

FOURTH M N SRINIVAS MEMORIAL LECTURE

Arun Shourie



NATIONAL INSTITUTE OF ADVANCED STUDIES

Indian Institute of Science Campus
Bangalore 560 012 India

The Fourth M N Srinivas Memorial Lecture

The Fate of Reforms

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Prof. M. N. SRINIVAS



Prof Srinivas was born on 16 November 1916 in Mysore and graduated from Mysore University in 1936. He obtained a PhD degree in 1944 at Bombay working with G S Ghurye for a thesis on the religion and society of Coorgs. In 1945 he went to Oxford and obtained another Doctor's Degree (D.Phil.) there. After being appointed to a lectureship in Indian Sociology at Oxford, Prof Srinivas returned to India and carried out field work in the village Ramapura, near Srirangapattana, before returning to Oxford to continue with his appointment. The book he wrote on this work, called *The Remembered Village*, written largely from memory when he was visiting Stanford in 1970 after his notes were burnt down, has become a cherished classic. Prof Srinivas returned to India in 1951 to work as Professor of Sociology in the MS University of Baroda. In 1959 he went to Delhi to set up a department of sociology at the Delhi School of Economics. He returned to Karnataka in 1972 and played a key role in founding the Institute of Social and Economic Change, where he was Joint Director during 1972-73 and a Senior Fellow till 1979.

In the year 1992 he joined this Institute and continued a vigorous intellectual life. Among his last publications were a collection of essays titled *Indian Society Through Personal Writings* and an edited volume on *Caste: Its 20th Century Avatar*. On 7 October 1999, weeks before his death on 30 November 1999, Prof Srinivas spoke at NIAS on *Obituary on caste as a system*, setting out his view that the old economic and social relationships that were characteristic of the caste system had broken down, but that caste had survived as a means for securing access to resources of different kinds.

At various times during his career he held distinguished visiting positions at many famous overseas universities, including Oxford, Cambridge, Stanford, Cornell and Canberra.

Prof Srinivas was widely honoured for his scholarship, both within the country and abroad. He was a Fellow of the British Academy, Honorary Fellow of the Royal Anthropological Institute and Foreign Honorary Member of the American Academy of Arts and Sciences. He was awarded the *Padmabhushan* and the T H Huxley Memorial Medal of the Royal Anthropological Institute in 1976 and the Kannada Rajyothsava Award in 1996. He received honorary doctoral degrees from the universities of Nice, Mysore, Chicago and Delhi, among others.

Before Dr Shourie's address, Prof R Narasimha spoke as follows:

Your Excellency Shri T N Chaturvedi, Governor of Karnataka, Honourable Minister Dr Arun Shourie, Mrs Rukmini Srinivas, ladies and gentlemen,

I have great pleasure in welcoming all of you to the fourth M N Srinivas Memorial Lecture. Prof Srinivas was one of the world's leading sociologists, and for the last seven years of his illustrious career he was J R D Tata Visiting Professor at this Institute. What distinguished Prof Srinivas from many other scholars was that, apart from the path-breaking contributions he made to sociology and social anthropology, he was a person with an extraordinarily broad world view that was at one and the same time both very Indian and global. He moved easily not only with his professional colleagues in the disciplines he pursued, but also with scientists, engineers, businessmen, bureaucrats, politicians, theatre personalities – and many many others. We were very fortunate to have Prof Srinivas at this Institute, in particular because of the many interactions that so many of us had with him, even on subjects that we thought of interest only to ourselves. This breadth of interest, coupled with his unusual cultural optimism about Indian society, and his deep interest in the connections between technology and society, made him a most valuable colleague. He was a key member of the NIAS group that

planned, along with industry and technology leaders, the exciting seminar on *The Global Village* that accompanied the first Bangalore IT.Com event in 1998. Just before he passed away in 1999 he was deeply involved in another project connected with the impact that IT was making on the common people of India.

The first lecture in this series was given by a distinguished sociologist, Prof Triloki Nath Madan, who spoke on *Religion in the Modern World*. He was followed by Prof Kenneth Keniston of the Massachusetts Institute of Technology, whose theme was *IT for the Common Man*. The third lecture was given by the distinguished jurist, Mr Justice M N Venkatachalaiah, on *Does Technology Re-invent a Purpose in Civilization?* Continuing in this tradition we are most fortunate to have today a most distinguished writer, thinker and political leader, the Honourable Minister for Communication, Information Technology and Disinvestment, Dr Arun Shourie. This is particularly appropriate, for, as I have mentioned earlier, Prof Srinivas was deeply interested in technology in general, IT in particular, and the profound effect that the development of this new industry, and the economic reforms that were initiated in the early 90s, were having on Indian society, including in particular this very city of Bangalore. We are therefore privileged to have Dr Shourie to address us on one of the most important issues in the country today, namely *The Fate of Reforms*.

Dr Shourie was elected to the Rajya Sabha in 1999. At various times during the last three years he has been the Minister of State in the Ministries of Statistics and Programme Implementation, the Ministry of Personnel, Public Grievances and Pensions, and the Department of Disinvestment. During September 2001-January 2003 he was the Minister of Disinvestment and Minister of Development of the North Eastern Region. Since then he has been the Minister of Communications and Information Technology in the Union Government.

Dr Shourie is a well-known writer and has published seventeen books; he is now working on a new book titled *Turning India Towards the Future*. He has a doctoral degree in economics from the University of Syracuse, USA. His varied contributions have been recognized in India and abroad; he is the recipient of the *Padma Bhushan*, the Magsaysay Award, the Dadabhai Naoroji Award, the Astor Award, and the International Editor of the Year Award.

