

BE~COND LIBERALIZATION:  
SOCIAL OPPORTUNITY AND HUMAN CAPABILITY

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This talk draws on my joint work with Jean Dr6ze, to be published in a monograph, provisionally called India: Economic Development and Social Opportunity, and on a volume of essays edited by us for the World Institute of Development Economics Research, Social Opportunity and Public Action, which includes contributions also of V.K. Ramachandran, Sunil Sengupta, and Haris Gazdar. I am also grateful for discussions with Athar Hussain, Lal Jayawardena, Amulya Nanda, M.S. Natarajan, V.K. Ramachandran, Jon Rohde, and T.N. Srinivasan. As before, my understanding of these problems is much influenced by the ideas and analyses of Jean Dreze.

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ABSTRACT

Policy debates in India have to be taken away from the overwhelming concentration on issues of liberalization and marketization. The nostalgia of the old debates "are you for or anti the market?", or "Are you in favour of or against state activities?" seems to have an odd "hold" on all of us, so that we concentrate only on some issues and ignore many - often more important - ones. While the current economic reforms take good note of the diagnosis that India has too much government in some fields, they ignore the fact that India also has too little government activity in many other fields, including basic education and basic health care, which makes people's lives miserable and which also severely limits the possibility of economic expansion.

Key words: India, social sector, education, public health, liberalization.

JEL Classification system: H1, H41, I1, I2, I3, O1, O53, P51.

I feel very honoured indeed to have this opportunity of paying tribute to the memory of D. T. Lakdawala - a friend and a fellow economist for whom I had great admiration. He was deeply inspiring as a scholar and extremely sympathetic as a human being. The qualities of sympathy and humanity are sometimes underestimated in economics, but they can be important ingredients in making analysts take a deep interest in the well-being and freedoms of people, and this can be a major asset in significant economic work. I doubt that Adam Smith could have been as great an economist as he was but for the quality of sympathy for other human beings that he had so plentifully, and on the necessity of which he had written so eloquently. Even debates on practical economic policy cannot be fully understood without keeping the basic human interests and motivations firmly in view, and this applies as much to problems of economic practice in India today as to policy making anywhere else.

## 1. Human Capabilities: As Goals and as Instruments

On the eve of independence, nearly half a century ago, Jawaharlal ~Tehru reminded the country, in his famous speech on our "tryst with destiny", that the task ahead included "the ending of poverty and ignorance and disease and inequality of opportunity." Some achievements have indeed been made in these general areas, including the elimination of substantial famines, fairly successful functioning of our multiparty democratic system, and the emergence of a very large and vibrant successful scientific community - achievements that compare favourably with what has happened in many other parts of the world. However, it is not hard to see that much of the task that Nehru had identified remains largely unaccomplished, and that we have fallen quite far behind the best performers. We have to ask what obstacles we face, how they can be eliminated, and whether we are already on course in remedying the underlying deficiencies. That is the subject matter of this Lakdawala Lecture.

Nehru's list of the tasks that India faces is well worth remembering in taking stock of where we are, and more particularly where we are not. As Nehru pointed out, the elimination of ignorance, of illiteracy, of ineliminable poverty, of preventable disease and of needless inequalities and opportunities must be seen as objectives that are valued for their own

sake. They expand', our freedom to lead the lives we have reason to value, and these elementary capabilities are of importance of their own.' While they can and do contribute to economic growth and to other usual measures of economic performance, their value does not lie only in these instrumental contributions. Economic growth is, of course, important, but it is valuable precisely because it helps to eradicate deprivation and to improve the capabilities and the quality of life of ordinary people.

We must not make the mistake - common in some circles - of taking the growth rate of GNP to be the ultimate test of success, and of treating the removal of illiteracy, ill health and social deprivation as - at best - possible means to that hallowed end. The first and the most important aspect of Nehru's listing of what we have to do is to make clear that the elimination of illiteracy, ill health and other avoidable deprivations are valuable for their own sake - they are "the tasks" that we face. The more conventional criteria of economic success (such as, high growth rate, a sound balance of payments, and so forth) are to be valued only as means to deeper ends. It would, therefore, be a mistake to see

On the capability perspective in assessing individual advantage and social progress, see my Choice, Welfare and Measurement (Oxford: Blackwell; Cambridge, MA: MIT Press; New Delhi: OUP, 1982); Commodities and Capabilities (Amsterdam: North-Holland, 1985), and "Well-being, Agency and Freedom: The Dewey Lectures 1984," Journal of Philosophy, 82 (April 1985). See also the volume of essays, which I jointly edited with Martha Nussbaum, The Quality of Life (Oxford: Clarendon Press, 1993).

the development of education, health care and other basic achievements or primarily as expansions of "human resources" - the accumulation of "human capital" - as if people were just the means of production and not its ultimate end. The bettering of human life does not have to be justified by showing that a person with a better life is also a better producer.

I wanted to start at this point, because we must assert first things first. But our analysis cannot, of course, stop at basic issues only. Something that is of intrinsic importance can, in addition, also be instrumentally momentous, without compromising its intrinsic value. Basic education, good health and other human attainments are not only directly valuable as constituent elements of our basic capabilities, these capabilities can also help in generating economic success of a more standard kind, which in turn can contribute to enhancing the quality of human life even more. Many of the ingredients of a good quality of life - including education, health and elementary freedoms - clearly do have instrumental roles in making us more productive and helping us to generate more outputs and incomes. As I shall presently discuss, the lessons of economic and social progress across the world over the last few decades have forcefully drawn attention to the instrumental importance of education, health and other features of the quality of

human life in generating fast and shared economic growth (on top of the direct intrinsic importance they have). It will, of course, be a mistake to see the enhancement of human capabilities as being invariably effective in raising economic performance, since the political economy of actual use can be very different from the potential possibilities generated. But without generating those possibilities the question of their use would not even arise, and this is a lesson that many other countries have learned with very good effect.

