteriorated over the long run. It is argued that until developing countries develop their manufacturing sector, backwardness would persist. Therefore, domestic industrialisation by substituting imports by protection becomes necessary for the development of manufacturing sector in developing countries.

Further, ISI is also advocated for infant industry because industrialisation is also a learning process and in the initial stages much effort is needed to stabilise through trial-and-error. Import substitution under protection helps developing countries to go through the process of 'learning-by-doing'.

It is important to remember that the ISI or infant industry argument supports temporary policy to aid – import-competing manufacturing. Once the learning process is complete, government help by protection is no longer justified. However, in many countries, ISI has been used perpetually because of the pressures of inefficient domestic producers and growth of monopolies. The Indian automobile sector, until the recent liberalisation, was one such example of ISI promoted incompetence.

Even within the broad strategy of import substitution oriented strategy, there could be two types of policy approaches. First, import substitution in the framework of protection, accorded primarily, by tariff policies. Secondly, import substitution in the framework of protection to the domestic industry, through a mix of policy in quantitative controls and quotas for imports and high tariff rates. In India, we adopted the latter paradigm and thus created a plethora of rigid institutions for the implementation of the license-quota system. This had led to the creation of a high cost economy and created biases against export promotion. However, India has been liberalising her trade policy regime, since the early part of 1980s by gradually removing the import licensing system and adoption of tariff policies for domestic protection. Further, it was in the period after 1991, that comprehensive liberalisation of the import control regime has taken place and this has further strengthened the role of market and competition, both in the domestic production space as also in regard to the international trade regime. Further, with the emergence of a new global free trade regime, under the supervision of the World Trade Organisation, since 1995, India's approach to trade policy system has undergone radical shift towards free trade and export orientation.

Check your Progress – 2

1. Why did classical economists consider trade as the 'engine of growth'?

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2. What is the rationale for Import Substituting Industrialisation (ISI) strategy?

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3. What are the limitations of ISI strategy?

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1.5 SELECT CONCERNS OF DEVELOPMENT

Approaches to development have brought into sharp focus certain issues which require special attention in the designing of appropriate strategies in developing countries. Poverty, inequality, unemployment and regional disparities have emerged as critical issues in development agenda.

1.5.1 Poverty

In the post World War-II period, when many erstwhile colonies became free, the topmost priority of the newly independent countries was to achieve rapid economic development with a view to ensuring decent levels of living to the people in these countries. Most of these countries adopted development strategies with overwhelming emphasis on growth of GDP and per capita income. Though many of these countries did achieve substantial improvements in their growth rates during 1960s and 1970s, there was persistence of high levels of poverty, inequality and unemployment or underemployment. Therefore, beginning with the 1970s, there was an attempt to place sharp focus on eradication of poverty along with achievement of high growth rates of GDP.

Poverty refers to the condition of people who are unable to meet out even their basic necessities of life. When a substantial section of a society is deprived of the minimum level of living and continues at a bare subsistence level, the society is said to be plagued with mass poverty. Frontal attack on poverty has become one of the challenges of development policy in all the developing countries.

Though in developed countries poverty is seen in 'relative' terms, in developing countries the concern is for 'absolute' poverty. Using monetary income or consumption to identify and measure 'absolute' poverty has a long tradition. One such early attempt was made in the late 19^{th} century by S. Rowntree in the English City of York. In India, the debate on poverty issue was launched by Dadabhai Naoroji, through his famous *Drain Theory,* in the later part of the nineteenth century. The Drain theory advocated that Indian common man is left with very low per capita income, since most of the resources of the nation are *drained away* by the colonial power, viz. England, for the benefit of the British people.

The concerns of poverty, inequality, empowerment have prompted many nationalist thinkers of India, like Mahadev Govind Ranade, Gopal Krishna Gokhale and Mahatma Gandhi, to propound some alternative paradigms of development, that were best suited to the social, cultural, economic and political conditions of India. However, in practice, India has been adopting a mix of several conflicting paradigms of development, which are perhaps responsible for resulting in the unfortunate situation of poverty and inequalities, persisting for a long time.