This lecture is made possible by a generous grant from the Syndicate Bank. I take this opportunity to express our gratitude, on behalf of NIAS, to the Chairman of the Syndicate Bank and his colleagues for their generosity in sponsoring this lecture in memory of a great Indian scholar.

I now have great pleasure in requesting Dr Shourie to deliver the Fourth M N Srinivas Memorial Lecture.



To have the opportunity to speak in honour of Dr. M. N. Srinivas is itself a great honour. Dr. M. N. Srinivas was a scholar of the first water. Two generations of social scientists were weaned on his writings. Concepts that he introduced entered the vocabulary of academia. Ever so many remember him for his sterling personal qualities. It is therefore entirely in the fitness of things that the institution that he adorned for seven years honours his memory through this series of Lectures.

It is one of my lasting regrets that I never got the chance to meet Dr. M. N. Srinivas personally. I am therefore doubly in the debt of Professor Roddam Narasimha and the National Institute of Advanced Studies, Bangalore for this opportunity.

I have been asked to talk on the course, and eventual fate of Reforms in India.

Features

The broad features can be described succinctly.

- We lost a generation in economic growth to “socialism” and its instrument – the license-quota *raj*.
- The process of liberating the country from that shackle – a process that we can subsume under the generic “Reforms” – has been going on since 1991.
- The broad thrust of this process is to transfer power from State to society – and to thereby unleash the country’s productive potential.
- Today we have the fifth Prime Minister – and the sixth Government – since the process began. But the direction of Reforms has continued unchanged. Those who have denounced the Reforms when they were out of office have, when they assumed office, continued them in the same direction.
- Today we have a score of political parties in office in different parts of the country – indeed, many more than a score: the Government at the Centre itself has 24 or so parties in it. Where they are not in office, the parties denounce the very Reforms which they are advancing where they *are* in office.
- All this shows the robustness of the reforms. It shows that the Reforms are not the whim or fancy of some individuals. They are dictated by the compulsions that our polity and economy face on

the one side, and are propelled by the opportunities that have opened up on the other.

- The Reforms have covered a very wide front indeed. Not all of them were, indeed they could not be envisaged at any single point of time. Some of them started in one form, and then evolved into something quite different: the transformation of disinvestment from the disposal of minority shares – most often merely to financial institutions which themselves were in thrall of Government – to the transfer of management control and ownership to strategic partners is a typical case. In a word, Reforms have, “like straw sandals” – to pluck Mao’s metaphor for Revolutions – taken shape in the making.
- Several of the Reforms have gone very far indeed – the abolition of import-export as well as industrial licensing, for instance. And they have proceeded with a degree of ease that conventional wisdom had warned would just not be the case. Apart from one lunch-time demonstration in the lawns adjacent to Udyog Bhavan, there was no effective opposition to the scrapping of import-export licensing, and the hacking off of entire limbs – the Controller of Imports and Exports, the Directorate General of Technical Development. These institutions had been citadels of immense power. Commentators had long warned that civil servants and politicians would

never give up that power, and that, therefore, reforming these structures would be next to impossible. That indeed was the case as long as the effort was to “reform” the structures. Many would recall the numerous efforts that were made, the numberless committees that were set up to shorten the time that issuing these licenses used to take. Every proposal was in a sense “implemented”. But within months the system used to revert to the *status quo ante*, much like a stretched spring does the moment we let go of it. But when “reform” was given up, and the functions were just hacked off, there was no resistance. The observers had underestimated the power of illegitimacy: the entire arrangement had become so illegitimate that every effort to save it was seen as a surreptitious effort to shield privileges and the power to dispense patronage.

- But it is equally true that several other Reforms have remained stuck – labour laws, the Government’s announcements regarding reducing its equity in nationalized banks to 33 per cent or less, the condition of cooperative banks, that of public expenditure.
- In some other areas progress has been a stop-go affair: privatization is an obvious example.
- But even in regard to these areas we should remember one feature about Reforms in India: when

a Reform is first proposed, there is a lot of shouting and wailing; three years later when that Reform is implemented, even the critics do not notice! Recall the shouting just three years ago about the amendments to the Patents Act – it seemed for a moment that the Government would be brought down by the critics; how many of those very critics today even know whether, and if so how many, Exclusive Marketing Rights have been given to foreign companies? Remember the shouting and denouncing at the time foreign insurance companies were being allowed to enter the Indian market? How many of those critics can today tell us how many foreign companies have begun insurance operations in India? How many can tell us what share of the insurance market those companies have captured? How many have bothered to ascertain whether the dire consequences they had forecast have come to prevail? Disinvestment is in the same league. On the one hand, there is a lot of shouting against it when we attempt to execute it in Delhi; on the other, state government after state government is quietly disinvesting its enterprises – ever so often after asking us, after office-hours, so to say, to help them settle the procedures they are to follow!

- Each reform paves the way for the other one. Whoever carries a reform through at one place – say, in a state – enables someone else to carry it

through elsewhere. Indeed, one reform creates pressures that other reforms be put through. Import-Export licensing is abolished. Trade increases. Traders and manufacturers demand that the ports be improved as that turn-around times may come down to Singapore levels, that the DGFT accepts electronic filing of forms....

