

## Governance Reforms Must for Tackling Inequality



L-R: **Ajay Mehta**, Executive Director, National Foundation for India; **Abhijit Banerjee**, Ford Foundation International Professor of Economics, Massachusetts Institute of Technology (MIT), USA; **Shankar Acharya**, Member, Board of Governors and Honorary Professor, Indian Council for Research on International Economic Relations (ICRIER); **Suman Bery**, Director General, National Council for Applied Economic Research (NCAER); Moderator: **Amit Bhatia**, CEO, Aspire Human Capital Mgmt Pvt. Ltd.

Improving access, transforming social structures and undertaking governance reforms, including fiscal and labour reforms, are essential if we are to effectively tackle rising income disparities and increasing social inequality.

This was the consensus that emerged at the session on 'Rising income inequality: An irreversible trend' during 'Ideas India 2008', which is being organized here by Aspen Institute India.

Initiating the debate, **Dr Shankar Acharya**, Member, Board of Governors, **Indian Council for Research on International Economic Relations (ICRIER)**, said that the key issues that driving inequality were "unequal spatial development, disparate sectoral disbursements, lack of necessary educational skills and unequal access to employment. While there is increasing public awareness, what is needed is a resurrection of governance, specially at the state level."

Stressing on the need for labour reforms, Dr Acharya said that the existing regulations were damaging the environment for employment. According to him, the existing regulations were preventing investors from setting up large units,

which actually have a greater impact when it comes to improving social equality as compared to small units, which today dominate the industrial sector.

On his part, **Dr Suman Bery, Director-General, National Council for Applied Economic Research (NCAER)**, said that "while the current visible levels of inequality were disturbing, we should not ignore the progress that has been made on this front since independence." Agreeing with Mr Acharya, he said that there was a need to look at the federal structure of governance, specially with regard to fiscal and land reforms.

Mr Bery said the areas of concern remained with regard to the delivery of public services, including health, education and sanitation. "We have the infrastructural resources largely in place, but are unable to ensure last-mile delivery."

Painting a rather grim picture, **Dr Abhijit Banerjee, Professor, Massachusetts Institute of Technology (US)**, said that it was the rising levels of social and health inequality in the country that were the emerging areas of concern. "India has one of the worst records in infant mortality and malnutrition, even when compared to several African countries."

He suggested that in the short-term, the poor should receive money directly from the government, "as this will enable them to meet certain crucial needs, including those on the health and education front. In the long-term, however, the government has to revamp its public services delivery system and address social inequality."

Giving the perspective from the ground level, **Mr Ajay Mehta, Executive Director, National Foundation India**, said that for tackling poverty and ensuring greater social inclusion "there was need to revisit the complete development and political process. Today, politics has come to take a great share of the whole development and governance processes."

He said that there were several successful projects of good governance at the micro-level and it was now for the government to work on upscaling them. On their part, communities in general have become active partners with the government in the whole development process, he added.

Participants at the session, which was moderated by **Mr Amit Bhatia, CEO, Aspire Human Capital Management**, were in agreement on the need to improve access to education and health, if the gap between the haves and have-nots was to be bridged. The issue, they noted, was "not one of bringing the top down, but one of lifting the poor up."

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