

# NEW PROPOSALS

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This journal represents an attempt to explore issues, ideas, and problems that lie at the intersection between the academic disciplines of social science and the body of thought and political practice that has constituted Marxism over the last 150 years. New Proposals is a journal of Marxism and Interdisciplinary Inquiry that is dedicated to the radical transformation of the contemporary world order. We see our role as providing a platform for research, commentary, and debate of the highest scholarly quality that contributes to the struggle to create a more just and humane world, in which the systematic and continuous exploitation, oppression, and fratricidal struggles that characterize the contemporary sociopolitical order no longer exist.

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*Cover:* African refugees in Israel holding their UNHCR papers. Photo courtesy of Natan Dvir

# New Proposals

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*Introduction*

## Crisis: The One Certainty Under Capitalism

Charles R. Menzies

*New Proposals Editorial Collective*

One year after the ‘great’ economic collapse and the ‘unthinkable’ takeover of the commanding heights of the US economy by neo-conservative President George W. Bush, one wonders if anything has really changed.

The Big Three, Chrysler, GM, and Ford, are still putting out their car and trucks; but (apparently) in a whole new way. “We are building a new car company,” Chrysler tells us. GM is “reinventing the automobile and our company.”

We’ve had a year of big bosses apologizing for being bad businessmen and then asking for more money from government. Governments the world over have rushed into the breach taking over national firms and bailing out transnational corporations.

On Wall Street bonuses, despite warnings from various government leaders, still seem to pour forth. Despite the unseemly mess of the financial sector scooping up hundreds of millions of support funding and then paying out bonuses as per normal (what ever happened to the idea that a bonus was ‘extra?’) they’ve kept on trucking and are coming up with new products that sound suspiciously like their earlier get rich Ponzie-like schemes that led to the sub-prime crisis.

There is a moral bankruptcy that pervades the centers of business, industry, and government. How else can one comprehend Wall Street bonuses sitting side by side with millions of Americans living in third world conditions? As we can see from Jeremy Graham’s paper in this issue health care in the USA is all about business and has very little to do about

the health and well-being of real working people. His article helps us understand why corporate America is opposed to healthcare for all—they have too much to lose.

The lack of a moral center to capitalism is part and parcel of the stability of the system. Crisis is in fact the norm. Crisis is that aspect of the capitalist economic system that makes transformation possible and that keeps workers in check. Crisis also balances the ledger books of capitalism and winnows away those enterprises that either cease to be efficient or, what is more often the case today, lack the political and economic connections to those in key positions in government.

The papers in this issue of *New Proposals* explore various aspects of crisis and market responses in our contemporary societies. Our authors confront the problems of crisis on real people through the movement of displaced people, the setting of health care practices, the trickle down effect and social equality, education, and the cause of food crises. While each author takes a slightly different vantage point, it is clear that crisis is the stable background against which one must struggle within our contemporary capitalist society.

The hope and despair that drives people to risk untold dangers is captured well in Hadas Yaron’s paper on African refugees seeking asylum in Israel. It is a story of contradiction and irony in which those escaping the genocide of places like Darfur find themselves subjected to a new racialized hierarchy within the heart of a state that was itself formed in an act of

escape from genocide. It is a well-worn critical path that highlights that tragic irony of the Israeli oppression and subjugation of the Palestinian people. Yaron's paper turns away from that path to explore instead Israel's connection to Africa as encapsulated by how the Israeli state records and documents and controls 21st century escapees of an African holocaust.

In "Julius Nyerere, an African Philosopher," authors Thenjiwa Major and Thalia Mulvihill explore the importance of Nyerere's educational philosophy of self-reliance. According to the authors, Nyerere's anticolonialism and his notion of African Socialism could have had an important role in recreating post-colonial Africa. However, the incorporation of the new political elites within the global capitalist system undermined Nyerere's ability to build an African Socialist society. All this being said, the authors still find promise for an educational approach inspired by Nyerere's philosophy.

As Jeremy Graham shows us in his paper on medical pricing in the USA improving health care is not simply a matter of improving access or availability of care. The American medical system is tightly entwined within the market economy in which 'products' are designed to be sold to employers rather than addressing the health needs of the general public. If President Obama's health care reforms are to be truly effective they will need to take the market out of medicine.

In the face of crises of production and distribution Micheal O'Flynn's discussion of the Malthusian model of crisis is timely. It is a common feature of mainstream market-oriented ideologies to place the blame onto the backs of the victims. Food crisis? Blame the hungry; there are too many of them. But,

as O'Flynn shows, the problem doesn't lie with too many people. Drawing from Marx's classic critique of Malthus, O'Flynn clearly shows us that these crises are in fact crises of production, not population. Food insecurity is really a problem of the wealthy protecting their own bloated interests.

Mainstream pundits often claim that business left to its own devices will benefit all. Yet, the old aphorism that what's good for GM is good for America should by now leave a foul taste in the pundit's mouth. At the moment when government and business leaders and pundits alike are beginning to pronounce an economic revival, Kanchan Sarkar's critique of the trickle down effect is particularly relevant. Using India as a case study Sarkar shows us that market mechanisms by themselves do not improve the social conditions of the majority. Rather, in the absence of strong government interventions social inequality increases when the economy is growing.

Crisis gives certainty and resilience to the capitalist system in general even while particular players within it may loose out. This is a good thing for the few who benefit from the capitalist system, but not for the rest of us. In this context advocating and building programs and policies that reduce the likelihood of crisis will actually contribute to the end of capitalism as a social system. This realization lies behind many of the neo-liberal/conservative attempts to de-regulate the economy and to transfer government services such as health care and education to the private sector—thereby increasing the likelihood of crisis. It's time that those of us interested in a humane society make the same realization and take action accordingly.

## “Your Papers or Your Life”: The Significance of Documents in the Life Experiences of African Refugees in Israel

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**ABSTRACT:** The article focuses on the role of ID papers in the lives of African refugees on their way to and in Israel. In the article, I discuss the way in which documents both encapsulate the past and relations and therefore enable one's future, as much as they monitor and control the everyday lives of displaced persons. I therefore wish to examine the complex relationships between persons, documents and institutions, and the way power is manifested through them. In the article I thus show how refugees are not only helpless, but to an extent also ones who can together with others shape and change the face of their present and future.

Keywords: documents, fetishism, refugees, Africa, Israel

### Introduction

In the first chapter of *Talks of Refugees* written by Bertolt Brecht a character named “dumpy” shares with its friend named “the big” the following observation:

The passport is the person's most precious organ. The passport is not made in a simple way as the person does. A person could be created everywhere and in the hastiest manner and with no reason—but the passport shall never. This is why the passport is accepted when it is a good one—while the person could be excellent and still not accepted. [Brecht 1996:7-8]

This statement, as with many others in the book, describes the pain and absurdity in the life experiences of refugees in Europe during the Second World War. Having no “good” document, according to Brecht, supercedes the person, as without the right passport, one is condemned to be “handicapped.” In this article I wish on the one hand to draw on Brecht's observa-

tion as to the existential importance of the passport in the life experiences of refugees, while I also wish to develop this observation further and point to the complex relationships between persons, identification (ID) papers and other documents throughout people's lives as refugees. In the article I focus on the life events of African refugees living in Israel and the way they perceive and act with their different documents, on their way to Israel and in their lives in the country.

African refugees started to reach Israel through the southern border with Egypt in large numbers in 2006. At the beginning most of the refugees were Sudanese including refugees from southern Sudan and Darfur, and later also large numbers of Eritreans crossed the border and entered the country. The first wave of refugees were people who had lived in Egypt for quite some time, but in the wake of a violent demonstration in front of the United Nations High

Commissioner for Refugees (UNHCR) offices in Cairo, the arrests and the other difficulties which featured in their lives in Egypt, made them decide to “take their chances” and cross the border into Israel. Later, African refugees started to travel to Israel from other countries, and some had even planned to reach Israel before they left their home country.

While a few scholars have explored what is defined as “migrant workers” in Israel emphasizing the labour perspective (see Sabar 2008; Kemp and Rajzman 2008; Rosenhek 2000; Willen 2003), dealing with either legal workers mostly from Asian countries, or illegal—mostly from Africa, little research has been conducted on African arrivals as refugees and particularly on the wave of thousands of arrivals from Sudan and Eritrea. Therefore while previous research emphasized the absence of documentation, or the documentation of foreign workers, this research wishes to examine the documentation of Africans in Israel as refugees, exploring their ID documents but not from the perspective of employment.

The number of refugees living in Israel is constantly changing and can only be approximately estimated by human rights organizations. Currently, there are about 17,000 African refugees living in the country. Only a much lower number of refugees from Asian and other countries are claiming asylum in Israel. Many of the African refugees are living and working in various cities in the country such as Ashdod, Eilat and Arad, others are held in prisons mainly located in close proximity to the border, while others are spread in various locations such as shelters and agricultural settlements. African refugees are normally imprisoned upon their entry to Israel. According to the authorities, their detention is aimed at identity verification, thus the need for documentation, medical examinations and providing vaccinations. Other refugees are held in prison for violating their “conditions for release.” Since the current status of Eritrean and Sudanese refugees is defined as a conditional release and their stay in Israel is geographically defined to allowed and forbidden zones, a violation of their conditions may lead to arrest. In general, the legal status of refugees staying in Israel is complicated and highly dynamic, or as many of the NGOs involved would say “chaotic,” as

although Israel signed the refugee convention there is no relevant domestic legislation and decisive policy. The State of Israel until recently had no solid asylum system and instead all of the relevant procedures were handled primarily by the UNHCR and approved by the State only at the very last stage of the application. As a result, the UNHCR in Israel plays a crucial role in the lives of refugees. Nevertheless, throughout the years Israel granted asylum through this procedure only to 170 refugees. On the other hand, in the absence of a local refugees’ law, the State acts on the basis of local legislation with regards to entering the country instead of international conventions. In the eyes of many of the NGOs the State’s policy is to have no policy at all, thereby putting most of the humanitarian weight in providing the needs of the refugees on voluntary shoulders. The attitudes of the government and public towards the African newcomers are complicated and are motivated by fears and indifference as well as compassion, and a sense of special moral obligation as the Jewish nation. The most telling example in this context is the reaction towards the arrival of refugees from Darfur. In Israeli public discourse, refugees from Darfur are often compared to Holocaust survivors.

The comparison between Jewish persecution and African genocide is not reserved for individuals or NGOs but was in fact primarily the reason why a couple of hundred Darfurian refugees were granted residency by the Israeli Government shortly after their arrival in the country in 2007. In certain cases, this approach also expands to refugees from other African countries. One of the reserve soldiers I interviewed, for example, told me that the journey of African refugees from Egypt into Israel reminded him of the borders his family had to cross illegally in Europe. On the other hand, Government officials in public and also private meetings refer to the African refugees coming from Egypt as “infiltrators.” The term “infiltrators” not only does not recognize the refugees’ need for asylum, but compares them to Palestinian individuals who attempted to enter Israel after the establishment of the Israeli State, and were treated as hostile and dangerous. Therefore while asylum seekers in Israel are associated with Palestinians in the terminology and certain laws enacted in their





*Natan Dvir photograph*

case, their system of documentation and “processing” is separate and different. One should note that the perception of Africans as hostile unfortunately is also apparent among certain citizens. A recent TV show which used a hidden camera followed a refugee from Congo in the streets of Tel Aviv. Certain people not only showed little empathy towards the refugee but one woman even called the police to arrest him since, as she said, it is a “Jewish State.”

I started conducting this research in the summer of 2007 as part of my involvement in an international human rights organization located in Tel Aviv, and later on with other local NGOs. Most of the organizations involved in campaigning and advocating for the refugees are local human rights NGOs such as the “Hotline.”<sup>1</sup> Other organizations involved such as the Kibbutz Movement are operating on a humanitarian basis rather than out of a human rights agenda. As a result, the approach of human rights organizations is a more critical one, focusing on changing policy and providing legal aid rather than humanitarian care. And although cooperation and coordination

is understood to be crucial by the different parties involved, disagreements and competition is often the practice. In this context, my research is an activist one as I am strongly involved and identify with the activities of certain human rights NGOs. As part of my involvement I collect information, write documents and also assist in the immediate needs of the refugees. This choice of position allows me to deepen my research on the one hand, crossing boundaries and being an active part of the reality I investigate, as much as it narrows prospective exploratory avenues on the other. The material I collect through the different activities such as meetings and demonstrations includes information on the Jewish-Israeli and the African side of the matter, the position of NGOs, the State and the public or society as well as the stories and experiences of refugees. One of the important issues, so I have gathered, which concerns policy and the everyday life of the refugees, is their documentation, the type of documents they carry, and the specifics detailed in or the content of the documents.

1. Please see their website: <http://www.hotline.org.il>.

In the absence of legislation and related policies, the types of documents the refugees are provided with vary and change with the ongoing changes in policy. Documents refugees possess include passports, national ID cards, UNHCR cards issued elsewhere, and letters provided by the UNHCR office in Israel, letters provided by the Israeli authorities when released from prison, as well as in certain cases ID cards or letters provided by the Israeli interior office. The different documents determine the refugees' name identity, original citizenship, their legal status in Israel, as well as the period and geographical area in Israel in which they are allowed to be employed. The documents therefore define the refugees' legal ability to move and provide for themselves, while their national identity determines their current status in Israel and, as I will explain later, it also provides, together with the personal identity, the basis for their asylum claim in the future. The documents mediate between the refugees and the authorities—the police who might stop them in the street, as well as their employers when they search for a job. The documents therefore enable and define the refugee's most basic needs and define their status, legal and social identity in the country. However, as I will show, refugees do not remain passive in their relationship with documents, but enact and thus demonstrate what I refer to as their “agency.” For example, refugees choose to present to officials the documents which they believe will assist them best in certain situations, or they may destroy documents (passports in particular) which they believe can cause them damage. In the next section I wish to identify some theoretical terms which could be of help in analyzing the relationships between the refugees and the documents they carry.

### **Documents: Persons, Bodies, Representations**

In the quote with which I opened the article Brecht describes the passport as “person for precious organ,” hence the passport in certain situations could be part of the person's body. On the other hand Brecht also cynically claims that the passport can “supercede” the person; be more important and valuable than the human being it represents. Yet while the first typifies

literary writings, the latter has been investigated in academic scholarship. Scholars who investigate the origins and functions of ID documents claim that documents serve nation-states in surveillance and the “maintenance” of their borders and populations (Scott 1998). According to John Torpey (2000) the invention of the passport in Europe was tied to the facilitation of far reaching mass movement, the creation of capitalist spaces out of local ones and the collapse of the pre-national Empires such as the Ottoman Empire. The passport regime was strengthened during the inner wars period, empowering totalitarian regimes in controlling and “imprisoning” their citizens or, in the case of other nation states, in building a “wall of papers” against migrants and refugees. Other scholars wish to shed light on other aspects of documentation. Gaston Gordillo (2006) describes the role of ID papers from the perspective of excluded native groups in Argentina and the effect of the deprivation of papers rather than their production. In the past, Gordillo says, the absence of “passports” made travelling through space a dangerous activity for native people, putting them in the vulnerable position of being “savages” who could easily be assaulted. For this reason, he explains, native groups today almost “venerate” their ID papers as material objects. A recent research of the anthropologist Tobias Kelly among West Bank Palestinians shows that as much as documents enable movements through space, one's “wrong” documents can impose confinement and closure (see Kelly 2007).

We can see therefore, that papers both enable and disable, and that the absence of papers can free individuals as much as it could be a way of classifying and controlling them. Looking again at Brecht, we can say that papers have the potential to fetishize persons, in being their representation but yet an object superior to them and which could erase them. However, papers could also be objects which encapsulate relations rather than erasing them (Riles 2004), and therefore could also function as body parts which enable our everyday life, as well as enabling us to survive extreme situations.

My focus on documents in this article will consider both of those aspects, namely the fetishism of ID papers as well as ID papers as organs, as part of

one's body or as a reflection of it. My focus on the latter derives from the testimonies of the refugees, and their interpretation. Therefore, while my interviewees do not describe ID papers literally as bodily organs, I found they made such parallels in speech or practice such as in holding documents close to their bodies and in handing them to me upon meeting them in order to explain who they are, both in their own eyes and in the eyes of the State.

### **Documents on the Way to, and throughout the Life in Israel**

One cannot underestimate the importance of ID documents on the journey to and in the stay of African refugees in Israel. From the encounters I had and the interviews I have conducted with refugees I found that refugees carry their documents on their bodies almost at all times. In fact, when it comes to objects from their home countries, documents are almost the only objects which they have left as the most precious ones. In most cases refugees are "stripped" of their belongings throughout their travel to Israel by the smugglers and the police in Sudan and Egypt, and also they lose many of the things they brought with them because of the hardship of their journey. One of the soldiers I interviewed, for example, told me that he remembered a photo album probably belonging to one of the refugees who crossed into Israel which was for some reason left and "wandered" around the military post and was later thrown away. Another reserve soldier told me that one night he found refugees' belongings which were caught by the fence in the haste and panic of crossing over and which he collected and gave back to them. Yet in the first encounter with the Israeli military, refugees are requested to present their passports or other ID papers if they have them. And therefore while some of the other objects are replaceable, documents are not necessarily so, and while many of the objects encapsulate the past, documents are the foundation for their future. This is another reason for their special importance, and for that reason documents are guarded close to one's body, often surviving the hardship of the journey.

In certain cases ID documents could also be perceived as the full reflection of a person. For example,

one of the activists told me about a young African who was shot by the Egyptian military and died on the Israeli side of the border and was buried as "anonymous" in a Kibbutz. His mother who is in Israel found it hard to accept that it was her son beyond any doubt buried in the Kibbutz, and said that she wanted to see the papers, which would convince her. Although she had not seen her son's body before burial, she did not request its exhumation to verify his death, but instead the ID papers he carried on his body were as evident for her as the body itself. As we shall see, the connection between body and documents has been elaborated also by the authorities in a more scientific vein through the implementation of biometric registration for all refugees.<sup>2</sup> However, while for the authorities the biometric examination aims at (as is also the case nowadays for example at American airports) directly registering one's bodily details, thus overcoming the power of paper documents, for this grieving mother, the documents were the proof for her son's body. Documentation, as these practices show is closely associated with the bodies of persons who escape across borders, and are subjected to anonymous, violent death. Marginality, therefore as I mentioned earlier, emphasizes the fetishizing relationships between persons and their ID documents.