- Moreover, the effects of reforms are not additive. Even “multiplicative” does not describe the effects adequately. They are more akin to a chemical reaction. An altogether new situation results as reforms react on each other – as they facilitate each other, as they overturn attitudes, as they redistribute power and legitimacy.
- Most important, the Reforms have been vindicated by results:
 - A great deal of power has been transferred from the State apparatus – the less robust part of our country – to society.
 - Thereby the productive potential inherent in our country has been unleashed: one new area of activity after another has erupted – Information Technology to automobile components. We cannot even contemplate the situation today in which every firm launching any step in regard to any aspect of any of these activities – the initiation of any aspect, the expansion of any unit engaged in any activity, the alteration in the

focus of any unit in any activity – would have had to wait upon some government department to grant permissions that the laws and rules required. And yet that is how things were just 12 years ago.

- By throwing our firms into the waters of competition the Reforms have achieved what committees and theses could never have accomplished: they have got our industry and our services to become competitive, to become world-class.

As is evident from these features, there is a consensus in practice about reforms. Yet, their course has been bedeviled by obstacles, their progress has meandered, some have even had to be reversed. What are the impediments? What should be done about them?

On being governed fitfully

The first – in a sense, the basic – difficulty lies in what has become of governance. During the last forty years – that is, ever since 1962, the year that broke Pandit Nehru's heart – India has been governed for just months at a time. A government comes. It announces bold initiatives. It is soon distracted – by some crisis, some scandal. Sometimes it recovers for a bit, announces “visions” and “plans” and Reforms again, only to get sidetracked by a new bout of crises, scandals, factional pressures.... Some of the

Reforms that have been attempted, or have been forced by circumstances have ended up being just short sprints. Mr. Rajiv Gandhi assumed office amidst great hope. Not burdened by the past, he looked to the future. He initiated changes of various kinds – from technology missions to retraining of civil servants. That was in 1985. By mid-1987 the Government was so distracted that these initiatives were all but forgotten. Breakdown on the external account compelled the political class under Mr. Narasimha Rao to commence Reforms in 1991. By 1993, that initiative too ran to ground. The process was taken up again in 2000 under Mr. Vajpayee. By mid-2002 it was being pushed and pulled in all directions. Only Herculean effort – and that by Mr. Vajpayee himself – got the process back on the rails. The months since he did so show by contrast the wide range of Reforms that can be put in place when governments are allowed to focus.

Reform doesn't consist in just replacing the head of a financial institution or a vice-chancellor – the new ones will be no different because they will be selected by the same sort who had selected and controlled the previous bunch. Reform doesn't consist in passing yet another law – for it will not be adhered to any more than the one it is replacing. Even changing a policy is only a part, just a specific instrument of Reform.

When things have gone as deep into the marrow of governance as they have in India, Reform consists in overturning entire structures, in transforming habits, in

changing the way people look at the world, it consists in a sense of changing their very nature. As structures, policies, the conduct of officials of State and ordinary folk all act on each other, Reform entails working on all these fronts. Simultaneously.

Thus,

- The effort has to be focused.
- It has to be across the board.
- It has to be unrelenting.
- It has to be sustained.

That being the case, Reform can only be carried through by governments that are secure in the knowledge that they are in office for years, by governments whose horizon lies in the far-distance, whose concern extends beyond the current session of the legislature, the next election.

This has been the single, most significant difference between China and India in the last twenty-five years.

“But India is a democracy,” we say. Yes and no. Our elections are free and fair. Our media is free. But, equally, what we see in our legislatures, the quality of many who people our public life – that is not democracy, it is disarray, it is free-fall. In any case, governance is not golf: that we are a democracy does not entitle us to a handicap. The virtues and benefits that come with being a democracy are to be *an additionality*. They cannot be a substitute for other ingredients of national strength. The world is not going to slow down, our adversaries are not going to dilute the

power they are acquiring out of compassion for the fact that we are a democracy.

Fractured, distracted electorates

At the base is the electorate. Electorates weaned on caste etc. throw up legislators who are ill-equipped for even basic governance, to say nothing of Reform. And there is another problem. When one over-riding issue has been posed to it – the Emergency – it has acted with great wisdom. But a system that has to wait for such singular events has positioned itself for great trouble. It has disabled itself from handling the gradual rot. That is why large swathes of the country – UP, Bihar, Jharkhand – are in the condition in which they are today.

Suitability apart, fractured electorates yield fractured legislatures.

And fractures disable.

Every policy, every structure causes a particular pattern of discourse, of power to congeal around it: minimum support prices for agricultural products, subsidies for chemical fertilizers, the patronage – from contributions to “foundations”, to advertisements in publications, to cars and guest houses – that is dispensed through PSUs. The moment you attempt to Reform the arrangement, the rentiers get together to thwart the change. Moreover, though just a part, on occasion a very small and discredited part of the whole – power engineers in a state – these persons are determined and organized. And that for an

obvious reason: the amounts they stand to lose if the Reform succeeds are huge: the T&D losses of the Delhi Vidyut Board – not the “Transmission and Distribution” losses but the “Theft and Dacoity” losses – alone have been 55% in parts of Delhi. On the other hand, the vast numbers who would eventually benefit from the Reform are diffuse, scattered, and, most important, *confused* by decades of hectoring – that reducing subsidies on fertilizers, for instance, is “anti-farmer”, that public sector units, for instance, are “crown jewels.” Preconditioned, they are easy to mislead.

