

The reality beyond numbers

“Valuations are currently at a small premium to long term averages, hence can’t be termed as expensive. They are fair, factoring current corporate earnings as well as potential higher earnings in the future.” Jayesh Gandhi, Morgan Stanley (The Economic Times, August 24, 2010)

“Investing in India makes sense as it will create long term wealth for you”, Nilesh Shah, ICICI Prudential AMC (The Economic Times, August 19, 2010)

“It is our belief that three factors – a savings rate that is upwards of 30%, strong domestic demand and a young population – would likely spur India’s GDP growth over the next decade at a sustained of 9%, annually.”, Rashesh Shah, Chairman, Edelweiss Group (The Economic Times, August 20, 2010)

Clearly, these stock market professionals are extremely bullish on the country. One question which has been persistently nagging me more and more in recent weeks is when will the reality of public institutions and governance start affecting the numbers. Can the two remain apart, indeed diverging ever more, forever? And, the more I think about it, the more I am convinced that you cannot have too big a gap between the quantified economy, and the qualitative reality behind it. Perhaps it already is too big.

And the reality is ever growing income inequalities; extreme left agitations affecting an ever larger part of the nation; increasingly ineffective and ever more corrupt governance lately extending even into the judicial branch; an environmental agenda and the continued and endless delays over land acquisitions which threaten to put an end to all new industrial and infrastructure projects; the casteist divisions manifested in the *Khas Panchayat’s* decisions to kill those committing the crime of inter-caste marriages; and the caste-based reservations and quotas which are likely to be deepened by the census; the *netas* fighting a very vocal and unseemly battle to get their pay and allowances and perquisites increased. (As for the last, surely the public sector trade unions are salivating at the thought of how this would make their job easier at the next round of pay revision – how I wish I were back to the days when I was the president of a

very powerful trade union in India's largest bank!) Forgetting the numbers for a minute, and given a choice, should one invest in such a country?

Perhaps the questions about governance start right at the top. Rightly or wrongly, one feels that our leaders should not only lead, but, like Caesar's wife, be seen to be leading. Generally speaking, our Prime Minister and the President of the ruling party have been silent on too many raging controversies and important problems. To give only two examples, Kashmir continues to burn and there is the ever present threat of Islamic terrorism. Again, there are obvious discords between some of the party leaders and important ministers about how to tackle the threat of increasing Naxalite power, and some ministers publicly sympathise with their agenda. (From what I recall, the Prime Minister has made only one statement about Kashmir since the present agitation which is now well into its third month. On that day, I joked to a colleague that the only paper he seems to read is The Economic Times – his statement, that too not in a public meeting, came after a three page report on Kashmir in that paper.) The Congress President has now revived her super-cabinet, the National Advisory Council, a body with increasing power on the social agenda and no responsibility for its implementation or fiscal consequences. In a way, the reticence of both the Congress President and the Prime Minister to take on issues on public fora and try to mould opinion, are understandable – both are poor public speakers, clearly a weakness in a democratic leader.

Perhaps the biggest weakness of our governance is the bureaucracy, the *babus* even more than the *netas*. The latest, and perhaps most bizarre, example is that of Vishwanathan Anand being asked to produce proof of his Indian citizenship for accepting an honorary degree from an Indian university, and that too by the *babus* in what is termed the Ministry of Human Resources Development! (A parallel is the biased, rightwing minority questioning President Obama's birth in the U.S. But they at least have an ideological agenda; our bureaucracy does not, and in any case should not, have it.) To be sure, the minister promptly apologised. But, apart from the larger question of why Indian citizenship is needed for conferring an honorary degree and why the *babus'* approval is required therefor, the fact remains that it is this bureaucracy on which our *netas* depend to carry out their social agenda, a bureaucracy that has become so lethargic, so inward looking after decades of zero accountability even for acts of commission, let alone omission, that it has little left of anything beyond the

wording of procedures. And why should it apply its mind to issues when every Pay Commission increases its salaries and allowances substantially regardless of productivity and performance?

A.V.Rajwade

Email: avrajwade@gmail.com