

# The Indian exception

Many Indians eat poorly. Would a "right to food" help?

THE ECONOMIST

"Look at this muck," says 35-year-old Pamlesh Yadav, holding up a tin-plate of bilious-yellow grains, a mixture of wheat, rice and mung beans. "It literally sticks in the throat. The children won't eat it, so we take it home and feed it to the cows."

Mrs Yadav has brought her children to a state-run nursery in Bhindusi village in rural Rajasthan. The free midday meal is being dished out. Neither she nor anyone else in Bhindusi looks plump enough to turn down such an offer. Stray dogs scamper through the nursery and toddlers are being weighed in the corner while food is passed around. Most are underweight. Mrs Yadav herself is anaemic, like almost all local women; she survives on potato curry and wheat chapatis. Even so, she rejects a free lunch. "The only reason the women come here is because of the creche," admits Shafia Khan, who is in charge of state nurseries in the district. "The children don't like the food. And the ones you see here are the lucky ones. Out in the fields, it is terrible. Everyone is listless; they all suffer from vitamin and iron deficiencies."

The nursery is part of India's Integrated Child Development Services Scheme (ICDS), the largest child-nutrition programme in the world. Its woes in Rajasthan are part of a larger problem. India is an outlier. Its rate of malnutrition nearly half the children under three weigh less than they should; much higher than it should be given India's level of income. And the burden has shifted more slowly than it ought to have done given Indian growth. Lawrence Haddad, the director of the Institute of Development Studies at Sussex University, reckons that every 3-4% increase in a developing country's income per head should translate into a 1% fall in rates of underweight children. In India the rate has barely shifted in two decades of growth. Per person, India eats less, and worse, than it used to. Mr Haddad calls the country the world's Jekyll and Hyde: economic powerhouse, nutritional weakling. Over a third of the world's malnourished children live



there. When India was poor, its failure to feed itself properly did not seem odd. Poverty was explanation enough. But after one of the most impressive growth spurts in history, the country's inability to lift the curse of malnutrition has emerged as its greatest failure -- and biggest puzzle. Nothing fully accounts for it. True, farming has not shared in the same dazzling success as the rest of the economy, lately rising by only a point or two per person per year. But some African countries have seen farm output per head actually fall -- and they have still cut malnutrition more than India.

It is also true that India's food bureaucracy is a byword for inefficiency and corruption. People steal from the cheap-food shops of the Public Distribution System (PDS) on an industrial scale. Newspapers call a case of theft now under investigation in Uttar Pradesh "the mother of all scams". At one point, the country's top investigative agency said it had given up even trying to cope with the 50,000

separate charges. But again, other countries have corrupt bureaucracies, too -- or none, which may be as bad.

So the most convincing explanations for India's nutritional failures probably lie elsewhere. Women are the most important influences upon their children's health -- and the status of women in India is notoriously low. Brides are deemed to join their husband's family on marriage and are often treated as unpaid skivvies. "The mothers aren't allowed to look after themselves," says Mrs Khan. "Their job is simply to have healthy babies." But if mothers are unhealthy, their children frequently are, too.

India is also riven by caste and tribal divisions. It is no coincidence that states with the most dalits (former untouchables) or tribes (such as Bihar and Orissa) have higher malnutrition rates than those, like Andhra Pradesh and Kerala, with fewer of these excluded groups. So-called scheduled castes and tribes are more likely than other Indians to suffer the ills of poor diet.

But that cannot be the whole story.

Astonishingly, a third of the wealthiest 20 percent of Indian children are malnourished, too, and they are neither poor nor excluded. Bad practice plays some part -- notably a reluctance to breastfeed babies. There may also be an element of choice. Long ago, a study in Maharashtra showed that people spend only two-thirds of their extra income on food -- and this is true whether they are middle-income or dirt-poor. That may seem perverse. But a mobile phone may be more useful to the poor than better food, since the phone may generate income during the next harvest failure, and good food will not.

**WANTED: BOLSAINDIA**

These explanations matter because they raise questions about the Indian government's current attempt to offer a universal "right to food". Over the past 20 years, the supreme court has said that Indians have various social rights (to work, education and so on) and can sue the government if they are not honoured. The free school-meal programme was an attempt to imple-

ment a right to food. Now the government wants to go further. It is talking about giving cheap food to about 90 percent of country-dwellers and 50 percent of city folk -- three-quarters of all Indians.

Leave aside the budgetary implications, which are awe-inspiring. Such a programme would hugely expand the terminally dysfunctional PDS. It would do little or nothing for neglected castes and tribes. It would not raise the status of women, or encourage breastfeeding and early nutrition. (As Mrs Khan says, "the crucial time is between the ages of nought and three, but we're not really reaching them.") Giving cash, rather than food itself, would be better. Better still, India should look to international experience and introduce a conditional cash-transfer scheme, such as Brazil's Bolsa Familia, which pays the mother if her children attend school. India hankers after "universal" benefits that would leave millions malnourished. It should instead learn from schemes that target those who need help -- and which actually work.