Factions

The current Parliament has had 40-odd parties – many a party on the hunt for issues by which it can make a noise, and be noticed; each party not in office convinced that being in opposition means that one must denounce whatever it is that those in office propose – even if it be the very thing that it was doing when *it* was in office, indeed even if it be the very thing that it *is* doing *where* it is in office today.

These parties in turn have half a dozen factions apiece – I have seen one faction leader after another being suddenly triggered to denounce a proposal because he had just learnt that the leader of the other faction had supported it in some meeting. The Reform has thus but to be launched that an avalanche of denunciation descends on it, and obstacles are devised.

Fragmentation apart, our system places the authority to change things in the hands of the very persons and institutions whose mores have brought them to their current pass. Electoral reforms? Politicians, many of whom wouldn't be where they are but for the permissive peculiarities in the present arrangements, are the ones who will decide: can we be surprised at the unanimity, and alacrity with which all political parties rejected the Supreme Court judgment that sought no more than minimal improvement – that information about the criminal record of the candidate, about his assets and educational qualifications be included in the nomination papers? The very legislators who would be embarrassed by the disclosure shall decide. Punishment for violating rules on the floor of the House? Adherence to the Resolution they had passed unanimously – that the Question Hour shall not be suspended, that a member who enters the well of the House shall automatically stand suspended? The very members who violate the rules day in and day out, who storm the well, who demand every other day that the Question Hour be suspended will decide. Pruning vigilance procedures so that corrupt officers may be brought to book? A committee of the same *baraadri* will examine the matter. Yes, of course, corruption is cancer. We will, therefore, have Lok Ayuktas in every state – but each of them will be hand-picked by the very persons many of whom would be ruined were that authority to do its job.

What we have made of administration paralyzes. Describing the Nationalist Regime in Nanking, a doctoral work reported, "Administration had degenerated into correspondence." Our administrative system works in much the same way – notings on a file; the file moving up and down a silo; at last its being sent across to another silo; its going down and then coming up in that silo; its being sent back to the silo from which it came.... And anyone at any level in any silo in a position to send it on some other journey – "The opinion of the Law Department may be obtained...."

And each silo is set up to, is conditioned to assess each proposal from a very narrow, specialized viewpoint. The Law Department will go by what some officer had said the law requires in some other case. The judge will go by the commas and words and caveats in affidavits, circulars, notifications. The civil servant and minister will often go by – rather, that he will refuse to budge on grounds of – turf. Imagine what things would be if each of these personages were to assess the proposal by the totality of its impact, if each were to assess it by keeping in mind not the specialized mandate for which it has been set up but by what the whole is – the economic environment, the hurricanes of technology.

So, a sort of Clausewitzian "friction" within each institution, and the same sort – but squared – between institutions.... Often help arrives, help of an order beyond one's expectation: the judgment of the Supreme Court in

the BALCO case enabled us to vault over several obstacles for months. Just as often meteors descend – sometimes from the same quarter: the Supreme Court’s somewhat incomprehensible judgment on the HPCL/BPCL case has brought the disinvestment process to a virtual halt.

But those within the State apparatus are not the only ones who get a hand in. As the Reform proceeds, it dislocates many outside the governmental apparatus who have made themselves comfortable under the old arrangements: corporate lobbyists soon begin their maneuvers, for instance, to ensure that some rival of their principal does not get ahead because of the new arrangement. And what ability they have – to dress up corporate interest in high principle.

And don’t forget crabbiness. As the Reform gathers steam, it stokes envy. Precisely because it is new, the Reform becomes, the person who is piloting it becomes the focus of coverage in the media. He is applauded – for battling odds, for forging a new direction. That is enough to ignite others to mob him.

For a brief while, of course, the informed sections laud the Reform. They make much of the reformer. But soon, as the rentiers group, as they block the Reform, and ambush the reformer, even these sections distance themselves. Unable to stand up to the bullies, to those who – under the cloak of great principles – are actually ripping the country, they paste the failure on to the reformer! “Pig-headed,” they say, “Headstrong,” they say, “Not enough of a

politician” – they say, the very ones who were lauding him for *not* being a politician!

It is as if we were to start hacking a path through the Amazon forest. By the time we have proceeded a hundred yards, the undergrowth takes over again.

It is through these thickets that Reforms have to be steered. What kind of leaders can do so? What can we do to help them?

An art

To steer Reforms through such thickets is, above all, an art. To sometimes stand up to a storm. At others, as Mr. Ramnath Goenka used to counsel, to be the humble grass – “The tree that turns to face the storm and defy it, the storm uproots it,” he would remind us; “the grass bends, the storm passes, the grass straightens up.” Sometimes, when blocked by an obstacle, to create a crisis, to go on strike, so to say – “all or nothing”. At others, to go by that delicious quip of Atalji. “Pakistan has been ready to resume dialogue,” Musharraf said at the Non-aligned Summit in Kuala Lumpur. “India has not responded to our efforts. So, I too have lost interest in resuming the dialogue. It takes two hands to clap.” Asked for his reaction to Musharraf’s statement, Atalji said, “*Koyi baat nahin. Agar taali nahin bajti to chutki bajaate rahen. Kuch na kuch bajaate rehna chaahiye.*” To force the issue sometimes – recall, the way Atalji forced the issue on the Patents Act, on the Insurance Act. At others, as he does often, to let it ripen, and then just

pick the fruit up from the ground. Better still, let someone else pick it up....

As art is what Reform is, one needs an artist at the top. That is what we have had in the last few years in the Prime Minister – a consummate artist. And that has made all the difference.

