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India Shining: Musings of an Indian.

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[Background: Various competent authors have written on the recent growth story of the Indian economy and have covered most aspects. What remains is to bring to surface some less appreciated angles and perspectives to selected issues in the debate. – Author.]

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'Depend upon it Sir. When a man knows he is going to be hanged in a fortnight, it concentrates his mind wonderfully.' – Johnson, in 1777, in a letter to Boswell.

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"As Victor Hugo said, 'No power on earth can stop an idea whose time has come.' I suggest to this august House that the emergence of India as a major economic power in the world happens to be one such idea. Let the whole world hear it loud and clear: India is now wide awake. We shall prevail. We shall overcome."- Dr. Man Mohan Singh, then Finance Minister, in India's Parliament presenting his first Budget. July 24, 1991.

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[1] For businessmen world wide, India, with our 9 % + GDP growth, exchange reserves of \$ 200+ billion, and all that, has justifiably become the flavor of the season. What impresses even more is the equally justified aspiration to lead the world in some areas. Thus we in India want to be, for example, the world's gold trading capital, instead of being tied much longer to the apron strings of the LBMA [London Bullion Market Association]; we want to be the health-care destination or the manufacturing hub for the world; not to mention our achievements in BPO, IT and the like. The leadership bug has bitten us.

[2] There are quite a few structural shifts taking place in India's population. Each one even singly, should be mouth-watering for business:

[a] The population is urbanizing.

[b] The bulk of it is passing through a period of 'unprecedented prosperity.'

[c] It is becoming more educated.

[d] It is young now but with an ever-improving expectation of life span.

[e] The shift away from agriculture, [and also from industry] to the tertiary sector continues.

[f] People are saving more.

[g] A larger and larger share of their savings is being canalized into financial instruments.

Considering the massive base of 1.2 billion, these shifts cannot fail to attract.

[3] India shines today not because some new generation of Indians endowed with never-before entrepreneurial and leadership skills is now born and, with the help of ever-obliging foreigners, has taken over the reins of Indian industry today from their

mediocre, lazy and selfish predecessors. We shine primarily because of the sea change in the direction of our economic, industrial and fiscal policies. [Much remains to be done; a little may have to be undone. But all that is another matter.] The inherent capacities and the skills of our entrepreneurs and other citizens of yesteryears were not even a wee bit less than those of today. Alas, our own past policies kept these skills and talents suppressed and sure enough brought the country, in 1991, just a few days away from doom.

There were at best a handful of visionary patriots and industry leaders, like the late Mr. J. R. D. Tata and his A-team, who saw the impending damage and undertook a crusade to create a public opinion in favor of a radical reversal of those policies. This was mighty tough because even in the older policy mix, quite a few other 'leaders' had found ways to achieve fast personal prosperity.

[4] These 'policy reforms' [admittedly an imperfect phrase] were adopted from about 1991. It is difficult to say, and perhaps idle to debate now, as to whether even by that time there was among the policymakers any intellectual conviction and an emotional commitment about the need for radical reforms for the good of our country, or whether the policymakers' minds merely concentrated wonderfully on the IMF-favored reforms medicine in view of the looming humiliation of an emptied treasury.

The medicine was precise; was overdue and had immense therapeutic value. The dose was administered brilliantly by none else than Dr. Man Mohan Singh, who was then Finance Minister. He was brimming with confidence in July 1991 that the medicine would work. The shine today has proved Victor Hugo right once again.

[5] The shine is yet not all perfect; we should welcome comments, more so from serious foreign friends and businessmen. Their comments should not be brushed aside as excuses for extracting more concessions.

** For example, when we are repeatedly told about the weaknesses in our infrastructure, we must accept their concern. We need not be oblivious to the fact, however, that there are a few bright areas too. The Railways have turned around from a loss of over Rs. 60,000 crores [\$ 14.6 billion] to a profit of Rs. 20,000 crores [\$ 4.86 billion] within a few years and have brought awe-struck MBAs and faculty of world's best B-schools to a rustic Indian leader a-studying! The turnaround in public sector banks and the near completion of the massive 5846 km. long golden quadrilateral highway are some other examples. They give us confidence to assure our foreign friends that all is not lost; yet 'their comment is under active consideration.'

** Our friends remind us also that there are still nearly 220 million impoverished Indians [people below India's own stark poverty line]. True again; and I mourn this sad plight of so many of my countrymen. But then there were no fewer than about 320 million impoverished Indians in 1991. On the other hand, we have now as many as 980 million fellow citizens above the poverty line, as against only 525 million in 1991. Millions and millions thus continue to cross the poverty line year after year and to improve their lot yet further. Government's reformed policies must have been helpful; but those that achieved the crossover, must have themselves been endowed with more talent which is

now blossoming and no more suppressed. They are the pride of India. They are my countrymen too; I cannot ignore celebrating their success and wishing them yet better days. In the shining India they deserve to be spread out a red carpet of Government policies and social recognition. I will feel disturbed to see fishing nets thrown to catch and cook them.

The list need not be extended. The fact is that we have to live and prosper within a world that is not all that open, nor opening. It is full of sovereign countries not without their own prides, prejudices, jealousies and fears. We must therefore not only value any perceptions expressed in friendly countries about the imperfections of our shine, but must also identify any imperfections on our own, even if not readily perceived or highlighted by outsiders.