The present estimates of poverty in several developing countries are inspired by this lead to household survey based income or consumption expenditure data. A key building block in developing income and consumption measures of poverty is the 'poverty line' – the critical cut off in income or consumption below which an individual or household is determined to be poor. A country-specific poverty line may need to be adjusted for different areas like urban and rural areas, if prices and access to goods and services differ. Once the poverty line is specified, then the extent of poverty is assessed by calculating the percentage of the population with income or consumption levels below the poverty line. This is called the 'headcount' measure of poverty and is by far the most commonly used measure of poverty. There are other poverty measures like 'the poverty gap' which takes into account the distance of poor people from poverty line, and 'the squared poverty gap' which is calculated by taking into account the degree of income or expenditure inequality among people.

1.5.2 Inequality

The relationship between growth and inequality of income has been of considerable concern in the development literature. One postulate that has received much attention is that as development process proceeds, income inequality first rises and then falls with development. A graphical representation of increase in per capita income on the 'X' axis representing economic development and a measure of inequality on the 'Y' axis would show a curve in the shape of an inverted 'U'. This has come to be called as inverted-U hypothesis of the relationship between growth of income and inequality, and is associated with Simon Kuznets. ***It is now famously called as 'Kuznets Curve'***. Kuznets observed falling inequality of incomes in some of the developed countries in the late 19^{th} century. He visualised that inequality was falling after the early rise in the peak of industrialisation period. He reasoned that as these economies initially began their transformation from their dominant agricultural sector base to more of industrialisation and urbanisation, inequalities increased. But later, inequalities decreased as migration of people to urban areas (and their adaptation to political power structure leading to enactment of legislation in their interests), resulted in a rise in their incomes. It is Kuznets hypothesis that made many believe that higher inequality initially distributes more income to the rich, who as real savers and investors, propel faster growth.

However, recent evidence calls into question the proposition that inequality helps to generate rapid economic growth. The experience of what is called as the 'East Asian Miracle' economies such as Taiwan, South Korea, Hong Kong and Singapore, has shown that with a relatively equal distribution of income, very high rates of economic growth are possible. There is thus growing evidence that better distribution of income would result in faster growth. It is therefore argued that reducing inequality is necessary for greater economic prosperity in the long run.

In the case of India, particularly in the reform period, there has been increasing evidence of growing inequalities in levels of consumption, between urban and rural areas and between different states. ***One widely used measure of inequality is the gini coefficient.*** Beginning with the early 1990s, inequality in monthly per capita levels of consumption increased significantly for both rural and urban areas of Indian population. The rural monthly per capita income which was 66 per cent of urban monthly per capita income in 1983, declined to 61 per cent in 1993-94 and to 56 per cent in 2004-05. While there was high level of growth since early 1990s, the growth did not have adequate impact on the rate of reduction in poverty because of growing inequality in the distribution of income.

There is also gross disparity in the process of reduction of poverty among the states. In spite of overall reduction of poverty, some states still have very high levels of poverty. In 2004-05, the level of poverty in Orissa (47 per cent) was almost six times compared to that of Punjab (8 per cent). Just four States viz. Bihar, Uttar Pradesh, Madhya Pradesh and Orissa constitute 61 per cent (2004-05) of poor in the country. Between 1993-94 and 2004-05, the absolute number of rural poor actually increased in three states viz. Madhya Pradesh, Orissa and Uttar Pradesh.

The growing inequalities in terms of levels of consumption across rural-urban areas and across different regions is a serious cause for concern and is bound to have adverse effect on overall development.

1.5.3 Employment and Unemployment

In the development strategies one of the main objectives is generation of employment as a part of growth process. Unlike in the developed countries, unemployment is not open and unemployment estimates in developing countries are likely to be underestimates as underemployment, thin employment and low productivity employment are characteristic features in developing countries. Activities like subsistence agriculture and informal activities like weaving, petty trade, and casual services occupy most of the people in these economies.