What can we do to push things along a bit, what can we do to help the artist along a bit?

Will breakdowns deliver?

One option of course is to wait for, to look forward to successive breakdowns. They will compel – or liberate – even a weak political class, as the one on external account did in 1991, to at last do the right thing. But who can say who will be in office when the next breakdown comes? Will he have hands that are strong enough, a comprehension that is robust enough to put the breakdown to work? Will he have a team to carry the changes through? True, there is a ratchet effect in these matters: some changes do get embedded, but – and the country's experience in 1991/93 is a vivid reminder – the moment the immediate crisis has been contained, the process of Reforms is brought to a crawl, and everyone relapses into the old comfortable, accustomed ways.

Moreover, the metaphor of a “breakdown” is itself misleading. It conjures up the image of some dramatic thunderclap which at last wakes people up. But look at Bihar: there has been no “breakdown” in that sense; things

have just gone on disintegrating – with everyone getting accustomed to worse and worse.

On the other side, the world is galloping ahead. If the distance between China and India increases, that will not just mean that our people could be better off than they are. The distance will translate into an ever-growing threat to our security.

So, we can't leave the process to meander along as it will. We must set its direction, we must set its pace. What can we do to help?

Build on the change that has already come about

To an extent the Reforms that have been implemented since the early 90s have themselves cleared the path for further Reforms.

The gloom-and-doom prophecies that were made about the disasters that Reforms would bring down upon our country have all turned out to have been miasmas. The country has got used to Reforms, to doing things in new ways. Influential sections are impatient that the change is not faster, that areas like labour laws have yet to be improved.

Demography plain and simple is by itself bound to have a major impact in the future. Few realize that 54 per cent of Indians today are less than 25 years of age. And they matter: the average age of the ones who are creating Rs. 60,000 crores worth of wealth every year in Information technology is just 26 years! These youngsters

care little for the rhetoric of our doomsayers. They are not afraid of the world. They feel they *can* out-do the competition. They know they *have* outdone the competition in field after field. They just want the freedom to do so. They just want the wherewithal, the environment – precisely the things that Reforms bring about – to do so.

Moreover, the critics of Reform have talked themselves out. They are stuck at slogans. But the debate in economic policy today is about details – and on those details, these critics have little to add. Of course, there is the minatory promise. For four years I have been told that a comprehensive paper is soon going to be released setting out an alternative – not just to the Reforms that are being brought about but to the entire “western” economic system that we are said to be aping. The paper seems to be another of those files – “*Sir, abhi woh file apne office tak pahunchi nahin.*”

Even political parties are changing. It is the Marxist Government of Kerala that christened the state as “God’s own country” – and that to promote tourism: surely, a pastime of the Leisure Class! It is the Marxist Government of West Bengal that has brought the power sector to heel, that has notified Information Technology as a “public utility” and thereby put it beyond the mischief of *bandhs* and strikes. It is that very Marxist Government which places advertisements in bourgeois papers listing the multinationals with which it has signed MOUs.

There is another equally consequential advantage – today there is a competition among states, indeed among several cities too to be the preferred investment destination. Investors are therefore in a position to induce, even demand improvements. They should continue to do so.

And they should proclaim – openly and unambiguously – why they are choosing one location and shunning the other. The fact that investors have shunned their state for the past 15 years is one of the strongest propellers of the changes that the Government of West Bengal is bringing about.

How can we put this environment, these various advantages to work?

Presidential governance

The most important thing is to see the nature of our governments. We talk of ourselves as a parliamentary system, and in some senses we are – that the catchment from which a Prime Minister may choose ministers is limited to members of Parliament, for instance, is a serious limitation. But once constituted, the government is Presidential – indeed, often the elections too are presidential: often a single question dominates the people's mind – “Who shall be PM/CM?” The Prime Minister is not “the first among equals”. He is the dominant determinant. I can speak of the current case at first hand. Many of us will go on arguing what we will. At some point Atalji will say, “*Theek hai*,” and all argument is ended. The proposition to

which he has just assented becomes the decision. And yet he is a more consensual, democratic Prime Minister than one can imagine. The Reforms that we associate with Dr. Manmohan Singh could not have been carried through without the backing of Mr. Narasimha Rao. Not one of the hosts of changes that have been put into effect in the last five years could have been carried through without the backing and guidance of Mr. Vajpayee. Hence the overriding importance of the one we choose as Prime Minister.

His team

But he must be dealt a fair hand. Even to run the ministries, to say nothing of thinking out and carrying through Reforms requires high professionalism. "Imagine what would have happened," my friend Bimal Jalan said the other day, "if our external account had been managed the way X has been handled" – I leave the matter at "X" as Bimal is not one to permit me to disclose the decision he used as an example! Nothing could be truer. Today our foreign exchange reserves are increasing by a billion dollars a month. Four years ago, a moment came when we began *losing* a billion dollars every few weeks. At such moments one wrong step by the RBI, one unguarded statement would have sparked a run on the Rupee, a rush of dollars out of the country. Remember that "the fundamentals" of the Brazilian, Argentine, Mexican, and nearer home the South East Asian economies are not what tumbled overnight – elusive perceptions did, a defiant

statement here, a wrong decision there, and they began losing a billion dollars a week till the economies were down on their knees.

