

## **Sen Vs Bhagwati Debate**

November 14, 2013

Meenal Inamdar



GreenEarth Social Development Consulting Pvt. Ltd.

[contactus.greeneearth@gmail.com](mailto:contactus.greeneearth@gmail.com)

(Debate on Redistribution approach Vs Growth approach)

# Sen Vs Bhagwati

---

The debate between **Amartya Sen** and **Jagdish Bhagwati** began with the identification of Sen with '**Redistribution**' and Bhagwati with '**Growth**'. These two are totally different approaches of attaining the same goal – poverty reduction.

## Redistribution Approach

This kind of approach assumes **active role of State** to solve issues of malnutrition, hunger, poverty. Only State has and is capable of putting in huge amounts of public investments in social indicators improvement measures. Theoretically, it convinces people that a fair unbiased (State) system will achieve the objective of mitigating gap between haves and have-nots or better-offs and worse-offs. The idea is based on country / society as a (close) fixed sized pie, and that one can do something for the worse-offs by essentially and exclusively taking it from better-offs. The huge centralized public investments give rise to massive public sector enterprises carrying out activities of delivering goods and services (Example PDS, electricity). Leakages, wastages, concentration of functionalities, inefficiencies in the sector (on Economy side), and fiscal deficits, current account deficits, currency depreciation (on State Finances side) are, and have been the inevitable results of adoption of such an approach. In the process, the results hurt the target poor, for whom, the measures were taken in the first place. (Bhagwati accused Sen as the only Economist who has hurt India's poor the most)

## Growth Approach

This kind of approach gives scope of deeper people's participation in carrying out functions of production, distribution, investment within the country, and with possible global trade and partnerships opportunities. The ever growing Pie has now many multifold strings to the outside world, and thus has many gateways of opportunities. The idea is based on ever evolving nature of economies, that creates opportunities and possibilities to the current worse-offs to uplift their standard of living **WITHOUT** making themselves **dependent** on the current better-offs.

In this era of Globalization, when India economy is linked to the globe for trade benefits, foreign investments, and domestic trade and economic reforms of liberalization and privatization gives the possibility of **win-win situation for both worse-offs and better-offs** without compromising on each other's growth.

Specially focusing on Food security bill, or hunger issue, instead of reinvesting in non-efficient PDS, the better and more efficient solution is 'cash transfers'. Growth Economists view that the problem is not scarcity of food grains, but of purchasing power (and consumption basket as well, citing that only grains don't suffice for overall health) of the current poor population. So instead of transferring 'grains' the focus should be on transfer of 'purchasing power'

The advantage of 'cash transfers' is that they would greatly minimize the leakages along the distribution chain and also eliminate the huge yearly wastages at FCI godowns. It also addresses the issue of open market food grains price and their trade distortions.

### Choice of Redistribution cuts out on Growth option

The results of substantial investments in public sector mentioned above shape the economy in such a way, that **Growth takes a backseat**. Post Food Security bill clearance, India's current account deficit, which stood at 4.9 per cent of the GDP (calendar year 2013). It is regarded as the third highest in the world in terms of absolute numbers, according to a report by Morgan Stanley. At \$98 billion, India's current account deficit in absolute numbers stands behind only the US (\$473 billion) and the UK (\$106 billion).

Among emerging economies, India is followed by Brazil (\$58 billion at 2.4 per cent of the GDP), Indonesia (\$31 billion at 3.3 per cent) and South Africa (\$24 billion at 6.4 per cent).

Rupee depreciation (from has resulted in Foreign Institutional Investors selling out investments in stocks markets, leaving markets to tumble down.

It's a common misconception that Growth Economists are less worried about the poverty within country and more worried about global investment and trade opportunities forgone. It needs widespread economic literacy and wisdom to grasp the link of growth and exploitation of such opportunities is the way to combat poverty illnesses in the country.

### Choice of Growth Approach compliments Redistribution

In his book on, economic reforms in India, Bhagwati and Panagariya have explained with systematic data and analysis, that growth and has resulted in jobs creation and increase in per capita, has created variety of opportunities to invest in quality education, and healthcare services and trade reforms have made import of cheaper technology availability that has contributed in telecommunications and social infrastructure benefits for millions in the country.

It is with trade and growth, employment creation, rising per capita income that State revenues can substantially be increased. These revenues can be invested let's say education and healthcare but in a manner such as 'school vouchers' and 'state health insurance'. school vouchers and state health insurance type of state expenditures do away with government schools and hospitals, but give 'purchasing power' to the needy and poor to avail the benefits of efficient and quality private schools and healthcare services of their choice.