Unemployment in India

Unemployment in India is measured in terms of three types of status viz. 'usual principal status' (US), 'current weekly status' (CWS), and 'current daily status' (CDS). 'Usual principal status' (US) unemployment refers to a person who did not find employment for substantial part of the year and is still seeking employment. Given the informal nature of the economy there will be very few who do not get any work in a year. The estimates of employment and unemployment under 'usual principal status' would therefore be underestimates of the problem. 'Current weekly status' (CWS) unemployment refers to persons who did not find even an hour of work in a day in the week of survey. The weekly status unemployment are thus likely to give a more realistic picture of unemployment. The US and CWS estimates refer to 'persons' who are employed or unemployed and provide us with estimates of rate or proportion of persons employed or unemployed. In contrast, the 'current daily status' (CDS) provides us data in terms of person-days. Under CDS, the employment or not employed at least for one hour in each of the reference week is taken into consideration. The ratio of employment or unemployment is calculated in terms of rate of person days, which is quite different from the rate of persons employed or unemployed. The Economic Survey (2007-08) observes that estimates based on daily status is the most inclusive rate of unemployment giving the average level of unemployment on a day during the survey year. It captures the unemployed days of the chronically unemployed, the unemployed days of usually employed who become intermittently unemployed during the reference week and unemployed days of those classified as employed according to the criterion of CWS. According to the CDS estimates, employment increased from 239.49 million in 1983 to 313.93 million in 1993-94 to 338.19 million in 1999-00 and 384.91 million in 2004-05. During the same period, the number of unemployed (unemployment rate) also increased from 20.27 million in 1993-94 (6.06%) to 26.68 million (7.31%) in 1999-00 to 34.74 million (8.28%) in 2004-05.

Nature of Employment in India

Employment in terms of working status is broadly divided into three categories viz. regular salaried, self-employment and casual employment. 'Regular salaried' employment indicates secure and stable employment with assured regular income. 'Self-employment' in the Indian context is largely in agriculture and other small petty economic activities. Most often, the conditions of work and earnings in self-employment are highly vulnerable and unstable. Those engaged in self-employment activities may not have any social security. With a very few exceptions like professional occupations, self-employment is often fraught with uncertain or meager returns, unless supported by adequate infrastructure and other social amenities like health and educational facilities to the dependent family members. 'Casual employment' is a kind of beck-and-call employment, with no regularity in employment, regular employer, adverse working conditions, uncertain wages and absence of any social security.

Development process is supposed to bring about shift of majority of workers from casual employment to self-employment and increasingly towards 'regular and salaried' employment. But, Table 1.1 shows that in India over the years there has been decline in 'self-employment' and increase in the share of 'casual employment', without hardly any increase in the share of 'regular and salaried' employment. There is thus an increasing tendency towards casualisation of employment, more so since the introduction of reforms in the 1990s.

Table 1.1: Distribution of Workers by Status of Employment (US)

Year	Status of Employment		
	Self-Employment	Regular and Salaried	Casual
1977-78	58.9	13.9	27.2
1983	57.4	13.9	28.7
1987-88	56.0	14.4	29.6
1993-94	54.8	13.2	32.0
1999-00	52.9	13.9	33.2

Source: *NSSO surveys.*

Check your Progress – 3

1. Why is increasing attention being paid to poverty in development strategy?

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2. What does "Kuznets Curve" explain?

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3. What is the dominant type and quality of employment in India? Why is it a cause for concern?

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Organised and Unorganised Workers

A more revealing way of looking at the Indian workforce is on the basis of its division into 'organised' and 'unorganised' workers. 'Organised Workers' consist of those working in legally incorporated entities with regular salaries, having better working conditions and social security. In contrast, 'unorganised workers consist of those working in the unorganised enterprises or households' having characteristics opposite to what obtains for their organised counterpart i.e. they often do not have employment security, work security and social security. The National Commission for Employment in Unorganised Sector (NCEUS) has grouped the workers into 'organised' (formal) and 'unorganised' (informal) workers (Table 1.2). The proportion of unorganised workers has increased from 91.2% in 1999-00 to 92.4% in 2004-05. The so-called 'organised' workers account for only 7.6% of total employment in the country in 2004-05, a decline from 8.8% in 1999-00. It is thus clear that India faces not only the problem of rising unemployment, but also deteriorating quality and conditions of employment. One of the urgent need is therefore to provide protected conditions of employment and social security to the unorganised workers.

Table 1.2: Sectoral Distribution of Organised (Formal) and Unorganised (Informal) Workers - 1999-00 and 2004-05

(millions)

Sector	Type of Employment					
	Unorganised (Informal) Workers		Organised (Formal) Workers		Total	
	1999-00	2004-05	1999-00	2004-05	1999-00	2004-05
Unorganised (Informal) Sector	341.3 (99.6)	393.5 (99.6)	1.4 (0.4)	1.4 (0.4)	342.6 (100)	394.9 (100)
Organised (Formal) Sector	20.5 (37.8)	29.1 (46.6)	33.7 (62.2)	33.4 (53.4)	54.1 (100)	62.6 (100)
Total	**361.7 (91.2)**	**422.6 (92.4)**	**35.0 (8.8)**	**34.9 (7.6)**	**396.8 (100)**	**457.5 (100)**