The first difficulty is that our electorate, and much of our political class, does not attach sufficient attention to competence. But even if it did, that would not be enough. Competence, though indispensable, is not sufficient. Piloting change requires another element – one to which the electorate and the political class attach even less significance. That is, integrity. There is scarcely a change in policy that does not affect different sections, different corporate entities differentially. In the major economic ministries, every day matters come up for decision that have implications of crores and crores. Corporate rivals are quick to circulate allegations – they are able to plant them in papers with ease. The people too are prepared to believe the worst about everyone. The person who is entrusted with devising and carrying through a Reform must, therefore, be beyond suspicion. Else, the Reform itself will be derailed by the allegations against the person.

The moral is simple: help the one in whose hands you place the country or the state – give him a clear majority so that policies are not at the mercy of fringe groups; and give him a set of persons who have the conviction, the integrity, the competence, the stamina – each a distinct attribute, each indispensable – to manage economic affairs, in particular reforms.

In the present circumstances, asking for even this much seems a lot. But clearly, it will not be enough. One has to spend just a day in it to realize that no Prime Minister, not even a Presidential Prime Minister, can disregard the clamour in Parliament, no Prime Minister can disregard the dispositions of generality of the political class. There are thus just two options: either through the present electoral process the general level of this class is raised or some way is found to redefine the relationship of the Executive and the Legislature. UK is not the only democratic country. The USA, France, Germany are no less democratic. Yet the relationship of the two branches is very different in each instance. We should study these, and commence a national discourse on alternative arrangements. It is entirely possible to make adjustments without in any way diluting the Basic Structure of the Constitution – indeed, we could well end up strengthening it by ensuring more effective governance.

A simple change that would trigger notable improvement

Short of getting a better lot through elections, one proposal that Bimal Jalan has long urged will pay rich returns. Government should select twenty-odd senior positions – the heads of Intelligence Agencies, Secretaries of vital ministries like Finance, External Affairs, Home etc., and openly declare that for these twenty positions, it will *not* go by seniority, that it will select the person best suited for the job.

But even with clear majorities and a competent set to carry through the vision of a Prime Minister or Chief

Minister, execution will be a problem unless three or four additional things are done.

“Educate your rulers”

One, a dialogue among institutions – in particular with the judiciary. Most judges would be as innocent of the shop floor, of the rough and tumble of markets as us journalists. Yet their pronouncements have the most far-reaching effects on economic operations. Every occasion must, therefore, be seized, as many as can be contrived should be contrived to bring the realities of technological change and of the current economy to our judges. As some of them may be hesitant to directly participate in discussions and workshops on these matters, we should engage with retired judges and with lawyers: they are of the same family, and we can be confident that what they pick up at such exchanges will trickle through to their sitting brethren. It is for the same reason that I have come to see some merit in sending legislators on trips abroad: seeing where the world is going cannot but stir some at least among them to clear the blocks that we place in each other's path at home. If only our trade unionists could be sequestered in China for a while! Surely, even they would see that if we continue to hobble our enterprises by laws and practices as they exist today, we will kill their chances of competing with Chinese companies, and thereby render jobless the very workers whose interests these union leaders are sworn to protect.

Processes

The second head concerns what is a paralyzing infirmity today – the processes of the Executive: from the items that are taken to successive levels right up to the items that require the seal of the Cabinet; to tender procedures; to the number of persons and departments that have to be consulted over a question. Reforming these, pruning them, hacking many of them away, making them transparent, will, I have little doubt, have to be one of the main points of focus of the Government after the elections. And the improvements in these processes must reach the municipal level – for unless land is made available at that level no vision statements, no bold policy pronouncements will lead to actual production, that is where the power will have to go on, the water to flow into the factory.

Rewarding performance

Third, the decades-old formulae by which the Planning and Finance Commissions allocate funds should be stood on their head. In their current form, they scarcely reward performance, reform, improvement. Indeed, if a state is kept poor, if its finances are so mismanaged that its current account deficit remains high and intractable, it gets “rewarded” – the allocation to it under various heads is higher. It is only under a few programmes – the Accelerated Irrigation and Power programmes, for instance, that expeditious execution brings rewards. But the amounts set apart for these programmes are a pittance compared to

overall allocations. The proportions should be reversed. And the scale multiplied.

The latter depends on the other key area of reform: current expenditures of governments. Both to provide rewards for performance that would actually make it worth the while for states to affect improvements, and to provide funds for investment in infrastructure that would sustain industrial growth, it is current expenditure of central and state governments that has to be restructured. And that means first and foremost acting on the politically unmentionable – subsidies. This is perhaps the one area in which a breakdown alone will give the political class the reason to do what everyone knows has to be done.

Two vital supplements

It is not enough for a revolution that policies and structures keep getting changed *from* and *at* the top. A million persons must be doing a million new things. Indeed, they must get into the habit of tinkering with and improving things – spontaneously, every day, forever. When they get into this habit, a habit exemplified in the American case by a magazine like *Popular Mechanics*, things that require to be changed for the better will get improved, of course. The even greater gain will be the change that would have come about in the way we look at things. We would have got into the habit of looking for solutions, of doing things, of doing things by ourselves. The air will change. Instead of being afraid of the future, we will embrace it, and busy ourselves

with bringing about the Reforms that will equip us for it. There are two excellent initiatives that show the way – the *Honey Bee* initiative that was begun by Professor Anil Gupta of the IIM, Ahmedabad, and the National Innovation Foundation that Dr. Mashelkar and his associates steer. In *Honey Bee* students are encouraged to spend time in villages and locate inventive solutions that have been developed by ordinary folk for problems they encountered. The Foundation sifts such innovations, bestows awards for the best ones, and provides assistance for multiplying innovativeness. These are the kinds of initiatives that we need to spread to every part of the country.

