

Economic Growth and Development
Dr. Rajshree Bedamatta
Department of Humanities & Social Sciences
Indian Institute of Technology, Guwahati

Lecture – 13
Economic Growth and Public Support

Hello and welcome to lecture 13 of the NPTEL MOOC's course on Economic Growth and Development. Today's lecture has been planned as a general lecture, it is a general class, in which I have chosen to discuss one of the chapters of the very influential book named Hunger and Public Action by Jean Dreze and Amartya Sen. I have rather unimaginatively titled this lecture as Economic Growth and Public Support.

Directly taking from their book on Hunger and Public Action and I will presently explain why I have retained the title as such, but before we do that let me give you a brief introduction to the book that we are talking about, all though this today's lecture is not entirely on the book I have taken a page out of their book in the form of one chapter. And, I will tell you why it is important to look at the data given in this chapter and what relevance it has to our discussion on growth and development. So, the book and a question under review it is essentially in the form of a review, but I would also discuss this paper.

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Hunger and Public Action, 1989	
PART I Hunger in the Modern World <ul style="list-style-type: none">□ Introduction (famine and chronic undernourishment)□ Entitlement and Deprivation□ Nutrition and Capability□ Society, Class and Gender	PART III Undernutrition and Deprivation <ul style="list-style-type: none">□ Production, Entitlements and Nutrition□ Economic Growth and Public Support□ China and India□ Experiences of Direct Support
PART II Famines <ul style="list-style-type: none">□ Famines and Social Response□ Famines, Markets and Interventions□ Strategies of Entitlement Protection□ Experiences and Lessons	PART IV Hunger and Public Action <ul style="list-style-type: none">□ The Economy, the State and the Public

The book that I am talking about here is titled *Hunger and Public Action*. This came out in 1989 written by Jean Dreze and Amartya Sen. Based upon very careful research carried out by them at the World Institute of Development Economic Research in Helsinki. And, the year in which this book came out very important, because this was the year in which a lot of transition was taking place with respect to the study on poverty, inequality, growth, and development. And this book so, to say came at such a juncture in which lot of transition was taking place, with respect to the discourse on what we understand or what we have understood so, far as economic growth and development.

So, this book has the 4 parts it is written in 4 parts. The first part of this book and the bullet points here that I have mentioned under each of these parts are basically the chapters of this book. And, the first part makes extensive use of the concepts of entitlements and capabilities. And, it explores the interactions between nutritional, economic, social and political elements that influence hunger and deprivation. So, this book to begin with is primarily about hunger and deprivation.

How hunger and deprivation came to be and what they mean by hunger and deprivation in the poorer countries of the world. Is it only economic in nature or there are other social and political factors that go behind explaining hunger in the less developed countries of the world.

The second part of this book focuses on problem of famine prevention. And, there is a lot of attention given to Africa and India in the second part of this book here, where he is focusing on famines and social responses, famines, markets and interventions, strategies of entitlement protection, and experiences and lessons drawn from various countries in Africa and India. Part 3 of this book is devoted to the issue of fighting chronic under nutrition and lessons to be learnt from the policies of China, India and also Sri Lanka. Where there is a lot of data with respect to the experiences of direct support or public provisioning made to made in the social sector of first Sri Lanka.

The last part on hunger in public action, the economy the state and the public, it draws together the main themes and concerns of the previous chapters and it provides an integrated view of the role of public action in eliminating hunger. So, this study basically suggested that, there is some space for public action, in solving the problem of hunger and deprivation of the third world. And, in the case of famine prevention social security

could provide early warning systems and employment provision plans. And, to fight endemic deprivation the authors suggested that among other things, the basic healthcare, elementary education and food programs should be inherently looked at.

Now, I have taken a leaf out of part 3 of this book. And, particularly chapter 10 which is titled Economic Growth and Public Support, and as I have already said rather unimaginatively I have titled this general lecture also as economic growth and public support. And I am so, basically I have taken a page out of this book and I am presenting it to you as a general lecture, because I think that this has a lot of relevance to what we have been discussing so far about growth and development. Post today's class we will study about the genesis of human development. And, how human develop; the literature of human development? How it has come up in the recent years? And, how no evaluation of poverty, inequality and development is complete, without engaging ourselves with the issues of and related to human development.

So, to be able to do that therefore, this lecture will provide some sort of a bridge in providing to us a context as to what country experiences reveal, with respect to the strategies adopted for development of the standards of living of their people. So, before we move on further let me also tell you that, this chapter economic growth and public support of this book Hunger and Public Action largely draws from the estimates of income and nutrition outcome indicator such as infant mortality rate. And, under 5 mortality rates of various countries based upon the estimates provided by the world development report of 1987, which is the latest considering that this book came out in 1989.

So, the figures that come up may sound dated today, but the arguments that follow these figures, these estimates are still relevant. And the empirical evidences supporting these arguments have been increasing over the years. So, let me also inform you that I am discussing this chapter in the form of a general lecture. We are very uncritically which means to say that there have been a number of critical reviews of this book Hunger and Public Action. There have been a number of critical reviews of this chapter economic growth and public support, raising questions about the arguments that have followed.

And, for those interested in looking at critical reviews of this book may among other scholars make a beginning with Martin Rebellion, who has talked a lot about the

methodology followed in this book for coming up with the conclusions that they have come up with. However, it is also I must also mention here that martin rebellion also a plots this book for bringing about for making a very significant contribution to the growth and development literature.

