

Ideological crisis in Delhi?

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Trade and business associations have started questioning the government for its quiescent approach to economic policies. Some captains of corporate houses have lambasted the administration for failure to rejuvenate the crippling economy with more reforms to gain double-digit growth. But the government and the policymakers, including advisers, are licking the economic wounds that the country suffered during the American and, therefore, world recession.

They are doing tapas (research) and undertaking deep introspection (nidhidhyasan) while the RBI is made to take short-term policy risks on the monetary front. This cannot be considered as policy paralysis as politicians and business groups are terming the government's inaction. We may also look at the lackluster deliberations of the sponsored World Economic Summit and G8, G9, G10, etc, groups. Everywhere the same trend is reflected. Then why do people blame the present government?

It is reported that the precious time of the Parliament and government has been dissipated almost for a year on issues that are not directly concerned with aam aadmi. The political establishment utilized the time to manufacture strategies and counter-strategies to gain political mileage out of the impasse. No one was really serious about the impending dangers to the economy and society.

A section of bureaucracy that is intertwined with the business-politician-contractor class was waiting for instructions. They were all happy as long as the fruits of reform were enjoyed and a few pockets of prosperity were created.

It was suddenly realized by the advisers that India is a continental country with several deflections. The generalizations, based on the experiences of the West, seem to be applicable to a tiny section of society and will have to encounter several problems if they are related to the whole society.

Those who have accumulated enough during the last two decades appear to have imitated the West and do not know how to endure the realities of India. In fact, they were all co-opted by academic and theoretical elucidations on how the so-called Washington consensus was beneficial to a country like India. They were also very influential in making the political parties and governments follow their dictum that the State and its institutions are inefficient, and to achieve a swift rate of growth free market is the only solution.

Recall the elegant speeches and debates of some of our economists and policymakers a few years ago. The speech invariably starts with a reference to the Hindu rate of growth of 3.5 percent. It refers to the high rates of poverty and a policy prescription to lessen the number through increased rate of growth. In fact, the rate of growth as per Planning Commission data just before the reform era was about 5 per cent.

To show it was 3.5 percent, some of them used to take the time period in such a way that it used to produce a statistic of 3.5 per cent. They have never disclosed that the rate of growth of their model States like the USA was also the same or even less.

Therefore, the advisers asked the government to open the economy (to use P. V. Narasimha Rao's phrase, "sky is the limit") to private foreign players. It is better to trust the colorless, tasteless and the so-called caste-neutral market to bring rapid growth. It is not only the economy but even our common resources and future is kept in the hands of the private players.

The share markets and other direct sources of investment routes are used to generate high rates of growth. The civil service was asked to adapt itself to the changing contours. Some civil servants have lobbied the opportunity and have tailor-made policies to profit from such regulations.

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It was just not an economic reform; it was a paradigm shift.

The ideology of free market based on monetary and fiscal policies prescribed in the neo-classical Macroeconomic models was adopted. It was promised that a sincere attempt would be made to follow the "ten commandments" of Washington consensus.

It included divestment, FDI, trade liberalization; property rights, etc, that would liberate poor countries from the scourge of underdevelopment and poverty. We have sincerely implemented almost all of the prescriptions for more than two decades.

Countries like Argentina, Sub Saharan Africa, and South-East Asia have followed this package lobbied through the World Bank, IMF, etc. But, the South-East Asian financial crisis occurred in 1997, followed by Argentina tragedy in 2001; and several other negative experiences followed.

This has prompted Nobel laureate Joseph Stiglitz to argue the limitations of the free market package in the Third World economies with underdeveloped and highly imperfect markets. He wanted democratization of globalization. This did not change the heart of our advisers. In fact, some of our Indian-born foreign citizens used to suggest that the imperfections in the market could be tided over through more liberalization.

On the other hand, the development experience of some of our Far Eastern neighbors like Japan suggest that they have given importance to the so-called low productive sectors like agriculture, textiles, etc, to provide social stability as the foundation for economic development as early as in the 18th century .

The experience of Germany, according to some scholars, is quite contrary to the English and American experience. While the Germans have emphasized on technology-based production and creation of surplus, the English relied solely on trade and comparative advantage. There are several such examples

from history and contemporary experiences that can be emulated provided we follow our own policies based on our culture and resources.

The policy inertia seems to be due not to the unwillingness of the government to take decisions; rather, it is a crisis of ideology as to which path is to be followed. It is now almost clear that both the market and public sector strategies have failed to deliver the promised heaven. Perhaps some genuine rethinking is called for in view of the experiences with the models at hand. Before doing it, we need to look at the record as to which institution; market or State has damaged our foundations.

There are very few instances in history where the State is found to have damaged developmental institutions; it appears that the government is slowly convinced of the constructive role of the public sector of the Nehruvian era.

Yet, we need to develop an ideology that combines community, market, State and institutions rooted in our culture to deal with poverty and underdevelopment at our own speed rather than depending upon a borrowed promptitude.

- From "The Hans India"