

INDIA COULD HAVE HAD 40 CRORE LESS PEOPLE, WITH MUCH HIGHER STANDARD OF LIVING

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A vast majority of people, particularly policy makers in India, continue to feel that population is bad and must be 'contained,' as viewed by Ms. Krishna Singh, Member-Secretary, National Population Council, expressed in a seminar on population organized by Liberty Institute on the 16th of July. Accordingly, the National Population Policy, 2000 states, "Stabilising population is an essential requirement for promoting sustainable development with more equitable distribution." The Representative of UNFPA, Michael Vlassoff also holds an identical view, expressed in this seminar. This view hinges on the theoretical belief (empirically repudiated by a vast majority of studies) that population size has a *direct* effect on the incomes and quality of life of a people.

A Malthusian route is usually imagined where the diminishing capacity of land (and resources -- the definition of which is poorly understood by most) to sustain population is felt to be the *cause* of this influence of population size on economic growth. Some even talk of the issue of social investment being dissipated over a large population. Thinkers to whom it is "obvious" that population size hampers economic progress, usually advocate direct control of population through biological measures or even the provision of economic incentives aimed at preventing poor people from producing babies, as if bribing the poor to reduce family size were somehow acceptable.

On the other side are some who claim that large population size *enhances* economic prosperity. Long term correlations and theoretical constructs such as Boserup's are usually used in such cases, relying on increasing returns to scale and technological innovation. While there is intrinsic merit in this view, empirically speaking, it has not been possible to establish any *consistent*, long-term, cross-country relationship between population size and the economic prosperity of nations. Higher population "leads to" higher per capita income just as easily as it "leads to" lower per capita income. These are essentially spurious relationships. Merely by looking at the size of a population it is not possible to predict the state of the economy or environment of a nation. In fact, population size is a non-issue in all respects.

While a high population size *per se* does not pose a problem by itself, a population that is badly managed and becomes poor -- no matter what its size, is definitely problematic.

The 'causal' route

We need to understand why children are demanded at the household level if we are to try to project a relationship between population and growth. There are some people who deny the ability to choose the number of children wanted, to illiterate rural folk. It is thought that these feeble humans reproduce ceaselessly and unthinkingly. But such an argument is easily refuted both theoretically and empirically and we do not dwell on it here, and take as given that even the poorest

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household consciously chooses the number of children to have, at the margin. But note that without the assurance of long-term survival of offspring, pure rabbit-like behavior makes eminent sense, since throughout pre-modern human history barely two children per family have survived into adulthood despite producing an average of seven. Limiting behavior becomes meaningful when mortality of children declines. The public health revolution then underlies limiting behaviour.

Since children cost time and money to build, parents seek to have no more children than they can afford in order to achieve their desired objectives. Parents demand children not only for the joy that children give them when young but also for the benefits (insurance, annuity) that parents *might* derive from these children in their old age. Many studies show a very close caring relationship between children and elderly parents even in the western world. In the USA, a very “modern” society, less than 5% of the elderly above the age 65 are institutionalized. The remaining either live alone or get cared for by their children or friends and relatives. Given survival, parents ask: should we have seven children, each with a low level of education, or should we have two costly (more educated) children? The only reason two children would be preferable is if the earnings of the two educated children were guaranteed to be higher and/or less variable than those of the seven ill-educated ones, and if the probability of getting care in old age were not to decline significantly with increasing education.

It is here that past and current economic policies and environment come into play. Economies that follow good policies have a track record of growth which leads to stronger expectations of future returns from children who are educated. Stagnant economies do the reverse. This is the pathway from economic policy to population growth. Good economic policy also opens more capital and insurance markets which leads to diversification of the portfolio through savings, thus further reducing demand for children.

India's population

Societies such as Thailand, India, China and others, where norms of filial care are deeply embedded in the psyche of the people, are best placed to achieve lower population growth if child mortality is lowered and good economic policies put into place. Indeed, Thailand is an excellent example where good economic and family planning policies have led to rapid decline in birth rates, which in turn has further reinforced its already strong economic performance. Even China's population performance owes a lions' share of population decline to low child mortality and rapid economic growth.

I now make some general predictions about India's future population, based on fifty years of shoddy economic and other policies. First, child mortality is still very high. Second, barriers to trade and poor supply of public goods leads to weak economic opportunity; consequently our half-educated youth are found mostly unemployed or ill-employed: therefore, poor parents in rural areas conclude that it is a waste of effort to educate fewer children. Third, entrepreneurship is actively discouraged in India and those who venture into self-employment are bogged into an extremely corrupt and bureaucratic quagmire. Given these facts, our rural and urban poor have no option but to have more children, each with low levels of education, in order that they can be looked after by at least a few surviving offspring in their old age. The prediction one can make about India is stark: India will continue to wallow in the dual disaster of low economic growth and high population

growth. Alternatively, India could have had upto 40 crore less people, with much higher standard of living, had we followed good economic policies and good governance.¹

The way out? There is no magic wand available. The key is to raise *expectations* of parents residing in *remote* rural hamlets about the future income of their children, to a much higher level. That means dismantling our socialist system, reforming our corrupt electoral-political system, providing better public goods, cutting subsidies while caring *directly and only* for the very poor. Family planning and welfare by itself does not possess any power to influence the decision of the number of children to have. It comes into play only *after* that decision is made. Good, clean governance is the only "remedy," since it alone deals with the underlying cause of demand.

In the end, one must reaffirm and reiterate a key message for India's policy makers at the highest level: high population size or rapid population growth *per se* was *never* the cause of the bad economic outcomes that stare in our face today. It is the consequence thereof.

¹ See the People's Manifesto at www.indiapolicy.org