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Book Review

World Development Report, 2006: Equity and Development, The World Bank, Washington, D.C., U.S.A. 2006. Pp. xiv + 320.

The idioms and metaphors of development economics seem to be changing from time to time. More recently, there is a bumper harvest of Reports of international institutions and development discourse by eminent economists emphasing the complementarity between equity and development. The UN Report on "Investing in Development: a Practical Plan to Achieve the Millennium Development Goals" (2005), the Human Development Report, 2006, on "Beyond Scarcity: Power, Poverty and Global Water Crisis" (2006) and the recent book by Jeffrey D. Sachs, whom the New York Times Magazine described "as probably the most important economist in the World" "The End of Poverty: Economic possibilities for Our Time" (2005) are instances in point. The World Development Report, 2006, of the World Bank which deals explicitly with the theme "Equity and Development" belongs to this genre. Indian researchers would recall that in the 1950s when the Indian Planning Commission sought to build equity into the development plan, the mainstream development economists scoffed at the idea with the dictium: Enlarge the size of the cake of national income, distribution will take care of itself. These were the hay-days of percolation or trickle down theory of growth. Today, development economics has come a long way from this position. The World Development Report, 2006, puts it categorically:" Because our ultimate goal is the reduction of poverty through the equitable pursuit of prosperity, the policy suggestions in these chapters are consistent with good poverty reduction policies, which the World Bank has been advocating since at least the publication of the World Development Report, 1990" (page 23). Equity, as many scholars have recognised, is intrinsically important as a development goal in its own right. But, the World Bank President argues, "this Report goes further by presenting evidence that a sharing of economic and political opportunities is also instrumental for economic growth and development" (Foreword, page XI). In other words, equity reinforces the growth process itself.

The main theme of the Report is that equity has a central place in the interpretation of development experience and in the design of development policy. Four broad strands of thinking formed the core of development discourse and practice over the last three decades or so: the central role of markets as a resource allocation mechanism, the importance of human development, the role of institutions and a focus on empowerment. Of course, the World Bank exults in the fact that empirical experience has proved the superiority of market over central planning: the abandonment by India and China of Central planning in the 1980s, the collapse of communism in Russia and in the communist states of Eastern Europe in the 1990s, are cited as instances supporting the superiority of markets. The second strand relates to human development as central to the developments process, through the expansion of skills, health and capacity of the of all people. The third strand emphasizes the role of “institutions”, in development. Markets, however important, do not work in a vaccum. They need rules and institutional enforcement of those rules. This involves a wide range of issues: focus on the costs of corruption, a broader concern with governance, support for judicial reform and the need for public regulation of privatised monopolies. Finally, the fourth strand seeks the empowerment of the people for whom development is supposedly taking place. If the central goal of development is poverty reduction, the poor should have a great deal of voice over its directions. In practical terms, it translates into greater participation of the poor in projects affecting them. At the World Bank, this crystalised into a Strategic Framework for Development which has two dimensions, namely building a good climate for investment and empowering the poor. It is not possible to have one without the other. If we want a better investment climate for everyone, we have to have empowerment. The combination of both implies equity. The Report emphasizes, time and again, the “Complementarities between equity and prosperity” (page 2). What is interesting is that the World Bank claims that it has been following this principle since at least the 1990s. The 1990 Report was on Poverty, the 1997 Report was on the “State in a Changing World”, the 2002 Report was on “Building Institutions for Markets”, and the Millennium 2000-01 Report was on “Attacking Poverty”. One would think that this impressive array of Reports would have made some impact on poverty levels in the world as a whole. But there is little evidence to prove it.

This raises a more fundamental question: While it is readily agreed that as learned discourses on development, this is an admirable performance, to what extent the ideas embodied in these Reports get translated into concrete policy measures?

To illustrate the point, let us take three issues: Aid to Developing Countries, Agricultural Subsidies in Developed Countries and Provision and Pricing of Water.

Global in-equities are massive and the World Bank Report advocates larger flow of aid from the developed world to developing countries: “Aid levels need to be bolstered in line with the commitments rich countries made at the 2002 Moneterrey Conference and concrete plans should be made to reach the target of devoting 0.7 per cent of gross national income to aid” (page 17). In fact the World Bank is repeating in 2005 the recommendation made by the U.N. Report on Millennium Development Goals Report referred to above. What is more astonishing is that the same recommendation was made by the Pearson Commission which was appointed by the World Bank as long ago as in 1969. The Commission’s Report entitled “Partners in Development” was acclaimed at the time as “one of the most important documents of the twentieth century.” Have these repeated exhortations by the World Bank and UN made any difference to the attitudes of developed donor countries? The answer is No. Aid levels have continued to remain in 2005 at the about the same levels as in

1969. This performance, however, has not succeeded in dissuading experts from repeating the same recommendations ad nauseans (For a detailed discussion see my review of the Report: *Investing in Development: A Practical Plan to Achieve the Millennium Development Goals,* U.N. 2005, in *Indian Journal of Agricultural Economics,* January-March 2005, page 138).