While documents in the tragic case mentioned above define the end of life and the end of one's journey in an attempt to find asylum, for those who manage to cross safely into Israel, ID documents, as I have said, are the basis for their new life in the country. One's citizenship is of particular importance in Israel since in the absence of an individual-based procedure, asylum claimants have been given protection on a collective basis. As a result certain nationalities are more privileged than others. The Darfurians in this context are in the best position in comparison to others. As the survivors of a genocide the public and government are most sympathetic to this community as I have mentioned, and therefore a group of

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<sup>2</sup> The Israeli authorities execute a biometric registration for all asylum seekers which includes for example their fingerprints in order to be able to identify people according to their bodily features and not only by their documents. The asylum seekers receive a document from the police stating they were biometrically registered.

a couple of hundred Darfurians received Israeli residency cards. The documents the refugees carry with them as their passports, the ones they present to the authorities, are the basis for the type of papers they could be given afterwards.

The type of documents the refugees hold and the details specified in them have a strong effect on the way they can manage their lives in the new country. The Israeli documents normally state that the person is permitted to live in certain areas of the country—up north and down south. Therefore the documents define their movement and confine them to certain geographical areas. If they are found elsewhere by the police they could be arrested. In addition, the permit the refugees are given is limited in time, and if refugees are for some reason unable to renew their visas they can easily lose their jobs. The type of documents and the details included such as a photograph could also have a crucial effect. For example, one of the refugees I am in close touch with told me he has been unable to open a bank account for a very long time because he does not have a passport, although he has other documents. Not having an account puts his job in jeopardy and makes him an easy target for robbers because of the large amounts of cash he

has to carry on his body. This has been one of the major concerns for this particular young man. Not being able to open a bank account with the papers he is provided often frustrates him. Once while he had a job in Eilat he almost lost his position as the hotel he worked for agreed to pay his salary only through an account, and on another occasion as his room was broken into, he became more anxious about how to protect his money. Yet although documents produced in Israel have a strong effect on the refugees' everyday lives, often as African refugees don't read Hebrew they cannot tell what their content is and what could be their possible effect. One of the refugees told us in an interview that he was brought to the police and then released once he showed his papers, but he cannot tell what is in them, although the papers got him free. Thus, while documents could have such crucial impact affecting one's freedom and preventing deportation, they are illegible to the one who holds them.

Papers enable the State to monitor the presence of African newcomers as much as they facilitate or obstruct the life of refugees. For this reason the documents could be a target for resistance, for the enactment of one's agency. For example, one of the



*Natan Dvir photograph*

young men I came across who originates from south Sudan lost his papers and then his job and later drastically deteriorated into alcohol and other troubles. His arrests were uncommon incidents since his arrival in the country with his family, after living for many years in Egypt. One of the activists who has been in close touch with this young man suggested that it is possible that the loss of documents was not accidental and was this man's way of "rebellious," acting against the restrictions in having no papers at all. Because he lost his papers he had to travel to Tel Aviv in order to try and procure new papers, and could not continue anymore in the odd job he had in Eilat. The loss of papers provided him with a reason to get away and once more fall into the habit of drinking and sleeping outdoors. I believe that in a way, the loss of papers even if unconsciously and in a destructive manner, was this young man's way of enacting his agency to get away from the life which uprooting and seeking asylum offered him. Similarly, in a few cases I have come across, the destruction of national ID papers and passports by refugees who believe their papers could be harmful to them is a way of attempting to overcome the "wall of papers" and to improve their chances beyond borders. Similarly, one of the refugees from Eritrea told me that in Sudan he had no document provided by the government and felt safer than in Israel. Thus, for him, the documentation in Israel is a way for the State to control him rather than a way to guarantee his status and safety.

Nevertheless, I have found that, although documents are tools which facilitate the present and hopefully the future they have an emotional aspect which in some cases can supercede pragmatism. One of the refugees I interviewed told me that he had to escape his country under a false name and for security reasons decided not to carry any documents with his original name. Yet, he said it hurts him that he lost his name and cannot be called by it anymore. For him therefore the new passport allowed him to save himself but with it he also lost his past. Other refugees from Ethiopia I was told by one of the members of the community prefer not to declare they are Ethiopians but instead they are Eritreans although the position of the Eritreans in Israel is reasonable because they themselves choose to define themselves

as Ethiopians. In these cases, asylum claimants wish the ID documents not only to assist them in finding a new life but to "truly" define who they feel they are. Documents for them are not simply a tool, they are not the State's property but are part of them and therefore should be a faithful reflection of their identity.

### Conclusions – Refugees and Dialectics

In this article I have described the complex relationships between persons who are refugees, in this case African refugees, and the documents they carry or have issued to them. As I have shown, in a world in which people are compelled to cross national borders in search of a safe haven, there are different papers—national and transnational—through which they manage and which manage their lives. National IDs cards and passports "bring to the world" other papers, while all of the different papers continue to play an important role in the refugees' everyday lives. In that respect, power is not located in one document only, but in the dialectic relations between persons and their documents. They learn from their personal happenings about policies, the significance and content of their documents and strive to either fight or adapt to them.

In this vein, I wish to claim that documents could be perceived on the one hand as one's bodily organ, or as one's reflection, as much as they could be perceived as an instrument which erases one's past and enables one's future, a vital but sometimes an illegible object which determines important moments in one's life. Therefore, we should note, that while States attempt to monitor citizens through documentation, people produce and selectively use them, destroy and lose them in an inevitable search for new lives across national borders.

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## Julius Nyerere (1922-1999), an African Philosopher, Re-envisions Teacher Education to Escape Colonialism

Thenjiwe Major and Thalia M. Mulvihill

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**ABSTRACT:** Before the introduction of the Western system of education into Africa (18th century), the aim of indigenous education was to preserve the cultural heritage of the family, the clan, and the larger groups. Indigenous education was meant for every member of the society because it was believed that every member of society had a role to play in educating the child, thus the proverb "It takes a village to raise a child." This paper addresses the philosophy of self-reliance as advocated by Julius Nyerere (1922-1999) when he became president of Tanzania in 1962. Nyerere was highly critical of the social, political, economic and cultural value system imposed on his country during the period of colonization, and he worked relentlessly to go back to the traditional African values. He believed that the Africans should decolonize their minds in order to accept themselves as Africans. He believed that the education system introduced by the British in 1900, when they colonized Tanzania, did not address the needs of the Tanzanian people, therefore Nyerere advocated for education that he believed was more culturally relevant. Nyerere's philosophy of education has had a great impact on many African countries. This paper explores his educational philosophy of self-reliance and the impact of African Socialism on the African education system today. Furthermore, the paper critically discusses the reasons for the downfall of Nyerere while reemphasizing the power that educational ideas hold for transforming societies.

**Keywords:** African philosopher, colonialism, teacher education, social justice, socialism

### Introduction

**M**walimu Julius Kambarage Nyerere (1922-1999) was the first president of Tanganyika, presently known as Tanzania. He was given the title "Mwalimu" as a mark of honour for being a teacher. Nyerere was a secondary school teacher and when he became the president of Tanzania, he led his people wisely and firmly like a good teacher guides his pupil (Akinpelu 1998). Julius Nyerere studied at Edinburgh, in Britain. He was the first Tanzanian to study at a British university and only the second to gain a university degree outside Africa. He obtained his Masters of Arts degree in Economics and History in 1952. It is at Edinburgh University where Nyerere

learned the concept of Socialism that he later connected to African communal living.

When Western education was introduced to African countries, most African people viewed it as a form of "civilization." Some people like Henry Carr (Akinpelu 1998) were very grateful for the introduction of western education to Africa during the period of colonization from 1800 to late 1900. Nyerere had a different view of Western education being imposed on Africans. He believed that Western education was alienating Africans from their own values and thus reinforcing western values. Nyerere (1968a:269) stated colonial education "was not

designed to prepare young people for the service of their own country; instead it was motivated by a desire to inculcate the values of the colonial society and to train individuals for the service of the colonial state.” The British (Tanzania was a British colony) system of education placed more emphasis on the white-collar jobs and less on blue collar jobs. White-collar jobs are mainly office work related jobs while blue collar jobs are the manual jobs. Nyerere (1968a:270) noted that the education system was not transmitting the “values and knowledge of Tanzanian society from one generation to another; it was a deliberate attempt to change those values and replace traditional knowledge by the knowledge from a different society.” According to Mulenga (2001a), Nyerere refused to reject the African traditional way of life from his first year of education. He wanted to restore the African traditional value system that was despised by the colonizers. He wanted people to appreciate themselves as Africans.

### Nyerere: African Socialist

In traditional society, Nyerere maintains, the individual and the families were rich or poor according to whether the whole tribe was rich or poor. Nobody starved, either of food or human dignity. [Civille 1976:171]

Nyerere was against the economic and social ideas that the colonizers introduced in Africa. He believed that the economic system introduced by colonizers was a capitalist system that encouraged individualism at the expense of the community. Nyerere noted (Akinpelu 1981:115), “Capitalism fosters excessive individualism; promotes the competitive rather than the cooperative instinct in man; exploits the weak; divides the society into hostile groups and generally promotes inequality in the society.” He believed that capitalism regarded some individuals as superior (the rich) and others as inferior (the poor). He further asserted that the major aim of capitalism was the production of goods and profits, not human satisfaction or the interest of the consumer. Capitalism encouraged inequality since each person was allowed to acquire as much as one can (Nyerere 1968b). According to Nyerere, these capitalist ideas could

not be reconciled with African values; therefore, he advocated for Socialism.

Nyerere’s idea of African Socialism was based on three principles: work by everyone and exploitation by none; fair sharing of resources which are produced by joint efforts; and equality and respect for human dignity (Akinpelu 1981:115). Nyerere advocated for Socialism because he believed in the idea of *Ujamaa* or familyhood. By tradition, Africans are people who work together for the benefit of all members of the society (Nyerere 1968b). Many Africans hold the value of sharing and assisting one another, which in Botswana is called *letsema*.

Ujamaa was to help restore the cooperative spirit that the African people had before the colonizers introduced the idea of individualism. Mulenga (2001a:17) stated, “Nyerere’s aim was to transform the colonial value system which had alienated Africans from their past into one group of attitudes based on past African values and attitudes of self-esteem, cooperation, and family.” The idea of unity and cooperation in African tradition is further supported by Achebe’s *Things Fall Apart*. Achebe describes how Okonkwo pleaded for communal unity involving feasts in which he said:

A man who calls his kinsmen to a feast does not do so to save them from starving. They all have food in their own homes. When we gather together in the moonlight village ground it is not because of the moon. Every man can see it in his own compound. We come together because it is good for the kinsmen to do so... I fear for you young people because you do not understand how strong the bond of kinsmen is. [Adeyemi and Adeyinka 2003:431]

Unity was one of the principles that Nyerere advocated among Africans. He believed that when the society is united, they can help one another. Nyerere believed that people of Tanzania had to live as a family.

Nyerere emphasized equality among the society. He believed that social justice could not be achieved if there was no human equality. People were not to be judged by skin colour, material wealth or intellectual ability, but “each individual should be assessed by her or his worth as a person” (Mulenga 2001a:15). Each



individual person was to be respected and valued for who he or she was. This idea encouraged respect among members of the society.

### **Nyerere: Educational Philosopher**

Before the introduction of the Western system of education into Africa, the aim of the indigenous education was to preserve the cultural heritage of the family, the clan, and larger groups. The indigenous education was for every member of the society. Every member of the society had a role to play in educating the child, thus the proverb “It takes a village to raise a child.” The advent of the Western formal education changed the whole education system of the Africans. Education became a privilege of the chosen few. It also introduced western values and traditions that were in direct conflict with African values and traditions. Nyerere believed western education was a way of colonizing the mind of the Africans. Therefore, he wanted change in the education system.

Nyerere believed that education is an instrument of the society to reinforce its values and traditions. This is supported by Adeyemi and Adeyinka (2003:426): “Education is the process of cultural transmission and renewal, the process whereby adult members of a society carefully guide the development of infants and young children, initiating them into the culture of the society.” Nyerere believed that Africans acquire the attitude of the mind from socialization by the extended family.

Nyerere believed that the purpose of education should be to liberate a human-being (Mulenga:2001b). He concurred with Paulo Freire’s idea that education is a path to permanent liberation and it should make people self-reliant. According to Freire (1970:67) “liberating education consists in acts of cognition, not transferals of information.” Education should help people to recognize their oppression and then participate in its transformation. Nyerere stated that:

People can not be developed; they can only develop themselves. For while it is possible for an outsider to build a man’s house, an outsider cannot give man pride of self-confidence in him as a human-being. Those things man has to create in himself by his own actions. He develops himself by what he does, he develops himself by making

his own decisions, by increasing his understanding of what he is doing and why; by increasing his own knowledge and ability and by his full participation as an equal in the life of the community he lives in. [Akinpelu 1981:118]

The idea of one being able to recognize the condition of oppression and being able to participate in transformation was highly emphasized by both Nyerere and Freire. These two philosophers believed that it is only genuine education that can help the people to transform and become better citizens. Genuine education, according to both Freire and Nyerere, is the type of education that helps the individual to think critically. It helps one to apply theory into practice.

Nyerere’s educational philosophy can be approached under two main headings: education for self-reliance and adult education, lifelong learning and education for liberation (Kassam 1995). A brief discussion of each of these aspects follows.

### **Education for Self-Reliance**

Nyerere advocated that teachers and students should be engaged in productive activities and students should participate in the planning and decision-making process of organizing the activities (Kassam 1995). Active participation of students has been greatly advocated by many philosophers such as Dewey and Freire. Dewey believed in learning by doing. He asserted “the first principle is that teaching must be child-centered, that is, must take into consideration the present needs, interests and ability of the child, and it must involve the child in the activity: learning by doing” (Akinpelu 1981:151). Furthermore, Freire also noted that teachers should actively involve the students in the learning process. Freire believed that through dialogue, students become active investigators instead of passive listeners. Active participation encouraged the idea of self-reliance. Self-reliance in education calls for a school curriculum that integrates theory and practice. Nyerere as cited by Akinpelu (1981:122) stated “the object of teaching must be the provision of knowledge, skills, and attitudes which will serve the student when he/she lives and works in the changing socialist state, it must not be aimed at university entrance.” Nyerere wanted education that

students could apply to the real world and he advocated the following changes in the education system of Tanzania:

1. It should be oriented to rural life.
2. Teachers and students should engage together in productive activities and students should participate in the planning and decision-making process of organizing these activities.
3. Productive work should become an integral part of the school curriculum and provide meaningful learning experience through the integration of theory and practice.
4. The importance of examinations should be downgraded.
5. Children should begin school at age 7 so that they would be old enough and sufficiently mature to engage in self-reliant and productive work when they leave school.
6. Primary education should be complete in itself rather than merely serving as a means to higher education.
7. Students should become self-confident and co-operative, and develop critical and inquiring minds. [Kassam 1995:253]

Nyerere's ideas of education can be analyzed under three philosophical tools: metaphysics, axiology and epistemology. In his metaphysics, Nyerere believed that it is through Socialism that Africans can get the vision of what is life. He believed that Africans had been exploited by colonizers and they no longer valued themselves as Africans. His idea was to find ways to bring African people back to their original values and traditions. For example, Nyerere (1968b) stated that after independence, Tanzanian schools should teach African history, and children learned national songs and language. This was to help the young Tanzanians to appreciate their own tradition.

Nyerere believed that African minds should be decolonized and that there should be respect for manual as well as academic labour. Africans had always valued manual work, but due to western education, they began to look down on blue collar jobs. Within the schools, teachers were to encourage the combination of theory and practice. Practical subjects were highly emphasized in the curriculum as Nyerere

believed that when students complete their education they should be able to go back and work in the villages. Education was geared towards the societal needs as compared to individual needs.

Nyerere valued social justice and communal harmony. His emphasis on these values helped to establish a new sense of community among many tribes in Tanzania. He united 153 tribes by having one common language: Swahili. Nyerere believed that children should be proud of their roots and a unifying language would help accomplish this goal. Education was not supposed to alienate children from their traditions but should make children appreciate themselves as Africans. Abosi and Kandjii-Murangi (1996:22) claim that colonial education divorced pupils from their original society as it supposedly prepared them for a new social order. They stated "the school is always separate; it is not part of the society. It is a place children go to and which they and their parents hope will make it unnecessary for them to become farmers and continue in the villages." In effect, he was creating a new brand of Socialism.

Nyerere also valued an egalitarian society. He wanted to narrow the gap between the privileged and the non-privileged. He also valued equality and cooperation. In education, working together as a team would have been one of the methods that could foster the idea of cooperation.

Even though no documents exist that can unequivocally state what methods of teaching Nyerere advocated, it is widely believed (Akinpelu 1981) that group work, with an emphasis on team building, was greatly valued in the education system supported by Nyerere. One example of this is his emphasis on the value of familyhood, part of his concept of Ujamaa. Group learning encourages cooperation among learners and it also teaches students to value and respect one another. Students learn best when they are respected by both the teacher and other students. Nyerere wanted the ideas of Socialism to be instilled in the pupil's mind. Respect for one another, equality and cooperation were some of the values of Nyerere's form of Socialism.

Nyerere believed that knowledge gained should be linked to economic production and self-reliance (Akinpelu 1981). The curriculum emphasized both

theory and practice. The knowledge that students were receiving was to be applicable to the real world. Because most Africans were agriculturalists, education was supposed to be geared towards agriculture. Students were to learn the content, then go out to do the real hands on experience. Nyerere stated,

Agricultural progress is indeed the basis of Tanzanian development.... We need in this country more citizens who know modern productive agriculture, and are prepared to undertake hard work which is involved in increasing our agricultural output. [Nyerere (1968a:105)]

Nyerere emphasized that when students complete their education, especially in agriculture, it was important for them to go and practice the skills in the villages. The learned should teach the villagers the new methods of farming by applying the knowledge into practice and by being examples.

