

ANATOMY OF POVERTY

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Abstract: *This article brings together various dimensions of poverty thereby providing the readers an original perspective on this ailment which is all-pervasive in the developing world. Based on a comprehensive understanding the article presents an in-depth analysis of the inception and spread of poverty.*

In the United States of America, every Presidential election campaign rests on the pillar of an Economic ideology whereby the candidates would try to woo the electorate en-masse with articulate expressions of their vision to take the American Economy to a newer height than ever before. We saw that in Barack Obama's emphasis on economic democracy and economic justice at almost every speech during his campaign. Again in the en core during the 2012 Presidential elections with a very emotional speech about Democracy, we have seen the will to fix this economy for the marginal voter; taxpayer, father, mother, child and so on. We saw a similar phenomenon recently in India, with the recently concluded general elections, where the debate on "Secular Development versus Secularism" dominated the mainstream media and captured the minds of the average Indian voter. What is common in the three strands of events that I just mentioned, is the bleeding economy that one could see in the backdrop; reeking with inequality and thirsty for growth.

The growth narratives that are being drawn by a lot of developing and emerging market economies today have in common the principle of predominant financialization of the economy, where the stock markets are more important to the policymakers than the real economy outside. The recent reactions of the global economy to chaos in the Chinese Stock Markets, with Sensex dropping from almost 29,000 points to 25,000 points within such a short period of time, have put policymakers on such alarm that the Prime Minister had to convene an ad hoc summit of "India Inc." to restore economic confidence in the business class and among investors in the fact that although all may not be well in the country's economy, the "ache din" are surely on their way. Paradoxically this addresses a prominent work among leftist-economic circles by Paul Sweezy (which was a result of one of his debates on Economic Policy with Keynes) on how Capital was redistributing the contours of growth among economies which were on the path. I used the word paradoxically because Sweezy very eloquently and lucidly opposes a lion's share of the indicators of Economic Growth in most capitalist economies such as the stock-market as a yardstick of the growth story, rebutting the fundamentals on which they rest.

What Sweezy does in his treatise is to point out the Marxist ideology of the base and superstructures and give it an economic twist by exploiting the dichotomy of the real and the financial sector of the economy. He points to the real (industrial, manufacturing etc.) sector as the base and the financial sector as the superstructure of the economy, and in doing so points out that most growth stories which occur in the world rest on a tiny base and an ever expanding super-structure, which makes this growth increasingly shaky and unstable as it goes on with time. Why I refer to Sweezy is because the Indian economic story of growth has come into a dangerous similarity with this brand of growth with financialization at the helm, seeming to pull the economy forward. The dichotomy takes a starkly ugly

form here when we incorporate the spectrum of poverty within this framework of growth that India is indulging itself in.

Poverty vis-à-vis India

Who are the poor? Factors such as population density, ecological conditions and the availability of irrigation and transport account for some of these differences among India's states and even within them. Other conditions affecting the rural poor —gender, literacy, land ownership, employment status, and caste — create a more consistent pattern. Thus, an illiterate rural woman, a member of a scheduled tribe or caste, a person living in a landless household or dependent on wage earnings, all face a significantly higher than average risk of poverty.

The incidence of poverty was highest of all among the landless wage-earners who provide largely unskilled labor in markets where the prevalence of long-term contracts has been declining and wages remain too low to lift casual laborers from the bottom rungs of the ladder. Again, rural female laborers are more likely than men to depend on daily wages from manual employment.

[Case: For every hundred women thus employed, there are only 85 males earning their living in the same, marginal way, even though men outnumber women in India by a ratio of 1000 to 929. In terms of earning power, men are more than twice as likely as women to hold salaried jobs in the large and medium-sized towns that are increasingly important centers of economic life in the Indian countryside.]

India as an economy has never quite been able to come to terms with the rampant spread of poverty within its polity and no amount of plans have actually been able to impede this snowballing increase in poverty throughout the country. The dichotomy of the real and the financial sector have almost translated themselves into a debate on whether there are two versions of India that seem to now co-exist within a common territorial unit, which for an objective observer is nothing but shocking. The quintessence of growth and poverty lies in the observation of a city in India housing a structure in excess of twenty storeys for just a family of four, while the same city also houses the largest and most densely populated slum in the world. This may seem rhetoric but these are just facts to put to the forefront where the base and the superstructures of this economy have been divergent in the growth experience of this country. For such a shockingly disparate scene to exist at the heart of the financial system of our country, Mumbai shows where the rampant financialization has been taking our growth dream in sync with the policymakers at Lutyens. The problem with the current perspective of growth in India is reflected somewhat in the words of Nobel Laureate, Ronald Coase when he observed: “The entities whose decisions economists are engaged in analyzing have not been made the subject of study and in consequence lack any substance. The consumer is not a human being but a set of preferences.... Exchange takes place without any specification of its institutional setting. We have consumers without humanity, firms without organizations, and even exchange without markets”. These words essentially sum up the anatomy of the Indian story of growth and to any objective analyst of such a story, the scenes would not only be sordid but the reviews would also be shocking.