# G20 keeps up snail's pace of global monetary reform

REUTERS, Beijing

Another month, another inconclusive meeting of G20 finance ministers: reform of the international monetary system is proving a hard, thankless slog.

True, Thursday's seminar in the eastern city of Nanjing confirmed the consensus that changes are needed to put the world economy on a firmer financial footing, keep a closer eye on capital flows and ensure the global monetary order better reflects the clout of China and other emerging giants.

But the devil is in the detail, and, for all the ministerial proclamations of progress, the latest talks served mainly to show that French President Nicolas Sarkozy will have his work cut out to devise a reform blueprint in time for a summit in November.

France is this year's chair of the Group of 20 leading economies.

One analyst, Citi's Steven Englander, was struck by the Alice-in-Wonderland feel to Thursday's gathering.

"So there is this meeting in Nanjing where all countries but one are trying to figure out how to get rid of the dollar as the world's major reserve currency, one country is trying to keep its currency as the world's major reserve currency but have it depreciate against all the others, and one country wants its currency to become a reserve currency but doesn't want anyone to buy it without permission."

"The intended outcome is reform of the international monetary system," Englander said in a note.

The country trying to preserve its hegemony is, of course, the United States. The aspiring reserve-currency country that wants to have its cake and eat it, too, is China.

The tug of war between the two led to a stalemate at February's Paris G20 over whether a big current account surplus or deficit is a good indicator of an unbalanced economy. The answer

might seem obvious. But China, feeling picked upon because of its hefty surplus, dug in its heels and objected.

The bone of contention in Nanjing was over the conditions for including the yuan in the Special Drawing Right (SDR), the International Monetary Fund's quasi-currency that is part reserve asset and part in-house accounting unit.

The technical aspects of the debate are arcane, but the political significance is straightforward.

Adding the yuan to the basket of four currencies that now make up the SDR would confer prestige on China but also impose responsibilities: for the step to be of practical importance and not just a symbol of China's rise, the currency would have to be freely convertible and no longer semi-pegged to the dollar.

And that, for China, is a two-step too far. Beijing wants to dismantle capital controls and free up the yuan, also known as the renminbi (RMB), on a timetable of its own choosing. So being in the SDR would be nice, but it is not a paramount objective.

"If everyone welcomes the yuan's inclusion in the SDR, we'll also be happy to see that happening a bit early. But we are not in a hurry. We are patient," Chinese central bank governor Zhou Xiaochuan said after the meeting.

Privately, Western ministers and central bank governors hope that laying out the terms of entry will give ammunition to reformers such as Zhou who are locked in constant battle with conservatives over the pace of financial liberalisation.

"Nothing happens immediately, but it certainly sets the stage for those inside China who want to say 'look at what the world is prepared to give us if we do a bit more reform'," Jim O'Neill, chairman of Goldman Sachs Asset Management, said.

O'Neill, who took part in the Nanjing seminar, judged that the talks had brought the yuan's inclusion in the



France's President Nicolas Sarkozy addresses the opening of a one-day meeting of finance ministers and central bank chiefs from the G20 nations in Nanjing on March 31.

SDR a step closer and speculated that the IMF might not wait until its next scheduled review of the SDR basket in 2015 to change its make-up.

"Obviously it isn't going to happen right now, but the consensus that the RMB should be in the SDR pretty soon suggests to me that they are going to find some way of getting round the capital convertibility criterion," he said.

After all, O'Neill and others noted, not even the German mark was fully convertible when it was included in the SDR. Where there's a political will, there's a way.

US Treasury Secretary Timothy Geithner raised eyebrows in Nanjing by insisting that a country whose currency is part of the SDR should have an independent central bank.

This would appear to be erecting a new barrier to the yuan because the People's Bank of China (PBOC) is far

from independent.

But Eswar Prasad from the Brookings Institution, a Washington think tank, said Geithner was not demanding legal independence. Rather, he was signalling the need for China to scrap the yuan's peg to the dollar so the PBOC can focus squarely on fighting inflation without worrying about the impact on the exchange rate. "He was trying to make the point that currency flexibility has to be associated with a central bank that is allowed to get on with its main job of focusing on price stability," said Prasad, who was also in Nanjing.

Comments by Christian Noyer, the governor of the Bank of France, lent weight to this interpretation.

"The basic idea is that, to have the SDR truly reflect stable currencies over time, you need to be sure that each currency that is part of the basket has a

monetary policy that is conducted in a credible way and an independent way," he told a news conference.

Seen in that light, the West is giving Chinese proponents of reform another card to play in their internal political battles. The independence criterion should not be unsurmountable.

So does that mean there was some substance to the Nanjing talking shop and that the divergences on display mask an emerging consensus? Not quite.

"While there was agreement on general principles, when it came to specifics there was clearly a bit of dissension," said Prasad, a former IMF official who is also now a trade professor at Cornell University.

At least G20 ministers will not have to wait long to have another crack at narrowing their differences. They meet yet again in mid-April, this time in Washington.

*The bone of contention in Nanjing was over the conditions for including the yuan in the special drawing right, IMF's quasi-currency that is part reserve asset and part in-house accounting unit*