

Governance and Growth

In his speech before the United Nations last week, the Prime Minister spoke of the balancing role India's growth (8%, he said) may play in helping a slowing global economy. The fact is that Indian growth has slowed for five successive quarters, and may well fall further. The IIP remains soft: indeed, it may fall further as corporate investment growth continues to fall (RBI study); as, for environmental reasons, ore and coal mines are ordered closed affecting steel and power output; and exports have shown a large jump but the veracity and sustainability of the numbers is questionable.

While much is made of the lack of policy reforms, to my mind, the most important problems are improving governance and accountability. The problem starts right at the top with an unelected and non-accountable body (the National Advisory Council) acting as a super-cabinet which loads ever greater social responsibilities on a government machinery unable to deliver even basic services, road maintenance for example, with a modicum of efficiency and honesty.

Indeed, we have made governance and decision making so complex as to almost ensure that decisions from purchase of new dustbins by the Mumbai Municipal Corporation to installation of CCTV cameras around the Delhi High Court, get delayed, and nobody is responsible for the delays. (Would a Lokpal only worsen the situation further, as the RTI seems to be already doing?) Economically far more important issues likewise get referred to so many august bodies that nobody can be held accountable for anything. The CAG criticized both the merger of Air India with Indian Airlines, and the huge order placed for expansion of the fleet. At last count, the bodies of learned men involved in the decision making processes included the boards of the two companies; the ministry; the Planning Commission; the Project

Investment Board; committees of secretaries; the cabinet committee on economic affairs; etc. etc. How can poor Praful Patel be blamed for the decisions?

But to come back to the NAC, at a time when we need to increase investments to create jobs, ever more resources are spent in social programs -- god alone (hopefully!) knows the proportion of “outlays” leading to lasting “outcomes”. No wonder, jobs growth dropped to just 2 mn in the last 5 years! The number of people with no stake in proper functioning of the economy is rising rapidly, even as we talk of “inclusive” growth; farmers are revolting against land acquisition; 40,000 farmers in Andhra went on a crop holiday in 2010-11, protesting against the minimum support price – and the agitation is likely to spread to Tamil Nadu, Karnataka, and Maharashtra (Business Standard, September 27)

At one level, the security forces are becoming ever more brutal and extortionate – a truck driver in U.P. was murdered by the police because he refused to pay the demanded bribe! At another, their working conditions are becoming more intolerable every day, despite any number of commissions and pious platitudes about reform. If the police and paramilitary forces join the farmers in striking against the way things are, where will we be?

Another sad trend one is witnessing lately is the reversion to leftist rhetoric blaming “neoliberalism” for all the ills -- from the *obiter dicta* in Supreme Court judgments, to Annaji and other social activists. They forget that it is only the “neoliberalism” of the last two decades that has allowed the huge increase in social spending! On the other hand, they also overlook that lasting outcomes at the village levels come from “bottom up” actions, facilitated by the government, and not top down handouts – as any number of examples from Ralegaon Siddhi to many, many others manifest!

At a different level, within the BRICS, we come out weakest in macroeconomic comparisons of the current account and consolidated fiscal deficits – and the highest in inflation. Five years ago, the World Economic Forum gave India a competitiveness

score of 4.3, one notch below China's 4.4. The latest scores were 4.3 for India, and 4.9 for China. From being ahead of the average for 80 emerging and developing countries, up in these five years from 4.1 to 4.4, India has fallen behind (Business Standard, September 10). In the Global Innovation Index, developed by INSEAD, India's ranking has slipped from 23 in 2007 to 62 now, while China remains in the top 30. (The Economic Times, September 22, 2011). We rank equally low in the World Justice Project's latest Rule of Law index. But then, who has time (or inclination?) to think about, to debate, to rectify such issues? Our political masters often behave, and act, as if 9% p.a. of real GDP growth has become the "new Hindu rate" – persisting whatever we do or do not do. Is this a valid assumption? I for one would not be surprised if, following the fortunes of the Indian cricket team, we register a sharp fall in our global ranking.

As Pratap Bhanu Mehta asked in a recent article (Indian Express, September 22), *"Is India an ungovernable economy now?"* The answer, sadly, seems, "yes!"

A.V.Rajwade

Email: avrajwade@gmail.com