Nyerere's idea of education for self-reliance has been adopted by many countries in Africa. Botswana has widely adopted the idea that education should develop citizens who are self-reliant. One of the five national principles of Botswana is self-reliance. The National Commission on Education (NCE) stated

Self-reliance is important for the nation, for institutions, and for individuals... self-reliance for the nation means freeing the country from dependence on expatriates... for institutions and individuals involved to take initiatives and to seize opportunities without waiting for Government orders, or for government to provide a service which community or individuals could organise for themselves. [Botswana 1977:28]

Most villages in Botswana have been able to build junior secondary schools through this idea of self-reliance. One other example is the University of Botswana. In 1976 the first president of Botswana spearheaded a fundraising movement known as "One Man, One Beast" for the purpose of raising money to construct the campus. The people of Botswana made all types of contributions toward this campaign such as money, beasts, sorghum, beans and eggs in order to build the university. The belief was that all had something of value to contribute and each person ought to make a contribution for the good of the whole. This was a demonstration of the spirit of self-reliance

working toward another collective good, this time in service of higher education.

Other forms of self-reliance were also observable. For example, in the classroom, teachers were expected to be self-reliant and when necessary improvise some teaching aids in order to make teaching effective. The teachers were supported in these actions by public documents. For example, according to the National Commission on Education, which issued a public report in 1977, "teachers can be inventive in producing their own teaching materials" (1977:29). Students were also encouraged to do self-study. They should be able to find out information from a variety of sources instead of looking at the teacher as the sole provider of knowledge. The idea of self-reliance is still very much in practice in most African countries. Most African countries still value community over the individual. Community members in most areas like Botswana have established different projects involving, for example, poultry, gardening and brick molding for living as well as for creating employment for other people in the village. The government supports such projects but overall the whole project is managed by the community people.

### **Adult Education: Life Long Learning**

Nyerere concurred with the idea that education is what one learns from birth to death. He advocated for adult learning that was to be continuous throughout one's life. According to Nyerere adult education was not supposed to be offered only in the classroom setting. He stated "Anything which enlarges men's understanding activates them, helps them to make their own decisions, and to implement those decisions for themselves" (Nyerere 1978:30). Adults have to learn new ideas throughout their entire lives in order to improve in life.

Nyerere advocated the learner-centred approach for educating adults. He believed that the teacher should guide the adults in learning rather than being the dispenser of knowledge. Nyerere's idea is similar to Freire's ideas stated in *Pedagogy of the Oppressed* that emphasizes student centered approach to learning. Freire (1970:67) stated "through dialogue, the teacher-of-the-students and the students-of-the-teacher cease to exist and a new term emerges:

teacher-student with student-teacher. The teacher is no longer merely the one-who-teaches, but one who is himself taught in dialogue with the students.” Furthermore, Smith accurately summarizes Nyerere’s ideas with the following:

Educators do not give to another something they possess. Rather, they help learners to develop their own potential and capacity. Those that educators work with have experience and knowledge about the subjects they are interested in—although they may not realize it. [Smith 2005]

From this quotation, one can see the connections between contemporary ideas of constructivism and the ideas espoused by Nyerere. According to Brooks and Brooks (1993), the constructivist theory encourages students’ autonomy and initiatives, higher level thinking, teachers to ask open-ended questions, students to engage in dialogue with the teacher and with one another. Nyerere believed that adult learners have experience, so the teacher should guide them to learn from their own experiences.

The idea of adults being actively involved in their learning process was also advocated by Paulo Freire. Freire believed that through dialogue, adults can share ideas and learning can be more meaningful to them. He stated that in dialogue the teacher is no longer the one who teaches, but one who also learns through dialogue.

### Outside Tanzania

Nyerere did not only work to liberate his country Tanzania. In the 1970s he assisted many African countries including Rhodesia (now Zimbabwe), South Africa, and Mozambique to gain their independence from the colonial masters. He was also one of the founders of the Organization of Africa Unity (OAU) in 1963. THE OAU, presently known as African Union, is an organization of independent African states established to promote unity, coordinate policies, and protect the independence of the continent. Moreover, he was an instigator and leader of the “Front Line States,” which provided uncompromising support for the campaign for Black Majority Rule in South Africa.

Nyerere was a Pan-Africanist. He was also involved in the Pan-Africanism movement that

emphasized the need for Black people to unite regardless of where they live. The Pan-Africanism movement wanted to empower Black people and to help them overcome racial discrimination and oppression. Many argue that because of his efforts, Nyerere was indeed one of the greatest of African leaders. Mulenga (2001:446) stated that Julius Kambarage Nyerere was “one of the greatest African political leaders and respected postcolonial thinkers... he was a rare intellectual who was open to new ideas and criticism and yet displayed an independent mindedness that was unique among African thinkers.” Nyerere’s ideas of adult learning and self-reliance are still relevant to the education system in most African countries.

### Why the Down Fall?

When Nyerere took over as first president of Tanzania in 1962, he decided to terminate the employment of most of the British people who were holding very high posts during the colonial period. He chose young educated African men to take over positions like head of civil service, commissioner of police, etc. According to Sadleir (1999:254), “within a few months in 1962, as these changes were gradually introduced, the whole provincial administration was turned upside-down.” Even though it seems like a good idea to replace the British people in higher positions with the Tanzanian people, the change was too drastic. Sadleir further asserted that the politicians who were given these posts were not really good commissioners. One may assume that these people were less experienced in these positions. Nyerere could have allowed the Africans to learn the skills and to gain experience by working with the British people who were in these positions. The immediate removal of the British officials in posts of responsibility seems to have had a great impact on the downfall of Nyerere.

Another reason that could have led to the downfall Nyerere is the powers that he invested in himself.

Nyerere had drawn up a new constitution, which gave him powers even more sweeping than those held by the US president. He would be both the head of state and commander-in-chief of the armed forces, would have full executive author-

ity and would not even be bound to accept his cabinet's advice. He would rule for seven years. [Sadleir 1999:257]

If one looks at the power that Nyerere gave himself, one might suggest that he was “hungry” for power. It seems as if he wanted to be a dictator. A head of state should have good advisors who will greatly assist him in the ruling of the country well. If Nyerere was not prepared to accept advice from his cabinet, there is a great possibility that his executive authority lost trust in him and this may have led to his downfall.

The Tanzanian elite had adopted the capitalist ideas of individualism and of survival of the fittest. Those in positions of power began to abuse their powers in order to enrich themselves. They wanted to live the “western” life like their colonizers. According to Sadleir (1999:290) Nyerere was “disillusioned by the increasing capitalist tendencies of many of the national leaders who sought to increase their personal wealth by abuse of their positions in a variety of ways.” Those in power built big houses, bought expensive cars, etc. and did not welcome Nyerere's idea of Socialism. The gap between the rich and the poor widened. These privileged groups were not interested in sharing their wealth. Nyerere's idea of Socialism thus was unsuccessful because of the social and economic capital held by the elite in Tanzanian society.

Another problem Nyerere faced involved the teachers themselves. Many did not welcome the emphasis on practical subjects. The teachers had been educated in the colonial system in which the male teacher was to be seen in a tie and jacket and therefore was not prepared to do manual work. The first author of this paper has spent time as a teacher in Botswana and she reports that it was a common belief among teachers that doing manual labour, such as agricultural work, made them inferior. The teachers, along with other members of society, had been ‘indoctrinated’ by a functionalist approach to education where different forms of work are valued differently, as are the people who perform the work for the society.

## Conclusions

Nyerere's idea of lifelong learning is still very important. Adults in many parts of the world are continuously learning new ideas in order to cope with their present situations. Institutions of higher education have continued professional education as a part of adult education. Continuing adult education (life long learning) according to Nyerere was to help adults become more competent in their daily work, especially learning the new techniques of better farming.

The idea of Socialism advocated by Nyerere was an attempt to decolonize the African minds. Nyerere believed that Tanzanian people adopted the capitalist idea of individualism and competition, in part, due to an educational philosophy that wished to keep the vast majority unreflective about their lives—he wanted them to regain the idea of cooperation as a society. In his view, Tanzanians were to be self-reliant, self-reflective citizens able to construct education and economic systems that were compatible and mutually beneficial for all. Villagers were expected to work together and build their own villages. Problems arose because of the unwillingness of the elite (educated) people in Tanzania to adopt his idea of Socialism, and the idea of practical subjects being emphasized in schools was not welcomed by the teachers. The teachers had been trained to believe that an educated person cannot do manual work; therefore, the teachers were not willing to teach practical subjects.

Regardless of the weaknesses that Nyerere encountered, his ideas are still very influential as the social, economic and political arenas continue to be shaped by the form and function of the educational environments in Africa. The idea of interdependence and cooperation is greatly valued and educators continue to be encouraged by the ideas of Nyerere and others who held a vision for schools guided by African values. This re-envisioning of teacher education to escape colonialism was an essential part of Nyerere's political agenda. This paper hopes to contribute to the understanding of Nyerere's work and to spotlight the notion that educational ideas, and those who espouse them, hold the future for entire societies.

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# Medical Care Prices in the United States: Private Dominion and the Relative-Value Scale

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**ABSTRACT:** Medical care in the US is priced by commercial forces. The forces are not free-market, but rather are controlled and owned by specific private entities. The legally-mandated method to set medical care prices (the Relative Value Scale) mandates the use of specific, privately-owned commercial billing tools. Prices, and a pricing method, ultimately direct what kinds of medical care is available in the US, and the existing structure values less-needed and inappropriate care above needed shortage care. The pricing method's origin, its designers' market biases, and its use to enforce a specific private locus of control are examined. A critical perspective on the sanctioned scale's validity, its consequences for US medical care services, and exclusive control by a specific technocratic elite are examined.

Keywords: privatization; public health; political economy; medicine

## I. How is US Medical Care Priced?

### A Rationale for Critical Discussion

**M**arket commerce rations United States medical care. Free-market forces purportedly deliver care in the manner of other goods and services. Indeed, existing U.S. medical pricing rests upon the promotion of private finance as the most efficient mode to deliver goods and services. In praxis, however, control of medical care pricing falls not to "free" market forces, but to governing-class interests in its commodification. This control requires mechanisms to integrate the insurance and finance industry into affiliated government agencies.

This project began as an inquiry into which structural segments and interests do indeed benefit from the current payment structure, as clinicians observe

that it does not encourage the provision of appropriate and needed medical care. Current healthcare pricing leaves necessary care unfunded, and shifts production preferentially into un-necessary medical services. The importance of different medical services simply is not reflected in their price. Procedures and imaging, for instance, are priced markedly higher than preventive primary care—despite primary services being in short supply. This reality contradicts faith in market efficiencies, for accumulated high demand and short supply have not resulted in higher prices for the primary services. This has driven a critical decline in US medical graduates willing to provide direct patient care. Current graduates preferentially seek the more

highly remunerative procedural and non-patient-care specialties (Garibaldi 2005). It has lent much to the decline of basic health care access in the United States:

Thirty minutes spent performing a... procedure often pays three times as much as a 30-minute visit with a patient with diabetes, heart failure, headache, and depression... an unsurprising result: fewer U.S. medical students are choosing primary care. [Bodenheimer 2006]

The de-valuation of preventive and primary care, as a social fact, contrasts starkly with the needs observed by citizens, physicians, and some engaged policymakers. What entities and interests, we may ask, drive a seemingly maladaptive pattern?

This is a current and pressing matter. Public awareness about how medical care is priced and paid for is lacking. Effectively, the discussion of health finance systems excludes “non-experts”—the populace who live under it. An interdisciplinary discussion is needed to open this topic to working clinicians, outside academicians, and the wider public—all effectively excluded from cognizance of the existing pricing control structures.

A critical outsider’s perspective on the payment scale, its preferential-stimuli for unneeded care, and its underlying capital presumption is here intended. An existing praxis so maladaptive, yet so pervasive, warrants exploration for its causes. Existing information on health finance is generally technical and oriented to business operations. Although health finance directly impacts the public, this discourse has been reserved for individuals with expertise validated by authority-granting institutions (e.g. universities, government, and insurance-finance industries). Most material on this topic is written for and by such sanctioned experts, pursuing career productivity within the existing payer arrangement. To my knowledge, the present critically-engaged interdisciplinary discussion, intended for non-administrative audiences, is not yet available elsewhere.

This essay explicates the government-enforced “relative value” pricing system in the United States. I discuss it as a product of cooperation between government, medical services firms, and finance-insurance enterprise. I then discuss the background

of the method’s main architects, noting the precepts beneath sanctioned experts’ pricing schemes. I discuss some limitations of this valuation method, and I suggest that its superficially technical appearance serves to exclude laypersons from a popular discourse on health finance.

I proceed from three tenets: First, the range of available medical care is a material product, dictated by the payment system. Secondly, that the US health payment system is presently maladaptive. Simply restated: the payment system determines what care is available, and the current arrangement serves identifiable controlling interests at the expense of appropriate care. Lastly, the purpose of this current paper is not theoretical exposition, but a discussion useful for further interdisciplinary pursuit, including in the area of theory, but more ambitiously to engender emancipatory goals and discourse on change strategy. This third principle may be best reflected by Zeitlin (1994:220, emphasis added):

The really important lesson to be learned from Marx and Weber is the importance of history for the understanding of society... they concerned themselves with the concrete circumstances of specific periods... *an adequate explanation of social facts requires a historical account of how the facts came to be.*

## II. Relative Value: An Introduction to the US Health Payment System and its Ownership

**RBRVS: The Resource-Based Relative Value Scale**  
US medical care is priced by an accounting system known as the Resource-Based Relative Value Scale (RBRVS). The RBRVS was developed by sanctioned experts in economics and finance, which we will discuss further below in this discussion. RBRVS was originally promoted as the solution to inappropriate distribution of high payments into less-needed services, and the underpayment of primary care services. Procedures were better-paid than needed primary care (Hsiao 1979). Rather than the most clinically-efficacious procedures, best-paying approaches were utilized preferentially. Well into the 1980’s, payment systems generated a significant number of unnecessary surgeries (Chassin 1987; Greenspan 1988).



Yet two decades after mandating use of the RBRVS, the same preferential forces persist, for the RBRVS' "relative value" of primary care remains low relative to procedures, and also low when compared to low-need elective and cosmetic types of medical services (see Goodson 2007).

Care episodes are denoted by codes from "Common Procedural Terminology" (CPT), published by the American Medical Association. The 7000-plus codes in the first edition of 1966 have expanded markedly in subsequent decades. They include surgeries and procedures, such as a vaccine injection, performing a knee replacement, or suturing a wound. "Evaluation and management" (E&M) codes from the same master list denote conventional doctor-visits. Each CPT code has an associated "relative value" calculated by RBRVS. "Relative Value" dictates dollar price.

**The Mechanics of RVBRS Valuation**

At first blush, the technical appearance of the RBRVS formulae intimidates many lay readers. It thus enhances a technocratic claim to privilege to make expert comment upon health pricing. The Center for Medicare Services publishes this description:

The formula for calculating 2008 physician fee schedule payment amount is as follows: 2008 Non-Facility Pricing Amount = ((Work RVU \* Budget Neutrality Adjustor (0.8806)) (round product to two decimal places) \* Work GPCI) + (Transitioned Non-Facility PE RVU \* PE GPCI) + (MP RVU \* MP GPCI)] \* Conversion Factor

2008 Facility Pricing Amount = ((Work RVU \* Budget Neutrality Adjustor (0.8806)) (round product to two decimal places) \* Work GPCI) + (Transitioned Facility PE RVU \* PE GPCI) + (MP RVU \* MP GPCI)] \* Conversion Factor (Note: When applying the 0.8806 work adjustor to the work RVU you must round the product to two decimal places.) [Centers for Medicare Services 2008]

More simply, the formula multiplies Work, Local Costs, and a Conversion-Factor:

- A. Work: as defined by an administrative estimate:
  1. Time consumed before the visit ("pre-service input")

- 2. Time consumed during the visit ("intra-service input")
- 3. Time consumed after the visit ("post-service input")
- 4. "Intensity of service", reckoned as the "stress" of providing a service or procedure
- B. Specialty-specific practice costs
  1. The "opportunity cost of training" in a specialty, as estimated from accountancy of "lost years of income" while in medical training.
  2. The geographic cost of operating compared to other regions.
- C. Conversion Factor (RVU to dollars): Set by Medicare in periodic updates.

The most-adjusted factor in periodic updates is the conversion factor. Center for Medicare Services (MCS, formerly the Health Finance Resource Administration) sets this dollar-RVU equivalence on the advice of the Reimbursement Update Committee, an entity which I will describe below.

**Aspects of Medical Care Excluded from RVBRS and Some Limits upon RVBRS' Validity**

The experts charged with the RVBRS advocated their estimates as a sufficient scoring system for the pre-, intra-, and post-service work of care in a series of technical publications. Dedicated space in the *Journal of the American Medical Association* and by the *New England Journal of Medicine* in late 1988 presented their calculation of work (and the relative values) of various care episodes. These technical articles, and the RBRVS formulae as printed above, presented the RBVRS with a face of precise econometrics. However, each element of "work" represented in RBRVS is but an actuarial approximation of socially nuanced and qualitative events, and excludes significant considerations.

First, RBVRS method necessarily ignores the bulk of qualitative interactions within medical care exchanges. Many are important to clinicians: the complex nexus of physician-patient interaction, lacking an assigned metric, is accorded no value among the "relative values" of services.

Second, the public's interest also receives no valuation: the public health impact of care, and effects upon health outcomes, are unaccounted in RBRVS.

Its designers dispensed with these considerations early, noting that “outputs of services... are enormously important to society, [but] they are very difficult to measure” (Hsiao et al 1988:2348).