So, now let me also give you a quick snapshot of if we have to summarize this boo[k]- this chapter on economic growth and public support, what it would what it what would it sound like? So, this chapter basically talks about 2 strategies of development; one is the economic growth led security strategy, and the other is the public support led security strategy. And, both of these strategies of development have been compared and contrasted and the interconnections have also been seen between both of these strategies. They have also been seen against the concept of what Sen and Dreze referred to as unaimed opulence or what we can also termed as unwarranted growth in the present times?

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Country	GNP per head (\$)	Infant Mortality Rate (per1000)	Expectation of life at birth (years)
China	310	35	69
Sri Lanka	380	36	70
Brazil	1640 ✓	67	65
South Africa	2010 ✓	78	55
Oman	6730 ✓	109	54

Table 10.1: Average opulence and survival achievement: selected inter-country comparisons, 1995

Source: World Development Report 1987, table 1 and 29

So, let us look at this figure here that is appearing on your slide. By now, we know that the association between GNP per capita and the human development indicators such as health nutrition morbidity and mortality is not straight forward. Now, this table here shows the GNP per capita, the infant mortality rate, and life expectancy at birth for selected countries. And, the figures here will sufficiently illustrate the point that we have

just made about there been no straightforward relationship between incomes and nutrition indicators.

For example, if you see here South Africa has nearly 6 times the GNP per head of China and Sri Lanka. Similarly, Brazil has many times more income than China and Sri Lanka, but has a lower life expectancy. So, and the striking among them all is Oman whose GNP is 20 times that of China and Sri Lanka, but has the lowest life expectancy among them all.

So, just repeat here South Africa, Brazil very high incomes per head, Oman very high incomes per head compared to China and Sri Lanka, but lower life expectancy at birth compared to China and Sri Lanka. Similarly, if you look at the infant mortality rates per 1000 lives birth for life births for Brazil, South Africa, and Oman they are far higher than what we see in China and Sri Lanka. So, it is a contrast there are very high the low levels of income, but high rates of achievement with respect to nutrition outcome indicators IMR and life expectancy at birth higher incomes, but lower achievements in terms of IMR and life expectancy at birth.

So, this is what Dreze and Sen send referred to what is called the dissonance between GNP per head and the capability to survive premature death. So, Brazil, Oman, and South Africa despite their richness of incomes, despite their opulence or have much greater IMRs or infant mortality rates compared to China and Sri Lanka. And, they identify 2 causes here. The first cause that they identify is that, while high GNP per capita. May show that there is a lot of richness of incomes, this richness of incomes need not necessarily translate themselves into distribution of incomes over their population or even distribution of income over their population.

So, while their levels of national incomes may be very high, the way the distribution of national income takes place within the economy, within the within the country might be highly inegalitarian in nature may be highly unequal in nature. So, there is a lot of unevenness with respect to distribution of national resources or national incomes. So, that is one of the reasons, why this might happen why the nutrition outcome indicators may might come out to be very low, which means that people who do not have access to more incomes within these countries let us say brazil. For example, is a very striking case here this has been highly sighted in various literature coming up in this area, that

Brazil is a very is a highly unequal country, where the bottom the poorest population have very less access to national incomes within Brazil.

The, second reason that Dreze and Sen identify through this illustration that they are showing here is that while, people have command over private commodities by interacting in the market, with regard to public goods which have very large externalities, public provisioning may be very important. They are the public goods the nature of the public goods are such that they cannot be freely traded in the market like the private goods, or even if they maybe there may be a lot of under consumption of these goods or over consumption of these goods as well. Therefore, the therefore, the nature of public goods is such that it may warrant public provisioning so, for example, education or health or sanitation facilities and so on.

So, these are the 2 important causes they identify with respect to how to explain this illustration here? Now, to summarize this, while the relationship between GNP per head and nutrition outcomes may not be straight forward, that is also not reason enough to underestimate the importance of GNP per head. National Incomes may go a long way in providing the required resources to the government to be able to translate the deprivation into a provision of basic capabilities. So, for example, the experience of different oil rich countries have shown us that, they have very actively followed public provisioning of goods based upon the resources generated out of the oil industry in those countries.

So, a high level of GNP per head may provide an opportunity for improving nutrition and other basic capabilities. So, what is crucial here is that is to understand that this opportunity, that is provided to the governments in a form of increased opulence, or increased national incomes may or may not be utilized for direct provisioning or for distribution of these resources these incomes among their population. So, it is very important that the state the government formulate redistributive policies that can go a long way in translating the opulence or translating the richness of incomes, in into the achievement of basic capabilities. Now, Dreze and Sen so, also dispel a certain myth about Western Countries.

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Decade	Increase in life expectancy per decade (years)	
	Male	Female
1901-11	4.1	4.0
1911-21	6.6	6.5
1921-31	2.3	2.4
1931-40	1.2	1.5
1940-51	6.5	7.0
1951-60	2.4	3.2

Table 10.2: Longevity expansion in England and Wales

Source: Based on data presented in Preston, Keyfitz, and Schoen (1972:240-71), Winter(1986) and Sen. (1987e)

That it there is a myth the which says that are the western countries are the highly industrialized countries have in the past, achieved very high levels of human development, or very high levels of nutrition such as life expect the nutritional nutrition indicator such as life expectancy at birth, only based upon their incomes. So, their standards of living have risen, because of their unprecedented opulence because of the rise income.

