

**From:** Saner [mailto:saner@csend.org]  
**Sent:** Sunday, January 09, 2011 7:28 PM  
**To:** 'cuts-tradeforum@googlegroups.com'; 'CUTS-TradeForum'  
**Subject:** Poverty and India

Dear Colleagues and members of the CUTS Forum,

Greetings to all and all the best wishes for the New Year- may it bring more peace and prosperity for all mankind.

it was on 8<sup>th</sup> October that I send out a request to our CUTS colleagues in Geneva inquiring what their reaction might be in regard to Arun Kumar's article titled "India and Poverty" (September 2010) which made reference to the Oxford Poverty & Human Development Initiative and their Multidimensional Poverty Index. A new index which measures poverty based on deprivation, and not on income alone.

Subsequent to my inquiry, Suresh P Singh, Policy Analyst at CUTS CITEE Jaipur responded on 12<sup>th</sup> October with a very helpful and detailed response clarifying the following:

*A distinguishing feature of this index is that out of the ten indicators used to estimate poverty, eight belong to the MDG targets. This makes the index more useful in assessing poverty and taking measures to address the issue. Further, the new index is expected to replace the old one in the 20<sup>th</sup> Anniversary Report of the UNDP, as per indications available.*

*As far as government action in dealing with the indicators of MPI is concerned, many initiatives have been taken, and therefore, the index might not lead to any immediate change at policy level. It might however get increased attention, once the index gets its place in the UNDP Report as indicated by some sources.*

Professor Arun Kumar's article is pointing out the glaring and growing disparities between the very rich and still horrifically large segment of India's population classified as poor whether classified by the Multidimensional Poverty Index or India's Tendulkar Commission or UNDPD's HDI. India is at the bottom of the G20 in regard to the size of population remaining in poverty but also in regard to the disparity between the very rich and the very poor.

I have since followed with great interest the various exchanges between various experts mostly trade economist but also some political scientists from India as well as from Western Europe and the USA (including Indian diaspora scholars in the USA and Western Europe). What follows are my reactions to ideas and comments made by various participants of the CUTS Forum.

1. Professor Bhagwati emphasizes that growth is needed for stage 2 reforms (1/1/2011)

*pulling the poor into gainful employment and also additionally by providing the revenues with which one can finance direct programs on health and education, which I called Stage 2 reforms.*

I agree that growth is needed but when do we reach this magical day when enough growth has been achieved to afford social programmes? Scandinavian countries did not wait for completion of a “ stage 1” to move their populations out of poverty- and poverty they had to face at early industrialization. Instead, they moved on all fronts: economic growth, education, health, social programmes. The same can be said of the Netherlands and Switzerland, my home country, which faced poverty, famines, continuous wars, internal colonial situations (cantons owning other cantons).

2. Dr Montek Singh Ahluwalia, Deputy Chairman of the Planning Commission, spoke at the book vernissage of Sankar Kumar Bhaumik’s edited book titled “Reforming Indian Agriculture”. He compared China and India in regard to development strategy and emphasized the need for India to find ways of moving 300-400 million farmers to urban or semi-urban locations to increase productivity of agricultural production. China has and continues to face the same challenge. How does this match with “Stage 2”? or with growth in general?
3. The Indian poor will not be lifted up by growth alone. There is urgent need to help them help themselves so that more unskilled labourers can enter the labour market and earn decent salaries. There is need to provide skill training, basic accident and health insurance and organizational support to improve their bargaining power against Indian employers’ dominant and often abusive use of power. Indian solutions exist (<http://www.labournet.in/>) but are ignored by policy makers.

As Martin Wolf stated (1/1/2011)

*“Many of the policies that would make the benefits of growth more widely shared - elimination of regressive subsidies or of job protections for elite workers and more spending on health, education and infrastructure - would also accelerate growth”*

Higher incomes for low and semi-skilled workers would increase their spending power. Policies and concrete actions are needed to lift the millions of poor unskilled workers out of their current structural helplessness. Poverty also means predominance of the informal sector. Reducing the high size of the informal sector cannot be achieved through growth alone. Micro-economic and social policies should go hand in hand with growth and trade liberalization strategies.

4. While there is plenty to say about “governance failure” (term coined by late Professor N.T. Wang, Columbia U.) of the Indian federal, state and municipal governments, lamenting about corruption and inefficiency does not alleviate poverty alone. As long as the current public administration is pre-dominantly populated by Indians of privileged social groups, there will remain a lack of compelling commitment to move from theorizing and policy paralysis to action

**based policies favouring growth coupled with hands-on policy action in favour of poverty reduction.**

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