In looking back at what Jawaharlal Nehru saw as our "tryst with destiny", we must both assert (1) the inalienable eminence of basic capabilities and the quality of life in judging the success of economic and social policies, and (2) the contingent but significant practical importance of many of these capabilities (especially those related to education, health and elementary freedoms) in promoting economic growth and through it further advancing the quality of life that people can enjoy. While the improvement of human life is its own reward, it also offers - as it happens - other rewards which in turn can create the possibilities of further augmentation of the quality of life and our effective freedom to lead the lives we have reason to seek

The subject of development economics, since its inception in its modern form in the 1940s, has been full of sombre theses of a multitude

"vicious circles", and there is a general air of pessimism that has characterized this discipline. In that context, the importance of this virtuous circle" in achieving economic and social progress can scarcely be overemphasized. I shall presently go into the empirical aspects of these relations, and critically examine, in that light, what is - or is not - happening in India today.

#### On Learning from Others and from India

India can learn a lot from the experiences of other countries which have done, in different ways, better than we have. More on that presently, but we must also note the fact that India has much to learn from India itself. We live in a most diverse country, and in many places our records are extremely disparate. For example, the average levels of literacy, life expectancy, infant mortality, etc., in India are enormously adverse compared with China, and yet in all these respects Kerala does significantly better than China. For example, in adult female literacy rate India's 39 per cent is well behind China's 68 per cent but Kerala's 86 per cent rate is much higher than China's. Indeed, as will be presently shown in terms of female literacy, Kerala has a higher achievement than every individual province in China. Similarly, compared with China, Kerala has higher life expectancies at birth (71 for

males and 74 for females, compared with China's 67 and 71 years respectively), a lower fertility rate (1.8 vis-a-vis China's 2.0), and a much lower rate of infant mortality (17 and 16 per thousand live births respectively for boys and girls in 1991, compared with China's 28 and 33 years respectively).'

There are a great many things that we can learn from within the country, by using the diversity of our experiences, particularly in the use of public action.<sup>7</sup> In some respects, Kerala despite its low income level - has achieved more than even some of the most admired high-growth economies, such as South Korea (for example, Kerala has a higher life expectancy at birth than South Korea). All this has to be recognized and the lessons used in policy making elsewhere in India. But at the same

<sup>6</sup> The sources of these data include Ansley J. Coale, "Mortality Schedules in China Derived from Data in the 1982 and 1990 Censuses," Office of Population Research, Princeton University, Working Paper 93-7, 1993; office of the Registrar General of India, Sample registration System: Fertility and Mortality Indicators 1991 (New Delhi: Ministry of Home Affairs, 1993); World Bank, World Development Report 1994 (Oxford: Oxford University Press, 1994); Jean Drèze and Mrinalini Saran, "Primary Education and Economic Development in China and India: Overview and Two Case Studies," forthcoming in Kaushik Basu, Prasanta Pattanaik and Kotaro Suzumura, eds., Choice, welfare and Development (Oxford: Oxford University Press, 1994). The life expectancy estimates for India for 1991 are "provisional" and draw on unpublished works of the Registrar General A.R. Nanda and M.S. Natarajan - I am grateful to them for letting me use these calculations.

<sup>7</sup> See Drèze and Sen, eds., Social Opportunity and Public Action (Oxford University Press, forthcoming), including the chapters on Kerala (v.K. Ramachandran), West Bengal (Sunil Sengupta and Haris Gazdar), and Uttar Pradesh (Jean Dreze and Haris Gazdar).

me, we must also note that Kerala has much to learn from the experiences of other countries on how to stimulate economic growth. Kerala's performance in that sphere has been quite dismal, even compared with many other Indian states. The political economy of incentives is of crucial importance in translating the potential for economic expansion, implicit in human development, into the reality of actual achievement in the economic sphere. Kerala has to learn as well as teach.

While the encouragement of economic incentives and opportunities has varied between different parts of the country, there has been a generally counterproductive regulatory environment in India that has restrained economic growth all over the country over many decades. We can profit a good deal from trying to understand what other countries have been able to do in generating economic growth and in utilizing that growth for improving qualities of human life. In the recent reforms this issue of learning from the experiences of more successful economic performers has loomed large. I shall presently have more to say on the lessons to draw from the experiences of other countries, and in that context, I shall have to argue that some crucial features of the experiences of the more successful countries may have been seriously missed. But before then, I must make a few remarks on the importance of removing

counterproductive controls and regulations.

### 3. On Removing Counterproductive Regulations

Comparison of India with the experiences of other countries is often made to motivate changes in economic policy, for example to defend a programme of economic reforms - involving liberalization of trade, deregulation of governmental restrictions, encouragement of private initiative, and so on. In this context, attention is paid to the remarkable achievements of South Korea, Hong Kong, Singapore, Thailand, and other countries - including China in recent years - which have made splendid use of market based economic opportunities. Such comparisons are indeed illuminating and there is much to learn from these countries.

The counterproductive nature of some of the governmental restrictions, controls and regulations has been clear for a long time. They have not only interfered with the efficiency of economic operations (especially for modern industries), but also often failed lamentably to promote any kind of real equity in distributional matters. The privileges were often exploited for the sectional benefit of those with economic, political, or bureaucratic power, or those with the opportunity to influence people with such power. A radical change was certainly needed for these basic reasons, in addition to the short-run crises that

ultually prompted the change that did occur.

