

surfaced in many of these newly independent countries. Thus, the challenge to development were reformulated and with that the concept of development too. Since capitalism and its subsequent version 'reformed capitalism', with their institutions and premises, including the forward expansion of capitalism, that is, imperialism were held responsible for the existing situation of poverty, unemployment, and economic stagnation in these countries, it took a firm footing in the USSR and many East European countries. For some time, this system was envisaged as the best economic system. However, soon the enrichment with this institution and economic system withered and collapsed because it became too heavy with too much centralization, corruption, nepotism, and false ideology. Then the neo-liberal gospel influenced by Thatcherism and Reaganomics came for a brief period. Eventually, it too turned out to be an unhappy

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Economic Growth, Exclusion, and Human Development

BHAGIRATHI PANDA

INTRODUCTION

The thinking on economic development and consequently, to some extent, the practice to realize it have undergone a sea change over the last seven to eight decades. Although, the idea of economic development can be traced back to the times of the mercantilists and physiocrats, it makes enough sense to search for its initial definition in the capitalist system of the not very distant past. In this system, it was identified with economic growth that is to be brought about by means of increase in per-capita income, governed by the philosophy of laissez-faire. It was also thought that economic growth and, hence, development would act as a panacea against all types of ills afflicting and affecting an economy and society. This notion of development was subscribed to by a majority of the countries in the developed world. Came the great depression of 1929, and as a redeeming strategy, the crumbling laissez-faire-based capitalist system was supplemented with limited public intervention in economic matters.

Hence, emerged a new economic system called 'reformed capitalism', under which the notion of economic development was again essentially the same as under the earlier capitalism. However, during the 1940s and 1950s, when many of the colonies achieved independence in Asia and Africa, it was increasingly felt that the concept of economic development cannot be identified with economic growth alone. On the other hand, problems of inequality and unemployment

surfaced in many of these newly independent countries. Thus, the challenges to development were reformulated and with that the concept of development too. Since capitalism and its subsequent version, 'reformed capitalism', with their institutions and premises, including the outward expansion of capitalism, that is, imperialism were held responsible for this existing situation of poverty, unemployment, and inequality in the developing countries. As a solution, the economic system of socialism was advocated. Subsequently, it took a firm root in erstwhile USSR and many East European countries. For some time, this system was eulogized as the best economic system. However, soon the enchantment with this institution and economic system withered away and the system collapsed because it became too heavy with too much centralization, corruption, nepotism, and false ideology. Then the neo-liberal gospel influenced by Thatcherism and Reaganomics came for a brief period. Eventually, it too turned out to be an unhappy interlude in promoting development. Today, economic development is understood in terms of material and non-material dimensions in achievement and, more particularly and emphatically, expanding the vector of capability of individuals (incremental capability built). In this sense, it emphasizes both effective participation and achievement (income and non-income). In other words, economic development is identified with human development and accordingly the theories and practices in economic development are getting overwritten by the theories and practices in human development.

THEORETICAL FRAMEWORK

Since this chapter deals with economic growth, exclusion, and human development, it would be in the fitness of things to define them explicitly (although, most of us know what they mean) and provide for a theoretical framework for the study of the relationship among them.

Economic Growth, Human Development, and Exclusion

Economic growth, basically, refers to a steady increase in the real national income of a country. It has also become customary these days to express it as net of population growth. Expressed in the second sense, it gives us per capita real income of a country/state/region.

Human development, as mentioned above in the introductory part, is an evolutionary concept. It is an improvement over the concept of economic development, both in its contents and understanding

(whether an end, or a means). Human development has been rediscovered as the ultimate objective of all human activities in a society or economy. This is the ultimate objective of the people, for the people, and by the people. As a concept, it refers to enlargement of people's choices, freedoms, and capabilities, by ways and means that are participatory and sustainable in nature. Although this concept is a rediscovery, in many ways this rediscovery is fundamental, path-breaking, struggle-some, and critical. The genesis of its rediscovery lies as much in the disillusionment and inadequacy of economic growth and its associated institution, market mechanism, as in the urgency of strengthening growth as a mechanism of fulfilling certain dimensions of human development.

Exclusion can be social or economic. However, often both reinforce each other. We can understand exclusion both as a situation and as a process. Exclusion, as a situation, refers to a state of affairs at a point in time. As a process, it refers to the operation of the social, economic, political, and cultural forces that cause, maintain, and accentuate exclusion. Understanding the dynamics of exclusion as a process is much more important than just going by its manifestation or situation. Economic growth and its associated institution, the 'market', excludes sections of people on four counts. They do not have:

- (1) Sufficient income which can be translated into purchasing power;
- (2) Assets, whether physical or financial;
- (3) Capabilities acquired through education, training, or experience, which are translatable into labour and capable of yielding income through wages; and
- (4) they do not share market values (as the case with people in some tribal societies).

