

Twitter Thread by Ajit Datta



Ajit Datta

[@ajitdatta](#)



A remarkable paper about India has come out today from the IMF. Its findings are mind-blowing. Since this is about India's success, and particularly that of the present dispensation, many are avoiding it altogether.

Here's a thread about the paper and why it's being ignored.

The image below contains certain highlights of the paper. Among them, extreme poverty (PPP\$1.9 per person per day) was below 1% in 2019 and 2020 (pandemic year) in India! A low percentage in extreme poverty for 2 consecutive years is considered as elimination of extreme poverty!

**‘Pandemic, Poverty, and Inequality:
Evidence from India’**

**Surjit S Bhalla, Karan Bhasin and Arvind
Virmani**

- New IMF paper finds that extreme poverty (less than PPP\$ 1.9 per person per day) in India is less than 1 per cent in 2019 and it remained at that level even during the pandemic year 2020.
- Low level of extreme poverty in two consecutive years, and one including the pandemic, can be considered as *elimination of extreme poverty*.
- PMGKAY was critical in preventing any increase in extreme poverty levels in India and the doubling of food-entitlements worked substantially in terms of absorbing the COVID – 19 induced income shocks on the poor.
- The pandemic shock is largely a temporary income shock; **temporary fiscal policy interventions was the fiscally appropriate way to absorb a large part of the shock.**
- By investigating the incidence of PDS food subsidies, the authors derive the average rupee food subsidy transfer to each individual and do this for each of the years 2004-5 to 2020-21. This is the first time that a study has explicitly incorporated in-kind food subsidies into the calculation of extreme poverty.
- These welfare implications of the authors’ work are critical given the pandemic and ongoing research into the effectiveness of various pandemic support measures in advanced and developing countries.
- Consumption inequality in consumption (after incorporation of food transfers) was very close to the lowest level observed in 1993-1994.
- Consumption growth (an important determinant of poverty) was found to be higher in 2014-19 than the robust growth observed 2004-2011.
- The paper also examines, in some detail, the plausibility of the results contained in the NSS consumer expenditure survey of 2017-18. The conclusion – the survey was not of a quality useful for any analysis.
- Given that extreme poverty has been eradicated in India, India should move from the PPP1.9\$ poverty line to the 3.2\$ PPP line. Eradication of extreme poverty is a big achievement especially as we celebrate 75 years of independence later this year.

To begin with, we have this fantastic achievement of extreme poverty being eliminated. Moreover, it is sustained in the pandemic year! How? Pradhan Mantri Garib Kalyan Anna Yojana- food grains provided to the poor through India's Public Distribution System during the pandemic.

Why is this not the biggest issue being discussed today? Three reasons.

One, the usual suspects can't question the IMF's credibility.

Two, Arvind Virmani, one of the authors of the paper was CEA under economist PM Manmohan Singh. Again, who's credibility will you question?

Three, the Garibi Hatao slogan from the 70s, which has shaped the outcome of so many elections, is slowly and steadily becoming a non-issue. Of course, there's a long way to go and only extreme poverty has been eliminated. But it's happening nonetheless. And under whom?