So, Dreze and Sen dispel this myth that western countries have improved the life expectancy based purely on richness of incomes. And, they argue against this by illustrating the history of longevity expansion in Britain and Wales in the 20th century. And, this table here in the on your slide shows the increase in life expectancy at birth in England and Wales in each of the first 6 decades of the 20th century. So, this covers the period between 1901 1960. And, it is important here, that we are informed that the life expectancy figure in England. In the beginning of the twentieth century was no better than, what we saw in the developing countries or what the developing countries experienced in the 1980s.

And, the increase in life expectancy as you would see was between 1 to 4 decades in each 1 to 4 years in each decade, except the 2 decades of 19 11 21 and 1940 51, which were basically the 2 decades of 2 world wars. And, these 2 decades here saw dramatic rise in life expectancy both for male and female, above 6 years in each of these decades

here. And, the decade of the 19 and this was primarily, because of public support including public employment food rationing and healthcare provisions. The decade of the 1940s it has been recorded as the highest increase in British life expectancy, this period actually witnessed rapid transformation or rapid expansion of public employment; extensive and equitable food rationing and it also saw the birth of the National Health Services in Britain.

So, the largest life expectancy increases was actually registered for the post second world war period, and that was possible primarily because of direct provisioning or support of the government towards providing a basic social services to it is people. So, through this illustration Dreze and Sen clearly show, how important social intervention? And, public support can play what the important role that social intervention and public intervention can play, in expansion of a very basic capability in the history of the first industrial nation. Now, given the distinct though interconnected roles played by overall opulence and public activism in enhancing capabilities.

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Growth-Mediated Security and Support-Led Security

- 'Promote economic growth and take the best possible advantage of the potentialities released by greater general affluence, including not only an expansion of private incomes but also an improved basis for public support. This may be called the strategy of growth-mediated security.'
- 'Resort directly to wide-ranging public support in domains such as employment provision, income redistribution, health care, education, and social assistance in order to remove destitution without waiting for a transformation in the level of general affluence. Here success may have to be based on a discriminating use of national resources, the efficiency of public services, a redistributive bias in their delivery. This may be called the strategy of support-led security.'

It is now possible to draw in principle a comparison between, what is the growth mediated security strategy of development (Refer Time: 17:48), what is the support led security strategy of development? And, this is how Dreze and Sen define or explain both of these strategies in this chapter on growth and public support. They define strategy of growth mediated security as something, which promotes economic growth and takes the

best possible advantage of the potentialities released by greater general affluence, including not only an expansion of private incomes, but also and improved basis for public support. So, this they call the strategy of growth mediated security.

And, the other alternative that they are referring to the strategy of support led security. That, basically means that the government is a resort directly to wide ranging public support in domain, such as employment provision here, this is one of the key factors, income redistribution, healthcare, education, social assistance in order to remove destitution without waiting for a transformation in the level of general effluence. And, this is the key difference between these 2 strategies here. The growth mediated security strategy and the strategy of support led security, without waiting for a transformation in the level of general effluence. And, here success may have to be based on a discriminating use of natural resources, national resources the efficiency of public services and a redistributors bias in the delivery.

So, strategy of growth mediated security relies on it is overall opulence or the increase in opulence or the increase in richness incomes to be able to create critical resources, that can be spent on the welfare of it is people. That can be spent on creating basic capabilities for it is people, where as support led security, tries to bring about a wide ranging changes, through public support, in the domains of employment, healthcare, education, social assistance, without waiting for a transformation in the level of general effluence.

And, that is the key difference here and that also means to say that the strategy of support led security may resort to a discriminating use of national resources, which means there it will be based upon a lot of planning with regard to where the national resources need to be spent on, whether education needs more focus in a particular plan year, or health needs a lot of focus in a particular plan year, whether higher education needs a lot of focus in a particular plan year and so on and so forth.

Now, there have of course, been detractors to both of these strategies of development. The detractors of the first strategy the strategy of growth mediated security have been arguing that, any growth mediated security strategy of development. Basically leads to a lot of inequality within a country, which we have briefly seen in the last class, where we where I took a very short reference to the Kuznets Curve. Where the experiences of the

industrialized countries have shown us that at the initial levels of economic growth in a economic inequality increases and that gives rise to a lot of deprivation within the economy.

So, the detractors of growth mediated security strategy of development have complained about glaring levels of inequality within a country. And therefore, this need not be the most preferred strategy of development. Whereas the detractors of the strategy of support led security have focused on the generosity provided to the poor individuals within a country. And therefore, which leads to a lot of wastage of national resources and that adversely affect future growth prospects within the economy.

So, while there are detractors on both sides both strategies of development Dreze and Sen very carefully point out, that there are interconnections as well as contrasts between both of these strategies of development. And, one needs to look at both of these one need not necessarily mean the exclusion of the other. The basic objective of both of these strategies of development maybe to create basic needs to meet basic needs or create basic capabilities for it is people. And therefore, there is a scope for public provisioning of goods and services. So, to be able to drive home this point regarding whether to follow the strategy of growth mediated security or support led security.

