

Foreword - I

The observations that I had made at the time of the launch of the book “Growth and Equity: A Collection of Essays in honour of Pradeep Mehta” have provoked a number of interesting comments which have been put together in this volume. Discussions have centred around three broad themes: (1) the relative importance of growth and equity in the development process; (2) the role of equity in competition policy; and (3) international dimensions of the growth-equity controversy.

On the fundamental issue of growth versus equity, it is not possible for either side to take an extreme position. Sustained high growth may not be possible in developing economies unless sufficient attention is also paid to equity. In the absence of attention to distribution of income and equity, social tensions will rise and this could block sustained high growth.

At the same time, at very low levels of per capita income, distribution by itself is no solution. Enhanced human development expenditures cannot be sustained over a long period unless supported by accelerated economic growth. When there is a dichotomy between human development indicators and economic growth, it can be a source of social tensions.

For example, as education spreads, the economy must have the ability to productively absorb the growing number of educated. Apart from the percolation effect, in a fast growing economy more resources are available for the government to

provide various kinds of social safety nets. Thus the emphasis must be on both growth and equity. The two have a mutually interacting beneficial impact. These are the two legs with which any country must walk. Any strategy of development which ignores any one of the two legs will make the country only limp along.

On the issue of competition policy and concerns of equity, one observation that can be made at the outset is that it is not necessary that all the instruments of economic policy must try to achieve the twin goals of efficiency and equity. Some instruments may emphasise efficiency and some others equity.

Broadly speaking, the primary function of competition policy and competition laws is to create competitive conditions in the economy which would promote efficiency. In one sense, even the pursuit of efficiency is not devoid of equity. Consumers' welfare is the core of competition policy and that by itself is an important dimension of equity.

On the international dimensions of growth and equity, it is difficult to accept that international trade is exploitative. It could have been so in the past but recent trends are not clearly in that direction. The contribution of developing economies to world trade is growing at a much faster rate. In the total world trade, the share of developing economies has increased substantially in the recent period. In fact, it is the developed economies which are now talking in terms of protection. This feature is also reflected in the composition of world output.

Taking into account the recent trends, it is estimated that by 2025 a little more than half of the world output will come from the current developing economies. Globalisation affects different countries differently. But it is hard to subscribe to the view that developing economies as a whole are losing the battle, in fact, they are winning. However, the international organisations need to play the regulatory and monitoring roles effectively.

This book is a treasure house of ideas. This rich harvest of insights must be useful not only to economists and policymakers but also to the lay public who are deeply concerned with the issue of growth and equity.

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