Exclusion reinforces concentration of wealth and income. It is both anti-economic development and anti-human development. In the ideal state of human development, inclusion (that is, no presence of exclusion) and economic growth go together. However, in practice, this may not be the case very often. When this synergy/equilibrium is not there, it has its obvious negatives for the economy and society at large. In such a situation, the greatest challenge for human living is: how to ensure this symmetry/equilibrium/synergy.

Human Development and Economic Growth—The Chain

Ranis *et al.* (2004) have identified four categories of situations with respect to the relationship between economic growth and human development, namely, virtuous, vicious, human development lopsided, and economic growth lopsided. Virtuous cycle refers to strong human development leading to strong economic growth, which in turn leads to strong growth. In the vicious cycle, poor human development leads to poor economic growth, which further depresses human development. In human development lopsided, strong human development is associated with weak economic growth. In economic growth lopsided, weak human development is associated with strong economic growth.

Arrangement and Relevance of the Chapter

This chapter discusses the north-eastern situation in the above outlined framework along with its various implications. All these are done using whatever limited data is available from secondary sources. Finally, based on the analysis and its implications, the chapter comes up with some relevant suggestions for policy and debate. Further, in the context of the North-East, not many systematic studies have been undertaken, even at the macro level, examining the issue of human development in a framework as stated above, along with a poignant examination of its implications for the economy and society of this region. In this respect, our endeavour is modest, but critical.

In this chapter we have used the definition of economic growth outlined earlier. To be exact, it refers to the growth rate of net state domestic product (NSDP). As far as human development is concerned, an ideal measurement of it should include its multiple dimensions and indicators. However, constructing such an index would be difficult at this stage, particularly in the context of the North-East where there is paucity of data. Hence, to make the analysis relevant, we have adopted the human development index (HDI) values computed by the Planning Commission and presented in GoI 2002. It is pertinent to mention here that these figures relate to the year 1991. The third concept, exclusion, has been explained and shown in terms of poverty and inequality along with measures of some basic economic infrastructural facilities (that is, roads, electricity, irrigation, banking, and credit).

ECONOMIC GROWTH AND THE NORTH-EAST

Table 14.1 clearly shows that both in the 1980s and 1990s, the average growth rates in NSDP for the region as a whole, have been lower

than that of the country. In the 1990s, the situation had worsened further. Whereas, for the country as a whole, the average growth rate has marginally increased from 5.5 in the 1980s to 5.8 in the 1990s, for the north-eastern region, it has decreased from 4.4 to 3.6 during the same period. Needless to mention here, that the 1990s were the period of liberalization, privatization, and globalization. The situation has grossly deteriorated in Assam. Except for Arunachal Pradesh and Tripura in all other states growth rates in NSDP have not exhibited any difference during the last 20 years.

Table 14.1: Average Growth Rates in the North-East in 1980s and 1990s
(At Constant 1993-94 prices)

States in NER/ Country	Average Growth Rate	
	1980s	1990s
ARP	9.0	5.5
ASM	4.2	2.6
MAN	4.7	4.8
MEG	5.5	5.5
MIZ	*	*
TRP	5.3	8.5
NAG	8.4	8.5
NE REGION	4.4	3.6
INDIA	5.5	5.8

Note: * Data for Mizoram are not available in constant prices.

Sources: Author's calculations based on data in Domestic Product of States of India, EPW Research Foundation, Mumbai, 2003 and CSO, Government of India.

HUMAN DEVELOPMENT AND THE NORTH-EAST

Table 14.2 shows that in 1991, the HDI value for Manipur, Mizoram, Nagaland, and Tripura has been significantly higher than the all India average. In the urban sector, all the seven north-eastern states are having higher level of HDI compared to the all India level. This situation of low economic growth and comparatively higher human development when put in the framework of Ranis *et al.* 2004 (outlined earlier in this chapter) places the region in the human development lopsided category.

EXCLUSION AND THE NORTH-EAST

One of the fundamental and critical indicators and causes of absolute exclusion is poverty. Poverty cripples human beings in not allowing

Table 14.2: HD Indices for North-Eastern States, 1991

States in NER/Country	Rural		Urban		Combined	
	Value	Rank	Value	Rank	Value	Rank
ARP	0.300	7	0.572	5	0.328	7
ASM	0.326	6	0.555	6	0.348	6
MAN	0.503	1	0.618	4	0.536	2
MEG	0.332	5	0.624	3	0.365	5
MIZ	0.464	2	0.648	1	0.548	1
NAG	0.442	3	0.633	2	0.486	3
TRP	0.368	4	0.551	7	0.389	4
INDIA	0.340	—	0.511	—	0.381	—

Source: Gol (2002).

them to build and improve on their capabilities. It also severely squeezes their opportunities for work and participation. The magnitude and spread of poverty in the region is given in Table 14.3.