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Country	Percentage reduction in U5MR	Percentage growth rate of GNP/ capita		GNP per head (US dollars)	Level of U5MR
		(1960-85)	(1960-82) ^a	(1985)	(1985)
Hong Kong	83	7.0	6.1	6,230	11
Chile	82	0.6	-0.2	1,430	26
UAE	82	0.7	n/a	19,270	43
Costa Rica	81	2.8	1.4	1,300	23
Kuwait	80	-0.1	0.3	14,480	25
Cuba	78	n/a	n/a	n/a	19
Singapore	76	7.4	7.6	7,420	12
China	75	5.0	4.8	310	50
Jamaica	72	0.7	-0.7	940	25
South Korea	71	6.6	6.6	2,150	35

Table 10.3: Proportionate reduction in U5MR (1960-1985): the top ten countries

Source: UNICEF (1987a), World Development Report (1984, 1987), Table1

They illustrate this through some intercountry comparisons of performances. Here in this table that is showing on your slide you will see that the estimates show under 5 mortality

rate, which is basically taking infant mortality rate and child mortality rate together. So, all those children who are below the age of 5, and the first column here shows the percentage reduction in under 5 mortality rate. The second and the third columns show the percentage growth rate of GNP per capita between 2 sub periods 1960 to 1982 and 1965 to 1985. The, fourth column shows the GNP per capita in us dollars for 1985 and the last column shows the level of under 5 mortality rate for 1985.

Now, these estimates are taken from UNICEF and world development report of 1984 and 87, UNICEF head for the first time come up with they had constructed the under 5 mortality rates for the period between 1960 to 85, for many countries across the world. And, what Dreze and Sen have done here is to put together the estimates for the developing countries. And, from within the set of developing countries, they have illustrated here, the example of 10 best developing countries based upon their percentage reduction in under 5 mortality rate vis a vis that percentage growth rate of GNP per capita for the period 1960 to 1985.

So, and they have ranked the 10 best performance among the category of developing countries. This is in order of decreasing importance, which means that Hong Kong is the best performer country in terms of percentage reduction in under 5 mortality rate. And South Korea is the worst performer, but remember that is of the 10 best countries among the group of developing countries. Now, they have then after calculating the percentage reduction in U 5 MR vis a vis the percentage growth rate of GNP per capita for these 10 countries.

They have divided these into 2 different categories or groups; one category is the countries that have followed the strategy of growth mediated security, and the second is those that have followed the strategy of support led security. The green highlighted countries here that I have highlighted on your slides are the countries that have followed the growth mediated security strategy, and the others are the support led security strategy. And, the growth mediated security has been an important part of the experience of Hong Kong as we all know Singapore and South Korea.

So, Hong Kong, Singapore and South Korea have explicitly followed a growth mediated security strategies. And, also note here that these 3 countries were among the 5 fastest growing economies in the world. During this period under consideration which is 1960

to 1985 and that is in terms of the growth rate of real GNP per capita. You would see that I have marked a UAE and Kuwait under a light green highlight here. Now, these 2 countries these are the oil rich countries UAE and Kuwait they can also be broadly put in this category. Although their growth rates were significantly lower than Hong Kong, Singapore and South Korea during this period 1960 to 1985.

And therefore, they are not comparable in terms of their growth rates. However, they can be put they did follow growth mediated strategies. And have been seen as being able to reduce their under 5 mortality rates in improving the general levels of nutrition within the country. Now, you may ask why their growth rates were not comparable with the other countries, who have been identified as belonging to the category of growth mediated security strategy

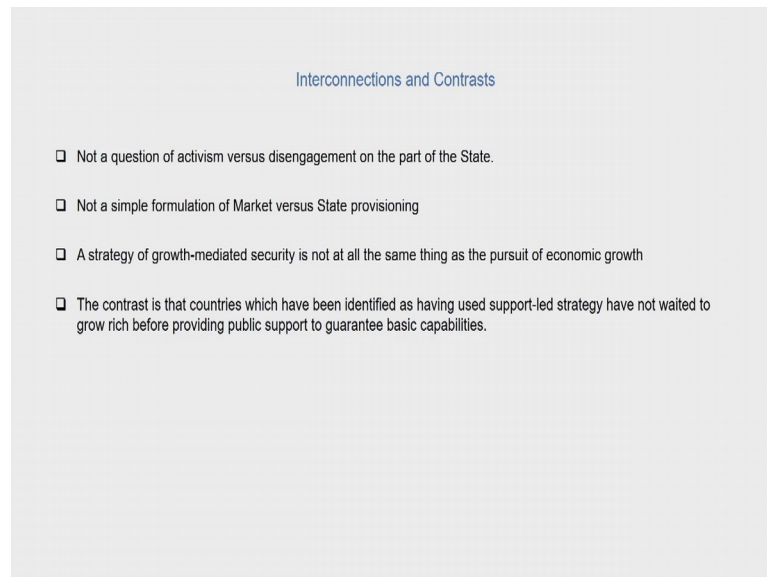
This was primarily because while UAE and Kuwait did see a phenomenal rise in their incomes. The method of calculation of GNP per capita during this period, did not account for was mostly a quantity index, the amount of goods and services produced within the economy. Whereas, the incomes or opulence that came to the countries like UAE and Kuwait were mostly because of the differences in the international price of oil. And, because of the changes in the fluctuations in the international oil prices, they were large size in incomes that accrued to these countries, which were then very diligently used by the governments of these countries particularly Kuwait in providing basic services.

