Are Some Indians Getting Poorer?
Economic Times, 12, February, 2002

Bharat Ramaswami

The reported fall in aggregate food expenditure (estimated by the CSO) is both

disturbing and puzzling. It is disturbing because it is the food expenditures of the poor

that are the most vulnerable to adversities. It does not follow that such shocks

necessarily spare the rich and the moderately well off but when they happen their

consequences are much starker for the poor. The fall is puzzling because the reported

decline is substantial. Even though the economy grew slower in the last fiscal, the

growth of 4% is still higher than the so called "Hindu" rate of growth of 3.5% which was

our distinction for a long time.

Generally speaking, consumption expenditures of the poor have risen whenever

economic growth has outperformed population. For this reason, the distribution of

consumption expenditure (which is a crude measure of income) has been roughly stable.

In all but 2 states, the average caloric intake in rural India has increased among the

poorest 20% . Correspondingly, the proportion of population that suffers from extreme

calorie deprivation (i.e., intake of less than 1400 calories per day) has declined. Rather

surprisingly, average caloric intake among the richest 20% has declined over time. This

is not well understood but is probably due to the substitution of cereals by other

commodities (such as milk and processed foods) and also to lifestyle changes that have

reduced the demand for calories. While this is a factor that slows down the growth of

food expenditures, it is unlikely to reduce it.

Future scholarly work will undoubtedly verify and analyse the fall in food

expenditure aggregates. While it is generally agreed that poverty declined in the 1990s

(but by not as much as the official estimates), the picture on employment is murky. While real wages of workers have increased, rural non-farm employment does not seem to be as effective in driving real wages and poverty reduction as it was before the 90s. While the growth of employment has kept largely kept pace with the number of people looking for work, both these variables are growing at a much slower rate. This indicates a worsening employment situation if it is true that those looking for work do so in larger numbers in good times than in bad times.

The clue to the mystery probably lies in the wide variation in economic performance between states. Regional disparities in industrial and infrastructure growth are well known. What is also revealing are the marked differences between states with respect to the agricultural sector. In many states, there was any hardly any trend growth in foodgrain production for much of the 90s. It would therefore not be surprising if the story of the 1990s was that there were many growth experiences and not just a single one that could be uniquely identified from national data.

The drop in food consumption expenditures brings back to the front pages the collosal failure of our food policy. An amount that is more than one-third of the annual production of rice and wheat is stored away in government silos and godowns. Even without the decline in food expenditures, economic distress in our country is real enough. The perversity of our food policy could not have helped. Last year, the droughts in Rajasthan and Orissa left many people hungry and out of work. Yet the government machinery showed little inclination or resolve to fashion a speedy response.

Economic growth does not uniformly affect all sectors and at all locations. It is also volatile. A shift in trade patterns, a bumper harvest in Vietnam, an unseasonal rise in

temperatures are all instances where some people are severely and adversely affected while most others are not. A functional food subsidy safety net is therefore essential.

There are many ideas for reform of our food policy. Yet these are not fully taken up because the policy is hostage to political interests at the central and state governments.

The central government should take the lead in forging a political consensus on this issue.