Table 14.3: Poverty Incidence in North-Eastern States at Different Periods

States in NER/ Country	Poverty incidence (HCR)			
	1983	1987-88	1993-94	1999-2000
ARP	14.53	26.04	37.10	21.09
ASS	41.51	37.45	41.45	36.82
MAN	22.74	13.11	15.55	10.75
MEG	33.73	31.39	21.26	4.96
MIZ	22.87	2.81	21.26	1.71
NAG	2.97	NA	4.26	0.14
TRI	37.05	22.31	1.69	14.71
NE REGION	38.91	32.96	21.29	29.70
INDIA	45.57	42.14	35.95	25.87

Source: Kharpuri (2004).

It can be observed from this table that the poverty incidence in the north-eastern region, vis-à-vis, the all India level was lower in 1983, 1987-88, and 1993-94. However, in 1999-2000, it is higher than the all India figure. The poverty situation in the rural sector in the region is given in Table 14.4.

From this table, it is obvious that while at the all India level, the rural poverty incidence has been diminishing continuously, in the north-eastern region it has fluctuated. It decreased from 41.46 in 1983 to 35.84 in 1987-88, and then increased suddenly to 39.54 in 1993-94

Table 14.4: Poverty Incidence in the Rural and Urban Sector of North-East India, 1983-2000

States in NER/ Country	Poverty Incidence (HCR)							
	Rural				Urban			
	1983	1987-8	1993-4	1999- 2000	1983	1987-8	1993-4	1999- 2000
ARP	NA	26.43	41.20	22.50	14.53	16.22	6.05	5.06
ASS	43.30	39.75	45.20	40.18	22.14	11.45	7.93	7.23
MAN	25.61	15.81	18.86	14.11	14.74	6.52	6.89	0.53
MEG	38.52	36.18	24.37	5.96	7.67	2.04	1.81	NA
MIZ	27.67	3.93	6.24	2.85	2.44	0.62	1.81	NA
NAG	NA	NA	2.29	0.21	2.97	NA	NA	NA
TRI	39.28	23.73	23.63	16.67	21.91	11.22	NA	2.16
NE REGION	41.46	35.84	39.54	33.31	18.45	8.89	6.04	4.63
INDIA	46.51	42.40	36.85	26.50	42.32	41.16	31.70	23.98

Source: Kharपुरi (2004).

and again fell to 33.31 in 1999-2000. Further, rural poverty incidence in the north-east in both the periods, that is, 1993-94 and 1999-2000, has been higher than the all India situation. This brings out the fact that the North-East, in general, and rural North-East, in particular, reveals increased deprivation vis-à-vis the rest of India. The urban poverty situation reveals a different picture. Urban poverty incidence has consistently and significantly been lower in the north-eastern region as compared to all India. This incidence also shows a continuous fall in this region. Therefore, poverty in the north-east is basically a rural phenomenon.

Inequality in the region, as measured by the Gini coefficient, has increased during the period from 1993-94 to 1999-2000 (Table 14.5). What worries one is the fact that this inequality has increased during this period in all the north-eastern states, except Meghalaya.

Deficiency of basic infrastructure is both a cause and manifestation of exclusion. Looked at from this angle, availability and, thus, access to physical infrastructure in the region is limited vis-à-vis all India. From Table 14.6, it is obvious that the availability of four selected basic infrastructure namely, surfaced roads, electricity, irrigation, and banking in the region is much less compared to the country as a whole.

READING AND IMPLICATIONS

Theoretically, there is no conflict between economic growth, inclusion, and human development. Economic Growth (EG) implies

Table 14.5: Incidence of Inequality among the North-Eastern States, 1983 to 1999–2000

States in NER/ Country	Inequality Incidence (Gini Coefficient)			
	1983	1987–88	1993–94	1999–2000
ARP	NA	0.3212	0.2788	0.2907
ASS	0.2609	0.3100	0.2899	0.3125
MAN	0.1901	0.1685	0.1569	0.2190
MEG	0.2830	0.3064	0.2451	0.2126
MIZ	0.2058	0.1992	0.1819	0.2321
NAG	NA	0.1609	0.2010	0.2215
TRI	0.3261	0.2856	0.2829	0.2953
NE REGION	0.2702	0.2940	0.2793	0.2962
INDIA	0.3392	0.3508	0.3414	0.3470

Source: Kharpuri (2004).