Agricultural subsidies are massive in developed countries: they were five times larger than aid in 2002. Japan, the European Union and the United States had subsidies equal to 1.4,1.3 and 0.9 per cent of GDP; and aid of 0.23, 0.35, 0.13 respectively (page 220). Prolonged negotiations in WTO have not been successful in persuading the developed countries to reduce such trade distorting subsidies. In contract Indian policy makers seem to be enthusiastic disciples of the market prophets of IMF/World Bank and they cut down drastically food subsidies in the 1990s. They did so by taking two policy initiatives, both highly regressive, which resulted in bolstering foodgrains stocks with the Centre. Dr. Abhijit Sen's highly analytical Report on Long Term Grain Policy provides interesting insights into this intriguing phenomenon. First, the Government introduced in 1997, targeting in the PDS in the form of Targeted PDS or TPDS. To quote from the Report: "Thus, the narrow targeting of the PDS based on absolute income poverty is likely to have excluded a large part of the nutritionally vulnerable population from the PDS" (p.59). Second, cereal prices in real terms rose sharply during the 1990s: on WPI basis, real prices rose by 33.2 per cent between 1990-91 and 1999-2000 (page 44). Both these policy initiatives of "exclusion" were inspired by the Indian policy makers obsession with cutting down the size of food subsidy, so that fiscal deficit could be contained. Indian policy makers of the 1990s were fond of repeating the phrase borrowed from IMF/World Bank theology: "There is no free lunch". As a cumulative result of these measures foodgrain stocks with the Centre reached an embarrassingly high level soaring, at one point of time, to 60 million tonnes. Exports offered a soft option: Indian exports of rice and wheat during the three consecutive years 2001-02 to 2003-04 soared to a staggering figure of 27 million tonnes. The height of the irony was that these exports were subsidised. India is the abode of the largest number of under-fed and chronically under-nourished persons in the World and exports of foodgrains on such a massive scale is nothing short of development atrocity (see, First Principles of Foodgrains Management, N.A. Mujumdar, Economic Developments in India, Volume 13, p.35).

While on this subject, it may be appropriate to refer to the Global Hunger Index compiled recently by the International Food Policy Research Institute, Washington. This index captures three dimensions of hunger: availability of insufficient food in terms of quantity, shortfalls in nutritional status of children, and child mortality attributable to under-nutrition. The index ranks countries on a 100-point scale, with 0 being the best score i.e. no hunger, and 100 being the worst, though neither of these extremes obtains in practice. In general, values greater than 10 indicate a serious problem, values greater than 20 fall in "alarming" category. India scores 25 and is worse off than Sri Lanka, Pakistan and Nepal (See: 2006 Global Hunger Index, A Basis for Cross-Country Comparisons, Doris Weismann, 2006).

Against this background, does export of foodgrains on a massive scale provide a classic example of superiority of market over central planning?

Finally, Water Traditionally, World Bank had been advocating privatization and pricing of water as a solution to water scarcity. Empirical experience has shown that "water pricing operates on the perverse principle that poorer you are the more it costs". (See Not a Drop to Drink, Kemal Davis and Trewor Manuel, Times of India, November 15, 2006). The poorest households of El Salvador, Nicaragua and Jamaica devote more than 10 per cent of their income on water: in the United Kingdom, by contrast, spending more than 3 per cent of family earnings on water bills is considered an economic hardship. Development discourse has finally emerged out of this dead-end debate on privatisation and pricing of water. The Human Development Report 2006, referred to above, advocates that access to safe and affordable water supply should be considered a basic human right Governments should therefore ensure that all citizens have access to a minimum of 20 liters of clean water per day, and that those who cannot afford to pay get it for free. This should be a lesson for those Indian policy makers who fervently believe in the received doctrine of "there is no free lunch".

These and similar examples go to emphasise the disconnect between the scholastic profoundity of the Reports and policy formulation.

The World Bank Report is replete with references to country experiences: Brazil, Britain, China, Indonesia, Mexico, Pakistan, Spain, Uganda, U.S. and what have you. References to India also abound: How have inequality traps stifled economic development in Palampur village in Uttar Pradesh (pages 26-27). The laudatory reference to "Operation Barga" in West Bengal, a tenancy reform in the late 1970s and 1980s. The tenants share of output was set at a minimum of 75 per cent as long as the tenant provided all the inputs. This reform yielded remarkable results, with productivity of land increasing by 62 per cent (pages 103 and 104).

While such empirical examples do enrich the knowledge resource of the researcher, they add to the prolixity and discursiveness of the treatise which begins to take the shape of a Ph.D. dissertation. One begins to wonder whether such discourses could be handled better and more objectively by a group of eminent academicians. The World Bank could perhaps focus on distilling the policy inputs from such treatises.

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