So, among the 10 countries if we look at these 5 countries here, if we categorize them as following growth mediated security strategy. We can say that about half of these of the 10 highest performers have resorted to a strategy of growth mediated security. Now, the other 5 countries Chile, Costa, Rica, Cuba, China and Jamaica they have had comparatively very low growth rates.

So, their success cannot be attributed to income growth, but the possibility of support led security. And, the demographic and health records of each of these 5 countries have been extensively scrutinized in the literature of development. And, there seems to be a very strong evidence of rapid nutritional improvements in all of these 5 countries. Apart from the observed trends of reduced under 5 mortality and child mortality rates that we see.

So, all of these 5 countries have always been at the Centre of debate and discussion with regard to social provisioning or the active role played by the state, in provisioning of goods and or provision of social services.

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Now, moving on with this paper Dreze and Sen then bring out certain interconnections and contrast between these 2 strategies. So, essentially what they are trying to say is that these 2 strategies of development need not be pitched against each other, but they need to be seen together, because the objective of both of these strategies are dealing with deprivations or providing basic capabilities to it is people. So, there is no strict dichotomy between these 2 strategies of development. And these interconnections and contrasts need to be carefully seen. And therefore, this is a complex a phenomenon it needs to be carefully understood and studied.

The first distinction they point out is that it is not a question of activism versus disengagement on the part of the state. They are saying that it has been seen that governments that have pursued growth mediated strategies have also pursued active distributive policies for example, in the field of widespread promotion of skills in education maintenance of full employment and so on.

So, all of these have been done while actively promoting growth oriented strategies. So, it is not a question of whether the state is more active, or whether a the state is disengaging itself from provisioning of goods and services. Because, many growth

oriented countries have at their core the objective of redistribution of incomes among their entire population. Ensuring that the benefits of incomes reach through social provisioning or provisioning of social services to its entire population.

The second point that they are pointing which is an interconnection basically the first 3 points show the interconnections between these 2 strategies and the last point points out the contrast between these 2 strategies of development. So, the second point he is making is that it is not a simple case of pitching the market versus state provisioning Kuwait for example, is a case in point where enhanced income did provide the material basis for one of a most comprehensive welfare states in the world.

So, it is not an either or case of market versus state provisioning. The third interconnection that he points out is that strategy of growth mediated security is not at all the same thing as the pursuit of economic growth. In fact, growth mediated strategy need not necessarily be in conflict with provision of basic needs, which may actually be an approach towards fulfillment of basic needs. And, similarly support led security does not lead to surrendering of the importance or objective of economic growth. And, empirical studies have actually shown us that improvement in quality of life; particularly in the field in the domains of education and health have gone on to improve labor productivity.

So, which means that a state led or support led security can also go a long way in ensuring economic growth to its population. There are numerous studies empirical studies that have been carried out to show the levels of or the improvements in human capital and how improvements in human capital lead to increases in labor productivity within a country? There are empirical studies, which goes to the extent of coming up with actual estimates with regard to how much percentage increase in primary education or how many percentage increase in secondary education, higher education will go to how many percentage increase in labor productivity of a country?

So, there are evidences that show that interventions or investments made in human capital formation can also go a long way in ensuring economic growth within a country. The fourth point, he points to is a contrast between these 2 strategies of development. And, this contrast is that countries which have been identified as having youth support led strategy have not waited to grow rich, before providing public support to guarantee basic capabilities. And, now this contrasting point the fourth point is at the heart of the

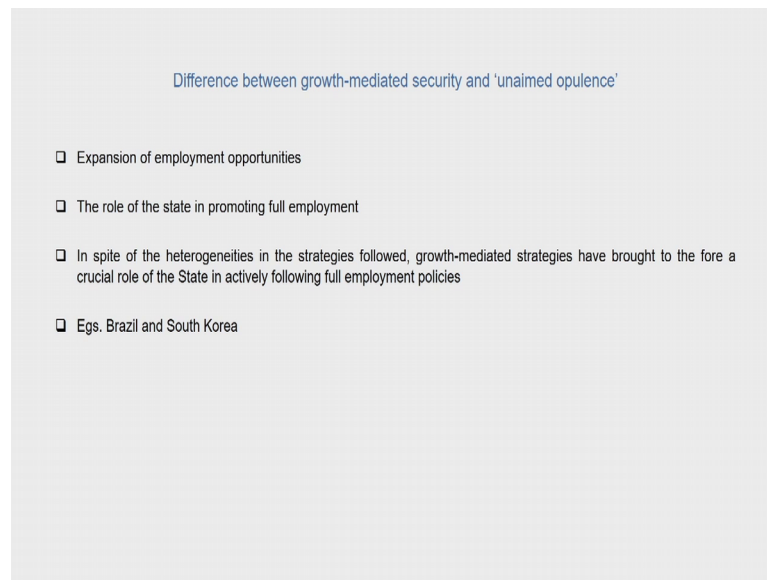
debate with regard to whether to follow growth mediated strategy of development or support led strategy of development.

Because, the detractors of support led strategy of development would say that economic growth should first take place and economic growth by itself will take care of improvement in quality of life. What, we very famously know as is the trickle-down effect of income that as incomes grow; the very high incomes will trickle down to the lower sections of the vulnerable sections of the population within a country. And eventually they will also see us rise in their levels of income.

