
Event Report

An Emergent India: Prospects and Problems

FEBRUARY 13, 2007

On February 13, 2007, Columbia University's Southern Asian Institute and Committee on Global Thought hosted a panel discussion on India's ongoing economic transformation. Participants included Joseph Stiglitz, University Professor and chair of the Committee on Global Thought, and Prabhat Patnaik, professor of economics at Jawaharlal Nehru University in New Delhi and head of the State Planning Board of Kerala. Akbar Noman, professor of international and public affairs, moderated the discussion.

Tackling the prospects and problems of an emergent India, Professors Akbar Noman, Joseph Stiglitz and Prabhat Patnaik engaged in a wide-ranging discussion lasting almost two hours and generating many related questions from the large number of attendees. Much of the discussion centered on the juxtaposition of a large segment of the Indian populace that is enjoying rising levels of prosperity against an even larger segment of the population that is not sharing in these economic gains. The inevitable comparisons of India with China quickly became apparent during a discussion that repeatedly benchmarked India's progress and shortcomings against its eastern peer.

Professor Patnaik, one of India's leading left-wing economists and an unabashed Marxist, provided a brief historical background of India's economic development. He recounted the backlash against excessive laissez-faire economic policies in the early 20th century. He also recalled the importance of the first Indian prime minister, Jawaharlal Nehru, and his economic deputy, Prasanta Mahalanobis, in laying the foundations for current Indian economic development. Prime Minister Nehru was a proponent of a mixed economy in which the government encouraged capitalistic activity in many areas of the economy yet developed and controlled a number of key industries via central planning. Such control by the government both promoted industrialization and helped ensure that the gains from economic development were more widely distributed.

Despite the spectacular growth of the Indian economy over the past 20 years, the discussion quickly shifted to the present economic disparities between those enjoying the tide of prosperity and those left out. Referencing the recent “India Shining” political campaign of India’s BJP party, Professor Stiglitz noted, “It *is* shining on 250 million people, but it’s not shining on 850 million more. What’s striking is how close the failures are to the successes. You don’t have to travel very far—an hour, half an hour—to go back 2,000 years. It is that contrast that represents the challenge for India going forward.”

Professor Stiglitz noted that China shares this problem of growing inequality but credited the country with having done a better job than India in reducing rural poverty. He disputed the suggestion that increasing inequality is an inevitable by-product of economic development. “Many countries in East Asia went through critical stages of growth and did not have increased inequality,” he said. “It all depends on how you manage the growth process.”

Added to the problem of a rising economic tide not lifting all boats appears to be the counterintuitive trend of deepening levels of poverty in many pockets across India. “There is a strong argument that, contrary to the current poverty estimates, poverty in India is likely to have gone up,” Professor Patnaik said, noting that per capita caloric consumption has *fallen* since 1987 and is now equivalent to the per capita caloric consumption rate on the eve of WWII. “This is a peculiar kind of economic growth, a growth based on a certain exacerbation of social antagonisms,” he said, referring chiefly to the extent to which Special Economic Zones (SEZs) across India have negatively affected the agricultural sector via the appropriation of large swaths of land. “State support for the peasant production sector has gone down quite dramatically,” he said.

While crediting SEZs with providing much-needed infrastructure in a country that sorely lacks it, Professor Stiglitz said, “One of the more contentious aspects of these zones is how the land has been acquired and whether it has been acquired for public development purposes. . . . At a minimum, a greater effort needs to be made to ensure that those who are displaced receive more of the benefits from that for which the land is used.”

He suggested that one remedy might be to offer some manner of income security for these individuals, since “land is important not just as a source of income for farmers but as a source of security.” “The state,” Professor Patnaik argued, “has to provide some measure of support to peasant agriculture and to the rural areas of India, generally.” He also noted that “during this period of liberalization, there has been a drastic reduction in rural development expenditure, leading to a worsening of rural life.”

Widespread withdrawal of state support has meant rising levels of borrowing by the poor, many of whom, as Professor Stiglitz noted, have committed suicide when overcome by debt burdens. “It’s certainly symptomatic . . . that people feel things aren’t working out for them as well as they should,” he said.

India’s literacy rate and its implications for the country’s economic growth constituted a recurring topic during the discussion. “While literacy in China is almost 100 percent, India still has a significant literacy problem,” Professor Stiglitz noted. Professor Noman queried whether India’s investment in tertiary education relative to that for primary education has been excessive, a suggestion vigorously discounted by Professor Patnaik. “India’s total expenditure as a proportion of GDP on all kinds of spending on education is lower than that of the apartheid regime in South Africa for black students,” he said. “It’s a disgrace that we have not spent enough, and it’s essential that India spend more on education” at all levels.

While acknowledging that the source of the current growth in India’s IT sector “has to do with the Indian Institute of Technology and other first-rate universities,” Professor Stiglitz said that his work on a particular project at the World Bank some years ago brought about the realization that economies need to invest in education across the spectrum. In response to a question from a member of the audience, Professor Patnaik expressed uncertainty as to why the rate of expenditure on education was so low but cited one theory that it serves to deny opportunity to the lower castes.

Professor Patnaik’s Marxist disposition appeared evident in response to another question from a member of the audience about an ongoing rural employment scheme that guarantees 100 days of work annually for participants. Specifically, the audience member questioned whether such a program makes economic sense or whether it is merely a handout program. “I have no objections to it,” Professor Patnaik said, “because the destitution that exists needs to be overcome whether or not in the process we are getting productive assets.”

Professor Patnaik further argued that poor farmers should be protected from low-priced commodity imports and nurtured into “economic resilience.” Citing a “crisis of petty production” among the likes of cashew farmers and fishermen, Professor Patnaik noted that while India’s growth rates warrant some degree of optimism concerning ongoing job creation, the sheer number of petty producers exceeds existing job growth. “We must support them,” he said.

PATRICK CONNOLLY '08
Columbia Business School