The scope of and rewards from greater integration with the world market have been and are large, and India too can reap much more fully the benefits of economies of scale and efficient division of labour that any other countries have already successfully used." While greater reliance on trade is sometimes seen as something that compromises a country's economic independence, that view is hard to sustain. Given the diversity of trading partners and the interest of the different partners to have access to the large economic market in India, the fear that India could be an economic prisoner in the international world of open trade change is quite unfounded. This does not deny the importance of getting the terms and conditions right, including having fair regulations from GATT (or its successor) and other international institutions. But in general there is little reason for fearfully abstaining from the benefits offered by the greater use of the facilities of international trade and trade change.

I am not commenting here on the appropriateness or sufficiency of the exact pattern of current economic reforms that is being introduced in

<sup>1</sup> The actual scope of international division of labour depends to a great extent on the importance of economies of scale, which the recent literature on international trade theory is illuminatingly explored; see for example Paul R. Krugman, Strategic Trade Policy and the New International Economics (Cambridge, MA: MIT Press, 1986).

India. Rather, I am pointing to the necessity and general desirability of economic reforms that remove counterproductive regulations and restrictions and allow greater use of the opportunities of international exchange. There is a strong case for such a change, and that case is not overwhelmed, in general, by any real reasons for fearing exploitative trading relations. The wisdom of going in this direction does not, however, deny the importance of many other policy changes that are also needed, on a priority basis, to pursue economic prosperity through greater integration with the world market. I shall have more to say on that presently.

#### 4. India and China: Comparative Social Achievements.

In judging how India has been doing, it is useful to contrast its experiences with those of China. Whenever India is compared with much smaller countries, such as Hong Kong or Singapore, which have very successfully integrated with world markets, there **is understandable scepticism about the relevance of these comparisons; these are effectively city states** and can do many things that a country of the size of India cannot. In contrast, China, which is of a similar size - in fact larger - than India, provides an interesting and instructive comparative picture. This is not just because of size (though that is relevant too), but also

Just as China too started off from being in a state of much poverty and underdevelopment. Also, the Chinese civilization, like the Indian, has a long tradition of trade and commerce (along with traditional, non-market conventions), and furthermore, both India and China have the traditional similarity of having large expatriate communities which could play important instrumental roles in achieving more integration with the world of international commerce and trade. The comparison with China is thus, quite significant in understanding where India is and in rationalizing what it can and should do.

Table 1 presents the comparative figures in adult literacy rates in India and China. India is well behind China in this field - particularly in the realm of female literacy. In addition to the figures for the Indian average, Table 1 also gives data for two states within India that respectively do much better (Kerala) and much worse (Uttar Pradesh) than all the Indian average. Uttar Pradesh's male and female literacy rates of 56 and 25 per cent respectively lie very much behind China's 87 and 86 per cent, but on the other side, Kerala's 94 and 86 per cent are well ahead of China's achievements.

China too is, of course, a heterogeneous country of many provinces. Figure 1 presents the data for rural literacy rates for males and females for the Indian states and the Chinese provinces put together. Several

**Table 1**  
**Adult Literacy Rates, 1991**

		Females
India	64	39
China	87	68
Kerala	94	86
U.P.	56	25

Census Data

**Table 2**

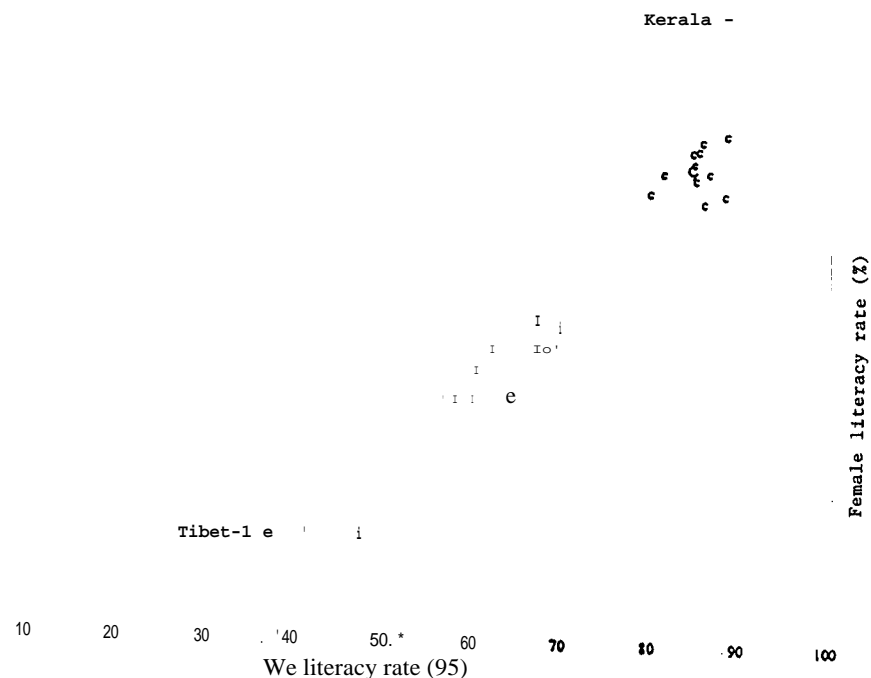
**Life and Death**

	Life expectancy Males	Life expectancy Females	Infant Mortality Rate 1991	Female Total Male Ratio 1990	Fertility Rate 1991
India	59	60	79	0.93	3.8
China	88	71	31	0.94	2.0
Kerala	71	74	18	1.04	1.8
U.P.		56	97	0.88	5.1

Source: **male** **System 1991** and information from the office of the Registrar General (the life expectancy figures for the Indian states for 1991 are provisional, and **World Development Report 1992**).