Third, RBRVS necessarily reduces complex subjective experiences of medical practice to produce its metric of “service intensity.” In an early essay, the central designer of the RVBRS noted:

The service intensity for a half-hour spent by a pediatrician performing a well-baby checkup clearly can be contrasted with the same pediatrician attempting to resuscitate a newborn in the hospital. The same half-hour requires a different amount of input effort, which we define as intensity. [Hsiao 1987:360]

This definition of “intensity” was not derived from observations of real “work” taking place, nor upon any established psychometrics of human workplace “stress.” The proxy measure actually used was a survey mailed to 160 physicians, selected from the AMA’s master file. The surveys were later re-performed on sub-specialty groups. Surveyed physicians generally agreed upon how to rank the intensity of some clinical vignettes described on a telephone or written survey (Hsiao 1988:2350-52). Statistical agreement among the survey respondents was high, and the valuations surmised from the hypothetical vignettes were then judged satisfactorily reproducible by RVBRS’ designers, to estimate the values of actual work, although no actual work was studied. In commentary on their own methods, the designers noted that

There is no objective standard with which we can compare our results to ascertain how well they represent reality... we have not found a way to detect bias produced by our method... Further research studies should be conducted. [Dunn 1988:2377-78]

These “further research studies” were not conducted. Time-movement studies or more complex studies of clinical work and stress have not been substantively utilized. However, the fundamental method RVRBS utilizes today is essentially unchanged.

### Ownership of the U.S. Health Payment System

The RBRVS is published by the federal government’s Center for Medicare Services, (CMS) a public agency created to pay for some of the medical care of United States citizens over age 65 (and a small range of other qualifying citizens). The CPT codes which describe care episodes, by contrast, are separate from government. The CPT list is owned privately, but using it is mandated for billing public funds using the RBRVS-scaled prices. The CPT is owned by the AMA. AMA receives over \$71 million per annum from royalties, manuals, and billing software.

Private payers generally follow the same system, which obviates the costs of developing a parallel system. Distinct to the United States, private third-party private insurance plans cover the majority of covered patients (although public dollars continue to fund the majority of actual annual medical care expenses). Clinicians submit a bill labelled with a CPT code to Medicare for each service episode. Payments from public funds are mostly processed by private intermediary billing firms. Despite being designed for Medicare operations, the mandated system for billing established the format by which private-payer insurance payments are now made, as well:

[RBRVS] was not designed as a universal system of reimbursement for the provision of services to all patient populations, including those commonly covered by state Medicaid agencies and private payers. Despite these design limitations, private payers moved rapidly to adopt this method of reimbursement. [Brill 2006]

Under its former name (Health Care Finance Administration, or HCFA), CMS mandated the use of the AMA’s CPT codes, as of 1983. An inextricable element of public health care financing is thus monopolized by a private entity, and its use is required by government mandate. HCFA also funded the creation of RBRVS, and reciprocally, the AMA voted in 1988 to endorse the RVBRS, a system which integrated smoothly with their CPT products, as the “acceptable basis for a Medicare indemnity payment system” (report AA, reference committee A, Dec 6 1988, cited in Hsiao 1989).

The AMA's CPT list still remains, officially, de-linked from Medicare's RBRVS system. In early publications, the designers of the RBRVS asserted that it "is not a set of prices but relative values that physicians and payers can use as an objective base for examining prices or establishing reimbursement" (Hsiao 1989:2329). Despite this, the AMA's web-based CPT code search provides the RVU count and a dollar-price for each CPT code. Using RBRVS requires CPT as a uniform set of descriptors to operationalize medical care into a commodity. Without CPT, RBRVS would be unusable.

Health care organizations measure "physician productivity" in Relative Value Units (RVU). The dollar-value of each Relative Value Unit (RVU) is published in periodic updates, with a direct relationship between RVU counts and the dollars represented. In 2005, a usual office visit was relatively-valued at 1.39 RVUs (each RVU then equaled \$USD 37.90). Typical primary care or hospital care physicians' contracts in 2008 aim for approximately 4,000 RVUs per annum.

The table on the next page illustrates a few examples of CPT codes with corresponding Medicare dollar-values, calculated for suburban Chicago in 2008. Primary physicians use procedure fees to offset low valuation of their main care work. Procedures do require significant skill—yet in most of the instances noted, that skill and training for the "cognitive" care is the same as for the procedures: that of a primary care physician. The calculated value-per-hour estimate is an artificial aid, presented to illuminate proportional pricing. Yet the same disproportionality characterizes real clinical scenarios: an office visit for skin rash, assessed with an empiric biopsy (CPT 11100), will remunerate about five times more per hour than a 25-minute clinical history and examination (CPT 99214).

The authors of the RBRVS were aware of this payment differential and promoted RBRVS as a solution which would

provide higher compensation for evaluation and management services relative to payment levels for invasive, laboratory, and imaging services...

Therefore, an RBRVS-based payment approach might induce physicians to shift their practice activities... inappropriate and questionable surgeries and diagnostic tests may be reduced under an RBRVS-based payment system.

Another potential impact of an RBRVS-based fee schedule might be on the specialty choices of medical graduates... [yielding] a positive effect on the accessibility, cost, and quality of health care. [Hsiao and Becker 1989:260]

It is notable that after 20 years of RBRVS, the shunting of payment preferentially to specialty procedures continues, and these positive outcomes remain unrealized. The payment calculation scheme was replaced, but control of the "relative values" of medical services remained secure.

### III. The Creators of RBRVS: A Nexus of Business, Finance, and Government

One reason that RBRVS has not improved the misdistribution of medical care is that the locus of price-setting control remains unchanged from that of preceding payment arrangements. RBRVS did not change private control of price-setting. The omission reflects the privatization-economics bias of the experts who designed RBRVS.

Medicare adopted RBRVS under the Omnibus Budget Reconciliation Act of 1989, signed by the first president Bush. The individual experts tasked to design RBRVS were trained within, and allegiant to, privatization-economics and deregulation policy; they have moved between prominent roles in government, academics, and private insurance-finance industries. A brief examination of the experts' training and intellectual descent, and the sociohistorical context of RBRVS, underscores the relationships between RBRVS' official sanction and the nexus of health-services firms, insurance and finance industry, and responsible government agencies. The current text is not an exhaustive history of the participants, but to my knowledge no discussion of the sociohistorical bias of RBRVS design has been offered elsewhere previously.

RBRVS was laid out and then examined for feasibility, beginning in 1985. HCFA, seeking a

RVU and Medicare Dollar-Fees for selected E & M services and for procedures: Scaled for suburban Chicago, 2008.					
Code	Description	Work RVU	Dollar Price	Usual time needed by a primary-care physician	Dollar per hour equivalent
99407	Smoking and tobacco use cessation counseling visit; intensive.	0.5	25.16	10-20 minutes	75
96040	Medical genetics and genetic counseling services, each 30 minutes face-to-face with patient/family	0.0	41.42	30 minutes	83
99391	Periodic comprehensive preventive medicine reevaluation and management of an individual including an age and gender appropriate history, examination, counseling/anticipatory guidance/risk factor reduction interventions, and the ordering of appropriate immunization(s), laboratory/diagnostic procedures, established patient; infant, age younger than 1 year.	1.46	76.47	40-plus minutes	115
99215	Office or other outpatient visit for the evaluation and management of an established patient, which requires at least 2 of these 3 key components: A comprehensive history; A comprehensive examination; Medical decision making of high complexity. Counseling and/or coordination of care with other providers or agencies are provided consistent with the nature of the problem(s) and the patient's and/or family's needs. Usually, the presenting problem(s) are of moderate to high severity. Physicians typically spend 40 minutes face-to-face with the patient and/or family.	2.0	129.33	40 minutes, plus documentation time and pre/post-service records time.	155
99222	Initial hospital care, per day, for the evaluation and management of a patient, which requires these 3 key components: A comprehensive history; A comprehensive examination; and Medical decision making of moderate complexity. Counseling and/or coordination of care with other providers or agencies are provided consistent with the nature of the problem(s) and the patient's and/or family's needs. Usually, the problem(s) requiring admission are of moderate severity. Physicians typically spend 50 minutes at the bedside and on the patient's hospital floor or unit.	2.56	123.33	50 minutes	148
99239	Hospital discharge day management; more than 30 minutes	1.9	98.17	30-plus minutes	148
11100	Skin punch Biopsy	0.81	94.30	5 minutes	1105
36556	Insertion of non-tunneled centrally inserted central venous catheter; age 5 years or older	2.5	273.50	10 minutes	1608
36589	Removal of tunneled central venous catheter, without subcutaneous port or pump	2.27	177.69	5 minutes	2090
51702	Placement of Foley Catheter (urine catheter)	0.5	94.87	10 minutes	558
32421	Thoracentesis, puncture of pleural cavity for aspiration	1.54	155.56	15-20 minutes	915
17004	Destruction (eg, freezing) of non-cancer skin lesions eg, actinic keratoses ("sun spots")	1.82	167.46	15-20 minutes	508
20550	Injection(s); single tendon sheath, or ligament, aponeurosis (eg, plantar "fascia")	0.75	52.61	Under 5 minutes	619
20553	Injection(s); single or multiple trigger point(s), three or more muscle(s)	0.75	53.41	10 minutes	1076
36471	Injection of sclerosing solution, veins, one leg	1.6	183.79	5-10 minutes	1102
11954	Subcutaneous injection of material (eg, collagen)	1.85	166.89	N/A	N/A
15823	Blepharoplasty, upper eyelid; with excessive skin weighting down lid	8.12	625.17	N/A	N/A
15789	Chemical peel, facial; dermal	4.91	495.87	N/A	N/A

method to reduce money outflow, funded the economist William Hsiao's team to develop the scale. Hsiao's social context is relevant to a critical view of some assumptions beneath RBRVS. Born in China in 1936, William's family emigrated from China as the nationalist-right Kuomintang government was deposed. Hsiao's father was subsequently the capital and finance advisor to the Kuomintang's government in exile representatives at the United Nations. Hsiao first worked as an actuary at the Connecticut insurance company which became today's CIGNA. Still an actuary, he moved to the Social Security Administration (the United State's federal retirement benefit agency) in 1968, and soon became acting Chief Actuary, speaking to panels considering privatization and other methods to bolster the solvency of the Social Security public fund. Hsiao left government for economics training at Harvard, and was appointed to a professorship at the same institution in 1979. Hsiao now occupies the Kwoh-Ting Li chaired professorship at Harvard (on the strength of physics study at Cambridge, Kwoh Ting Li was the leading technocrat in Chiang's Taiwan state; as minister of finance and later of state, he oversaw the redirection of Taiwan's production from agrarianism into western import-goods, and built extensive relationships with expert economic authorities in western academia and government).

The RBRVS team's technical director on Hsiao's team, Daniel Dunn, held a faculty appointment at Harvard in the early 1980s. He is now vice president at Ingenix, a private firm selling software and consulting to "balance clinical and financial issues and most importantly, convert claims into revenue." Ingenix in turn is owned wholly by United Health Care, one of the United States' largest finance and insurance corporations. He is chairman of the National Committee for Quality Assurance to measure profits and resource efficiency of insurance and medical services industries.

Hsiao's thesis and economic thought were developed under privatization-apologist Martin Feldstein, who advised his dissertation. Feldstein headed the Council of Economic Advisers under Ronald Reagan, under whose administration HCFA funded Hsiao's

project. Feldstein advocated privatization of Social Security assets under the second Bush administration. Feldstein's other notable advisees (and his own direct advice to government) have advocated privatization of a range of public functions (advisees included James Poterba of the second president Bush's tax advisory panel, and his economic adviser Lawrence Lindsay). Feldstein continues as the George Baker Professor of Economics at Harvard, and sits on the "Group of Thirty" influential economists. He was president of the National Bureau of Economic Research, a private group formed at government request (other NBER experts included neoliberal Ludwig von Mises and Milton Friedman). He was once thought likely to become Federal Reserve Chairman but his candidacy was crippled by his role on the board of AIG, a private insurance firm which had just written down a \$2.7 billion loss, ahead of its later failure and rescue by public assets. (Hernandez 2005).

The original "Technical Consulting Groups" (TCG) used for Hsiao's project were provided to Hsiao's design team by the American Medical Association. To build the RBRVS, these TCGs' opinions were the proxy for measuring physician work. The TCGs illuminate how officially-sanctioned experts, academicians and administrators, un-representative of most US physicians, delivering only a small fraction of direct patient care in the US, exerted authority through the RBRVS:

These TCGs, made up of specialists nominated by the relevant specialty societies in a process coordinated by the AMA, were particularly important in the [RBRVS]'s inception. We reviewed the curriculum vitae of the nominees and drew up... an approximately equal mixture of academic and community-based practicing physicians...

In each specialty for which funding was available, we invited up to five physicians for the panels... [For] nonfunded specialties such as cardiology... however, we generally invited only one to three panelists...

The TCG members were the main source of substantive information on the natures of medical practice in the specialties, on the most important services, and on the typical variety of patients seen. [Hsiao et al 1988:2349]

### Agencies Controlling Medical Care Prices

The American Medical Association represents a fraction of US physicians. It is often represented as a unifying umbrella organization of US physicians, but fewer than 20 per cent of US physicians are members, even when subsidized medical student memberships and retirees are included (see Peck 2007). The AMA's operating budget comes predominantly from fees, royalties and copyrights, not from membership support. The AMA operates the main panels which govern price-setting.

As a note of historical context: AMA opposed Medicare's birth in the 1950s and 1960s, and paid then-actor Ronald Reagan to record "Ronald Reagan Speaks out against Socialized Medicine." The narrative LP was intended for listening-parties called "Operation Coffee-Cup." A letter from Reagan came with the record, directed to "concerned women" assumed to be the wives of (presumably male) physicians. Current AMA integration into health finance governance is both more nuanced and more robust. It is instructive to enumerate some of the modern-day relationships between the AMA as a private, self-promoted body, and the government panels charged with setting reimbursements which determine the material impact of the "relative value" of services.

In the current era, clinicians pay to the AMA a licensing fee to use the copyrighted CPT to assess charges and billing—the AMA directly owns a required element of the payment system. In 1983, HCFA adopted a policy of exclusive use and promotion of the AMA's copyrighted CPT coding list—no alternate codes outside the AMA's copyright were to be recognized. The codes themselves are created by the AMA's 17-member CPT committee. Eleven members are appointed by the AMA. The remaining six represent: Blue Cross/Blue Shield, Centers for Medicare Services, The American Hospital Association, and the Health Insurance Association of America.

The AMA's Reimbursement Update Committee advises payment updates through the Centers for Medicare Services. The committee's mandate is to determine the "relative value" of different services. Over 90 per cent of the RUC recommendations are directly adopted by government. The RUC is com-

posed of 29 members; 23 are appointed by medical specialty societies. Nineteen appointees represent subspecialties outside of direct primary patient care (such as dermatology, plastic surgery, and anaesthesiology). The remaining four represent the declining primary care specialties, such as pediatrics, and geriatric medicine. As such, the Reimbursement Update Committee's priorities differ from the needs of the population Medicare purports to serve, for whom primary care access is in critical decline. Negative impact of the RUC's composition upon US primary care has been discussed elsewhere (Goodson 2007). Of the other six members, the composition is: a chairman appointed by the AMA, a member of the AMA's CPT panel, a representative of the American Osteopathic Association, another from the Health Care Professionals Advisory Committee, and a member of the AMA-based "Practice Expense Review Committee." No RUC panel member holds mandate or qualification to consider the impact of differential reimbursements upon the services available.

Of note, a "Payment Advisory Commission" for Medicare also exists, established in 1997 as an "independent Congressional agency" under mandate to "advise" Congress on Medicare funding (Medicare Payment Advisory Commission, 2008). "Consumers" as well as financial, medical, and other experts can be nominated publicly to the panel. It has no governing or legislative authority. "Two reports—issued in March and June each year—are the primary outlet for Commission recommendations." At the time of writing, one of the 17 panel members is a working primary-care clinician. Of citizen "consumers" among the other 16, all hold graduate degrees in law, business, or administration (among them at present are a pension fund attorney, an actuary from the exchange-traded health-finance firm Humana, several health firm executives, finance professors, government economists, and a hospital "turnaround" consultant).

The output of policy from panels responsible for the US medical finance system gives primacy not to patients' access to care, but to those institutional interests comprised in the panels' composition. These interests reify the valorization of markets and privatization which is necessary to participation in market praxis.

#### IV. Commodification is Incompatible with Medical Care

The existing U.S. health care payment system rests upon faith that free-market efficiencies will apply to health resources just as to other goods (whether these principles actually do adequately or equitably distribute non-medical goods and services to meet human needs is beyond the scope of this current discussion). The RBRVS exists within and reifies this market-based health-finance system: “The underlying premise [is that] prices in a well-functioning market approach resource costs” (Hsiao 1989:2328). Interestingly, the same author and lead-designer of the current payment structure noted in 1979 that “it is highly unlikely, given existing circumstances in the medical care market... that conditions for a competitive market will ever exist” (Hsiao 1979:23).

Before crafting the RBRVS into market-palatable language, the “resource-based” schema was actually itself once seen as an alternative to the unregulated free-market forces upon health-care. The notion that the market forces will approximate the resource-based estimates appears to co-opt the techniques only much later in the evolution of the RBRVS. Today, its advocates assert the indispensability of market commerce in medical care, a “well-functioning market” the same experts previously deemed non-existent.

The incongruity of free-market assumptions to medical care has been dealt with at length elsewhere, but brief review sheds critical-analytic light on the RBRVS’ role as a marketplace pricing tool. Medical care is unlike many other services and commodities. Most Americans live in communities too small to support the putative “competition” driving hypothetical market efficiencies (Kronick et al 1993). Most US citizens lack the expertise to make discriminating choices in health services, and attempts to impact medical care quality through “report-cards” for comparison-shopping have had little demonstrable effect. Multiple factors preclude effective public use of such data. Even for elective care which market-forces might conjecturally govern, publishing report-cards did not improve quality (Fung 2008). As a side-effect of one attempt, only the most affluent citizens gravitated to higher-scoring providers (Mukamel et al 2004), suggesting that less-privileged

patients could not access or act upon the scores. US citizens, overall, are actually not widely permitted to comparison-shop their health finance resources—these insurance products are instead imposed by plans selected by their employers (Commonwealth Fund, 2005). Health insurance “products” are constructed to be sold to employers, not designed to serve workers’ needs. Above all, it must be clear that “consumers” of medical interventions differ from those of other services: citizens do not shop for cars or appliances while they are sick, delirious, or bleeding.