Note: *Figures in brackets are percentages.*

Source: *NCEUS (2007).*

1.5.4 Millenium Development Goals

In September 2000, at the United Nations Millennium Summit, world leaders agreed to a set of time-bound and measurable goals and targets for combating poverty, hunger, disease, illiteracy, environmental degradation and discrimination against women. A road map was prepared in the form of Millennium Development Goals (MDGs), which consisted of eight goals, eighteen targets, and forty-eight indicators. These targets are to be achieved by 2015, from their levels which existed in the year 1990. The targets at the global level are set in tune with the individual country level targets for each of the Goal. Each country, including India, has set regional level targets under each goal. The following are the 8 Goals, set to be achieved by 2015, in which the status of India is indicated for each.

Goal 1: Eradicate extreme poverty and hunger

- Reduce by half the proportion of people living on less than a dollar a day.

- Reduce by half the proportion of people who suffer from hunger.

Globally, 1.2 billion people still live on less than $ 1 a day. Although, there has been considerable progress in poverty reduction, India's performance in reducing hunger and malnutrition is far from satisfactory. Even in 2008, 60% of the regions in the country are off the track in bringing down hunger (underweight) to the Millennium norms.

Goal 2: Achieve Universal Primary Education

- Ensure that all boys and girls complete full course of primary education.

Globally, 113 million children do not attend school. In India, it is reported that 95 percent of its children are reportedly in school and the target of 100% is likely to be reached soon.

Goal 3: Promote Gender Equality and Empower Women

- Eliminate gender disparity in primary and secondary education by 2005 and at all levels by 2015.

India is nowhere near reaching this target. Almost in 60% of the regions gender disparities in school enrolment, especially in secondary and higher level, are off-target. Progress is claimed in empowerment of women through formation of self-help groups (SHGs).

Goal 4: Reduce Child Mortality

- Reduce by two-thirds the mortality rate among children below five.

Globally 11 million young children die every year. India's performance even in reducing infant mortality rate (IMR) is off-target in 80% of the areas. Performance in immunisation is better but still 40% of areas are off-target.

Goal 5: Improve Maternal Mortality

- Reduce by three quarters the maternal mortality ratio.

In the developing countries, the risk of dying in child-birth is one in 48. Though there are safe motherhood programmes, the progress in India is very slow.

Goal 6: Combat HIV/AIDS, Malaria and Other Diseases

- Halt and begin to reverse the spread of HIV/AIDS.
- Halt and begin to reverse the incidence of malaria and other major diseases.

Countries like Brazil, Senegal, Thailand and Uganda have shown that we can stop HIV in its tracks. But, India, which has been supplying relatively inexpensive generic drugs to some of the countries, has no public programme to treat HIV patients freely. Malaria was reportedly eradicated in India, but there are fresh reports of its surfacing again!

Goal 7: Ensure Environmental Sustainability

- Integrate principles of sustainable development into country policies.

- Reduce by half the proportion of people without sustainable access to safe drinking water.
- Achieve significant improvement in the lives of 100 million slum dwellers by 2020.

Globally more than one billion (100 crore) people still lack access to safe drinking water. The record of India in making safe drinking water and sanitary facilities leave much to be desired.

Goal 8: Develop a global partnership for development

- Development of open trading and financial systems.
- Provide debt relief to poor countries.
- Address special needs of small and land locked countries.
- Provide accessible drugs through cooperation with pharmaceutical companies.

These are the areas where India is in a reasonably comfortable position and also should therefore strive to reach out to help other least developed countries.

The progress in MDGs since 2000 shows that many countries in East Asia and the Pacific, including China, Arab States, Latin America, and the Caribbean are on-track while countries in Africa and South Asia are off-track in achieving many MDG indicators. According to a study of 2006, progress in MDG indicators for Asia-Pacific countries shows that India is off-track in nine out of twenty one indicators. In other words, India may not fulfil 50 per cent of the MDG indicators by 2015 (Mahendra Dev 2008).