However, as experience has shown us that the trickle down did not really take place, rather what has happened over a period of time is inequality has risen, has inequality has grown at an unprecedented rate and particularly in the post globalised era, but those countries which have followed support led strategies of development have very clearly illustrated, that they need not wait for economic growth to take place for direct provisioning or public provisioning of goods and services to take place. And, that is the major contrast between these 2 strategies of development. So, essentially what Dreze and Sen arguing here is that despite these complementarities dilemmas can arise, there can be dilemmas with regard to striking a balance between these 2 strategies of development.

And why is it so, the question regarding the dilemma is that because both of these strategies make a heavy demand on public resources. Both of these strategies make a very heavy demand on public administration capabilities. So, which means with which strategy to follow for development will depend upon how much demand the state or the people are making on the national resources of a country, and that is where the dilemma is. Now, Dreze and Sen have also very carefully try to locate the difference between growth mediated security and what they refer to as unaimed opulence, in the terminology of growth that we have been studying so, far we can also refer it to as unwarranted growth.

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So, another way of putting this question would be is a unaimed opulence or is unwarranted growth desirable or is growth mediated security desirable, and that is what brings us to the difference between growth mediated security and unaimed opulence. Now, in many cases an important part of the difference between growth mediated security and unaimed opulence relates to the expansion of employment opportunities. So, one of the things that the strategies that the countries following growth mediated security, they do is that they very actively follow the economic policy of full employment.

And, if you recall from the previous classes regarding the definition of full employment, that basically means that there is no scope for involuntary unemployment. Or in other words those who are seeking employment those who want to be employed within an economy find employment. So, which means there is no massive open unemployment, within an economy there is no involuntary unemployment within the economy.

So, one of the basic differences between unwarranted growth rates and or countries following unwarranted growth or those following growth mediated security strategy is that the growth mediated security countries, they vary deliberately try to follow the policy of full employment. And, each of the 5 countries that Dreze and Sen have identified as following growth mediated security like South Korea. Say for example, they have experienced extraordinarily low rates of unemployment during this period between

1960 to 1985. And, this level of the low level of unemployment is low by the standards of the unemployment found in the developing countries of the world.

And, they have even relied on imports of labor power. So, therefore, the role of the state in promoting full employment has been quite obvious. So, there has been a rapid expansion of employment opportunities in these countries. They take the contrasting example of Brazil and South Korea to explain this point Brazil has had very high growth rates, but Brazil also is a highly unequal country.

So, the lowest quintile of the population has access to only about 2 percent of it is national income. And, this is backed by empirical data, which is provided by them in their book. Whereas, in south Korea that has been extensive employment promotion through labor intensive industries, encouraging labor intensive industries, that have also they have also maintained a comparative advantage of labor intensive manufacturing, they have done a lot of investments in education, skills, development, training along with supplementary public programs. Similarly, the welfare state model of Kuwait went to the extent of guaranteeing a job in the public sector to every Kuwaiti, who is not employed in the private sector.

So, essential any instrumental role of expansion of employment opportunities to share the benefits of effluence is a crucial difference, when one is trying to look at the differences between growth mediated security strategy and unaimed opulence or unwarranted economic growth rates. If one if a country focusing only on bringing up the rates of economic growth, what is the difference between the countries who are very deliberately following economic growth, led security strategy. And, that is securing employment for their large masses of population. So, now we have got some clarity that growth mediated security does not necessarily make private incomes the engine of economy growth. Public provisioning also plays an important role to be able to achieve this.

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	1960	1965	1970	1975	1980	1985
Population (000s)	322	467	739	995	1,357	1,697
Government oil revenue (million KD)	159	216	289	2,440	5,187	2,295
Public health exp.(million KD)	n/a	6	16	39	105	193
Public education exp.(million KD)	n/a	15	32	81	172	275
No. of teachers in govt. schools	2,133	4,625	8,652	14,842	22,219	26,463
No. of students in govt. schools (000)	43	85	134	192	294	361
No. of physicians in govt. hospitals	n/a	451	540	932	1,921	2,528
Rate of illiteracy (% of population aged 10 and above)	n/a	46	39	36	29	16

Table 10.4: Kuwait, 1960-1985: selected indicators

Source: Government of Kuwait, Ministry of Planning, Central Statistical Office, Annual Statistical Abstract (1970, 1974, 1978, 1980, 1982, 1984, 1987)

Now, this table here on the slide shows the performance of Kuwait during the years 1960 to 1985 in some of the social indicators. So, the indicators here show population government while revenue for the periods for the years 1960 1965 1970 75 80 and 85. So, these are 6 years in point. There is data on public health expenditure, public education expenditure, number of teachers in government school, number of students in government schools, number of physicians in government schools and the rate of illiteracy.

And, if you would see while the population the absolute number of population of course, has risen over the period government oil revenue has risen by about if you look at the figures for 1980 and 1985, it is more than 3 times in 1980 and it is almost double of what you see the, it is twice the growth of population in 1985. Health expenditures have been rising, public education expenditures have been rising, number of teachers in government school has seen a dramatic rise from about 2000 in 1960 to more than 26000 in 1985.