Mural Literacy Rates in Indian States (1991) and Chinese Provinces (1990)



<sup>i</sup> Jean Dreze and Mrioalial Saran; "Primary Education and Economic Development in China and India", in K. Basu.-;et al, Choice Welfare and Development, 1996, 161thcomins, OFF.

s an Indian state, c a Chinese province, but k is Kerala and t is Tibet.

features of this comparison are obvious from the figure. First, the Chinese provinces generally do very much better than do the Indian states. Second, nevertheless the best performer among all the Indian states and Chinese provinces put together is Kerala, and the worst performer is Tibet, so that the extremes go in the opposite direction to the relative pictures of means and modes. Third, while Kerala is comfortably on top, following Kerala come a whole bunch of Chinese provinces before the next Indian state comes into the league. Similarly, while Tibet is indubitably at the bottom, above it come a big group of Indian states before we get to the next low performing Chinese province. Finally, there is some evidence in Figure 1 that with the exception of Tibet, the Chinese provinces are more closely bunched together than are the Indian states. It is that bunched modal achievement of China that is so far above the run of Indian states.

Table 2 turns to matters of life and death, and presents the comparative picture of life expectancies at birth, infant mortality rates, total fertility rates, and female-male ratio in the population. Again, China is well ahead of India on the average, and tremendously ahead of Uttar Pradesh, but still significantly behind Kerala in each of these respects.

The distinction of Kerala is particularly striking in the field of

gender equality. The female-male ratio in the population tends to be well above unity, because of the survival advantages that females have over males in terms of age-specific mortality rates whenever they receive comparable attention and care. In Europe and north America, the female-male ratio tends to be around 1.05 on the average, though it would have been somewhat lower had there not been extra male mortality in past wars the demographic effects of which still linger. In contrast, in many countries in Asia and north Africa, the female-male ratio is well below unity, and this is the case in India too' But China's female-male ratio of 0.94, while higher than India's 0.93, is not really very high, whereas Kerala's ratio is close to 1.04, and is much higher than unity even after note is taken of greater emigration of men out of the state. This is a comparable ratio to that obtaining in Europe and north America and shows how much more equal Kerala is in terms of some elementary matters of gender parity, compared with China as well as the rest of India.

But leaving out the particular issue of gender equality, China's overall performance is enormously better than India's. While Kerala

<sup>1</sup> on this subject, see my "Missing Women," British Medical Journal, 304 (March 1992), and the literature cited there. For a general review of the literature (including critiques of the estimates of Dr&ze and Sen, and of Ansley Coale) and some new estimates of his own, see Stephan Rlasen, "'Missing Women' Revisited," World Development, forthcoming.

does better than China in terms of life expectancy, fertility rates and infant mortality, the gap between the two, in each of these fields, is typically a good deal less than that between the average pictures of India and China.

##### 5. Basic Education: India's Backwardness and Lessons of Kerala

In view of the remarkable expansion of higher education in India (we send about six times as many people to the universities and other higher educational establishments as China does, relative to its population), it is extraordinary how little we have progressed in basic education. When I gave my Lal Bahadur Shastri Memorial Lecture in 1970 (entitled "The Crisis in Indian Education"), the contrast between our attention to higher education and neglect of elementary teaching had seemed intolerably large." But that gap has, if anything Wown rather than shrunk over the last 25 years. I had tried to argue that there were deep seated class biases in the pressures that have determined Indian educational priorities, and that the inequalities in education are, in fact, a reflection of inequalities of economic and social powers of different

<sup>to</sup> "The Crisis in Indian Education," Lal Bahadur Shastri Memorial Lectures, given in New Delhi, on 10th and 11th March 1970, for The Institute of Public Enterprise, Hyderabad. Reprinted in S.C. Malik, ed, Management and Organization of Indian Universities (Simla: Indian Institute of Advanced Study, 1971), and partially reproduced in Pramit Chaudhuri, ed, Aspects of Indian Economic Development (London: Allen & Unwin, 1972).

coups in India." The educational inequalities both reflect and help to sustain social disparities, and for a real break, much more determined political action would be needed than has been provided so far by either those in office, or by the parties that have led the opposition. The weakness, in this field, of even parties of the "left" is particularly striking, given the fact that elementary education has been one of the few really solid achievements of the countries led by communist parties - in places as diverse as Soviet Union, China, Cuba and Vietnam.

The traditionally elitist tendencies of the ruling cultural and religious traditions in India may have added to the political problem here. Both Hinduism and Islam have, in different ways, had considerable inclination towards religious elitism, with reliance respectively on Brahmin priests and on powerful Mullahs, and while there have been many protest movements against each (the medieval poet Kabir fought against both simultaneously), the elitist hold is quite strong in both these religions. This contrasts with the more egalitarian and populist traditions of, say, Buddhism. Indeed, Buddhist countries have typically had much higher levels of basic literacy than societies

" The argument, presented in my 1970 Lal Bahadur Shastri lectures, that "the rot in Indian education is ultimately related to the structure of Indian society" (p. 273) unfortunately continues to hold, and there has been in the last quarter of a century quite inadequate public effort to overcome the legacy of those social inequalities.

dominated by Hinduism or Islam. Thailand, Sri Lanka and Myanmar (Burma) are good examples.

