

'COMMENTARAO' in "THE TELEGRAPH" of May 11 2016

India on a greasy pole

- Time to hold on to the two steps up and not slide down

Commentarao - S.L. Rao



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Since Independence, India has had a "Hindu" growth rate of 3 per cent for decades. Since the mid-1980s, growth has accelerated. The trend does not at all measure up to our potential, with a large and young population, plus reasonable natural resources.

As Indians we repeat our good aspects. Our ancestors made fundamental contributions to mathematics, science, philosophy, astronomy, literature, medical science and many other areas. We do not need to claim mythological achievements in past millennia - aviation, spacecraft and so on. In the last 70 years our successes have been modest - mainly in space and software.

Many claims are almost racist, unconsciously. We, and indeed all south Asians, have a genetic

brain advantage over others. We laud Hinduism and its influence on every other religion in the world. Every religion has been in India almost from inception. We have well over 20 languages and hundreds of dialects. We are accustomed to living with a diversity of cultures, religions, languages and different ways of life and thought. No wonder that Indian managers do well anywhere in the world. We claim that this diversity makes us a tolerant people. Since 1947, we have perfected the practice of democracy with universal suffrage and regular elections which changed governments peacefully. Our media are free and watchful. We have an independent judiciary and the rule of law. Our military is strong but fully under civilian control. Our economy has eliminated famines, reduced poverty, introduced and innovated new technologies, delivered quality higher education, healthcare and self-sufficiency.

Most of these claims are exaggerated. Democracy and elections have successively brought the lowest common denominators to power. For most of them the interest is to ensure their comfortable future, and their regular re-election, now an annual feature in one or other part of India and every five years, all over. For this, all political parties engage in vast fund-raising. These are repaid by favours if they win. Growing competitive populism with generous subsidies and even free public goods woo voters; privileges to vote banks are another ploy. These now extend, as in Tamil Nadu, to private consumption goods. Also used is more reservation, as in Haryana to Jats. Faster progress of the lowest, who are also the most deprived, is hesitant. There is little attempt to give the deprived extra training to compete with those born to caste privilege. Inequality has risen. Education standards are low. Healthcare is weak. Undernourishment among females and infants and their mortality rates are high.

In a diverse India people live in their own silos. There is little interaction between religious groups or castes. Violent confrontations happen regularly. Hindu majoritarian groups appear to be organizing to react to Muslim groups like the Students Islamic Movement of India, the Taliban, Islamic State and so on.

The rule of law seems flexible for the rich as opposed to that for the poor. There is a severe shortage of judges, years of delayed judgments. Governments make little attempt to fill vacancies. This delay enables rich litigants to drag on the proceedings. Political influences over the investigative process, weak penalties, dilute the legal process.

The fear of military coups has led to dominance of the bureaucracy over the military in pay, relative position, even military strategy (as evidenced in the defeat in the 1962 China war). Defence procurement through imports created a legion of commissioning agents and moles in the military and bureaucracy, pushing for one or other foreign principal. Corruption in procurement is widespread. Local manufacture has been mostly by government entities and is invariably dismissed as inferior. This leads to crises in wars (as in Kargil when the lack of laser-guided bombs delayed the bombing of invaders from Pakistan).

The media are evolving into more vigilant observers than elected representatives of wrongdoings in all fields. Some in the media are suborned by politicians and others. There are many who are truly independent.

Economic policies have been ruled by ideologies tailored to suit political compulsions.

Nehruvian socialism was a mismatched marriage between Soviet Russian centralized planning and control and the British concept of a welfare state. Indian five-year plans did not achieve objectives. We are among the lowest with regard to world human development indicators. Government ownership and control over all resources gave politicians and bureaucrats immense power over all economic activity. The government only had administrators in its employ. These became the CEOs of government undertakings of all kinds - from power to steel to road projects. Over time the role of many bureaucrats became less direct but very nodal because all major decisions in public enterprises needed their approval. The public sector today is reckoned to diminish gross domestic product by around one to one-and-a-half per cent by its inefficiencies, especially in vital areas like infrastructure and basic industries.

The nationalization of banks, insurance and financial institutions gave bureaucrats control over almost all investment and production activity. To prevent economic power passing into any private hands, private enterprise was restricted in size, technology, capacity and hence efficiency. The Indian private sector became high-cost, poor-quality producers, with oligopolistic and monopolistic control over its relevant sectors, and was uncompetitive in export markets. Without an export culture, exports were incentivized to earn foreign exchange for essential imports. Even today, manufacturing and exports contribute much less to the Indian economy than in China and many Southeast Asian countries.

The removal of many restrictions on private enterprise in 1991 did not remove the suspicion of private enterprise and profit-making. Bureaucrats occupied all commanding positions regulating the economy. These could be as government departmental officers, statutory and constitutional regulators, on boards (even sometimes as CEOs) of most banks, financial institutions and public undertakings. Public administration suffered because the best and brightest in government wanted economic ministries where there was great power and, if so inclined, also pelf.

Many private enterprises with excessive government reporting and regulation pay many of the concerned officers with money or positions for their nominees. One result of this and other corruption was the creation of an efficient system of managing unaccounted for money held within India, for sending it abroad and investing it overseas.

India remains a highly regulated economy. The enterprise of its people has less freedom to innovate and grow, than in many other countries. Removing the heavy hand of government in 1991 released some entrepreneurial vigour for a few years. It was not enough to sustain growth for long, or make the Indian economy highly productive and competitive.

We need a greater ethical spine in our politicians, bureaucrats, industrialists and managers. This will be helped by strengthening punishments for misdemeanors by them, particularly corruption. We must confiscate illegally acquired assets, mandate stiff jail terms for the guilty, take action to ensure speedy trials. We must implement the reports of the administrative reforms, police and judicial commissions. The bureaucrats must be disciplined and watched but not by politicians. Filling vacancies for judges must be much speedier. Police must not be servants of politicians but a trustworthy force.

All regulators must be appointed by a neutral commission and report to the highest court. We must aim to coordinate fewer elections. Candidates must be literate if not college-educated. Every habitat must have bodies that keep religious community leaders in regular communication.

Our consistent growth demands restructuring the institutions of our society. We must not falter with vagaries of the global economy. We must at least sustain 8 per cent growth annually without the backward slides that we are used to.

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