Number of students in government schools, which is an important achievement, number of students in government schools have risen to about 361 1000 number of physicians have gone up from 400 and 51 in 1965 to more than 2000 in 1985 and the rate of illiteracy have come down. Now, before we decide for this table a little insight into Kuwait's oil industry has been provided by Dreze and Sen. And, I think it is important that we talk about this that here. The Kuwait's richness dates back to 1946, when the

country started exporting oil. And, since then earnings in the oil sector has grown unprecedentedly, but before 1976 oil industry was not completely government owned.

And, most of the incomes that arose from the oil industry was in the form of taxes and royalties. However, since 1975 the oil industry of Kuwait has been completely government owned. And, over a time the entire profits of the oil industry has been appropriated by the Kuwaiti government. And, this profit that has been entirely appropriated by the Kuwaiti government has of course, been central to the Kuwait idea of welfare state. And, the role of the state in encouraging or bringing about public provisioning of goods in the social sector.

So, the availability of if you look at this table again here. The availability of public services in Kuwait has expanded in a record time, there has been compulsories, if you look at the policies followed by the Kuwaiti government in 1965, it followed the policy of compulsory school attendance combined with free education free books, free meals, free transport, even free clothes, and that lead the younger generation to schools, in spite of the fact that there was conservative resistance to educating girls in this country.

The estimates shown in this chapter of this book hunger and public action, tell us that in 1977 the government subsidies on education actually exceeded 600 dollars student. The it also say that the male secondary school enrolment ratio was 86 percent in Kuwait in 1980 to 84, which was better only by South Korea and a handful of other industrialized market economies. The sophisticated medical services provided free of charge to the entire population Kuwaiti as well as non-Kuwaiti, far reaching public provisions were also made in area such as housing, water supply, electricity, transport and communications, and the subsidization of basic commodities.

In addition Kuwait also had a system of large scale direct transfers and financial help to low income families, which is by any standards one of the most generous in the world. And to quote Dreze and Sen from their own chapter, they pointed out that if socialism were reduced simply to state ownership of the means of production. And, generous provision of social wages Kuwait would appear to be one of the most; obviously, socialist countries in the world.

So, this is the stable sums up the marvelous achievements of Kuwait, which very deliberately followed a growth mediated strategy of development, but along with a very

active role of the state in formulating policies, progressive social progressive policies, that brought about rapid transformations in the domain of education and health, and because of which they could catch up with the industrialized countries of the world. Another, case that Dreze and Sen have very elaborately discussed in their book and in this chapter, economic growth and public support is of South Korea.

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Year	IMR (per 1000)	Height of children aged 6 (cm)		Inciden ce of poverty (%)	Gini index of income inequal ity	Unempl oyment rate (%)	Index of real wage in industr y (1970= 100)	Second ary school enrolm ent (%)
		Male	Female					
1960	85	111.1	110.4	n/a	0.448	n/a	n/a	n/a
1965	n/a	111.7	110.8	41	0.344	7.4	58	54
1970	53	112.7	111.7	23	0.332	4.5	100	66
1975	41	113.3	112.3	15	0.391	4.1	127	77
1980	37	115.5	113.7	10	0.389	4.5	219	96
1985	27	116.5	115.4	7	0.363	4.0	286	99

Table 10.5: South Korea, 1960-1985: selected indicators
Source: Suh (1984:162) and UNICEF(1987), Govt of Republic of Korea (1963, 1965, 1970, 1987)

This table here shows the achievements of South Korea between 1960 and 1980 5. And, again this shows the infant mortality rate the height of children aged 6 which is basically an anthropometric measurements. So, it is an it is a nutrition achievement indicator. It also shows the incidence of poverty, the Gini index of income inequality, unemployment rates, index of real wage rates, basically it tells us the levels of wages the industrial wage rates in the economy and the secondary school enrollment.

So, if you read this table from the top to bottom from 1960 to 1985. You, see that the infant mortality rates have come down dramatically anthropometric measurement of children, the height of children within the age of 6 for both male and females seem to have increased. Now, increase in height is one of the very important nutrition indicators of good health of children. So, while IMR has been declining, the anthropometric measurement of height for age shows there has been an increase. And, remember that South Korea has been has been dubbed as an economic miracle has been dubbed as the

one of the East Asian countries, which has seen rapid rates of transformation in the economy in a very short span of time.

Incidence of poverty has come down, dramatically from 41 to 7 percent in 1985 compare and contrast this to India, where the Indian poverty rates are still about 29 percent as of today. Gini index shows that, levels of inequality have been low and it has been declining by small percentage points, unemployment rates have come down and they have been maintained wage rates have been rising and secondary school enrolment rates have also been rising. Now, it is important to remember here as pointed out by Dreze and Sen that before 1976 South Korea had no public health care system, they had no form of broad based, medical assistance, or medical insurance schemes in health care. Healthcare was primarily provided by private professionals and in the form and especially pharmacist.

South Korean government had consistently rejected the welfare state model. And so, this will give reason enough to conclude that the South Korean miracle points to of improvements in quality of life is mostly a private enterprise doing. It came about because of the efficiency of the private enterprises or the functioning efficient functioning of the markets. However, Dreze and Sen bring out some serious qualifications to this conclusion, serious qualification that need to be kept in mind before coming to these conclusions regarding the South Korean miracle. First they point out is that South Korean the 1940s already had a base for equitable growth and how? This was primarily through a relatively equal distribution of assets particularly education and land.