There is even some evidence that when Western imperialists conquered countries in Asia and Africa, they tended to expand - rather than counteract - the biases that had already existed in the local cultures. For example, the British in India took little interest in elementary education, but were quite keen on creating institutions of higher learning in the good, old Brahminical mode, whereas the same British in Buddhist Burma gave much encouragement to the expansion of elementary teaching, even though they tended to do rather little for higher education. 'a

The point of this passing thought is not to argue that India must remain imprisoned by its past, but only to indicate the necessity of explicitly addressing the questions of both ancient and modern biases that shape Indian educational policies - reflecting prejudices of class divisions as well as of traditional cultures. The difficulty in getting even "left-wing" parties interested in combating inequalities in education relates to the general social atmosphere in India (including the nature of

" The relevance of these issues was briefly discussed in my paper "Bow Is India Doing?", The New York Review of Books, 1982. On a personal note, as a young child in Mandalay, I remember being struck by the throng of Indian professors in Burma (my father was one of them for a while) coming from a country with extremely little literacy to one where most people appeared, even then, to be able to read and write.

the leadership of the different parties) which takes some major disparities as simply "given" and not particularly worth battling against (in view of either - perceived to be more "pressing" - challenges).

There is, however, some encouraging information in the remarkable heterogeneity that characterizes India in the field of elementary education. Advances of basic education have often come from forces that have rallied against traditional politics (including protests against the historical hold of caste practices), or against traditional cultures (sometimes in the form of missionary activities). While the latter may explain the higher achievements in elementary education in, say, Goa or Mizoram, Kerala has had the benefit of both types of breaks (education-oriented lower class movements as well as missionary activities), in addition to the good fortune of having royal families in Travancore and Cochin that happened to be atypically in favour of elementary education.

In drawing policy lessons from Kerala's experience of public action, one must be taken of two particularly instructive features. First a real difference has been made by political activism in the direction of educational expansion for the lower caste - and lower class - groups. In the general picture of political apathy towards elementary education that is characteristic of much of India (including of left-wing political parties), Kerala is a big exception, and the results vindicate the attention that has

been paid to this." There is, thus, much evidence here of the importance of political leadership and initiative and of popular involvement in making a real difference in the realization of basic capabilities of the people at large." The lessons to draw are of relevance not only for policy makers and political leaders in office, but also for opposition parties and the politically conscious public at large.

Second, the historical heterogeneity within Kerala itself is also quite instructive. When the state of Kerala was created in independent India, it was made up, on linguistic grounds, of the erstwhile native states of Travancore and Cochin, and the region of Malabar from the old province of Madras in British India, what is now mostly Tamil Nadu. The Malabar region, transferred from the Raj, was very much behind Travancore and Cochin in social development (including literacy and life

" See particularly V.K. Ramachandran's chapter on Kerala in Dr. Ze and Sen, eds., Social Opportunity and Public Action, forthcoming. Ramachandran goes through the long history of Kerala's educational expansion, and the emergence and development of other forms of public intervention, and outlines the role of public participation and local leadership in bringing about the changes the results of which make Kerala stand out so sharply in India.

In West Bengal, the state other than Kerala in which left-wing parties have been in office for substantial lengths of time, the consensus in India of a elementary school education, while better than that of many states, has been relatively indifferent. However, there has been in very recent years a shift of governmental policy in the direction of emphasizing elementary education, and there are some early signs of rapid progress beginning to be made in this field. See the chapter of Sunil Sengupta and Haris Gazdar in Dr. Ze and Sen, eds., Social Opportunity and Public Action, forthcoming.

expectancy - and mortality rates generally), which makes Kerala so special. But by the 1980s, Malabar had so much "caught up" with the rest of Kerala that it could no longer be seen in divergent terms." The initiatives that the state governments of Kerala took, under different 'managements" (led by the Communist Party as well as by the Congress), succeeded in transforming Malabar into being basically at par with the rest of Kerala. Since Kerala has had a rather special history, it is important to note that a region need not be imprisoned in the fixity of history, and much depends on what is done here and now. In this too Kerala itself offers a lesson for the rest of India on what can be done by determined public action, even without having the favourable historical circumstances of Travancore and Cochin.

The heterogeneity within India is illustrated and explored in Table 3 which gives information on the literacy rates of rural children in India as a whole and in the two states of Kerala and Uttar Pradesh. It turns out that while nearly all the children in the age group of 10 to 14 years are literate in Kerala, one out of the U.P. male children and more than three fifths of the U.P. female children of that age group are clearly illiterate. The picture is similarly dismal for school attendance for India

Table 3			
Literacy rates of rural children in India, Kerala and U.P., 1983-1988			
	India	Kerala	U.P.
Overall	73	98	88
Males	73	98	88
Females	52	98	39
Age 6-9:			
Overall	73	98	88
Males	73	98	88
Females	52	98	39
Age 10-14:			
Overall	73	98	88
Males	73	98	88
Females	52	98	39
Age 15-19:			
Overall	73	98	88
Males	73	98	88
Females	52	98	39
Age 20-24:			
Overall	73	98	88
Males	73	98	88
Females	52	98	39
Age 25-29:			
Overall	73	98	88
Males	73	98	88
Females	52	98	39
Age 30-34:			
Overall	73	98	88
Males	73	98	88
Females	52	98	39
Age 35-39:			
Overall	73	98	88
Males	73	98	88
Females	52	98	39
Age 40-44:			
Overall	73	98	88
Males	73	98	88
Females	52	98	39
Age 45-49:			
Overall	73	98	88
Males	73	98	88
Females	52	98	39
Age 50-54:			
Overall	73	98	88
Males	73	98	88
Females	52	98	39
Age 55-59:			
Overall	73	98	88
Males	73	98	88
Females	52	98	39
Age 60-64:			
Overall	73	98	88
Males	73	98	88
Females	52	98	39
Age 65-69:			
Overall	73	98	88
Males	73	98	88
Females	52	98	39
Age 70-74:			
Overall	73	98	88
Males	73	98	88
Females	52	98	39
Age 75-79:			
Overall	73	98	88
Males	73	98	88
Females	52	98	39
Age 80-84:			
Overall	73	98	88
Males	73	98	88
Females	52	98	39
Age 85-89:			
Overall	73	98	88
Males	73	98	88
Females	52	98	39
Age 90-94:			
Overall	73	98	88
Males	73	98	88
Females	52	98	39
Age 95-99:			
Overall	73	98	88
Males	73	98	88
Females	52	98	39

<sup>38</sup> On this see T.N. Krishnan, "Social intermediation and Human Development: Kerala State, India," mimeographed, Centre for Development Studies, Trivandrum; to be published.

as a whole and even more so for Uttar Pradesh.