[6] To give just one illustration, I find, [a] our obsession with monetary targets and outlays as well as [b] our complete neglect of physical targets and achievements, both to be very irritating indeed. We, the people, are rarely told, for example, that the Government planned, in a given period, to set up electricity generation capacity of X mw; or to build highways of Y km. or to construct W new schools or add Z new hospital beds. Strictly speaking, some such physical targets are no doubt obscurely printed somewhere in the plethora of boring Plan documents. But for public consumption, everything is reduced to the sexy denominator of outlays in terms of crores of rupees. This is an open invitation to serious malpractices and inefficiencies. For the shine to be more transparent, should intentions not be expressed in terms of time-bound physical targets; and should achievements not be published after an independent audit?

[7] Our shine today is well deserved. The younger generation has not experienced, and probably is not even fully aware of the absurdities [-some of them silly, others crooked-] and the humiliation to which the common man's day-to-day life was exposed during the quarter century of our nightmare with the licensee-permit raj and with all that went under the pretence of the so-called socialistic pattern of economy.

* We wasted hours every year queuing up [separately] for renewal permits to use the radio and TV at home.

- We waited for ten years to get a telephone installed and another one to get it working.
- We waited fifteen years to buy a car, which, outside the Indian streets, was considered fit to be seen only in museums.
- We spent more time and often a night, queuing up for a railway ticket; time often longer than the time of the railway journey itself.
- Foreign travel was riddled with unthinkably cumbersome rules and absurd restrictions.
- Earning foreign exchange for our country seemed almost a crime. Lakhs of Indians were working in the Middle East and earning valuable foreign exchange for the country. But when they returned on a holiday and brought sarees or blankets or two-in-ones for their dear families, instead of being garlanded at the airports, they were treated like thieves and criminals.
- The gold policy [Ha!], banning imports [and thus promoting heavy smuggling], and compelling Indian ladies to have no more than 14 carat gold jewelry, took the cake.

At the industry and business level the absurdities were even more corrupting. The industrial licensing system, the whole idea of 'Larger Industrial Houses', the disastrous part on the 'Concentration of Economic Power' in the MRTP Act [The Monopolies & Restrictive Trade Practices Act], The convertibility clause, the Credit Authorization Scheme, the laughable restrictions on managerial remuneration, the 98 % personal income tax, the Reservation bug – for the public sector, or for the small scale sector,.. Examples abound. Most of the restrictive provisions had escape routes that opened up floodgates of black money and political corruption.

I think, one day, for the sake of posterity and as an alert, I must write a little book-let on the absurdities that my countrymen and my country were made to live with. We have paid dearly, by setting India's national clock backwards in a fast-forward moving world. Collectively, it was a recipe for collapse. The inherent strengths of the country and its people must have been enormous to have survived such continued severe onslaughts for over a quarter of a century.

[8] Should we in India then not continue to follow the path earlier pursued by many other countries in this fast moving world? No doubt it will help us keep the shine. But what if it also threatens to permanently eclipse our own culture and lifestyle? Again, let me refer to only one of such clouds that I see on the horizon:

Nowadays we notice the highly disturbing emergence of a new set of 'industries' like, for example, health-care and medicine; education; sports, performing arts and entertainment. These and such like are no more professions with sanctity and values of their own. Perhaps this is a parting gift of the 20th century. In the name of providing adequate financial security to the practitioners of these professions, these activities are commonly run like 'with-profit' businesses, with 'dirty money' taking centre stage. Is this a desirable trend? How much further will it go? May it not, one day soon, engulf our cultural and family values too?

Luckily for us, we have the experience of some other countries, mostly in the West, to learn from. Some of these countries seem to see no imminent danger and are willing to go the whole hog. Others dub this as the ugly side of capitalism and advocate legislative, social and other protective measures, even at the possible cost of some economic prosperity. As an economist, I would be reluctant to support anything that curtails prosperity; but as a citizen, when I watch beyond the shine of prosperity, I am singularly uncomfortable.

There is an interesting and incidental fallout that should be mentioned: Most of us criticize the commercialization of the professions and the arts; hardly ever we admire it. When we say nowadays that something had become a business, we imply that it had become dirty and self-centered. We have come a long way away from the time of Alfred Marshall who was sure that " A score of Tatas might do more for India than any Government can achieve" ; or from the time of Mahatma Gandhi who said that factories were the temples of modern India. Once again I feel singularly uncomfortable.

[9] It will be tempting for an enthusiastic government to offer to make new laws and regulations to meet any perceived imperfections in India's shine. The temptation must be resisted. Reality checks five years after laws are made have invariably shown that,

honourable exceptions apart, most laws hinder and not help progress. Government should be able to manage with as few laws and regulations as possible. In fact, there are innumerable and irritable laws, regulations and procedures currently in force that have far outlived their utility. Government should firmly and expeditiously start repealing as many of these as possible. That will be the test to decide how enduring and beneficial the shine will be. Business worldwide and millions of Indian citizens will be happy and thankful; and so will be Confucius.

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