1.6 NEW CHALLENGES TO DEVELOPMENT

The growing dissatisfaction with per capita income as a measure of development, lack of proportionate improvement in the quality of life of people even in the face of growth and extensive damage done to environment and ecology in the name of faster growth have compelled rethinking on the concept of development. Two important dimensions that have come to assume significant space in the debates on development are: 'human development', and 'sustainable development'. 'Human development' combines the condition of living not only in terms of improvement in per capita income but also the quality of human beings in terms of their access to education, health and sanitation facilities. For more than a decade now Human Development Index (HDI) has emerged as an alternative measure of development as widely as the measure of per capita gross domestic product (GDP). Similarly, there has been growing awareness that human progress, if measured merely in terms of growth of GDP, would become unsustainable because of depletion, degradation and pollution that goes with increasing mass of production. Challenging the obsession with growth in the 'business as usual' fashion, there has been growing awareness of alternative path of growth that ensures sustainable benefits not only to the present generation but also to the future generations.

1.6.1 Human Development and Human Development Index (HDI)

Human development is a much broader concept in which economic growth is one of its components. Per capita income, at best, may indicate standard of living. Human development provides room for including what people value as development. Since values differ from people to people (value heterogeneity) and also one's own values change with development (value endogeniety), the components included in human development are ones on which there is near universal unanimity. For instance, on a proposition that better development is indicative of less of infant mortality and longer life, there is unlikely to be any difference of opinion. Similarly, development seen in terms of improved capabilities and better education, also carries universal acceptance. Human development, thus goes beyond the narrow notion of development being seen merely in terms of per capita income and tries to incorporate what people get out of their income in terms of beings and doings. Since 1990, the United Nations Development Programme (UNDP) has been publishing Human Development Report every year. These reports present the place of countries in terms of human development index (HDI).

Human Development Index (HDI)

Human Development Index (HDI) is a summary measure of human development. It measures the average achievements in a country in three basic dimensions of human development:

- A long and healthy life as measured by life expectancy at birth.
- Knowledge, as measured by the adult literacy rate (with two-thirds weight) and the combined primary, secondary and tertiary gross enrolment ratio (with one-third weight)
- A decent standard of living, as measured by GDP per capita (ppp US $).

Before the HDI itself is calculated, an index needs to be created for each of these dimensions. To calculate dimension indices – the life expectancy, education and GDP indices – minimum and maximum values (goal posts) are chosen for each underlying indicator. Performance in each dimension is expressed as a value between 0 and 1 by applying the following formula:

$$\text{Dimension Index} = \frac{\text{actual value} - \text{minimum value}}{\text{maximum value} - \text{minimum value}}$$

The HDI is then calculated as a simple average of the dimension indices. The following are goalposts for calculating the HDI:

Indicator	Maximum Value	Minimum Value
Life expectancy at birth (years)	85	25
Adult literacy rate (%)	100	0
Combined gross enrolment ratio (%)	100	0
GDP per capita (ppp US $)	40,000	100

India's global position in terms of HDI rank improved from 132 (HDI: 0.545) in 1997 to 126 (HDI: 0.6) in 2004. During the same period, China improved its HDI rank from 98 (HDI: 0.701) to 81 (HDI: 0.768).

1.6.2 Concept and Challenge of Sustainable Development

Sustainable development refers to a pattern of resource use that aims to meet human needs of not only the present generation, but also future generation. The term was used by the Brundtland Commission (1987) which defined sustainable development as development that 'meets the needs of the present without compromising the ability of future generations to meet their own needs'.

Sustainable development does not focus solely on environmental issues. The United Nations 2005 World Summit Outcome Document, refers to the four 'interdependent and mutually reinforcing pillars' of sustainable development as including: economic development, social development, and environmental protection. The fourth pillar is indigenous people and culture.

Green development is generally differentiated from sustainable development in that **Green development** prioritises what its proponents consider to be environmental sustainability over economic and cultural considerations. Proponents of Sustainable Development argue that it provides a context in which to improve overall sustainability where cutting edge Green development is unattainable. For example, a cutting edge treatment plant with extremely high maintenance costs may not be sustainable in regions of the world with fewer financial resources. An environmentally ideal plant that is shut down due to bankruptcy is obviously less sustainable than one that is maintainable by the community, even if it is somewhat less effective from an environmental standpoint.

During the last ten years, different organisations have tried to measure and monitor the proximity to what they consider sustainability by implementing what has been called sustainability metric and indices. Sustainable development is said to set limits on the developing world. While current developed countries polluted significantly during their development, the same countries encourage developing countries to reduce pollution, which sometimes impedes growth.