Finally, it is totally remarkable that in rural India in the age group 12 to 14 years, more than a quarter of the boys have ever been enrolled in any school and more than half the girls have ever been enrolled either. As expected, in Kerala nearly all the boys and girls of this age group have had some schooling and on the other side, in Uttar Pradesh the percentage of rural children of this age group who have been totally out of school is even higher than in India as a whole. In fact more than two thirds of the U.P. girls between 12 and 14 have never had the benefit of any schooling at all. This is an appalling picture of neglect of basic education, and shows how very backward the bulk of India is - in terms of an important element of "the task" that Nehru identified in 1947 - and furthermore, how abysmal the failure is in India's largest state. With more than 140 million people, had Uttar Pradesh been a country on its own, it would have been one of the largest countries in the world and would have been - or close to being - the lowest in terms of school education in the entire world.

Indeed, in the field of elementary education, India is not only behind China or Sri Lanka or South Korea, but also worse off than the average of "low income countries other than India and China" (as defined by the World Bank), the comparative data for which are given in Table

4. Even in comparison with sub-Saharan Africa - perhaps the most problematic region in the world now with its record of recurrent famines - India does not shine. While it just about matches the literacy rates of Nigeria, it falls well behind the achievements of many of the African states, including Botswana, Zimbabwe, Kenya, and Ghana (Table 4). If India's relative performance is "middling" in many fields of economic and social development, its record is far below that - close to the very bottom - in the fields of literacy and elementary education.

#### 6. Educational Backwardness and Economic Handicaps

While education and the development of human ability and skill must not be valued 2Wy as instruments to other ends, their instrumental importance must also be acknowledged (as was discussed earlier). In the analysis of what "growth-mediated" social progress is, public education can be both favourable to economic growth (through expanding the opportunities of economic expansion) and favoured by economic growth (through generating more resources for such support)."

The economic roles of school education, learning by doing, technical progress, and even economies of large scale can all be seen as

<sup>11</sup> on this, see Jean Draze and Amartya sen, Hunger and Public Action (Oxford: Clarendon Press, and New Delhi: Oxford University Press, 1989), Chapter 10.

been quite crucial in countries that have successfully grown fast making excellent use of world markets: for example, the so-called four "tigers" in East Asia (viz. South Korea, Hong Kong, Singapore, and Taiwan), and more recently, China and also Thailand. The modern industries in which these countries have particularly excelled demand many basic skills for which elementary education is essential and secondary education most helpful. While some studies have emphasized the productive contribution of learning by doing and on the job training, rather than the direct impact of formal education, the ability to achieve such training and learning is certainly helped greatly by basic education in schools prior to taking up jobs."

In the context of learning from the experiences of the fast-growing economies of East Asia, it is important to recognize that all these countries - South Korea, Hong Kong, Singapore, Taiwan, Thailand, and post-reform China - had enormously higher levels of elementary education at the time they went for fast economic growth and greater

I' Despite having quite a different focus of emphasis in the past, the World Bank has also acknowledged these connections in its recent study of "the East Asian miracle", which draws on a vast range of empirical works: "We have shown that the broad base of human capital was critically important to rapid growth in the HPAEs (high-performing Asian economies)]. Because the HPAEs attained universal primary education early, literacy was high and cognitive skill levels were substantially above those in other developing economies. Firms therefore had an easier time upgrading the skills of their workers and mastering new technology." (World Bank, The East Asian miracle, oxford: Oxford University Press, 1993, p. 349.)

integration with the world economy. The point is not that these countries have a much higher base of elementary education now than India currently has, but that they already had radically higher levels of elementary education in the 1970s, when they went rapidly ahead, compared with what India has now.

Table 5 presents some comparative figures on this. India's current level of adult literacy at 52 per cent is not only enormously lower than the current figures for China, Thailand, Korea or Hong Kong, but compares very unfavourably with the adult literacy rates around 70 per cent at the time these countries respectively launched their fast economic expansion (from 1980 in China and around 1960 or thereafter in Hong Kong, Korea and Thailand).

There has been an astonishing failure of adequate public action in expanding elementary and secondary education in India. While "too much" government has been identified, with some plausibility, as a problem of past policies in India, in fact in the field of basic education (and also those of elementary health care, land reforms and social security), "too little" government action - rather than "too much" - has been the basic problem." This is not to deny that India can quite

" These issues are discussed extensively in my forthcoming joint book with Jean Droze, India: Economic Development and Social opportunity.

possibly achieve high rates of growth of GNP or GDP even with present levels of massive illiteracy. It is more a question of the strength and the nature of the economic expansion that can occur in India today, and the extent to which the growth in question can be participatory.'

The social opportunities offered by market-based economic growth, particularly of integration with modern world markets, are severely limited when a very large part of the community cannot read or write or count, cannot follow printed or hand-written instructions, cannot cope easily with contemporary technology, and so on. The objective of integration with the world market - important as it is - is deeply hampered by India's unusually low level of basic educational development. The inequality in Indian educational policies and achievements thus translates into inequalities in making use of new economic opportunities. The distributive failure supplements the effect of educational backwardness in restricting the over-all scale of expansion of employment-generating modern production.