Specialty groups maneuver annually for higher reimbursements under RBRVS, but without coherently addressing its fundamental suitability (e.g. Brill 2006). These near-horizon interests will not change the underlying flaws. RBRVS remains a fee-for-service scale, reducing medical care to commerce, and commodification intrinsically emphasizes the volume over the quality of patient care. RBRVS is a central core element of commoditized medical care. Ultimately, US medical care prices are driven not by “free” market forces, but by identifiable private bodies.

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## Food Crises and the Ghost of Malthus

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**ABSTRACT:** The ongoing international food crisis has provoked a number of social scientists, politicians and pundits to predict that the ideas of Malthus may yet be vindicated. Corresponding to this expectation is a tendency to confuse the principle of population with truisms relating to continuous population growth in a finite environment. The precise assumptions upon which Malthus's principle of population actually rests are seldom emphasised or set against real relations and conditions of human societies. To remedy this the present article supplies a brief historical survey of the development, expression and practical employment of such ideas. It thereafter highlights the inability of the Malthus doctrine to account for food insecurity past and present. The doctrine is not analytically useful because populations must be pressed against the limits of capitalism ever before actual numbers and absolute limits of the social organisation of production can become a factor.

**KEYWORDS:** Malthus, population, food-insecurity, capital

Ever since the publication of Thomas Robert Malthus's *Essay on the Principle of Population*, food insecurity has been routinely explained in terms of a "calculation applied to the known properties of land and the proportion of births and deaths" (Malthus 1973a:5). This simple idea, that there is a natural and inexorable tendency for population growth to outstrip food production, has been a standard explanation for the varying extremes of poverty and hunger faced by people in different parts of the world for the past two centuries. The doctrine has been promoted with particular enthusiasm where famine and epidemic have followed rapid population growth.

Malthus's original essay on population appeared in 1798. It was part of a wider polemic on the old poor law system, which involved the provision of relief to the poor according to number of children. The theory appeared to rest on two undisputable facts: the fact that all living creatures, including human beings,

need subsistence to survive, and the fact that the capacity to subtract the means of subsistence from nature is finite. It also depended on the suggestion that the production of food increases arithmetically (i.e. 1,2,3,4) at best, while population increases geometrically (i.e. 1,2,4,8). The persuasive power of the doctrine was due, as Wells (1986:383) observed, to the "apparent precision of his geometric ratio for population increase, contrasted to the arithmetic ratio for the growth of agricultural production."

The population principle has been embraced with the greatest enthusiasm in the midst of severe human calamities, such as in India and in Ireland during the 19th century. It appeared most convincing to those in privileged social positions. In India it was far more popular among the white rajahs than the long-suffering poor of Calcutta. In Ireland it was very popular among large land holders that wished to turn Ireland into a sheep-walk, but far less so among the rural poor and those forced to emigrate. It was

certainly very popular among British policy makers that needed to legitimize Irish famine policy, and Indian famine policy, at home in England. As Mike Davis has explained, in attributing conditions to overpopulation “those with the power to relieve famine convinced themselves that overly heroic exertions against implacable natural laws, whether of market prices or population growth, were worse than no effort at all” (Davis 2001: 32).

The Malthus doctrine has usually been promoted concurrently with policies designed to facilitate the processes of capital accumulation. It has been most regularly evoked by those in favour of free market economic policies. This has been the case from its earliest expression up to the 21st century. Variations of the doctrine have continuously surfaced wherever populations have found it difficult to access enough nutritious food and lead decent lives. Overpopulation has been routinely evoked even though almost all instances of severe hardship have been a matter of economic constraints on access rather than actual decline in capacity to produce abundant sustenance. The doctrine itself has little explanatory power with regard to the conditions generated under modern capitalism, but is continuously embraced and promoted. However, as the following pages show, enthusiasm for the doctrine depends less on its capacity to illuminate than its capacity to disassociate the conditions of deprivation and want from the socio-economic structure of capitalist production.

To understand the consistent popularity and staying power of the principle of population requires a closer examination of the doctrine itself and the conditions which it has been used to explain. To this end it is helpful to deal with Malthus, the originator of the doctrine. Malthus subscribed to Hobbes' view of human nature, which depicted human individuals as selfish and aggressive. In addition to this Malthus was inclined to stress mankind's supposed natural laziness and imprudence (Malthus 1973a:59). For Malthus, human behaviour was to be explained in terms of people acting according to this mixture of natural qualities in the face of social and environmental checks. Given the option the average person was expected to choose idleness over industry and act in an irresponsible manner. As such, the common

people had to have responsibility forced upon them through the pressure of necessity. Malthus thought that if government schemes rewarded people for having large families they would have large families. He thought that if poor relief was widely available, commitment to hard work, thrift and responsibility would decline. Malthus was sure that persistent and widespread poverty could only be made worse by government attempts to alleviate it. For this reason all proposals designed to free people from want were expected to undermine long-term prosperity, which required hard work. People were only expected to work hard where they felt the goad of necessity (Malthus 1973a:269-273). As such, non-intervention was considered the best policy.

With his particular view of human nature Malthus felt justified in dismissing Marquis de Condorcet's proposal to set up a fund for the elderly “produced in part by their own former savings, and in part by the saving of individuals who in making the same sacrifice die before they reap the benefit of it” (Malthus 1973b:3). Any such fund, even for those in their old age, was expected to lead to improvidence and laziness. This sentiment was well expressed by Arthur Young who insisted “every one but an idiot knows that the lower classes must be kept poor, or they will never be industrious” (Tawney 1948:270). The setting aside of provisions for the poor and/or idle was also considered harmful as it meant that less remained for the rest, thereby spreading poverty among a greater number of people than would otherwise have experienced it (Malthus 1973b:38-48).

For Malthus, any government scheme that prevented the poor from experiencing the full effects of their poverty only encouraged the behaviour that brought poverty. The threat of food insecurity in a society was thought to perform a positive disciplinary function. It taught people that too many offspring invited poverty to their communities, that overpopulation produces social ills. In this connection Malthus thought it necessary to counter claims made by writers such as William Godwin, who suggested that “myriads of centuries of still increasing population may pass away, and the earth be yet found sufficient for the support of its inhabitants” (Godwin 1985:769). Malthus was determined to show that the

productive power of labour could not keep pace with population growth. Humanity could not, as Godwin had suggested, rely on the continued introduction of “complicated machines of human contrivance” (Godwin 1985:759). Malthus was keen to show that there were obstacles to the creation of a more humane system. In the face of such enthusiasm for the betterment of human conditions Malthus explained that poverty was natural, inevitable and unavoidable, and that human nature doomed mankind to perpetual scarcity (Dugger 2003:6). Godwin’s claims had to be countered. As such, the first edition of his essay was subtitled “With Remarks on the Speculations of Mr. Godwin and Other Writers” (Peterson 1986:367).

For Malthus, what was true of absolute poverty was also true of unemployment. Godwin had suggested that this and related problems occur because portions of the community “have usurped the power of buying and selling the labour of the great mass of the community [and] are sufficiently disposed to take care that they should never do more than subsist” (Godwin 1985:713). Malthus wished to show that unemployment was due to a lack of demand for labourers relative to population growth. As such, the idleness and poverty of the industrial revolution was depicted as an excess in supply of “hands.” The idea that population caused shortages of work and poor conditions seemed to be confirmed thereafter as periodic downturns in economic activity occurred. At one time it appeared as though “hands” were scarce and at other times they appeared to be too plentiful. Adam Smith had already explained how the oversupply of any commodity cheapens it, which led Malthus to think it possible to maintain decent wages by limiting the supply of labourers. Malthus thought that it was in the interest of all labourers to control their numbers, providing only as many hands as were needed in industry at any given time. Population increase and decline would have to correspond to the fluctuating demand for workers. Such notions were developed from those of Smith, who had already explained that

the demand for men, like that for any other commodity, necessarily regulates the production of men; quickens when it goes too slowly, and stops when it advances too fast. It is this demand, which

regulates and determines the state of propagation in all the different countries of the world. [Smith 1976:89]

If the followers of Malthus expected the population to adjust itself to upturns and downturns in the economy they faced a fundamental problem. By the time an increase or decrease in the population could be realised, the rise and fall of the economic cycle would have passed at least once (Marx 1953:94). Unless the plan was to put newborn infants to work population could not possibly respond to the increase or decrease in demand for labourers.

Theoretical problems with the principle of population did little to prevent followers of Malthus from using the doctrine to justify unpopular government policies in the years since. The doctrine was readily converted into policy during the Irish potato famine of the mid 1840s. This was not a difficult task. Malthus had explained that insofar as abundance of food made possible the support of large families, the crops that were grown in different countries, such as rice, corn or potatoes, determined population size (Malthus 1973a:314). The cultivation of a particular crop was thought to permit a population to grow so far, but famine must occur when the absolute limit is reached. Followers of Malthus saw that the population had increased quickly in the years prior to the famine in Ireland. They saw that the cultivation of the potato, which is a very prolific crop, created the means of subsistence necessary to sustain such a population. The famine was thought to have occurred because the population had reached its natural limit. The British authorities, who were very taken by this idea, came to believe that if they alleviated suffering in Ireland it would only encourage population growth, thereby making the problem worse.

The cultivation of the potato in Ireland was largely a response to the industrial revolution in Britain. Many people had been forced off the land. Others had no option but to maintain themselves on tiny plots after great tracts were freed up in order to produce crops for export to the industrial heartland (Britain) and to the colonies (Ross 1998:35-55). A great population was maintained, but the bulk of food, save about 50% of the potato crop, was produced for export. The buying power of the people

was weak. There was little capitalistic enterprise in Ireland and so little in the way of rewarding employment. For the followers of Malthus this undersupply of rewarding work, experienced as a lack of opportunity to work, produce and prosper, represented an over-supply of labourers. But since people could not purchase alternative foods any lack of potatoes would be catastrophic. The famine would have been likely to occur in Ireland even if the population was half the size (Ross 1998:35-55).

The notion that potato blight caused the Irish potato famine, which prevails to this day, is insufficient. Though blight did destroy the potato crop in the mid 1840s, it did not cause any shortage of food in the country. At the height of the famine there was enough food being produced in Ireland to feed all of Great Britain and Ireland twice over (Ross 1998:32). Up until the famine the peasants of Ireland were nourished sufficiently that they would continue to exist. However, no matter how hard they laboured on the land their purchasing power would never enable them to enjoy any of the comforts and luxuries as existed elsewhere. Insofar as they were wholly dependent on what was growing on their tiny plots of land, one bad harvest would be enough to finish them. Ireland was a disaster waiting to happen.

When famine eventually took hold it was one of Malthus's own students, Charles Trevelyan, who was in charge of famine relief. Trevelyan took the same negative view toward poor relief as Malthus did. He thought that the provision of relief exacerbated the problem and, at the height of the famine, insisted that the only way to end the suffering was to bring all operations to a close. In Trevelyan's view the famine was "a direct stroke of an all wise and all-merciful providence" (Ross 1998:46). Others, such as the land agent John Thornley declared that "there will come some good out of the present misery, you may be sure. It is good for the country that the surplus population is driven away, even by stress of famine, to seek more prosperous homes elsewhere, leaving the land to be made the best of" (Keary 1979:123).

Many of the poor law guardians responsible for administering local relief at the time were landlords (Ross 1998:48). Many considered poverty as nature's way of punishing imprudence. Malthus had explained

that "nature shows us the wrongness of an act by bringing from it a train of painful consequences" (Wells 1986:383). This view was shared by the ascendancy in Ireland. In an earlier period of social distress Bishop Berkeley was dismayed to find "sturdy beggars" in receipt of poor relief and thought it fitting that they be "seized and made slaves to the public for a certain term of years" (Tawney 1948:270).

Malthusians assumed that if government interference was minimal, deprivation would act as a check on the number of births. They held to this idea throughout the 19th century even though it had been dealt a fairly serious blow by Charles Darwin's *Origin of Species*, which demonstrated that throughout the animal and vegetable kingdoms (in which he included humans) hardship acted as a spur to the process of procreation. Considering all that he observed in nature, Darwin concluded that "if an animal can in any way protect its own eggs or young, a small number may be produced, and yet the average stock be fully kept up; but if many eggs or young are destroyed, many must be produced" (Darwin 1964:66). Nature spared no expense when reproducing a species. The harshest conditions resulted in more young being produced. This posed a problem for advocates of the principle of population, which depended on references to such laws of nature. Darwin's studies implied that in order to check the increasing birth rate and reduce pauperism, which Malthusians treated in cause and effect terms, it would be necessary to ease hardship not maintain it.

The Malthusians of the 19th century had many opponents. However, it took Karl Marx and Frederic Engels to explain the deprivation and idleness that existed during the Industrial Revolution in terms of the operations of the capitalist market system. With regard to industrialised countries Marx saw that a pool of redundant labour-power was maintained even in boom times. He thought that this had to be explained in the context of the labour market in which labour-power is bought and sold as a commodity. According to Marx those in employment helped maintain the idle section through their over-work, and conversely, the unemployed through its competition, forced the employed to submit to over-work (Marx 1953: 92). Marx considered the maintenance of this reserve

of unemployed as necessary for the maintenance of capitalist relations. Its competition ensured that those in employment agreed to work long hours for a reward that would barely maintain them. No matter the intensity of production, huge numbers would remain in conditions of poverty. If those out of work were to be considered superfluous then it followed that every capitalist society was overpopulated, regardless of the actual numbers. This explanation cut right across the principle of population. It suggested that the supposed “surplus population” would still exist whether millions more or millions less inhabited a country. As far as Marx and Engels were concerned population theory had been invented and popularised by economists in order to obscure the roots of idleness in the competitive system (Engels 1843).

Marx appears to have had particular difficulty in viewing Malthus’s work as honest scholarship. The Parson’s initial *Essay on the Principle of Population*, for instance, was derided as “nothing more than a school-boyish, superficial plagiary” (mainly of Adam Smith’s works) and the sensation it caused due to nothing other than “party interest” (Marx 1953:121). For Marx the problem of idleness and poverty could not be understood without an appreciation of the process of capital accumulation, the centralisation of industry, the trend toward urbanisation and the socialisation of labour under industrial capitalism. For Marx insecurity continued to grow as more people lost control over any means of production.

Food insecurity was a fact of life even before Malthus or Marx put pen to paper. It has continued to be a feature of the human experience. In two hundred years no day has passed without millions experiencing chronic hunger. At present the number facing this problem is around 800 million. In each decade there is the threat of mass starvation visiting some country or other. On occasion the problem results in the deaths of millions at particular geographical locations in a very short space of time. The famine that occurred in Bengal in 1943–44 is just one example. As with the famine in Ireland, little was done to alleviate the suffering. And as with the major famines before and since, there was a rush to explain the Bengal disaster in terms of food availability relative to population. In 1944 the Famine Inquiry Commission was appointed

by the government of India to investigate the causes. It found a “serious shortage” in the total supply of rice available as compared to the normal supply (Islam 2007:423). However, economist Amartya Sen has since questioned this explanation. He explained that though “1943 was not a very good year in terms of crop availability, it was not by any means a disastrous year either... [it] was, in fact, 13 per cent higher than in 1941, and there was, of course, no famine in 1941” (Sen 1983:58). According to Sen the crisis was triggered when rumours of shortage encouraged people to regard rice as an excellent investment opportunity. This resulted in price hikes. Though incomes stood close to where they had been in 1941 a wild upswing in the price of rice produced a humanitarian disaster (Sen 1983:65). As in Ireland, there was more than enough food to feed everyone, but millions faced starvation because they had become too poor to buy it.

Regardless of the facts that cut across Malthusian explanations they have surfaced again and again. The simplicity of the argument succeeds in drawing that “party interest” referred to by Marx. Wherever there is mass unemployment, food shortages or evidence of unsustainable pressures on the environment, economists, politicians and pundits of various kinds see fit to utilise it. In the 1960s, biologist Paul Ehrlich attempted to explain poverty, the nuclear arms race, ecological threats, and many other problems in Malthusian terms. His book *The Population Bomb* warned that humanity was rapidly running out of food, declaring that the “battle to feed humanity is already lost.” Once more it was claimed that food production could not keep pace with population growth and that technological innovation could do no more than provide a stay of execution. Ehrlich’s book went so far as to predict worldwide shortages and the death by starvation of hundreds of millions of people in the 1970s and 1980s (Ehrlich 1971:19). He explained that people faced this prospect in consequence of their growing numbers. “Too many people—that is why we are on the verge of the ‘death rate solution’” (Ehrlich 1971:48). As with Malthus’s initial essay, Ehrlich’s book caused a sensation and quickly became a bestseller. The claim that existing social ills could be explained in terms of population pressure (and apart

from the normal operations of the market) was again widely welcomed.

The relationship between population increase and food production actually does very little to support the claims of Malthus or Ehrlich. In a recent article in *Nature*, Antony Trewavas has shown that in Malthus's day, when there were around one billion people in the world, agricultural technology enabled one person to be fed from the food grown on around 20,000 square meters. Though population has increased six fold since then agricultural technology now enables one person to be fed from the food grown on no more than 2,000 square meters (Trewavas 2008). This means that even if humanity were limited to the land used for food production in Malthus's time the capacity to produce subsistence has increased at a greater rate than has the increase in population. This did not stop Malthusians such as Norman Meyers from explaining the deteriorating conditions in Latin America in the 1980s and 1990s in terms of population growth. In Meyers' case the conditions in Latin America were framed in terms of a race between the results of the green revolution in agriculture and population growth. Conditions deteriorated as population growth continued to offset improvements in agricultural production (Myers 1994). As such, the exodus from Mexico's rural areas to the cities and across the border into the United States was considered a consequence of a supposed "agricultural squeeze" resulting from population growth (Myers 1994).