The second project requires deployment of the organizational capabilities on a much greater scale. As Reforms have unleashed productive potential in sector after sector, they cannot but be benefiting the “average Indian” too. The data itself shows that the period of Reforms is also the period in which there has been a faster reduction in the proportion of people below the poverty line than any other period. So, I am not fazed by the hectoring, “Reforms have not helped the poor.”

But there are two points of an altogether different kind. First, all change dislocates. Buses and three-wheelers come. Those making *tongas*, those driving them, those who were rearing horses for them – all go out of business. SMS wipes out the paging industry. Ever cheaper mobiles hit the custom of PCO operators. The usual counsel is, “The country must develop adequate social security nets for

workers who are liable to be dislocated by change.” That is easier said than done: we just do not have the resources to weave nets of the order that would be required to deal with the kinds of numbers that, say, China has reportedly to handle today – anywhere up to a hundred million are said to be floating from city to Chinese city in search of work. We have neither the resources nor the political and administrative structure to contain that kind of dislocation.

The other consideration comes into view when we consider the by-now well-known figures about the IT industry: six lakh youngsters are producing seventy thousand crores worth of wealth every year. By every count that is a fantastic achievement, and it helps the country in a dozen different ways. The other way of looking at the figures is, “Creating wealth of seventy thousand crores absorbs only six lakh persons.” In a word, the new knowledge-based industries in which India is set to excel – and for which the Reforms vastly multiply our comparative advantage – will not create that order of jobs that we require.

The only way therefore is to go in for projects that will engage millions: bio-fuels, organic farming, medicinal plants, infrastructure projects of the kind the Prime Minister has initiated – the rural roads programme, the Golden Quadrilateral, the East-West Highway, the inter-linking of rivers. These schemes are vital in themselves. They are necessary also for the success of Reforms.

Three influential agents

But for reasons that we encountered earlier, for any of these things to happen those outside the political system have to “give history a helping hand.” Three communities can play a vital role – intellectuals, the media, and entrepreneurs.

One of the regrettable facts that are brought home to one assigned economic portfolios in Government is how little guidance he can garner from books on economics and economic policy, from journals and newspapers. I have three portfolios at present – Privatization, Information Technology and Telecommunications. Each of these is an active arena, and two of the three are areas of vociferous contention. Every step is a policy issue. Each choice involves a host of considerations. In Privatization and even more so in Telecom there are intense corporate battles over every tiny step. How one longs for the sober, detached, detailed – in a word – academic analysis. But I confess: I have scarcely come across a piece that enriched my colleagues and me, which made our decisions better informed. By contrast, I learnt a great deal from discussion, even from fleeting exchanges with leaders in the political arena – say, from a person like Mr. Yashwant Sinha. None of them would claim to be an economist – and yet their remarks even on the details have been far, far more instructive than those that we encounter in books and journals and from editorial commentators. I have learnt a great deal from some of the civil servants with whom I

have had the chance to work. I have learnt a lot even from a simple rule that I have had in regard to businessmen. Every businessman has been welcome to my office – even those who have a direct interest in the policy options that we were considering at that moment. But upon entry, each must first pay a tax: before I hear him on the matter in which he is interested, he must give me one useful idea relating to my work. That simple rule has brought me – free! – many innovative, shrewd ideas. But from academics and their writings, from commentators who people the editorial pages, I can scarcely source a suggestion that had not already come up in our day to day discussions. And yet, academics and commentators would be the first to say that the governmental structure is so ossified that it cannot generate a fresh idea!

Among the few exceptions was a paper of Dr. Roddam Narasimha. Mr. Arun Singh had mentioned his work to me. Once we established contact, Dr. Narasimha sent me a paper on no-frills airlines. That paper, and my distaste for financing buildings, is what led to our stopping what had long been the rage as far as civil aviation in the Northeast is concerned – the construction of new runways and airport buildings. Instead, the money was allocated as a subsidy to Indian Airlines for it to hire four 50-seater aircraft and start a taxi service connecting all capitals in the region. That excellent idea has borne rich fruit: where a person wanting to travel from Silchar to Guwahati – both in Assam – had earlier to go first to Kolkatta, spend the night there, and

then catch another flight the next day to Guwahati, today the entire area is knit together by those four planes flying from airport to airport throughout the day.

Of course, this is just one person's testimony, mine. But it is the testimony of a person who is naturally inclined to look for guidance to writings of academics and commentators, of one who is reporting the experience of running three active ministries.

We can set personal testimony aside and look just at what is available in the public domain. Look, for instance, at the way judgments of American and British judges are analyzed by academics and commentators, and contrast that with the fate judgments of our courts suffer – there is hardly any scholarly analysis of the latter. This single contrast explains a good part of the distance in the quality of the respective judgments.

Remedying this situation is entirely within our hands: I would, therefore, plead with academics to do much more to analyze policy options, decisions, judgments.

I would urge the same thing of the media. Sometimes 25
mere neglect by the media is enough to make a lamentable situation worse. How is it that the media has completely neglected to awaken the country to the consequences that 15 years of communist rule has had for industrial investment in West Bengal, and therefore for employment? By treating the antics of the rulers of Bihar as just entertainment, are we not papering over the alarming consequences such mal-governance is building up for the

security of the country? How come the journalists reporting out of Madhya Pradesh during the last decade never awakened us to the condition to which infrastructure had fallen?