Indian illiteracy and educational backwardness have many adverse effects: on the freedom and well-being of people in general and women in particular, on high mortality and fertility rates, on lack of pressure for

<sup>29</sup> On the characteristics of participatory growth and their relevance in enhancing living conditions, see Jean Dreze and Amartya Sen, Hunger and Public Action (1989), Chapter 10.



social change, and on the failure of the Indian masses to demand responsible public attention in such fields as health care." But in addition the lack of elementary education also makes the goals of economic expansion very much harder to realize. We have to face here two quite distinct but interrelated problems that limit the attainment and rate of economic growth. First, elementary education is extremely important for successful integration with the world market. The nature and range of the commodities sold by, say, Korea since 1970s or China from the 1980s bring out clearly how crucial basic education is for catering to the world market, with production to specification and reliable quality control. Second, the wider the coverage of the population that takes part in the integration with the world market, the more "participatory" the process of growth would tend to be, raising the income earning power of large parts of the nation. Even if India were to grow very fast with its highly technical industries (making use of special skills that India has cultivated and drawing on the trained middle class labour force), such as modern computer software or engineering products, the bulk of the Indians may still receive little reward from it.

<sup>21</sup> On the relation between education and other aspects of social choice, see Tapas Majumdar, Investment in Education and Social Choice (Cambridge: Cambridge University Press, 1983), and "The Relation between Educational Attainment and Ability to Obtain Social Security in the States of India", research paper, World Institute for Development Economics Research, Helsinki, 1993.

To make a relevant comparison, in the 1960s and 1970s the Brazilian economy grew very fast but achieved rather little reduction of poverty - in economic as well as social terms. The lack of participatory nature of that growth was extremely important in that outcome. Comparing Brazil's problems with patterns of more inclusive growth processes in east Asia tends to bring out the big difference made by participatory growth, and the specific role of widespread basic education in east Asia. India stands in some danger of going Brazil's way, rather than Korea's, and there is something quite important to choose there.

## 7. China: Pre-reform and Post-reform

In learning from China, we have to pay particular attention to what has been achieved in China in the post-reform period. But if the analysis presented here is correct, we must resist the common tendency now to "rubbish" what China had already done before the reforms. The spread

<sup>22</sup> See particularly Nancy Birdsall and Richard H. Sabot, eds., Opportunity Foregone: Education, Growth and Inequality in Brazil (Washington, DC: World Bank, 1993), and also their paper, "Virtuous Circles: Human Capital Growth and Equity in East Asia" (mimeographed, World Bank, Washington, D.C., 1993). On aspects of the Brazilian experience in particular, see also the article by Ignacy Sachs in Jean Drèze and Amartya Sen, The Political Economy of Hunger (Oxford: Oxford University Press, 1990). On aspects of Korean economic development, see also Alice Amsden, Asia's Next Giant: Late Industrialization in South Korea (Oxford: Oxford University Press, 1989), and Robert Wade, Governing the Market: Economic Theory and the Role of the Government in East Asian Industrialization (Princeton: Princeton University Press, 1990).

basic education across the country is particularly relevant in explaining the nature of Chinese economic expansion in the post-reform period. The role of mass education in facilitating fast and participatory growth has been quite crucial in the integration of the Chinese economy with the world market. The big step in the direction of mass education was decisively taken in China in the pre-reform period. The literacy rates in China by 1982 were already as high as 96 per cent for males in the 15-19 age group, and 85 per cent even for females in that age group. This social asset made **participatory economic expansion possible in** a way it would not have been in India then - and is not possible in India low.

A similar thing can be said about widespread health care and systems of nutritional attention, which China developed in the pre-reform period, but from which post-reform China has benefited a great deal. The importance of basic health and nutrition in economic development has received much attention in the recent literature.' In assessing the economic success of post-reform China, the groundwork done in the pre-reform period would have to be adequately acknowledged.

" See particularly Partha Dasgupta, An Inquiry into Well-being and Destitution (Oxford: Oxford University Press, 1993).

Another area in which the Chinese post-reform expansions have benefited from pre-reform achievements is that of land reforms, which have also been identified as having been of great importance in the east Asian economic development in general.' In China, things went, of course, much further than land reforms, and the extremism of communal agriculture certainly was a considerable handicap for agricultural expansion in the pre-reform period. But that process of communization of land had also, inter alia, abolished landlordism in China. When the Chinese government opted for the "responsibility system", it had a land ownership pattern that could be readily transformed into individual farming without intermediaries, not weighed down by the counteracting weight of tenurial handicaps (as in many parts of India)'

It is interesting that the institutional developments that have favoured participatory economic growth throughout east Asia (in particular, the spread of basic education and health care, and the abolition of landlordism) had come to different countries in the region in

<sup>21</sup> See, for example, the monographs of Amsden (1989), Ward (1990) and World Bank (1993), cited earlier.

<sup>25</sup> Within India, West Bengal has done much more than any other state in carrying out land reforms. The recent resurgence of its agricultural expansion has been, to a considerable extent, aided by this transformation. On this see the chapter on rural poverty in West Bengal (by Sunil Sengupta and Haris Gazdar) in the forthcoming book edited by Dr4ze and myself, Social Opportunity and Public Action. But the traditional iniquities in land holdings are very strong in many parts of India.

quite different ways. In some cases, even foreign occupation had helped, for example, in the land reforms in Taiwan and South Korea. In the case of China, the pre-reform governments had carried out, for programmes of their own, radical changes that proved to be immensely useful in the economic expansion based on marketization in the post-reform period.