Theoretically speaking, poverty is generally associated with a low level of income. This income is primarily directed towards consumption thereby leaving very little for saving/investment. A low level of

savings obviates the need for a banking account thereby creating financial exclusion and lack of investment opportunities. This creates a barrier for financial inclusion from the demand perspective. Conversely, financial exclusion can deprive people of the benefits and the incentives offered by the financial system. Poverty can, therefore, be self-fuelling from generations to generations.

Thorstein Veblen departs from the conventional text-bookish economics taught to us, to examine the processes of capital utilization and accumulation in the economy from a rather refreshing angle. What schemes introduced by a lot of governments – whether this increasing GDP will ever have a wider base.

What we must realize as a body polity is our priorities between a solely growth perspective and one which incorporates Growth with distributive justice. Our nation seems to be in a mania of surpassing China in terms of the growth figures. However what we have ignored over the past is the distributive justice of the fruits of this growth that we must ensure. Even though people may say that the relative percentages of poverty have dropped over the years, India still houses a large share of the world's poor and it only seems that things are in no mood for improvement. What needs to be understood is that the plank on which this modus operandi of our growth is standing is nothing but temporary and we must find ourselves an opportunity as a nation to get out of this looming prospect of stagnation and chart a new way forward for ourselves.

The message across the sociopolitical sphere is overt enough. Poverty is that pocket in the fabric of the social structure which brings down the operational efficiency and the dynamics of the system through its mere existence. It has had a large share of the Indian economy (as it has had in other economies as well, given the obviousness in its reality), which affects the monetary and fiscal decision-making in the same.

Poverty and the Capability Approach

Amartya Sen's approach towards poverty through the spectrum of capabilities plays a key role in this nuanced evaluation of the state of affairs in our economy. The capability approach focuses on what people are able to do and be, as opposed to what they have, or how they feel. Sen argues that, in analyzing well-being, we should shift our focus from 'the means of living', such as income, to the 'actual opportunities a person has', namely their 'Functionings' and capabilities. 'Functionings' refer to the various things a person succeeds in 'doing or being', such as participating in the life of society, being healthy, and so forth, while 'capabilities' refer to a person's real or substantive freedom to achieve such functionings; for example, the ability to take part in the life of society. Of crucial importance is the emphasis on real or substantive – as opposed to formal – freedom, since capabilities are opportunities that one could exercise if so desired. The capability approach places particular emphasis on the capabilities a person has, irrespective of whether they choose to exercise these or not. Hence from the spectrum of this capability perspective, if we now once again make a qualitative judgment of poverty, India presents a rather dismal picture which ties in with the earlier strands of poverty that I had spoken of. Most people in the country who are labeled under census qualifications as "poor" do not possess these capabilities and much of the economic thinking has been away from providing them with these capabilities to move out of this vicious circle of poverty that generations have found themselves in. For instance, much of the insistence on privatization has led to basic welfare facilities in the country being privatized such as education and healthcare with the government in an age of fiscal prudence being unable to logistically support this

burgeoning population any further. Unsubsidized healthcare and extremely poor quality of subsidized healthcare has become a huge constraining factor on the poor, along with the lack of proper and quality education at subsidized rates. If we are to measure capacity formation in the economy, we must turn our attention to human capital and when we do turn our attention to human capital, we should ideally be seeing a labor surplus economy such as India on a promising note, but what we do see is a shambolic state of affairs for a potentially rich resource for our country.

Measures against poverty: Deliberations on effectiveness

Extending an argument based on how the gap between the different sectors of the economy is one of the reasons why poverty exists in the first place, it can be seen from data and statistics how the narrowing of gaps between the rich and the poor have indeed provided a much more promising picture as the inequalities in the society begins to flicker down. Now this being said, poverty imposes an oppressive weight on India, especially in the rural areas where almost three out of four Indians and 77 percent of the Indian poor live. Although poverty has been reduced during the past four decades, it remains painfully high.

