

# INTRODUCTION

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The midnight tryst with destiny of 14-15 August, 1947, ushered in an era of unlimited opportunities and gnawing threats for India's social, economic and political systems. Independent India could now not only devise suitable policies for its growth but also ensure their implementation in the correct perspective. The horizon was full of hopes and aspirations of its people, and the systems were gearing themselves to deliver as per the expectations. We saw dreams of a very bright future for ourselves in the shortest possible time. Planned economic development, considered necessary and relevant during the initial stages of development, with "commanding heights" role for the public sector, however, soon developed into the Hindu rate of growth of the economy which got further marginalised by the relentless high rate of growth of the population. The trickle down effect of development eluded the poor and the needy resulting in widening disparities between the small elite rich and the poor masses. Import substitution policy of industrialisation and a license-permit raj soon started having their debilitating effects on our fragile economic condition. Social, economic and political tensions appeared on the scene making further growth impulses difficult to germinate and flower. Thus, we failed to deliver and the threats to our well-being and prosperity raised their ugly heads.

While we failed, countries around us, particularly China and the East Asian Tigers, continued to make spectacular progress through a process of phased integration with the global economy with trade and investments being the vehicles of transformation. Drawing upon the experiences of these countries, and our own compulsions of quickly reaching to the people the benefits of growth, we started opening up rather faintly in the late eighties, but with some determination from 1991. There were, no doubt, the IMF conditionalities to contend with in view of our BoP crisis, but we also started feeling convinced, across the majority of the political spectrum, about the need and urgency of liberalisation of industrial, trade and financial regimes for successful integration with the global economy for accelerated growth to mutual advantage. But this accelerated growth had also to be focussed on the twin problems of the human face and the environment for it to be sustainable.

After the normal lag of structural adjustment, the economy did start showing up in the nineties, but was nowhere near the expectations of high growth and quick development of the human face. The GDP grew at 5.6% in 1990-91, came down to 1.3% in 1991-92, rose to 4.8% in 1997-98, and has been averaging at around 6% thereafter. There has been a sharp fall in 2000-01 to 5.2% due primarily to a sharp fall in agricultural production and a generalised slowdown in the manufacturing sector. The Human Development Report 2000 has ranked India at 128 with a Human Development Index of 0.563 in 1998. We are, thus, after almost 50 years of our independence, in the unexciting company of the last ten of the medium human development countries of the world. Our GDP per capita(PPP \$) in 1998 was 2077, life expectancy at birth 62.9 years, literacy 55.7% ( 65.38% according to the Census 2001 ), and combined gross enrolment 54%. 19% of the population does not have access to safe water, 25% to health services and 71% to sanitation. As per the UN definition of poverty (\$1 a day of income at 1993 international prices adjusted for purchasing power parity), 44.2% of the population were below the poverty line during the year for which latest data were available for the period 1989-98, while, according to the Planning Commission's Expert Group's basket of nutritional intake, an estimated 36% were below the poverty line in 1993-94. Latest estimates, however, put this figure at 26%. According to the Census 2001, India has a provisional population of 1.027 bn with a sex ratio of 933 ( females to 1000 males ), the average decadal growth being 21.34%. The inexorable growth of India's population continues, and is likely to continue for years to come, although there would be some regions where the replacement level may be achieved soon.

The picture painted above does not enthuse, as we certainly have a long haul to prosperity and comparable standards of living which are enjoyed by those who live in the industrial economies, or, even, by those who live in some of the better placed medium development countries. In order to catch up with the rest of the comfortable economies as quickly as possible, we have necessarily to accelerate the pace and increase the depth of the reforms undertaken. As we grow, we have before ourselves clearly two scenarios:

- The pace of reforms is slow : this would lead to a slowdown in the growth process leading to accentuating regional disparities, yawning rural-urban divide, increasing gap between the rich and the poor, rising inequalities in the status between men and women, disturbing social tensions in the urban areas, in particular, and the rural areas as well, due to close proximity of the rich and the poor, and widespread unemployment and

poverty in the rural areas, in particular, and in the urban areas also. The more vulnerable groups, viz. the elderly, the sick, the poor, the womenfolk and the unemployed would be worst affected. The social fabric would be anything but caring and the civil society almost non-existent and dormant.

- Accelerated pace and increasing depth of the reforms process: there would be a high degree of integration with the global economy through trade, finance and Foreign Direct Investment. Indian economy would become globally competitive through a graduated and pre-determined process of liberalisation, globalisation and privatisation to suit the Indian conditions and our requirements. Public funding for the social sectors would increase as Government withdraws from areas best served by the private sector. The growth rate of the economy would increase considerably making the people more confident of themselves. With the increase in the income levels of the rural and urban people, poverty as is known today would be a matter of the past. There would be a longer life expectancy, better health conditions, almost 100% literacy and gross enrolment, good quality employment for almost all of those seeking employment in the job market, better sanitation and safe drinking water for all. Obviously, there would, thus, be a bright and a healthy future for our children. A caring and compassionate society with an active civil society would be monitoring the deeds of the Government, businesses and other vested interest groups for the achievement of the maximum good for the largest number of the population.