At present the most notable of economists, such as Jeffrey Sachs, believe that if the fertility rates remain at present levels they will "almost surely trigger Malthus's 'positive checks' (war, disease, famine)" (Sachs 2005:166). According to Sachs, population growth means big families, which puts "enormous stresses on farm sizes and environmental resources, thereby exacerbating the poverty" (Sachs 2008:65). To his credit Sachs has pointed out that all of the places in the world where fertility rates remain very high are poor and largely rural (Sachs 2008:323). He acknowledges the "strong tendency of societies with a high child mortality rate to have a high total fertility rate as well" (Sachs 2008:324). But though high fertility is considered a product of poverty the

resulting growth in population is considered one of the most central sources of poverty. The problem as Sachs understands it is that fertility rates come down as poverty is reduced, but poverty reduction requires an end to population increase.

Though Sachs partly cuts across the Malthus doctrine, population is still considered a central factor underpinning food insecurity. The same is true of Nobel Prize winning economist Paul Krugman, who firmly believes Malthus "was right about the whole of human history up until his own era." Krugman, who expects the ideas of Malthus to be finally vindicated, has suggested that apart from the industrial revolution onwards, "population growth had always managed to cancel out any sustained gains in the standard of living, just as Malthus said" (Krugman 2008).

There are however at least as many scholars who think that the principle of population cannot adequately explain food insecurity. For such scholars references to population are thought to obscure other more important factors. It is for this reason that Raj Patel does not include population as a significant factor in his account. Rather than growing numbers, the reasons for the recent exacerbation of food insecurity are thought to include rising energy prices, bad harvests (partly due to climate change), growing demands for meat and milk in developing economies such as China, the use of food to produce bio-fuels, speculation and hoarding for the purposes of financial gain (Patel 2008).

Food crises are rarely the result of population growth *relative* to food availability. One of the most direct causes of the 2007/2008 food crisis was the rising cost of grain internationally. This cost was not a consequence of food availability. At the height of the crisis *The Economist* reported enormous stockpiles of rice sitting in warehouses in Japan. These were so large that if released onto the market they would have caused the price of rice to drop drastically. Such stockpiles were created as a result of World Trade Organization (WTO) rules. The Japanese government could not prevent US produce from entering the market and so bought up a great deal in order to protect its domestic producers. According to WTO rules this rice cannot be released onto the world mar-

ket without permission from the country of origin (Makino 2008).

This is only one consequence of the removal of trade barriers to agricultural produce. The North American Free Trade Agreement (NAFTA) enabled the great grain companies to export corn to Mexico, chiefly to the benefit of agribusiness. Though the profits of the big producers increased, the agreement destroyed the livelihoods of well over a million peasant farmers in Mexico who could not compete on price with imported (and subsidised) corn. In a few short years NAFTA turned Mexico from a net food exporter into a net food importer (Reid 2008). The cheap imported corn did not even benefit consumers since few people can eat raw corn. The price of the processed product, which is the chief ingredient of tortillas, increased rather than decreased with the introduction of NAFTA. This was partly because the giant food processors (two control 97 percent of the industrial corn flour market) realised the benefit. Thereafter any increase in the price of corn was reflected in the price of the Mexican staple. The recent tortilla crisis (a 60% increase in the price of tortilla) has to do with the dependence on imported ingredients and giant food processors (Patel 2007:53). It has little to do with the capacity to produce food.

That food insecurity has visited many different countries at the same time does not reflect any global shortages. The internationalisation of food crises has to do with the internationalisation of production and markets, which is a consequence of the ceaseless concentration and centralisation of capital. Agricultural producers are subject to the same processes as other industrial enterprises. Competition demands economy of scale, leading to continuous centralisation and concentration and the need for ever-larger markets. When populations are forced to open their markets to foreign produce they experience the repetition of a fairly standard pattern. First local production is undermined, and then people go hungry when the price of imported food becomes prohibitive.

The welfare of a great portion of humanity is now threatened by recurrent food crises. Food riots have occurred in more than 35 countries since 2008. Though the population argument provides no explanation for these events it still gets an echo, even

among relatively progressive scholars and academics. This is partly because there are valid claims presented in conjunction with Malthusian assumptions. Those that are sympathetic to Malthusian ideas are certainly justified in ruling out the possibility that there can be unlimited population growth. A world of over 6 billion people (projected to be 9 billion by 2050) cannot possibly adopt the same consumption patterns as the United States, which represents 5% of the world's population, but uses over 25% of the world's resources. That would require at least five times the resources presently exploited on the planet (Costello 2008). Likewise, it goes without saying that global population growth across the world must at some time fall to 0% or enter decline. This is a mathematical certainty. In order to prove this it is only necessary to project the outcome of a rate of 1.6% increase per year (roughly the current rate). Since every year population must increase by 1.6% of a larger number, population grows exponentially, doubling every forty-four years. Population would double within the average lifespan even if the percentage were reduced to 1% per year (Bartlett 2004). Both friend and foe of the Malthus doctrine can accept that a continuous rate of population growth in a finite world would inevitably outstrip all human potential to produce subsistence.

However, the Malthus doctrine should not be confused with the above truism. To accept the principle of population is to assume that the rate of increase of plants and animals is naturally different to that of the human species. Moreover, the doctrine explicitly claims that it is this supposed difference between arithmetic increase in food production and unrestrained geometric population growth that produces observable "positive checks" (social ills such as poverty, war, famine and epidemics). Malthusianism is an attempt to explain existing and future human conditions in terms of the pressures placed on production of subsistence by growing populations. And it is this attempt that has characterised Malthusian accounts of poverty and food insecurity up to the present time. The claim that there are limits to population growth in a finite environment is not Malthusian. The idea that deteriorating human conditions can be explained in terms of a population reaching the limits of social

potential to produce subsistence is. If the former is confused with the latter it is because Malthusians have so skilfully mixed scientific and unscientific claims together to create an aura of legitimacy.

On each occasion when convincing explanations for social ills are in greatest demand, the ghost of Malthus returns. However, the population principle is not continuously resurrected on account of its explanatory power. The doctrine can in no way account for poverty in any given society, or famines and epidemics that periodically occur in different parts of the world. Under prevailing socio-economic arrangements populations cannot be pressed against their potential to produce subsistence. The limits of the profit system are always reached before the absolute or potential availability of food can become a factor. If the poor face famine or epidemic it is because they have reached the limit of their ability to purchase food or medicine, not because of any absolute scarcity. Any serious explanation of food insecurity requires attention to how the production of subsistence is organised, by whom, to what ends, and how it is distributed. It is necessary to acknowledge the fact that food, shelter, clothing and medicine are generally produced and distributed according to the profit motive. If want exists under this system of production it is primarily because there is insufficient private gain to be had from organising production and distribution to satisfy that want. The capacity to produce and distribute is not the issue. If there were sufficient profit to be made from a wider distribution of nutritious foods then such a distribution would be the outcome.

To explain the conditions experienced in human societies requires attention to the contradiction between basic human needs and the limits of the profit motive. Modern populations can never reach the natural limits of their productive power before their purchasing power reaches the limits of the profit motive. Though it is necessary to accept the fact that we live on a finite planet and that infinite growth is impossible, it is nonetheless necessary to recognise the complete inadequacy of the Malthusian principle of population to account for human conditions. The doctrine of Malthus was not wrong simply on account of his exaggeration of the rate of population

growth and underestimation of the future increase in food production. The doctrine cannot possibly explain crises (and related hardships, poverty and deprivation) as they occur in human societies since it involves an attempt to do so apart from the set of social relations that underpins them. Its continued re-emergence is to be understood in terms of its social function rather than its capacity to illuminate. As during the movement to abolish the old poor law, or the apologetics relating to the Irish potato famine, contemporary references to the doctrine of Malthus in relation to food insecurity serve only to obscure the role of the profit motive in the destruction of sustainable living and in the generation of food crises across the globe.

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# Economic Growth And Social Inequality: Does The Trickle Down Effect Really Take Place

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**ABSTRACT:** This paper is an attempt to show that economic growth and social development do not always go hand in hand. Economic growth may increase inequality as well as reduce social development. Unless government comes up with a strong political will to solve these anomalies, the invisible hand of the market can not take the benefits of economic growth to all the people. India was taken as a case study for this paper as in this new millennium, the spectacular economic growth of India is a center of discussion of academics in recent years and it is also an example of the rising up of a developing country in the world's largest "democracy."

**KEYWORDS:** economic growth, social development, poverty, inequality

## Introduction

India is "shining." It has the second highest growth rate after China in the world economy. Over most of the last 30 years, it maintained an average of more than six percent economic growth. According to the government estimates (NSSO), the poverty ratio is decreasing, but the absolute number of people below the poverty line has not increased. Researchers are skeptical of government's demands of decreasing the ratio of poverty for different reasons. It is also seen that since liberalization started in 1991, the inequality is steadily increasing. Can we then say that India is really shining?

Scholars are divided on the relationship between economic growth and social inequality.

The much-discussed Kuznets hypothesis (1955) states that economic growth and equality are related in a converse U-curve: at the early stages of economic growth, inequality increases; in the middle stages, inequality becomes stable; and in the final stages,

inequality decreases along with economic growth. This means, inequality rises until countries reach "middle-income status."

Kaldor (1956) also thought that inequality in income distribution transfers wealth from the poor to the rich. Because the marginal savings rate of the rich is higher than that of the poor, wide gaps in income distribution will boost economic growth when the economic growth rate and savings rates are positively correlated.

Adelman and Morris (1973) and Chenery et al (1974) mostly supported Kuznets and Kaldor's hypothesis. Persson and Tabellini (1994) showed that there is a significant negative correlation between inequality and growth in democratic countries. And Atkinson (1995) has also proved that over the last 20 years, many European countries have experienced increases in income inequality and increasing numbers of people suffering from poverty and in social inclusion.

However, Bruno et al (1997) examine evidence concerning the relation between growth and distribution (equity), the effect of pro-growth policies on distribution, and the distribution on growth. They review a large volume of recent empirical research, including some of their own analyses. The results support several interesting conclusions. They did not support Kuznets that growth is initially associated with inequality. They showed that many countries that are recovering from economic crisis have experienced rapid economic growth as well as equitable distribution, and some transitory economies have experienced declining economic growth and worsening inequality. Solimano et al (2000) said that countries which have been most successful in reducing poverty are those that have grown the fastest. During the 1990s it was estimated that “growth elasticity of poverty” was between -2.0 to -3.0. However newer estimates suggest that the earlier correct growth elasticity of poverty is around -5.0. (Sharma 2008:11.) We will try to see the truth of the contesting demands in an Indian perspective.

### Independent India

When Britain quit India in 1947, India’s literacy rate was only 17 percent. Less than 10 percent of its population had access to safe drinking water, and between 1900 and 1950, its economic growth rate was a sluggish 0.8 percent. However, the condition of India’s economy was completely different in the pre-colonial period. At the convocation of Oxford University in 2005, the Prime Minister of India, Dr. Manmohan Singh (2005), stated that “India’s share of world income collapsed from 22.6 per cent in 1700, almost equal to Europe’s share of 23.3 per cent at that time, to as low as 3.8 per cent in 1952.” These figures are also supported by Swaminathan S. Anklesaria Aiyar (1997), consulting editor for the *Economic Times*, who said that in 1830, “India accounted for 17.6 percent of global industrial production against Britain’s 9.5 percent, but by 1900 India’s share was down to 1.7 percent against Britain’s 18.5 percent.”

After independence, India embarked upon a path that combined a mixed economy with a federal political structure and unitary bias. It was not a closed

economy in the truest sense, but India intended to stand on its own feet after 200 years of shameful and disastrous colonialism. It embraced centralized planning, an import substitution industrial policy, state intervention in labour and financial markets, a large public sector, and business regulation.

Though most heavy industries and mining operations at that time were publicly owned, there were some big bourgeoisies who held significant influence over Indian economy, namely the Tata, Birla, Mafatlal, Schindia, and Goyenka families. They owned much of the manufacturing sector, including the production of automobiles, textiles, consumer durables, and capital goods. Any private company that wanted to open an industry in a province in India needed a license from the federal (central) government. Thus, this era was sarcastically termed the *license raj*. To protect both the public sector and the national bourgeoisies from foreign competitors, eighteen industries were reserved exclusively for the public sector. These industries included iron and steel, heavy plant and machinery, telecommunications and telecom equipment, minerals, oil, air transport services, and electricity generation and distribution. In addition, restrictions were placed on FDI equity shares. To serve these industries, some very good technical and management schools, such as the Indian Institute of Technology (IIT) and Indian Institute of Management (IIM) were also established after the independence.

To benefit the most disadvantaged citizens, reduce inequality, and eradicate poverty, the constitution asserts that provisions should be made to reserve a certain percentage (22.5 percent) of jobs in the public sector, seats in educational institutions, and various developmental programs for scheduled castes and tribes. In addition, many banks (fourteen in all) were nationalized in 1969, which also complemented India’s path of socialistic development. In fact, in December of 1954, Parliament adopted a resolution that stated as one of its clauses, “The objective of economic policy should be a Socialistic Pattern of Society.” And in 1976, by the 42nd amendment, three words were incorporated into the preamble to the constitution of India: Socialist, secular, and democratic.

## Economic Planning

India took on its own economic planning in 1951, which culminated in a series of Five Year Plans. The First Five Year Plan (1951-56) emphasized the need for food production, whereas the Second Plan (1956-61) focused on the growth of heavy industries. The Third Plan was dedicated to defense, education, and agriculture. The Fourth through Seventh plans all stressed equality, employment, self-reliance, and family planning, although the development of information technology was also given priority in the Seventh Plan. The Eighth Plan emphasized modernization, and the Ninth Plan focussed on growth with social justice. The most recently concluded plan, the Tenth, focused on income and poverty, education (with special attention to literacy rates), health (which included the population growth rate, malnutrition, and anemia), the wellbeing of women and children (especially young girls), infrastructure, and the environment. The current Plan (2007-2012) seeks to improve education, literacy, employment, agriculture, and health in India. (Planning Commission of India, 1951-2008.)

## Economic Growth

India's GDP growth rate between 1951 and 1979 was an average of 3.7 percent (higher than most other Asian economies) until India made some changes to its industrial policies in 1980. During the "Nehru era" from 1951 to 1964 (named after the first prime minister of India, Pundit Jawaharlal Nehru, who mas-

terminated India's economic planning), the average economic growth rate was a moderate 4.1 percent. At the same time, the economic growth rates of China and South Korea were 2.9 percent and 6.1 percent, respectively. (BalaKrishnan 2007.)

For a newly independent nation trying to stand on its own feet after 200 years of highly exploitative and destructive colonialism, a 3.7 percent growth rate for about 25 years is not bad at all. Unfortunately, the economy continued to slow down from the mid-sixties until the mid-seventies. A massive food crisis, an increase in oil prices, and political instability could be the reasons behind this slowing of India's economic growth. The economy began picking up again from 1975-76, but this was followed by a recession that lasted until 1980. However, from 1981-1991, India enjoyed an economic growth rate of 5.8 percent before it opened up its economy to foreign investment in 1991. According to Atul Kohil (2006), the reason for that ten-year growth spurt was that the government implemented several pro-business policies that abolished some significant constraints on the expansion of big business. The government also allowed businesses to enter certain sectors that were previously reserved only for the public sector, such as power generation. Furthermore, licensing restrictions were removed, and the Monopolies and Restrictive Trade Practices (MRTP) Act was virtually dissolved. In the financial sector, the government liberalized credit for big borrowers. Corporate taxes and import tariffs were reduced, and price controls were removed. Kohli termed this decade the "pro-business" period and the subsequent period (1991-present) the "pro-market" period.

However, T.N. Srinivasan (2006) did not agree with Kohli. He believed that the increased economic growth between 1980 and 1990 was a Latin-style, debt-led growth and was thus unsustainable right from the beginning, and this is why it ended in a macroeconomic and balance of payments crisis in 1991. While India's economy grew, it also experienced higher fiscal deficits and a worsening current account. From 1980 to 1991, India's domestic public debt increased steadily, from 36 percent to 56 percent of the GDP, while its external debt more than tripled to \$70 billion. (Ghosh 2004).

TABLE 1: Growth in Five-Year Plan Period (Planning Commission of India)

5-Year Plan	Growth rate	Comments
I -1951-56	3.60	
II- 1956-61	4.21	
III- 1961-66	2.72	1966-1968 annual plans.
IV- 1969-74	2.05	
V- 1975-79	4.83	1980 annual plan
VI- 1980-85	5.54	
VII- 1985-90	6.02	
VIII-1992-97	6.68	
IX-1997-02	5.35	

In 1991, the current Prime Minister of India, Dr. Manmohan Singh, was the finance minister of India. He, under the leadership of Prime Minister PVS Narosima Rao, had started liberalizing India's economy in all major sectors, including industrial policy, trade and exchange rate policy, tax reforms, the public sector policy, and foreign investment policies. In other words, it was a pro-market economy. The measures taken resulted in a devaluation of India's currency, disinvestment, a dismantling of the Industrial Licensing regime, the allowance of foreign direct investment, and the abolition of the MRTP Act. In addition, the Indian tariff rates declined sharply in the 1990s from a weighted average of 72.5 percent in 1991-92 to 24.6 percent in 1996-97. Although the tariff went up slowly in the late nineties, it managed to reach 35.1 percent in 2001-02 (Balakrishnan 2004). Now, the weighted average of India's tariff rate is 14.5 percent (Wall Street Journal 2008:211-212). However, this is not the first time that India has liberalized its economy; in 1966, India experienced a severe macroeconomic crisis, went to the IMF and World Bank for assistance and under their conditions and advice, devalued the rupee, relaxed import restrictions and liberalized the economy. However, within 18 months this was all reversed and liberalization did not happen again until 1991.

Previously, the normal ceiling of foreign equity in any Indian industry was 40 percent, the rupee was not fully convertible, and foreigners could not own India's prime industries, such as steel, telecommunications, or oil and natural gas. Now, the policy allows for the automatic approval of FDI up to 51 percent of the equity in 34 high-priority, capital intensive, high-technology industries, provided that the foreign equity covers the foreign exchange involved in importing capital goods and that outflows on account of dividend payments are balanced by export earnings over a period of 7 years from the commencement of production (Bajpai and Sachs 2000). In subsequent years, the FDI equity share was increased to 74 percent in 1996, and, later, to 100 percent. The list of eighteen protected industries has dwindled to four: defense aircrafts and warships, atomic energy generation, railway transport, and the mining of coal, lignite, iron, manganese, chrome, gypsum, sulphur, gold, diamonds, copper, and zinc (Beena et al 2004).

