

Poverty and Neo-Liberalism*

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I Introduction

I have chosen the topic of poverty and neo-liberalism for this lecture for two reasons: first, the beginning of poverty studies in India is associated with the names of Prof. V M Dandekar and Prof. Nilakantha Rath, both long associated with this Institute, who carried out a pioneering conceptualization of poverty and laid the basis for subsequent estimates of the numbers of the poor. Second, today we cannot escape from the pervasiveness of neo-liberal policies in our lives, and when discussing poverty trends we have to consider the differential impact these policies have had on the living standards of the well-to-do on the one hand, and on the other, their impact on the livelihoods and food security of the vast masses of the poor who still comprise the majority of this country's population even six decades after Independence. Since the majority of the poor are in rural areas the focus of the discussion will be on rural poverty.

There are two sets of questions, which arise when we talk of poverty and its estimation. The first set of questions relates to the conceptualization of poverty, and how to make its measurement operational in terms of some readily computable index or indices. The idea of poverty has many dimensions, and can be thought of as not merely material deprivation and a low material standard of life including poor health indicators, but also deprivation in relation to education and culture. One particular dimension of material deprivation however, has been picked out as the most crucial dimension, which must be addressed before any other dimension can be introduced: namely, the ability to access a minimum nutrition level expressed in terms of a norm of daily energy intake in calories, required for working health. This index although it captured poverty only partially, was simple, and obtained widespread acceptance. It was suggested in Dandekar and Rath's pioneering 1971 paper and was taken up by the Planning Commission in India, which set up in 1979 a Task Force on Projection of Minimum Needs and Effective Consumption Demand. Its recommendation which was accepted, was based in turn on the Indian Council of Medical Research norms, that 2400 and 2100 calories per day per capita should be the minimum Required Daily Allowance (RDA) for energy intake, for rural and urban areas respectively, and all persons unable to access this through their actually observed expenditure were to be considered as poor.

This measure using a nutrition norm, is an absolute measure of poverty as distinct from the relative measures used in many other, more advanced countries - such as, considering all those to be poor, who have less than half the average per head income in the economy. With a relative measure of poverty, rise in inequality will imply rise in poverty. The poverty measure adopted in India, based on the idea of absolute poverty, however, requires stronger conditions for poverty to show a rise. Increase in the inequality of income and of expenditure could be quite consistent with poverty so defined, showing a decline. Only an absolute decline in expenditure (for sections of the

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