State, Market, and Inclusive Growth

What is inclusive growth?

(Development includes everything good + GDP but GDP growth talks about inclusivity)

- Inclusive growth is the growth process which yields broad based benefits and ensures equality of opportunity/accessibility for all.
- It is necessary for poverty reduction and sustainable development.
- Commission of 2008- inclusiveness- concept- encompasses - Includes equity, equality of opportunity, protection during market and employment transitions. (Main Essential engredients)
- Deals with both micro and macroeconomics (household to every sector)
- Inclusive growth differs from income redistribution (short-term) as it focuses on sustainable development by providing equal opportunity and access to all.
- Pace and Parton (speed and priority) interlinked

Debate on state versus market

- While a larger market economy creates opportunities for free trade and public-private partnerships, it also increases competition.
- The state regulates the market and act as a catalyst for development, encourage creativity, social protection network, ease of economic insecurities and foster entrepreneurship.
- Advocates of state-led growth believe that bureaucratic administration (eg- CBI, ECI. We can come out of Hindu Growth Rate (GDP of that time)) could bring about development.

When do markets fail to support development? (GDP=GROWTH NOT DEVELOPMENT)

- It has been argued that free market has led to financial crisis.
- Free markets may fail if they lead to monopolies and create uncertain markets (supply can be restricted to keep the price high, this can lead to under provisions or scarcity, thus acc to general equilibrium economics a monopoly can cause **dead bate loss-** when cost is bear by society created by market inefficiency)
- It may also increase industrial pollution and promote rampant consumerism
- In the absence of adequate infrastructure, state has to intervene
- Although state led development increases corruption, regulation is necessary to prevent market failurewhere incomplete or imperfect info or limited knowledge (in the point of view of consumer)

-- . (Trickle down theory- govt should invest in entrepreneurs, firms and in return they will help in overall development: like proper wages, security etc.)--

MARKET AND STATE

- Lack of govt/state- would lead to high prices, uncontrolled markets, thus, govt should

WORLD BANK gave theory- model of structural development- basic and mandatory- govt to eliminate poverty and all, moulded according to the needs of society etc.

Need for inclusive growth in India

I. India lags behind in development as compared to countries with similar demographics
II. Low human development, gender, caste and regional disparities
III. High poverty and inequality
IV. Low scientific literacy among politicians
V. Widespread corruption
VI. Child labour prevalent despite legal provisions
VII. Low literacy rates
VIII. Slow pace of economic reform
IX. Achievement of growth target
X. Targets for education and health, women and health, infrastructure and development
XI. Pressure from international organizations

Elements of inclusive growth

- Four attributes of inclusive growth: **Opportunity (generation of more opp), Capability (people skills enhance kardo ki wo exploit kar paaye oppo), Access (opportunities and capabilities access), and Security (job opportunity security, not laid off anytime)**
- The main interrelated elements are:
  - Poverty reduction (world bank- 42 percent population- BPL in India. Income and calories- indicators of determination)
  - Employment generation: increase in quality and quantity
  - Agricultural development
  - Industrial development
  - Social sector development
  - Reduction in regional disparities
  - Protecting the environment
  - Equal distribution of income (taxation policies se spending)

Impediments to inclusive growth strategy in India (PROBLEMS)

1. **Poverty:** About 42% Indians below global poverty line, and inclusive growth further impeded by the caste system
2. **Unemployment:** High unemployment and major dependence on informal jobs worsens the economic divide due to lack of opportunities for the marginalized sections
3. **Agriculture:** Low productivity due to excessive dependence, shrinking farm size, widening gap between farm and non farm sectors, lack of irrigation facilities, incompetence in global sector, farmer suicide etc.

Impediments to inclusive growth strategy in India

4. Social development:

- Regional, social, and gender disparities
- Low level and growth of public expenditure
- Poor delivery systems
- Low HDI ranking (Pakistani Economist- Mahbub ul haq stated the concept of HDI- components- life expectancy, GDP, education- mean year of schoolig completed, expected year of schooling upon entering education)
- Poor social indicators for SC/ST
- Malnutrition among children
- BPO services under pressure due to global recession
- Strong influence of cultural and regional disparities

5. Regional disparities: Stark disparities in per capita GDP, IMR, female literacy, and growth.

Challenges before inclusive growth strategies in India

1. Poverty alleviation
2. Agricultural growth through private participation and government initiatives
3. Government schemes for eradication of poverty and unemployment
4. Eradication of child labour (bharat sabse bada provide karati hai programme- NOAPS)
5. Social development through women empowerment and removing regional disparities

Government schemes for poverty alleviation (EWS- 103rd CAA, 2019)

- Rural infrastructure (Bharat Nirman)
- Employment (MNREGA)
- Regional Development (Backward District Development Program)
- Education (Sarva Siksha Abhiyan)
- Rural Health (NRHM)
- Urban Infrastructure (National Urban Renewal mission/ JNNURM)

Eleventh Five Year Plan and Inclusive Growth- equal opportunity and social and economic justice (2008-12)

- Millennium development Goals not achieved (for improving lives of world's poorest people. MDG summit- 1st- 2000)
- Inflation accelerated (ghatana h)
- International environment uncertain
- Global pressure on food, other commodities (shortage due to wastage)
- Financial conditions and exchange rates remain volatile (fast fluctuations)
- Target literacy rates not achieved among marginalized groups
- Low agricultural growth
- Employment schemes suffer from corruption

BASIS	SDG SUSTAINABLE DEV GROWTH	MDG
Time reference	2015-30	2000-15
goals	17	8
Indicators	**232**	**48**
	END POVERTY, PROTECT PLANET, PEACE AND PROSPERITY	IMPROVE THE LIVES OF WORLD'S POOREST PEOPLE

Twelfth five year plan and inclusive growth (Manmohan Singh- maintain fiscal deficit- liabilities (expenditure) should not be excessive, money govt spend should be within limit)

- The 12th five year plan laid **emphasis on inclusive growth**, with focus on rural infrastructure development, GDP growth, literacy rates, and health expenditure.
- **Objective - 'Faster, more Inclusive & Sustainable Growth'** (2012-17)
- Reverse migration- existing place pe hi opportunity mile ki unhe job/jagah chodni na pade
- It was noted that inclusive growth requires:
  - Better performance in agriculture
  - Faster job creation, especially in manufacturing
  - Stronger efforts for health, education and skill development
  - Improved poverty alleviation programs
  - Special programs for vulnerable groups and backward regions

Collective efforts for inclusive growth

- Better governance (three branches- LEJ)
- More and better educational institutions
- Higher agricultural productivity
- Controlled inflation
- Infrastructure development
- Greater accountability for civil servants and lower corruption
- Optimal use of the country’s resources

--INDIA SHINING CAMPAIGN--FAILED

Inclusive Governance

- Creation of legal entitlements for an individual’s right to work
- Right to information
- Right to education
- Implementation of National Food Security Bill (NFSB) to remove hunger and malnutrition

Factor- most imp- how efficiently investment is done and allocated

Side issues- effective credit delivery sys, etc