The impact of the reforms after 1991 is controversial. The GDP growth rate was at 5.6 percent from 1991-2004 (Kohli 2006). Because this rate is virtually the same as it was from 1980-1990, it is safe to say that opening up the economy neither helped nor hurt its growth rate for at least up to 2003-04. (See Table 1.) However, the GDP growth rate from 2004-2007 was much higher at 8.7 percent (Government of India 2007c). That helped to achieve a 7.6 percent annual growth in the tenth Five Year Plan period. The studies of DeLong 2003, Srinivasan and Tendulkar 2003, Rodrik and Subramanian 2005, Basu and Maertens 2007, Sen 2007, Panagariya 2008 and Basu 2008a supported that growth did not increase much in a pro-market period except for the year 2004. However they differ on the pattern, causes, and sustainability of the growth periods of the 1980s and 90s. For example, in 1979-80, the Indian economy shrank by 5.2 percent (the worst year in the history of Independent India). So, 7.2 percent economic growth of the next fiscal year as well as the beginning of the pro-business policy of Mrs. Gandhi, 1980-81, is not very praiseworthy. The same could be said when there was only 1.3 percent growth rate in 1991-92, the beginning of the pro-market policy, followed by 5.15 growth rate in the fiscal year 1992-93. Majumdar (2008) very recently criticized the post-1991 liberalization period as characterized by an inherent source of instability in manufacturing and industrial growth and distinguished this from the 1980s. In fact, Basu 2008b rightly pointed out that the first spurt of growth occurred in 1975-76 and except for the worst economic year of Indian economy in 1979-80, the Indian economy never looked back after 1975. However, the objective of this paper is not an attempt to find the reasons, trend, and sustainability of the Indian growth pattern; it is something different: economic growth and its relations with inequality and poverty.

This higher economic growth rate is associated with the turnaround of India's manufacturing sector in 2002-03, as well as with India's sustained savings and investment. The average industrial growth rate has risen to more than 8 percent each year since then (Nagraj 2008). It is also crucial to mention that this period marks the first time India saw a growth in manufacture since the liberalization efforts began.

Although capital formation did not alter much between the 1980s and the 1990s, there were significant changes in one sector: Investment. As public investment declined in the 1990s, the gap was filled by private investments (Kohli 2006).

Now we will examine India's achievements and failure since 1980, when India adopted a pro-business policy and then, in 1991, changed this policy into a more open, pro-market policy. Both these periods saw dramatic economic growth that was surpassed only by China in the world economy. Authors have come up with countless titles to describe India's enormous growth in these periods: Shining India, Propelling India, India Arriving, India-Emerging Power, India Globalizing, India Unbound, etc. But what about the other India, the Bharat? Does this massive and consistent economic growth trickle down to the majority of India's people? This paper is an attempt to find the answer.

### Dimensions Of Indian Inequality: Unemployment

The official unemployment rate of India is always under-reported because of work sharing, under-employment, the dominance of the primary sector, and the fact that most Indians (93 percent) work in the unorganized sector (Sengupta 2007). The present data is based on a survey of unemployment that was performed by the National Sample Survey Organizations (NSSO).

Table 2 shows that although unemployment declined between 1983 and 1994, it increased again in subsequent years. From 1983 to 1993, the average growth rate of employment was 2.61 percent; between 1993 and 2005, it was only 1.87 percent. During the same periods, the labour force grew at

the rates of 2.28 percent and 2.09 percent, respectively (Government of India 2007b). Therefore, we can see that the unemployment rate increased during the latter period, which coincides with India's economic liberalization period. Clearly, the reform did not help the growth of employment rates.

The economic boom has done little to provide the unskilled workers who make up the majority of India's workforce with real jobs. Most Indians (67 percent) work in agriculture. Another 13 percent work in the manufacturing sector, and the remaining 20 percent work in the service sector. Unemployment among agricultural households has risen from 9.5 percent in 1993-94 to 15.3 percent in 2004-05. Moreover, we have seen that in the new millennium, there has been an overall rise in rural unemployment (Mukhopadhyay and Rajaraman 2007).

The growth of employment in India's manufacturing sector was not influenced by the reforms of the 1980s and 1990s. Employment in manufacturing remained constant at around 12-13 percent of the workforce during those periods (Nagaraj 2003). As Professor Dipak Majumdar said,

Real growth and jobs have come in the tertiary sector, such as IT, and large scale, export-oriented manufacturing. Indeed, India's manufacturing sector has a decidedly split personality. Smaller firms specialize in the niche market of low-quality products geared to low-income consumers. Larger firms concentrate on higher quality, higher-income consumer markets including exports. The middle is missing in India's labor markets. Larger firms also invest in machines and technology to boost productivity rather than hire and train employees whom they may have to dismiss when the economy takes a turn for the worse. The major reason for India's missing middle is the lack of development of labor intensive industries—mid-size firms that make use of less-skilled labor. [Majumdar 2008.]

It may be true that there is growth in the service sector, particularly in Information Technology and Business Process Outsourcing (BPO), but these provide only 1.3 million jobs out of a working population of 400 million (Mishra 2006).

TABLE 2: Unemployment Rate in India (in per cent)

YEAR	All India	Rural	Urban
1983	9.22	8.85	10.55
1993-94	6.06	5.61	7.46
1999-00	7.31	7.16	7.74
2004-05	8.38	8.28	8.28

## Poverty

A third of India's population lives below the International Absolute Poverty Line, meaning that 360 million Indians live on less than a dollar a day. Furthermore, 80 percent of India's population lives below the International Relative Poverty Line, living on less than \$2 a day. The recent report on the National Commission for Enterprises in the Unorganized Sector by Arjun Sengupta (2007) also supported this data. According to his findings, 77 percent of India's population, or 836 million people, have a per capita consumption expenditure of less than or equal to Rs. 20 per day (roughly \$2.2 in purchasing power parity terms).

Table 3 shows the trend of the rate of poverty in India using the survey of different rounds (30-Day Uniform Reference Periods) by the NSSO from 1973 to 2005, which are based on the national poverty line (monthly per capita consumption expenditure below Rs. 356.35 for rural areas and Rs. 538.60 for urban areas). It shows that although the percentage of people below the poverty line has declined, the absolute number that is living in these conditions has not changed much at all. In fact, during the period of economic reforms and liberalization, urban poverty rates declined, but rural poverty rates did not. (Acharya 2006). According to the Planning Commission of India, the rural poverty rate declined from about two-thirds of the rural population in the 1950s to about one-third of the rural population by the end of the 1990s. The lower decline in poverty rates during the past decade (as compared with the 1970s and 1980s) coincides with India's liberalizing economic policies that neglected rural investment and resulted in slower agricultural growth. (Government of India 2005). NSSO data also suggests that the rate of decline in poverty had somewhat slowed down between 1993 and 2005, when there was an intense opening of the economy (Bardham 2007). Sen and Himanshu 2004 also showed that after a methodological adjustment to food consumption, the 1990s proved to be a lost decade when it comes to the reduction of poverty rates.

Finally, it is important to consider at least two things: First, the composition of the NSSO's consumption basket was prepared in 1973, and its

TABLE 3: Poverty in India (According to National Poverty Line) Source: Prepared from the data of different rounds of NSSO.

Year	Poverty Rate (%)	No. of Persons (in million)	Absolute no. of Poverty Reduction/ per year (%)
1973-74	54.9	321.3	4
1977-78	51.3	328.9	- 0.59
1983	44.93	324.34	0.31
1987-88	38.9	307	1.25
1993-94	36.02	324.55	-0.70
1999-2000	26.1	262	3.4 (not comparable)
2004-05	28.27	315.48	-0.8

composition hardly includes any expenditure on health or education. At present, after adding minimum expenditure on health and education, the adjusted poverty ratio should be 35.83 percent. (Dev and Ravi 2008). Second, the consumer price index of the food component understates the rate of food price inflation. This understatement could be because the overall weight of the food in the CPI is too high (the data are from 1983), and so the food prices fell relative to non-food prices. In short, it has been calculated that there could be another underestimation of 1.75 percentage points in this poverty ratio. (Deaton 2008).

## Economic Inequality:

The share of income/consumption of India's richest 20 percent is 45.3 percent of the country's national income/consumption, whereas the poorest 20 percent consume only 8.1 percent of the country's national income/consumption (UNDP 2008).

If we examine the Gini coefficient of India, we will see that from 1951 to 1973, inequality was in decline. Then, it remained a stable trend until 1992, after which it began to rise again.

The Gini coefficient proves that India's average economic growth rate of 6 percent since 1980 has not served to reduce inequality in India; in fact, during the liberalization period (1991-present), inequality increased. According to a UN development report, inequality in India has grown faster in the last 15

years than it had in the previous fifty. (Halliman 2006.)

We should also keep in mind that the above figures reflect consumption inequality, not income inequality. In most countries, consumption inequality is lower than income inequality because the rich save more than the poor. Surveys of occasional alternative sources collect data on wealth. The Gini index for asset distribution inequality in 2002 was 63 (out of 100) in rural India, and 66 in urban India, while the corresponding figures for China were 39 and 47, respectively. These data do not include ownership of human capital. (Bardhan 2006.)

Table 5 shows that whereas there was a slight decline in rural inequality from 1983-94 (in the pro-business period), inequality in rural India increased from 1993-2005 (in the pro-market period). Inequality in urban India increased during both these periods, though the increase was sharper from 1993 to 2005. The rate of increase in urban inequality is also higher than that of rural inequality during the post-liberalization period. According to a report by the Asian Development Bank (2007), the Gini Coefficient of average real wages of urban full-time employees in India went up from 0.38 in 1983 to 0.47 in 2004. Deaton and Dreze 2002 also showed that regional disparities, inequality within states (especially within urban areas), and inequalities between urban and rural areas have increased.

Table 6 reflects economic openness and its relationship with inter-provincial and rural-urban inequality. It shows that as the economy opens, inequality in both these areas widens. A study by K.V. Ramaswamy (2007) also pointed out that regional disparity has increased from 36.6 (coefficient of variation) from 1993-1994 to 128 from 1999-2004.

In both the rural and urban sectors, inequality was higher in the post-reform period. Since the Gini coefficient for the urban sector is always higher than that for the rural sector, and since rapid economic growth implies a shift in population from the rural to the urban sector, the reform process was accompanied by an increase in overall inequality. This rise in inequality is the result of a shift in the distribution of income from wages to profits, a drop in the rate of labour absorption, and rapid growth of the service sector. (Jha 2000).

TABLE 4: Economic Inequality (Sahn 2006)

Year	Gini
1951	35.6
1973	29.2
1983	31.5
1990	29.7
1992	32.0
2000	35.0
2005	36.8

TABLE 5. Inequalities in Rural and Urban India (Dev and Ravi 2007)

	Year			Changes	
	1983	1993-94	2004-05	1983-94	1993-2005
Rural	30.79	28.55	30.45	-0.68	0.60
Urban	34.06	34.31	37.51	0.01	0.85

TABLE 6: Economic Openness and Inequality (Inter-provincial and Rural-Urban) Source: Gajwani, Kanbar and Zhang 2006.

Year	Inter-province	Rural-Urban	Openness
1978	12.3	37.5	2.7
1984	11.5	61.4	5.2
1991	13.9	71.1	11.1
2003	19.0	67.6	38.2

Moreover, when it comes to inequality among the general population (even among the richest), India's population experiences more inequality than the USA and China. In India, 53 billionaires hold 31 percent of the national income. This is 4 times higher than the global average. In comparison, 42 billionaires hold 3 percent of the national income in China, and 469 billionaires hold 11 percent of the national income in the United States. (Anandabzar Patrika 2008).



TABLE 7: HDI Trend

Year	1975	1980	1985	1990	1995	2000	2005
HDI	0.419	0.450	0.487	0.521	0.551	0.578	0.619

Source: UNDP. Human Development Report: 2007-08

TABLE 8: Components of HDI

Life expectancy at birth ( years)	Adult literacy rate (%)	Combined Gross Enrolment Ratio (%)	GDP per capita (PPP US \$)
63.7	61.0	63.8	3,452

Source: UNDP. Human Development Report: 2007-08

TABLE 9: Health Indicators

Infant mortality rate / 1000 live births	56
Maternal mortality rate / 100, 000 live births	450
Probability at birth of not surviving to age 40	16.8
Physicians / 100,000 people	60
Per capita expenditure on health (PPP US \$)	91
Public Health Expenditure per cent of GDP	0.9
Private health expenditure per cent of GDP	4.1

Source: UNDP. Human Development Report: 2007-08

TABLE 10: Drinking Water, Sanitation, and Nutritional Status

Population Using Improved Sanitation	33%
Population Using Improved Water source)	86%
Children Under Weight for Age (under Age 5)	47%
Children Under Height For age (under Age 5)	51%
Infants with Low Birth Weight	30%
Undernourished People	20%

Source: UNDP. Human Development Report: 2007-08

## Gender Inequality

When discussing gender inequality, it is imperative to know about India's gender ratio, which is one of the worst in the world. India's sex ratio is 1.08, while the world average is 1.02. In other words, there are about 40 million females who are missing from the Indian population (UNICEF 2007). Some 7,000 girls go unborn in India each day, according to a recent UN Children's Fund report (Johnson 2007). Every year, up to 500,000 female fetuses are aborted in India (Sheth 2006) and it is disturbing to see that the sex ratio only continues to decrease: 1981(1.04), 1991(1.06), and 2001(1.08) (Government of India).

India's rural maternal mortality rate is among the worlds highest. From a global perspective, India accounts for 19 percent of all live births and 27 percent of all maternal deaths. Its maternal mortality

rate, at 410 per 100,000 live births, is almost 100 times the levels found in the west (Rizvi 2007).

According to the 2007 Gender Gap Report by the World Economic Forum, India ranked 114th among a total of 128 countries (Hausmann et al 2007). Its overall gender equality is 59.4 percent, which is determined on the basis of its rank in different parities such as Economic (122), Education (116), Health and Survival (126), and Political (21).

A study by Menon and Rodgers (2006) indicated that increasing openness to trade is associated with a widening of the wage gap between genders in India's concentrated manufacturing industries. Female workers in India have weaker bargaining power and a lower workplace status and are thus less able to negotiate for favourable working conditions

and higher pay. It is a situation that places them in a vulnerable position as firms compete in the global marketplace.

Ironically, all this is happening in a country whose first Prime Minister, Pundit Jawaharlal Nehru, said, “You can tell a condition of a nation by looking at the status of its women” (Coonrod 1998).

### **Educational Inequality:**

According to the 2001 census, the literacy rate of India was 65 percent, reflecting a three and a half fold increase in the last 50 years. The projected literacy rate for the next census is 80 percent. However, India’s educational inequality (56) is one of the worst in the world.

This is not only much higher than the US’s (13), but also significantly higher than China’s (37), most Latin American countries’ (for instance, Brazil’s is 39), and many African countries’ (Bardhan 2006). It makes it harder for many to absorb shocks in industrial labour markets, since education and training could provide some means of flexibility in adapting labour market changes, where most new jobs are created only in skill intensive manufacturing and service sectors like IT and BPO.

### **Other Social Indicators:**

Tables 7 to 10 use data about India’s performance on different social indicators, which are referred to in the following discussion. Table 11 is a comparison of some selected socio-economic indicators between India and seven other countries of the global south. Out of these countries, four are from South Asia, including India.

The first indicator of the selected socio-economic indicators is the Infant Mortality Rate per 1000 live births. In this, India ranks 6th (56), which is at par with Bangladesh (54) and Nepal (56), better than Pakistan (79), and lagging behind China (23), Brazil (31), Sri Lanka (12), and Indonesia (28).

The second indicator is the Maternal Mortality Rate per 1000 live births. Again, India ranks 6th. Its performance (450) is worse than China’s (45), Brazil’s (110), Sri Lanka’s (58), and Pakistan’s (320). It is close to Indonesia’s (420), but better than Bangladesh (570) and Nepal (830).

Although India ranks 4th when it comes to Access to an Improved Water Source with 86 percent of its population having such access, it has done very well when compared to China (77 percent), Bangladesh (74 percent), Nepal (79 percent), and Indonesia (77 percent). It also ranks very close to the top 3 countries, which all have access rates that lie somewhere between 90-91 percent.

Life Expectancy at Birth is the next indicator. India (63.7) ranked 6th out of the 8 countries that were compared. This rate is hardly better than that of Bangladesh (63.1) and Nepal (62.6), and it is worse than those found in all other countries, including Pakistan (64.6).

When it comes to its national poverty line, India is above Pakistan, Bangladesh and Nepal, but according to the international poverty line (\$1 per day), India is only just above Bangladesh and is actually below Pakistan and Nepal.

As far as adult literacy rates in South Asian countries go, India ranks 5th. The three adjacent countries, Pakistan (49.9), Bangladesh (47.5), and Nepal (48.6) are trailing behind India, but the other four countries are well ahead of India with literacy rates of around 90 percent each.