Table 14.6: Availability of Selected Infrastructure in the North-Eastern Region vis-à-vis India

Infrastructure	Indicator Value			Indicator Value		
	Year	NER	India	Year	NER	India
Surfaced roads (per cent)	1982	18	47	1997	26	58
Villages electrified (per cent)	1980	19	45	2001	74	86
Net irrigated area as per cent to net cultivated area	1981	23	28	1997	21	38
Average population ('000) per bank office	1981	32	19	2002	21	15

Source: Author's calculation based on data from NEC (1982), RBI (1987 and 2003).

improvement in the material well-being of people that are supposed to promote better health, education, sanitation, and infrastructure to all sections of the society. However, for the above mentioned social and economic development to happen, the economy needs to grow strongly. Sluggish rate of growth, as we have experienced in the region in the last five decades, is unlikely to have a significant positive impact on the marginalized sections of population. The alternative strategy of development is to focus directly on social and economic infrastructure facilities such as health, education, sanitation, roads, power, banking, etc. Such a strategy followed in this region over the last couple of decades, has brought in mixed success. In the front of social development, the region has done well in education and health services. This has helped many of the states in the region to have better HDI ranking vis-à-vis the country. However, on the front of inequality,

poverty, and provision of fundamental economic infrastructure, the region has not been able to deliver as expected.

The interpretation of this situation may be that the conventional measure of HDI, developed by United Nations Development Programme (UNDP) or Planning Commission of India, by default, does not include many of the other variables of human development which could be important determinants of growth in the context of the north-eastern region. For example, security fulfillment is an important challenge in the region. There is absolute security deficit that does not encourage free flow of investment, particularly private investment of significance to the region. Secondly, government failure is widespread and substantial. Government failure and mundane material development sponsored by the state have created a vested interest group in the north-eastern society, which has monopolized the benefits of state-driven investment and developmental works. This is because of this groups' proximity to the political and administrative power centre. This group deliberately has excluded the vast majority of common people from the fruits of growth and development by depriving them socially and economically. This is a case of degeneration in the north-eastern society and is against its trusted age old social capital of community living and sharing. Although, there are cases at the country level which show that social development does not necessarily promote economic growth (for example, Kerala), but what is worrisome for the North-East is the presence of this divergence with the added presence of the institution of exclusion as discussed above.

Further, the region is struggling hard to adjust to its various social tensions and conflicts, including the threat of terrorism and insurgency. In such a situation, human development lopsided category status, along with the increasing social exclusion, does not augur well for the region. When:

- (1) employment generation for the educated youth was very slow in the 1990s because of the sluggish per capita economic growth (1 per cent, adjusted against an average growth of population of 2.6 per cent);
- (2) the capacity of the public sector to generate more jobs sinking because of the imperatives of liberalization; and
- (3) the local youth have the habit of not migrating in large numbers to other parts of the country where jobs are available; all these could bring added tensions into the social fabric of the north-

eastern society, thereby, further aggravating the already stressed situation. This may take away whatever positives have happened in the field of human development. In such an eventuality, the region may fall into the vicious human development-EG cycle.

THE WAY OUT

The above analysis leads us to suggest some measures to be undertaken to ameliorate the state in which the region finds itself embroiled. Promoting economic growth is the immediate need of the hour. This can primarily happen by accelerating industrialization and having greater value addition therein. However, industrialization in the region is held hostage to:

- (1) limited access to and availability of physical infrastructure (credit, transport, communications, power, and irrigation to name a few) including organized marketing;
- (2) lack of genuine entrepreneurship culture;
- (3) security deficit; and
- (4) bad governance.

Now to provide for this infrastructure, governments in the region have to play a proactive role along with developmental NGOs. On the entrepreneurship front, since dearth of genuine entrepreneurs is largely because of certain existing socio-cultural value systems and arrangements in the north-eastern society (for example, system of proxy entrepreneurship, easy money culture, risk avoidance, immobility, etc.) these need to be changed with time. The best way to get it done is to promote Self-Help Groups movement and effective participation. To overcome the third limitation, that is, security deficit, reorientation in the value systems is a must. This is a job to be done primarily by the civil society, academia, government, and peer groups. In the same line, better governance can be provided when governance in the states in the region comes under effective scanning of the civil society, academia, NGOs, and people at large. The argument that 'we need to establish peace first to have growth as a follow up', is gradually becoming elusive. This needs to be reformulated as 'invest first to have growth, without waiting for peace to prevail'. However, this does not exclude the possibility of working simultaneously on promotion of peace and growth in the region.

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