In the half century since its independence, India has managed to reduce poverty in that period, only since 1975, when growth accelerated, has the decline been fairly steady. The pace, moreover, remains slow and uneven — faster in the southern states than the northern ones, and more likely to empower men than women. Government efforts to reduce poverty through direct anti-interventions have yielded mixed results. Many of those programs, in fact, have missed their supposed target — the poor — and delivered their benefits to the economically more advantaged. As India moves ahead with the economic liberalization that has yielded a higher platform for growth and therefore the potential for a higher level of welfare, it has an opportunity to reexamine its approach to reduce poverty.

Now while one toys with the idea of mitigating poverty, the skewness is considered. Therein lays the topic on the centrality of growth. The last five years have shown the rates of growth that India could achieve with market oriented development policies and a better integration into the world economy. This is a promising development because the last few decades have shown the extent to which the poor stand to gain from acceleration in growth. The latter widens opportunity, provides the resources needed to invest in human development, and creates the very foundation that will increase returns to human capital — and thus families' willingness to send their children, including girls, to school, have fewer of them, or in multiple other ways, invest in their future. Neighboring countries in Asia that have made a point of combining pro-growth development policies with investments in the health and education of their people have seen economic growth and poverty reduction follow. Youngsters are offered the opportunity to develop the skills needed for upward mobility. Along with the heed of primary education, goes that of gender bias, encouraging a much greater proportion of girls and women to literacy and to health facilities. Reducing the gender inequality among the poor requires a determined effort to focus on improved health care for the population, combined with basic education. India's health system needs to put a new emphasis on basic care. Doing so will improve not only the life span and well-being of poor women and their ability to determine what family size they want, but it will also contribute to the economic health of their families, and consequently of India's society.

To say that Government's PMJDY scheme has been a success would be a massive understatement. Lots of efforts have gone into opening the bank accounts and most households have been connected to the formal financial system. However, it rests that the need of the hour now is to ensure that services are easily accessible to the account holders, are cost-effective and service efficient & most importantly the accounts remain active. The RBI has emphasized on this availability and the execution in short and medium terms of operation. The backing of the PMJDY might, through trans-sectoral linkage effects, be from the microfinance infrastructure set up in the economy to help extricating the mass out of their poverty. The role of MSME's shouldn't go unnoticed as they employ workforce, affecting the consumption-saving proportions with an accumulation of wealth (hence a heavy bias on saving). With the objective of furthering financial inclusion and supply of credit to small business units, small and marginal farmers, micro and small industries and other unorganized sector entities the license of a number of small finance banks have been made, to an effect of competent operation. Also, licensing of a few payments banks is envisaged to provide payments/remittance services to migrant labor workforce, low income households, small businesses, other unorganized sector entities and other users.

For the efficient functioning of the system, the users would need income and benefits to flow. Focus should also be placed on inculcating savings habit among the people. Once the saving habits take root, people would look for investments. Only then this massive exercise would be meaningful.

The fortissimo coda

The story of growth carries with an accompanying story of convergence which we must address as well. If we do look at the statistics we see that the top 10% of our country now has almost 40% of the country's wealth and combined resources according to a credit-Suisse report which was recently published. Conventional growth theory does state that the farther you are from our steady state, the faster does the growth occur. If we however, do look at convergence from the angle of the Poor-Non- poor binary in the Indian context, we find that this convergence has somehow not been taking its optimal impact. The Growth has arrived and the convergence effect has also arrived for a section of the population which seems to be well on its way to achieving its optimum levels of growth. However for the larger section of the population which the latest Indian census recognizes as poor, this convergence seems to have tragically cast itself into a form of divergence where the farther they are from their steady state, the farther they keep progressing, other things remaining or not remaining constant. It is a cruel analogy to a sacrosanct theory of growth but that is exactly what has dominated the Indian economic contours in an age where Millennium Development Goals seem to be carrying the headlines at a lot of international conferences. What does this lack of convergence seem to reflect? In a recent paper published at the Jackson Hole Economic Policy Symposium held by the Federal Reserve Bank of Kansas City, Dani Rodrik suggested that the lack of convergence stems from misallocation of resources whereby resources are not allocated to the sections of the economy which would actually utilize or benefit from these resources the most in carrying the vehicle of economic growth forward. Looking at our demographics, our allocation should be geared majorly towards eliminating poverty while ushering in the fruits of growth so that this tale of convergence does take its effect in the Indian system. A structural redistribution and re-evaluation of the economy in terms of governance, institutions and policies is a much needed prescription for the economy to improve the quality of its growth and to make growth actually sustainable in the long run.