### **Summary**

In many ways, India appears to be on top of the world. It has maintained an impressive average annual growth rate of more than 6 percent for the last 30 years, it boasts the 4th largest economy in the world according to US \$ Purchasing Power Parity (PPP), and its economy has doubled in size since 1999 and tripled since the launch of its economic reform in 1991. It ranks 3rd when it comes to producing engineering graduates (just behind China and the United States), and it is the home of world-class technical, management, and scientific institutions such as IITs, IIMs, and IIS, and major companies such as Tata, Reliance, Bharat Forge, BHEL, ONGC, Ranbaxy, Infosys, Wipro, Bharati, Satyam, ICICI, and HDFC. One hundred Indian companies have a market capitalization of \$1 billion US dollars, 1000 Indian companies have received foreign institutional investment, 125 Fortune 500 companies have R & D bases in India, and 390 Fortune

TABLE 11: Comparison with Some Other Countries

Country	IMR	MMR	Access to improved water source	Life Expectancy	Poverty: National Poverty Line/ \$1 per day	Literacy	HDI Rank
India	56 (6th)	450 (6th)	86 (4th)	63.7 (6th )	28.3/34.3	61 (5th)	127 (5th)
China	23	45	77	72.5	4.6/9.9	90.9	81
Brazil	31	110	90	71.7	21.5/7.5	88.6	70
Sri Lanka	12	58	79	71.6	25/5.6	90.7	99
Pakistan	79	320	91	64.6	32.6/17	49.9	136
Bangladesh	54	570	74	63.1	49.8/41.3	47.5	140
Nepal	56	830	90	62.6	30.9/24.1	48.6	142
Indonesia	28	420	77	69.7	27.1/7.5	90.4	107

Source: UNDP. Human Development Report: 2007-08

500 companies have outsourced their software development to India (Das 2006). Of the world's richest people, 27 percent are Indian (Iyer 2008), and with 53 billionaires, India has the highest number of billionaires in Asia (Aajkal 2008). And when it comes to its consumer base, India is seeing enormous expansion. There are five to six million telephone connections every month as well as phenomenal growth in home ownership rates. Domestic consumption is one of the pillars of economic growth, and with only 2 percent of the world economy, India contributes 5 percent of the world's economic growth. It has a \$275.5 billion foreign exchange reserve (Chandra 2008) and with 1 million out of 2.5 million elected representatives sitting on village councils being female (Siddiqui 2007), it would also appear that India is closing its gender inequality gap.

Yet, India slipped from an HDI rank of 115 out of 162 countries in 2001 to 128th out of 177 countries in 2007-08. Its HDI rank is 4 above Myanmar, 29 below Sri Lanka, 77 below Cuba, and 20 below Syria (UNDP 2008). Its per capita GDP is just slightly higher than that of sub-Saharan Africa, and it is the home of half the world's destitute and illiterate people. According to the global hunger index of the International Food Policy Research Institute, India ranked 94 among 118 countries; the ranking for child malnutrition is even worse than that, 117, with only Bangladesh at the bottom-most rank. A third of its population lives below the national poverty line,

and both income and consumption inequality rates continue to increase, with its income inequality being one of the highest in the world. Malnutrition affects half of the children in India. Over 2 million Indian children die annually, accounting for one out of five child deaths worldwide (Mishra 2006). A fifth of its population is undernourished, and its infant mortality rate is even higher than that of Bangladesh. India has one of the highest percentages of anemic pregnant women in the world (World Bank 2007) and its maternal mortality rate is much higher than Pakistan's. It has only 60 doctors per 100,000 people, while China has 106, Cuba has 591, and Pakistan has 74. In addition, only 33 percent of India's population uses proper sanitation (see Table 10). Between 1993 and 2003, 100,000 farmers committed suicide (Bajoria 2007). About 40-50 million girls are missing from the population (Saunders 2008; Sen 1992), and its educational inequality is one of the worst in the world. In 1991, 26 percent of the rural households were in debt; by 2003 that rate jumped to nearly 50 percent (Hallinan 2006). And next to seven other South Asian countries, India ranked either 5th or 6th on selected socioeconomic indicators (see Table 11).

### So Why, Then, "India Is Shining"?

As was said earlier, there seems to be two Indias: one is India, and the other is Bharat. In the following discussion of land ownership patterns, jobless growth

and casualization, and the role of government and public expenditure, I attempt to shed light on why this is.

### **Agricultural Labour and Land Ownership**

Seventy percent of Indian population lives in villages. The most rapid poverty reduction occurred from the late 1960s to the late 1980s due to green revolution led agriculture growth and strong policy support for agriculture. After the reforms, during 1991-2005 agriculture GDP grew at 2.7 percent a year compared to 2.9 percent a year between 1980-1990. In recent years, the growth of agriculture GDP came down to 2 percent (Fan and Gulati 2008).

The rural households that depend on agricultural and other labour account for more than fifty percent of the poor according to the official poverty line. The growth rate of real daily earnings was 2.5 percent per year between 1983-2005. The rate of growth (3.3 percent) was higher during 1983-1993 than that of the next decade, 1993-2004 (2.3 percent) (Eswaran et al). It proves that liberalization did not help the rural poor. Liberalization caused growth mainly in skill-intensive, export-oriented manufacturing and service sectors, as we have mentioned earlier. Agricultural wages (for a given level of productivity) are inversely related to the labour-to-land ratio that, in turn, depends on the capacity of non-agricultural sectors to pull labour from agriculture. In India, the reduction of the labour force in agriculture has been nothing like what was witnessed in East Asia. The contribution of agriculture to the GDP has been falling dramatically, but the percentage of population depending on agriculture has been falling extremely slowly.

The production rate of food grain since India started its first 5-year plan, from 1950-51 to 2006-07 averaged 2.5 percent compared to average annual growth rate of population which was 2.1 percent during this period. However, the rate of growth of food grains decreased to 1.2 percent during 1990-2007, which is lower than the annual average growth rate of population during the same period, which was 1.9 percent (Government of India 2007a:156).

Moreover, in the first decade of liberalization, (between 1990-91 and 2000-01), the cost of agri-

culture grew by 114.4 percent, but output prices rose only by 100.2 percent (Patil 2008).

The other important aspect is the pattern of land ownership in India. More than 10 percent of people in rural India do not own any type of land, including homestead land; more than 40 percent do not own any land other than homestead land; and close to a third (31.12 percent) do not own any land other than homestead non-cultivable land (Rawal 2008). In fact, only 17.11 percent of the people in rural India own some sort of cultivable land. The Gini Coefficient of land distribution in rural India was 0.74 in 2003, while the corresponding figure in China was 0.49 in 2002 (Bardhan 2007).

The implication of land ownership is huge. Research shows that children's nutritional status is higher if the household owns at least a small piece of land even if that household has the same measurable income as a landless household (Kumar 1977).

Half of the farmer households were indebted in rural India. It is also true that institutional credit for agriculture has increased from Rs. 1,865 crore (10 million) in 1971-72 to Rs. 2,03,296 crore in 2006-07, but a significant number of farmer households in India have not been able to borrow from the formal institutional system: 87 percent of marginal farmers and 69 percent of the small farmers had no loans from the formal institutional agencies. And about one-third of the increase in credit flow to agriculture between 2006-2007 was on account of the increase in indirect finance like financing new forms of commercial, export-oriented and capital-intensive agriculture (Patil 2008).

### **Jobless Growth and Casualization of Workforce**

The average growth rate of employment in India before 1980 was 2 percent, while the country's GDP growth rate was, on average, less than 4 percent. Although India has been experiencing an economic growth rate of 7-8 percent in recent years, its regular employment growth rate has hardly exceeded 1 percent. This higher GDP growth is not the result of employment expansion, but rather a higher output per worker, the mechanization of labour, and longer hours of work. According to official statistics, between 1991 and 2004 employment rates fell in

the organized public sector, and the organized private sector hardly compensated for this loss. The whole organized sector accounts for less than one-tenth of the labour force (Bhaduri 2008).

All of this caused employment rates to deteriorate, which is reflected in the substantial decline in employment elasticity from 0.41 from 1983-1994 to 0.15 from 1999-2000 (Sharma 2006). The reasons behind this deceleration in employment rates include both policy and technological changes in the production process over the last several years. The deceleration in employment growth has been accompanied by a rise in the number of informal workers. Over the years, organized sector employment has grown more slowly than total employment. Organized sector employment grew at a rate of 1.20 percent per annum from 1983-1994, but this rate fell to 0.53 percent between 1994 and 2000 (Sharma 2006) during the era of liberalization. In addition to there being a large number of new jobs created in the unorganized sector, many retrenched workers also found refuge within this sector (Sharma 2006). Now, more than a third of the Indian workforce is made up of casual or contractual workers, and this number is only increasing. There are about 260 millions self-employed workers in India and this is the fastest growing group in the high economic growth period. Thirty years ago, in 1977, only 27.2 percent of the workers in India were casual or contractual. However, the 1980s saw some significant changes that resulted in an increase in the casual and contractual workforce. For example, the textile mills in Ahmedabad and Gujarat dissolved thousands of jobs in the 1980s when textile production was transferred to the decentralized power loom industry, where almost all employment is informal. The same sort of thing was also seen in the engineering and pharmaceutical industries. And even today, large firms such as Maruti Udyog, BPL, Johnson & Johnson, TELCO, and Hindustan Lever are outsourcing more and more labour to home-based employees (McCartney 2006). Furthermore, it is women who are primarily affected by the rising trend of subcontracted and casual labour because they are often the ones who are pressured to take on work in the home so that they can earn an income while still attending to all of their domestic

duties, which only serves to widen an already significant gap in India's gender equality.

#### **The Role of Government and Public Investment:**

The first breakaway from the stagnant economic growth rate of 3.7 percent occurred in 1975-76, when India saw an unprecedented GDP growth rate of 9 percent. Its savings and investment rates had risen sharply from the late 1960s to the late 1970s. One of the reasons for this was the nationalization of banks in 1969, with the state-owned banks being forced to open any new branches in remote areas of India. In 1969, the number of branches of commercial banks in India was 9,051 and it rose to 38,047 by 1981. The start of the Unit Trust in 1964 was also a key factor in boosting the national savings rate, which, in turn, was the first impetus for rapid growth (Basu 2008b).

Without government intervention, it is impossible to have egalitarian growth. It is natural for market-driven growth to only occur in certain areas, which may be determined either by geography or sector. The increase in products and/or services in those areas either create a demand for domestic consumption or for export.

So where is the market? It can be found in the upper 20-25 percent of India's population (around 300 million people, which is similar in size to the US market, bigger than the European market, and almost 10 times larger than the Canadian market), and in the international market. Whereas most of India's population is concerned with buying food, the upper class spends its money on luxury goods such as brand-name garments, consumer durables, cars, and luxury food items. On the international front, companies purchase software, hire English speaking customer service representatives to serve international customers, and outsource their manufacturing to India (and other developing countries) to take advantage of cheap, skilled labour and thereby gain a competitive advantage.

In the first decade of liberalization (the 1990s), 40 percent of India's FDI inflows took the form of mergers and acquisitions (McCartney 2006). As a result, there was not as much spillover as would be expected in the case of Greenfield investments. After liberalization, growth was restricted to a relatively

narrow band of industries, namely software, textile, and auto. A large portion of the FDI flows into skill intensive and value-added service industries, particularly financial services and information technology. Service, computer software, and hardware industries together account for 35.49 percent of the total FDI in India between 2000 and 2007 (India Brand Equity Foundation 2008).

Although India's software industry is experiencing enormous growth, it has not yet been able to generate significant linkages with the rest of the Indian economy. The textile industry, which is the largest industry after agriculture, has managed to create some such linkages, but the availability of local inputs makes it almost entirely self-sufficient, so these linkages are not dynamic, rendering them largely inefficient. Furthermore, 80 percent of the jobs in the textile industry have been outsourced to the informal sector (McCartney 2006). However, the third growing industry, the automotive, does have both backward and forward linkages.

Indian industries are largely concentrated among these three manufacturing sectors in three clustered regions: the National Capital Region (NCR), Mumbai-Pune, and Chennai-Bangalore. If we examine the geographical locations of these industries, we see that the IT industry is mostly located in three cities—Hyderabad and Bangalore (in the south), and Kolkata (in the east); the textile industry is mostly located in the west, particularly in Gujarat; and the auto industry is concentrated in the south and the NCR. Such trends are to be expected in a market-driven economy where firms seek linkages through profit, cheap labour, and infrastructure. However, 70 percent of Indian people who live in villages do not enjoy the fruits of such development. Quite simply, the market does not take care of the very people who drive it.

Instead, it is the government's responsibility to create jobs, build infrastructure (both social and physical), and link India's labourers to the growth of the country. Unfortunately, the government consistently neglects rural development, which has led to a steep rise in unemployment in rural India, particularly among agricultural labourers, who have an unemployment rate of 15.3 percent and indebtedness of nearly 50 percent, up from 26 percent in 1991 (Hallinan

2006). In addition to this, it should be noted that half of the rural population is self-employed, whereas 40 percent of the urban population is self-employed (Government of India 2006).

We have already discussed that the lower decline in poverty seen in the last decade (as compared with the 1970s and 1980s) coincides with India's liberalizing economic policies, which neglected rural investment and resulted in slower agricultural growth. Public investment in agriculture grew three times faster in the 1970s than it did in the 1960s. It then slowed down between 1980 and 1990 (Thorat and Fan 2007). Throughout the 1980s, there was a sharp decline in investments in areas that are critical for agricultural growth, namely irrigation and drainage, soil conservation, water management systems, and rural roads (Ahluwalia 2002). Chandrasekhar and Ghosh (2006) also support this assertion and add that central (federal) government policies created resource problems for the state (provincial) governments in various ways, resulting in cutbacks on crucial development expenditure. We also see that rural unemployment increased in the post-reform period (Mukhopadhyay and Rajaraman 2007) and after the mid-1990s, food grain production failed to keep pace with population growth. In fact, per capita cereal production has declined by 17 kg and pulses by 3 kg in the last decade alone (Chand 2007).

The so-called growth elasticity of poverty reduction is much higher in China than in India because the same one percent growth rate reduces poverty in India by much less than it does in China (Bhardhan 2007). Datt and Ravallion (2002) pointed out in their comparison of Indian provinces that the growth elasticity of poverty depends on the initial distribution of land and human capital. This elasticity is low in high-growth states such as Maharashtra and Karnataka, and high in states such as Kerala and West Bengal (Topalova 2007). In China, land reform was part of the national liberation movement, and it was successfully implemented across the country; in India, this responsibility was left in the hands of the provincial governments, and so in 80 percent of the country, it was neglected.

In 2002, India had 58 million tons of food grains rather than the 16.8 million tons that was the usual

amount for buffer stocks (Government of India 2002). Although this may sound promising, high rents must be paid for the warehouses needed to store this grain. And yet, 20 percent of India's population is undernourished (see table 9), and a significant portion of its population starves because it does not even have the purchasing power to buy food grains at subsidized prices through the Public Distributional System (PDS). The inefficiency and corruption of the PDS only serves to further exacerbate the problem. Of course, the market did not have any responsibility to feed these people. In addition, financial liberalization after 1991 severely damaged the formal system of institutional credit in rural India. In doing so, it represented a clear and explicit reversal of the policy of social and development banking and contributed in no small way to the extreme deprivation and distress of India's rural poor.

The balance between the public and private expenditure on health care in India is one of the most skewed in the world (Ninan 2008). India spends less than one percent of its GDP on health care. The State is gradually shedding its responsibilities and encouraging the privatization of health care. How can India expect most of its citizens to be able to afford private health care when 93 percent of its population works in the informal sector, and 80 percent of its population lives on less than \$2 a day? And the government is gradually abdicating its responsibility in providing health care in favour of private hospitals in tier two and tier three towns by giving them tax concessions to set up.

When it comes to education, India dedicates less than 3 percent of its GDP on education for center and state together (Government of India 2008). In the current Five Year Plan, there has been a significant increase in the allocation of funds to education, but more priority is given to post-secondary and technical programs than to primary education. This elitist shift is a stark example of India's neo-liberal economic policy. Moreover, most of this money goes towards salaries and administrative costs, not program development. In addition to that, there was an increasing number of private institutions at every level of schooling, which are not affordable to the vast majority of Indian populations.

At the same time, it had undertaken some social development programs to fulfill its rhetoric of "inclusive growth" and by the pressure of civil society and left-leaning political parties. But careful analysis of those programs indicated that there was a wide gap between the government's promises and good will and the performance. Faulty planning, insufficient allocation of funds, institutionalized corruption, inefficiency, and lack of accountability are some of the reasons of failure of these programs. The name of those programs sometimes changed or merged into one large program. Some of the current public programs are: Integrated Child Development Scheme (ICDS), Public Distribution System (PDS), Rural Employment Programmes, and Bharat Nirman.

Conversely, in East Asia, where the story of industrialization was a success, all countries spend a very high percentage of their GDPs on health, education and social security, and they have steadily increased their public expenditure on social services since the 1980s.

Finally, it is worth mentioning that poverty, illiteracy, and morbidity in India are associated with the social identities of its people. In India, one's level of education is an important determinant of poverty. The country's three lowest orders are the Scheduled Castes (SC), Scheduled Tribes (ST), and Muslims, followed by the Other Backward Classes (OBC) (Sengupta 2007).

Economic growth is needed for social development, but growth and social development are not always positively related. The political will of the government and its redistributive justice are necessary for the egalitarian social development of all citizens, which is discussed by Sen (1983). He cites such examples as Brazil, Mexico, and South Korea, whose per capita GDPs are much higher than those of Sri Lanka and China; however, in terms of social development indicators, Sri Lanka and China are much further ahead than the other three countries. In fact, after the reform of 1978 in China, the growth in life expectancy and the reduction of infant mortality rates have slowed down.

In addition to those already mentioned in this essay, studies by Chen and Ravallion (2000), Deaton and Dreze (2002), Wade (2004), and Biswas and

Sindzingre (2006) found that economic growth is not always related to reduced poverty or inequality. Rather, it can impoverish more people and widen gaps of inequality. Even Nobel laureate Michael Spence stated that inequality often rises in the presence of growth (Bhalla 2007).

The state of India with its neo-liberal policies supports corporate-led industrialization that includes deregulation, rewriting labour laws in favour of corporations as well as privatization of public industries, the health care system, and education. According to Amit Bhaduri (2008),

An unbridled market whose rules are fixed by the corporations aided by state power shapes the process. The ideology of progress through dispossession of the poor, preached relentlessly by the united power of rich, the middle class and the corporations fix colonize directly the poor, and indirectly it has began to colonize our minds.

It is not the 'invisible hand of the market' and the neo-liberal agenda, always speaking of privatization, that can eradicate poverty, establish food security, ensure universal access to health care, education, and affordable housing and reduce equality. It is the government that can provide its citizens with all these by empowering themselves through political will and economic policies such as employment generation programs, land reform, extending credit to the poor, crop insurance, rural roads, rural housing, rural water supply, rural electrification, universalizing primary education, comprehensive health care system, and labour welfare.

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