

A Vacuum of Leadership and Governance

In the last week's column, I had discussed the possibility of the global economy facing "A Perfect Storm". Nearer home, every day's news makes me wonder whether we are not facing something even more dangerous – a vacuum of leadership and governance. While talking about UPA-II, Shekhar Gupta remarked in his *National Interest* column in the Indian Express (June 18) that "*this has become our most dysfunctional **real** government in three decades*". (For obvious reasons, he excludes the governments headed by Chandrasekhar, Deve Gouda and Gujral). One felt sad that the first government since independence headed by a professional, who had acquired eminence in his own field, should have come to this sorry pass.

I first came to know of Dr. Manmohan Singh in the late 1970s, from my good friend George Fernandes, an eminent trade union leader, known for his militancy. (My contacts with George go back to my trade union activities; they later became more regular when I was advising a co-operative bank promoted by him, of which he was the Chairman. I developed great respect for his sharp intellect, quick grasp of any subject, and superb articulation.) He was then a member of the Central Cabinet as the minister for industry. One of the questions I asked him then was about the quality of senior civil servants in Delhi – as trade union leaders, we obviously had a common bias against bureaucracy. That was when he mentioned Dr. Singh, describing him as unassuming, deceptively soft-spoken, somebody who would rarely intervene in a discussion. But, George later realized that he was the one who had studied the subject more than anybody else.

In the 1980s, when I started writing about the exchange rate from a more economic, as distinct from market, perspective, I read his 1960s doctoral thesis, on "India's export performance, 1951–1960, export prospects and policy implications", which later grew into a book. It, inter alia, stressed the relevance and importance of the exchange rate to export prospects. In an era dominated by export pessimistic economists (and hence the emphasis on import

substitution regardless of costs), he was one of the very few voices to argue that, given a proper exchange rate, India's export potential was significant. In the 1980s, when he was Governor of the Reserve Bank, Dr Vijay Joshi of Oxford University, spending a couple of years at RBI, developed the first REER model for the rupee's exchange rate.

My third brush with Dr. Singh was in the mid-1990s through my criticism of the monetary policy then followed by the central bank, taking real interest rates, even for AAA bonds, to double digit levels! Deena Khatkhate (ex RBI and IMF), his colleague and friend of many years, liked the arguments and sent the columns to Dr. Singh, then Finance Minister of India. I called on Dr Singh on my next visit to Delhi, was received very warmly, and later he wrote me a very nice letter.

In the meantime, of course, Dr. Singh, after spending a few years as the Secretary General of the South Commission, was invited by Narasimha Rao to become the Finance Minister to steer economic policies after the 1991 balance of payment crisis. Later he was credited with having engineered India's reforms of the exchange rate, trade and industrial policies post-crisis, which laid the foundation of the average 8% p.a. growth of the last couple of decades, and was a major "about turn" from the earlier license/quota/permit raj of a socialist economy. (To be sure, Dr. Singh had not voiced much criticism of this over the earlier two decades. Perhaps he held such views in private but his loyalty and reticence precluded any public expression.) One has often wondered whether Mr. Rao should not be given far bigger credit for his political courage in introducing the reforms which, in any case, were driven by the IMF conditionalities.

In this background, one had great hopes when he became Prime Minister of the UPA-I government, courtesy the Congress President. Since then, however, his record has been lackluster, particularly in the second term – not that much was done in the first term, other than the Indo-U.S. nuclear pact. But this could be blamed on the CPI(M) on whom UPA-I was dependent for survival as the ruling coalition. He talked about administrative reforms on many occasions but nothing happened. Perhaps his first major mistake was in the acceptance of a National Advisory Council (NAC) as a super cabinet. (Kapil Sibal has recently said, with reference to Anna Hazare and his so-called "civil society", that "we cannot have a parallel

government", *The Economic Times*, June 22. He overlooks that the UPA has accepted a parallel government since inception, in the name of the NAC.) Exaggerating only slightly, the result was that he became the Prime Minister with all responsibilities – but no political power. Perhaps few ministers considered themselves responsible to the Prime Minister – they held their posts at the pleasure of their respective party chiefs. Many of the scandals which have dogged UPA-II perhaps originate in this.

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