While the importance of diet quality for improving child health is widely recognized, the roles of environmental factors and absorption of nutrients for children's physical growth and morbidity have not been adequately integrated into a policy framework. Moreover, nutrient intakes gradually affect child health so that it is helpful to use alternative tools for evaluation of short-term interventions versus long-term food policies. This article emphasizes the role of diet quality reflected in the intakes of nutrients such as protein, calcium, and iron for children's physical growth; vitamins A and C are important for reducing morbidity. Children's growth and morbidity affect their cognitive development that is critical for future supply of skilled labor and economic growth. Evidence on these issues from countries such as Bangladesh, India, Kenya, Philippines and Tanzania is discussed. The supply of nutritious foods is appraised from the viewpoint of improving diet quality. It is suggested that indirect taxes on unhealthy processed foods consumed by the affluent can raise additional revenues for improving population health.