The first thing, therefore, is to remain focused. Please do not let these new fads – “Life style journalism”; do not let the new theses – “We are in the infotainment business”; do not let the new catch-phrases – “A newspaper is a product, it has to be marketed as a brand” – distract you. Great opportunities beckon the country. It also faces life and death issues. Our job is to keep the reader’s eyes glued to them, to research options, to dissect the choices that governments make. Not to divert. Not to entertain.

And that is very different from – it is the exact opposite of – just regurgitating what X or Y alleges.

Even in the context of the sorts of specific items that have come up for mention above, the media can do a lot to prepare the ground for Reform:

- Document the uses to which PSUs are put – from cars and hotel rooms to not depositing mandatory dues in the Provident Fund Account; from the time it takes to arrive at a business decision to cost and time over-runs in implementing it, and whether anyone has ever been brought to book for such dereliction; from the consequences of appointing senior executives by seniority to whether the enterprises have kept up with advances in technology; and if they haven’t, is it not the private

entrepreneur in that sector – the very one to be a counter-weight to whom the PSU is being kept around – is he not the one who reaps a rentier's windfall?

- Document the reality about subsidies – who reaps the 45,000 crore that are spent on these every year?
- Nail the corporate interest that has been dressed up as national interest.
- Enforce the rule that no party shall block where it is in opposition what it is doing where it is in power, that no party when out of office shall denounce and block the very measures it took when it was in power.
- Professionals and businessmen too can contribute a great deal. As a result of the Reforms that have already been implemented, the balance of power – and even more so, of legitimacy – has shifted from Delhi to Mumbai, to Bangalore, to Hyderabad – industrialists do not stand around in corridors of government offices the way they had to five-ten years ago. Quite the contrary: governments look over their shoulders to see whether their latest announcement has had the desired effect on industry.

We must press ahead in this direction through every available device: be it ever so little as outsourcing a particular function, or more substantial – privatization of

governmental units, fiscal incentives that would make it worthwhile for corporates to set up the kinds of foundations that have been so vital in the transformation of the US and Europe.

Professionals and entrepreneurs are the ones who are affecting changes in their spheres today. But these changes are confined to specific spheres. They cannot survive if the State structure disintegrates: howsoever sturdy the buildings we construct, when the earth on which they stand itself subsides, how can the buildings survive?

The first thing that professionals and the business community need to do is to realize this truism. And act on it. Businessmen still suffer from a hangover from the license-quota days: their preoccupation is not that the apparatus of governance improve; their aim – and their skill – is to use the apparatus to strike a private deal for themselves, to advance their interest, or, better still, to derail a rival. Shed this habit, attend to the general issues of governance, of society, join hands to ensure those policies and changes in procedures etc. that will help not just you but all to advance faster.

But to do this, there is one prerequisite. They must shed timidity. Journalists write of businessmen as “Captains of Industry,” as “Tycoons”, as “Mughals”, as “Media Barons.” But I have had occasion to see them fawn and cringe before sundry politicians. Captains, Tycoons, Mughals, – I am led to ask myself. Power and legitimacy

have shifted to professionals and entrepreneurs. Seize them, put them to work for the common weal.

Address the issues of our time. Finance intellectual effort, create the enabling eco-system for rigorous, detailed research on these issues. And make the results of that effort, the solutions that emerge from it, the dominant constituent of discourse in our country. True, the Constitution Review Commission has sunk into oblivion. But why should leaders of society wait upon Government to set up such a Commission? *They* should analyze, to continue the example, or they should enable others to analyze, the country's experience on different articles of the Constitution. *They* should inject the results into discourse throughout the country.

The most important task

But the most important task is to improve the type in public life.

"Why is India in the condition we see around us today?," Professor P. Indiresan asked me one day. While I was fumbling for an answer, he pronounced, "Indiresan's Law". "Indiresan's Law?," I asked. "You don't know Indiresan's Law?," he asked in mock astonishment. "You should, it is: Second-rate persons select third-rate persons. You do that for fifty years and you get to where we are." An almost complete explanation.

Nor is it enough to ensure that truly competent persons are at the helm. Even the Prime Minister who has

unapproachable authority has to heed the notions and declamations of the general political class. So, the general level of the class itself has to be raised. The forthcoming elections are yet another opportunity to do so. The stakes are as high as they can be: whether the plane that has just taken off will continue in flight will depend on the outcome. And all of us have a responsibility in this regard.

We often blame voters for the deterioration in the quality of persons in our legislatures, and thereby our governments. But other sections – businessmen, for instance – can scarcely escape the blame: they finance and patronize many of these persons and their parties. Why not make your support conditional on the party fielding a better type of candidate? Why not make it conditional on the performance of the elected person in legislatures, in governments?

Can journalists escape blame – the disintegration of governance in parts like Bihar has been aided by the way media has lionized many “a man of the masses”. Media can reverse all this. It can play a significant, direct role. It must continue nailing malfeasance, in mercilessly exposing, in hounding the corrupt and inefficient. Done truthfully, such effort cannot but serve the country. If the politician or party is thereby ousted, the media would have removed a tumor. If in spite of the facts having been nailed, the person and party continue, the political class would itself lose another ounce of legitimacy. In turn that will help transfer power

and legitimacy – from the State to society. And that will accelerate the change that has commenced.

The point of it

The moral is simple and familiar:

- A great deal has been done.
- A great deal remains to be done.
- Each of us can do much to ensure that that gets done.

The point in public life, as in life itself, is to do one's bit.

