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India 'Will' Rule The World!

**M V Kamath**

**Are you bored of reading books, which try to convey that the economic scenario in India is not a very promising one? Here is something that will surely refresh your mind and compel you to believe that India has the potential to be the next super-power**

**India: The Emerging Giant**  
**Arvind Panagariya**

**Oxford University Press**  
**Pages 514 Rs 695**

If there is one book which has been published in recent times that discusses the Indian economy in all its aspects with such clear-mindedness, surely it is Panagariya's India: the emerging giant. Jagdish Bhagwati has described it as truly monumental, wide-ranging and penetrating and no truer words can be said. Bhagwati calls it not only a tour de horizon but a tour de force and he is not given to misuse of language.

Panagariya's qualifications are unmatched. Not only is he currently the Jagdish Bhagwati Professor of Indian Political Economy and Professor of Economics in the school of International and Public Affairs at Columbia University, he also a non-resident senior fellow at the famous Brookings Institute in Washington DC. Indeed, in the past he was also the Chief Economist of the Asian Development Bank and additionally has served the World Bank, the IMF and UNCTAD.

What makes this work so absorbing can be attributed to three factors: one, it is objective, two, it is reader-friendly, in the sense it is largely free of technical jargon and is easily understood by the layman and three, it is well-researched. Panagariya presents an analytical account and interpretation of the major economic developments in the post-independent India.

The book is divided into five parts. Part 1 focuses on growth, part two on poverty and inequality, part 3 on macro-economic policies and parts 4 and 5 on macro-economic policies. According to him, India is now far better integrated into the world economy, which will enable it to take advantage of continuous innovations around the world. It is an optimistic analysis. What is remarkable- and it speaks for the man as well as for his analytical interpretations- is that Panagariya quietly distances himself politically from the country's policy makers, from the Prime Minister downwards to bureaucracy and conveys the impression that he has no axe to grind against any one individual. That adds to the quality of the work.

One of the opinions he expresses, though, calls for deep thinking. He says: "my own conclusion from the review of Indian Economic history since 1950 is that the focus on equality should be resisted as it can often end up harming the fight against poverty.

Policies that promote equity and growth may exist. But in practice, once equity is placed at the center of policy-making, politicians are unable to resist opting for those equity-oriented policies that hamper growth and therefore, poverty alleviation." Panagariya is ruthless in his criticism where he thinks criticism is rightly deserved.

According to him, the UPA leadership was wrong in attributing the ouster of the NDA in the May 2004 elections, to the public sentiment that the NDA reforms had by-passed the rural poor. Actually, says Panagariya, available evidence pointed out to the steady decline in poverty in rural as well as in urban areas during the NDA regime. This is but one sample of the kind of sharp analysis so noticeable in this remarkable work.

Panagariya gives full credit to the Vajpayee government for carrying forward the reform agenda in a number of directions including international trade, foreign investment, insurance, tele-communication, electricity, roads, privatisation and education.

Indeed, he says, in terms of the reach of the reforms, this period (1994-2004) matched the first three years of Narasimha Rao government. The study of government policies right from the day of Jawaharlal Nehru through successive regimes right up to the present times is scientific in approach and reflects deep research and commitment. No study of economics is, or can be, complete without providing the necessary political background which Panagariya does with such expertise. He is unhappy with the civil service because ministers are constantly changing and the service thus has the chance to accumulate power, which it guards 'zealously'. His comment is that the enormous power combined with near complete absence of competition, punishment and accountability, has made many officers arrogant and self-indulgent which is only too true.

If Panagariya has his way, he would open all positions at the Joint Secretary and other higher levels at the Center (and equally in the states) to competitive recruitment. And no wiser advice could be given. His explanation is that the key additional advantage of this more ambitious reform is that it would encourage the most talented young men and women to move back and forth between the government and outside employment.. His analysis of the success of Indian Railways is equally fancy-free. He describes at least four major factors that have contributed to the improved outcome for the railways, which takes the magic off the rule of Lalu Prasad Yadav. He shows that there is nothing mystical about the way in which Indian Railways have showed massive profits, which takes the sheen off Lalu's bravado.

Equally, he has a warning to give to the Finance Minister who has sanctioned some Rs 70,000 crore as debt waiver to peasants in distress. He points out that studies show that there is no single cause for farmer's suicides, considering that 20.35% of the suicide cases were the result of drinking, gambling and over-spending, 16.81% to failure of crops, 15.04% to other reasons like chit fund and 13.27% to family problems with spouses and other. Only 2.65% of suicides were due to debt burden. That comes as a significant revelation. But then, this is the work of deep research and introspection.

What is encouraging about this work is that it is highly optimistic about India's economic

future despite all the errors committed in the past. Panagariya truly believes that the changes in policy as well as performance in recent years make it likely that the current growth of rate 8% will be sustained for some time to come, basing, as he does, his projection on available data. As he sees it, the only ultimate development problem facing India is that of transforming its primarily rural agrarian economy into a modern one.

How that is to be achieved through various policies, forms the heart and soul of this work, which addresses itself to the even larger question of how to push the growth rate to double-digit levels. This constitutes must reading to our politicians as well as policy-makers in Delhi.