Environmental sustainability is the process of making sure that the current processes of interaction with environment is pursued with the idea of keeping the environment as pristine as naturally possible based on ideal-seeking behaviour. An 'unsustainable situation' occurs when natural capital (the sum total of nature's resources) is used up faster than it can be replenished. Sustainability requires that human activity only uses nature's resources at a rate at which they can be replenished naturally. Inherently, the concept of sustainable development is intertwined with the concept of carrying capacity. Theoretically, the long-term result of environmental degradation is the inability to sustain human life. Such degradation on a global scale could imply extinction for humanity.

Consumption of renewable resources	State of Environment	Sustainability
More than nature's ability to replenish	Environmental degradation	Not sustainable
Equal to nature's ability to replenish	Environmental equilibrium	Steady-state economy
Less than nature's ability to replenish	Environmental renewal	Sustainable development

Check your Progress – 4

1. What are the objectives of Millennium Development Goals (MDGs)? What is India's track record in health related goals?

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2. What are the basic dimensions of Human Development Index (HDI)?

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3. What is the significance of creating awareness about environmental sustainability in designing development?

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1.7 LET US SUM UP

A sharp distinction between growth and development was drawn in the early 1990s. This distinction was drawn as the earlier measure of economic growth, measured in terms of GDP per capita, was realised to undermine many other aspects of development which together contributes to determine the real improvement in the quality of life. The different approaches to development, alternating between a primacy accorded to the state versus the market and the mixed economy model followed by India till the early 1990s are then discussed. The recent emphasis attached to the concept of inclusive growth is especially discussed to provide a thrust on the current policy perspective in India. Some of the continued problems of developing economies like India and the global resolve to tackle them by way of Millennium Development Goals in a time phased manner are also presented in the unit. The alternative to per capita GDP as a measure of growth, by way of human development index which came into adoption in the early 1990s, and the increased emphasis on sustainable development and its associated challenges have been dealt with towards the conclusion of the unit.

1.8 KEY WORDS

Growth : Normally, annual percentage change in national income/gross domestic product.

Development : A broader concept than growth. It relates the changes in national income to the changes in the structure of the economy in terms of the processes behind these changes.

Inclusive Growth : A process of growth that does not exclude the poor and marginal. The benefits of growth percolate to these sections as well.

Mixed Economy : Institutional arrangement of the economy where State and market play equally important role.

Infant-Industry : Industry in the nascent (early) stage of development.

Kuznets Curve : A ‘Bell-shaped’ (or inverted ‘U’ shaped) curve which shows the relationship between inequality of income distribution and the level of per capita income. As income increases, initially inequality increases, but after a certain level, inequality decreases with the rise in the level of per capita income.

Casual Employment : Employment without any regularity and any social protection.

Human Development : Refers to level of per capita income/consumption as well as education and health standards. Usually measured as an index based on a vector of indicators of per capita income/consumption, literacy, infant mortality and life expectancy.

Sustainable Development : Development that meets the needs of the present without compromising the ability of future generations to meet their own needs.

1.9 SUGGESTED BOOKS FOR READING

Amartya Sen, "The Concept of Development" in *Handbook of Development Economics*-*I* ed. By H.B. Chenery, 1988.

Gerald M. Meier and James E. Raunch, *Leading Issues in Economic Development*, (8th Edition), OUP, New Delhi, 2006.

Mahendra Dev, *Inclusive Growth in India*, OUP, New Delhi, 2008.

Ruddar Datt and K.P.M. Sundaram, *Indian Economy*, (57th Edition) S. Chand, New Delhi, 2008.

Subrata Ghatak, *Introduction to Development Economics*, (4th Edition) Routledge, London, 2001.

1.10 ANSWERS/HINTS TO CYP EXERCISES

Check Your Progress -1

1. See 1.2 second para
2. See 1.3.2 first para
3. See 1.3.4 especially second para

Check Your Progress – 2

1. See 1.4 first para
2. See 1.4.2 especially first para
3. See 1.4.2 last para

Check Your Progress – 3

1. See 1.5.1 especially first two paras

2. See 1.5.2 especially first para
3. See 1.5.3 especially last three paras

Check Your Progress – 4

1. See 1.5.4 first two paras and goals 4 to 6
2. See 1.6.1 especially para 2
3. See 1.6.2 especially last para