These connections are extremely important to note in having an adequately informed interpretation of the Chinese successes of recent years, and in drawing lessons from it for other countries. If India has to emulate China in market success, it is not adequate just to liberalize economic controls in the way the Chinese have recently done, but also to create the social opportunities that post-reform China enjoyed through education, health care and land reform - to a great extent inherited from pre-reform achievements of that experimental country. The force of China's market economy rests on the solid foundations of social changes that had occurred earlier, and India cannot simply jump on to that bandwagon without paying attention to the enabling social changes - in education, health care and land reforms - that made the market function in the way it has in China.

#### 8. Social Opportunities and Economic Development

The central issue in economic development is to expand the social

opportunities open to the people. In so far as these opportunities are compromised - directly or indirectly - by counterproductive regulations and controls, by restrictions on economic initiatives, by the stifling of competition and its efficiency-generating advantages, and so on, the removal of these hindrances must be seen to be extremely important. The expansion of markets has a crucial role to play in this transformation.

But the creation and use of social opportunities on a wide basis requires much more than the "freeing" of markets. They call emphatically for an active public policy that could enable people to use the opportunities that the possibility of more trade - domestic and international - offers. Perhaps above all, it calls for a rapid expansion of basic education - overcoming the massive illiteracy and educational backwardness that characterize much of India" This requires the provision of literacy and elementary education as fundamental opportunities for all (rather than leaving the majority of women and a large proportion of men illiterate), and the spread of secondary education on a very much wider basis (rather than that opportunity being confined

" There is also considerable evidence that the rate of return to basic education tends to be higher in countries that are more "open", with less restriction on trade. On this and related issues, see Birdsall and Sabot, eds., Opportunity Foregone: Education, Growth and Inequality in Brazil (1993), cited earlier.

ely narrowly to particular classes). India's record in both these  
pects is quite dismal, despite the fact that literacy and school  
acation have been part of the rhetoric of Indian planning since  
iependence.

That rhetoric continues and there is perhaps even some  
ensification of it, but change in this field is still extremely slow, and  
are is little practical evidence of serious priority being attached to it in  
a way that liberalization and market reforms are receiving. Table 6  
esents growth rates of elementary schools over the decades, and while  
e percentage growth rates of recurring expenditures have moved up,  
at increase has not been adequate to compensate for the increase in  
lative costs (including teachers' salaries). Indeed, judged in "real"  
rms, the percentage expansion of the number of teachers has actually  
lien steadily from the 1950s, to the 1960s, to the 1970s, and through the  
)806. That trend has not been reversed recently - to some extent quite  
ie opposite has happened. The number of primary school teachers per  
nit of population has fallen between 1980-81 to 1990-91 (see Table 7).  
ince the economic reforms there seems to have been a further fall, and  
Zere has in fact been a decline in the absolute number of primary school

Table 6

Growth Rates of 1116.8 Elementary Schools  
(per ~ per ~ per year)

	Recurring expenditure at 1970-71 constant prices	Number of teachers
1950-51 to 1960-61	0.5	
1960-61 to 1970-71	5.8	4.5
1970-71 to 1980-81	2.8	2.7
1980-81 to 1984-85	11.1	2.1
1984-85 to 1989-90	10.8	1.6

Jean Drbze and Amartya Sen, Economic Development and Social Opportunity,  
forthcoming & based on data and analyses prepared by J.S.G. Toak (1993), P. N. Tyagi  
(1983), and A. N. Agrawal et al. (1992).

Table 7

Number	Primary School Teachers per 1000 persons
1950-51	14.9
1960-61	16.9
1970-71	19.3
1980-81	19.9
1990-91	19.3

"" Drbze and Sen. forthcoming, based on Tyagi (1993).

,achers between 1991-92 and 1992-93.<sup>27</sup>

There is little evidence that the seriousness of India's educational awkwardness has been officially recognized in any practical way by few Delhi. This is particularly odd, since - as was discussed earlier - basic education is not only important for the well-being and freedom of Ze people and for social change, but also for the success of India's conomic reforms. The prospects of participatory growth in India and idia's ability to make good use of the opportunities of integration with le world market are significantly compromised by the extraordinary awkwardness of basic education in this country.

There are also other expansions of social opportunity that call for rgent attention. These include the need for more widespread and better ealth care, greater access to provisions of social security, more effective nd sweeping land reforms, and in general, enabling the more onstrained sections of the population to lead a less restrictive life, icluding being more free to make use of the facilities that the spread of Zarkets could provide.

<sup>27</sup> See P.N. Tyagi, Education for All (New Delhi: National nstitute of Educational Planning and Administration, revised dition, 1993), p. 82.

## 8. Too Much Government and Too Little As Well

Policy debates in India have to be taken away from the overwhelming concentration on issues of liberalization and marketization. The nostalgia of the old debates "Are you pro or anti the market?", or "Are you in favour or against state activities?" seem to have an odd "hold" on all sides, so that we concentrate only on some issues and ignore many - often more important - ones. While the case for economic reforms may take good note of the diagnosis that India has too much government in some fields, it ignores the fact that India also has too little government activities in many other fields, including basic education and basic health care, which makes our lives miserable and which also limits the possibility of economic expansion.

We may need "more markets", but we also have to go "more beyond the markets". What needs curing is not just "too little market" or "too much market", but "too little market" in some areas and "too little beyond the market" in others. To emulate the use of markets in China or South Korea, without taking note of their vast and highly productive experience in public education and health care, and without understanding the role of these governmental activities in encouraging economic expansion, cannot be adequate. It is, at best, "piece-meal copying" of others -- not really "learning" from others. We have to go

,rell beyond liberalization to get somewhere.

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