So, what they had done was the was a government has played a major role in equitable grow in ensuring equal distribution of land and education. And, this equitable growth was reinforced by the labor intensive orientation of their industry. And, this orientation took place within a structure of incentives and inducements worked out by the government. So, if one is to claim that. So, they claim that it is impossible to understand Dreze and Sen claim that it is impossible to understand South Koreas experience without reference to the major role played by the government, in enabling the population to participate fully in the process of growth. Second, point that they referred to is that South Koreas economic expansion was also due to the conducive economic environment provided to the private enterprises by the state.

So, which means during the period of 1970s and 80s 60s 70s and 80s there have been evidences of extensive credit control and incentives, import substitution measures infrastructural investments and sophisticated tax administration system. And, they also say show that South Korean government had actually had regular 5 year plans have ahd regular 5 year plans since 1962 and they have very efficiently tried to implement these 5 year plans as well.

So, if one is to say that the South Korean growth experience or what has been dubbed in the literature of growth and development as a South Korean miracle has been without any government intervention, it is an it is a misnomer, it is an over statement. And so, the South Korean miracle with respect to income growth needs to be very cautiously approached as illustrated by Dreze and Sen.

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	Ratio (%)	Growth rate of GNP per head (1965-85)
Ten developing countries with lowest ratio		
China	32	4.8
Jamaica	33	-0.7
Sri Lanka	35	2.9
Guyana	36	-0.2
Costa Rica	37	1.4
Burma	42	2.4
Chile	45	-0.2
Mauritius	46	2.7
Hong Kong	50	6.1
Madagascar	52	-1.9

Table 10.6: Actual value of U5MR (1985) as percentage of value predicted on the basis of GNP per capita

Now, this is about the growth which the countries, which have seen growth mediated strategy which have adopted growth mediated strategies of development. It also make sense to see how the countries that were identified as following support led security strategy of development have performed, in contrast to those countries, which have had more or less similar levels of GNP per capita or income per capita.

The countries that, they have identified were China, Jamaica, Costa Rica, Chile and Cuba and here this table here shows, the figures for this table is in 2 parts. The first part here shows the figures for China, Jamaica, Sri Lanka, Guyana, Costa Rica, Burma Chilli

Mauritius Hong Kong and Madagascar, but we will focus on these the 5 countries here China, Jamaica, Sri Lanka, Costa Rica, and Chile. And, it is important that we know that these countries that were identified here, they have deviated from the standard relationship between GNP and mortality.

Basically, China, Jamaica, Costa Rica and Chile have been able to attain very low rates of improved rates of under 5 mortality in spite of having low rates of growth rates of GNP, but it is important to point out Sri Lanka here, which is an exception among these countries because, Sri Lanka has had very low growth rates of GNP per head between the period 1965 to 1985. And; however, it have the comparable reduction in under 5 mortality rate is as good as it was in China, despite having low growth rates compared to China, and the and Dreze and Sen argue that Sri Lanka did not grow dramatically during this period 1960 to 1985, but something miraculous happened in Sri Lanka prior to that.

So, according to them accelerated breakthrough in mortality reduction take took place in Sri Lanka in the 1950s and the 1940s. There was rapid growth of public support in the form of re or subsidized ration expansion of public health services and so on. And, these breakthrough in expansion of health services and public services in Sri Lanka, led to you know a rapid expansion of or improvement in living standards of people within the country. So, the and this can be largely attributed to decades of rapid growth of public support in the form of free or subsidized distribution of rice public health services and so on.

So, the Sri Lankan country has had a different time pattern from other countries. And, Sri Lanka's pioneering experience has been of greater general interest among the different countries of the world. And, this has a Sri Lankan experience has also been shown as one of the important case studies, in studying growth and development in the period of the 1990s and the 2000s.

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Conclusion

- ❑ Whether immediate and extensive measure of public support in a poor country lead to slower economic growth is an extremely complex question.
- ❑ The interaction between public support and economic growth include not only dilemmas and trade-offs, but also many positive links (eg. Effects of improved health and nutrition on productivity).
- ❑ The very large 'growth equivalent' of public support, only the existence of some remarkably powerful (and negative) trade-off between public support and economic growth would seriously undermine the case of extensive involvement in public support at an early stage of development.

Now to conclude this lecture on economic growth and public support led security strategies of development. These are the 3 main points that Dreze and Sen are making they are seeing the whether immediate and extensive measure of public support in a poor country, lead to slower economic growth is an extremely complex question and it needs to be dealt with very cautiously. The interactions between public support and economic growth include not only dilemmas and tradeoffs, but they also include many positive links.

But, if the focus is more on the dilemmas and not on the positive links, then there will not be much scope left for public support in bringing about or providing basic capabilities to people. So, what is worth noting here is that given the very large growth equivalent of public support, only the tradeoff between public support and economic growth would seriously undermine the case of extensive involvement in public support at an early stage of development. So, while there are a tradeoffs and there are interconnections, it is important that we look at the interconnections been public support and economic growth.

So, that a sufficient importance need to be given can be given to public support at an early stage of development, because the experience of some of the poorer countries of the world have shown that, while their economic growth rates have not risen dramatically. Because, the state has played an important role in providing to the social

sector, they have been able to achieve very high levels of human development I will see you in the next class.

Thank you.