The Task Force on Employment Opportunities, constituted by the Planning commission recently, has come to the conclusion that "employment problem cannot be solved except through a process of accelerated growth which would create additional demand for labour and also provide the increase in labour productivity needed to achieve the much needed improvement in employment quality....a 6.5% GDP growth is not likely to bring about a significant improvement in the employment situation...growth rates of GDP between 8% and 9% are needed over the next ten years if we want to see a significant improvement in the employment situation."

In pure economic terms, the choice before us is clearly to go in for a very high rate of growth of at least 9-10%, or, even more, if possible, during the first quarter of the 21<sup>st</sup> century, a rate which China has proved to be possible over an extended period. The legal and institutional

framework necessary for high growth would need to be put into position quickly, and the economy would need to be integrated with the global economy at a faster pace than at present. Is this, however, possible by 2025, given the social, political and economic constraints that we have? The evolution of the society and the political systems have a profound impact on the ability of the country to grow economically. Will there be a synergy between the social stability, economic stability and the political stability during the first quarter of the 21<sup>st</sup> century in order to enable the country to achieve the desired rate of growth on a sustainable basis?

These, then, were the questions that needed resolution, and, therefore, formed the basis of the present study. Let us examine each one by one.

### **Social Stability**

The **demographic** profile of India, as it unfolds in the years to come till 2025, would necessarily form the basis for all calculations and projections. Census 2001 data are now available, albeit provisional, and would provide the base upon which the future outlook would be built. The 'component method' of projection, comprising of the fertility, mortality and migration assumed rates of growth on the basis of demographic trends and the time-honoured theory of demographic transition, provides the underpinning to demographic projections with a fair degree of precision.

Sustainable rapid economic development is to a large measure dependent upon the **educational profile** of the people. Romila Thapar has rightly said that "Education is not merely about making millions literate, it also involves teaching young people to cope with a changing society, which today means being more aware of the world than ever before, and to create a worthwhile life for themselves." The inculcation of a scientific temper, an inquisitive mind, ability to think rationally and evolve solutions to complex situations for the betterment of the lives of the community members along with one's own, would be the hallmark of the new educational paradigm. A developing economy must necessarily invest in education on a long term basis in order to lay the foundation upon which the process of economic growth would prosper. Not only the returns on the investments made in education are very attractive, being highest at the primary schooling level and declining with rising levels of education, but a sustained high level of educational attainment is a condition precedent for economic growth in a highly competitive international environment. The future economy of the world is going to be knowledge-based, and comparative advantages in such knowledge-

based activities, economic or otherwise, would determine how internationally competitive and successful we will be. It is a matter of deep regret that despite the recommendations of the Kothari Commission on Education in 1966 that the annual outlay on education should be at least 6% of the GDP, we have barely reached the level of 3.5%. There is, thus, a severe gap, with consequential adverse impact upon our ability to improve the quality of our lives. The Economic Survey 2000 has rightly said that "Besides improving the efficiency of public expenditure, private and cooperative effort must be harnessed for filling the growing gaps in Government provision of education. This requires a simple, non-bureaucratic policy framework for private provision of all educational services." Whatever may be the economic rate of growth which is achieved by 2025, there is little doubt about the primacy of full educational attainment for all by 2025. This is necessary not only for achieving international competitiveness by 2025, but also for sustained economic growth in the 2<sup>nd</sup> quarter of the 21<sup>st</sup> century. The bane of illiteracy needs to be banished as higher levels of literacy in the rural areas, particularly amongst the womenfolk, would not only increase the quality of the human capital, but also induce the efficient allocation of human resources to productive purposes, be it agricultural or non-agricultural. International competitiveness requires skills upgradation and efficient managerial and financial competencies in ample measure, besides technological excellence. The role of tertiary education in this framework is self evident.

There can also be no compromise, despite our other constraints, on the utmost need for proactive **support and protection to the vulnerable: the women, the sick, the poor and the elderly**. These sections of the society must come out of their present malaise and be fully integrated with the rest by 2025. The growth of a caring and compassionate society with an active civil society should be an absolute must by 2025. The development and growth of a sound values system and ethics in business, politics and the social structure would be something to cherish for and preserve with all earnestness. Human rights violations would be minimum and of not much consequence, and there would be a free flow of information for total transparency. The hydra-headed corruption in public as well as personal life would have been considerably diminished with the emergence of transparency and sound operating systems in Government and elsewhere.

### ***Women***

Census 2001 has revealed an adverse sex- ratio of 933 females to 1000 males. For the age group 0-6 years, the sex-ratio is 927. This indicates a

propensity for female foeticide and female infanticide in some parts of the country. Both underscore the status of women in the Indian society. In progressive societies, however, the economic and social status of women is almost at par with that of men. The inequalities between the sexes are a source of great weakness in the social fabric resulting in avoidable social evils. Proper education of the girl child enables them not only to participate fully in the economic upliftment of the nation, but also ensures good healthcare for the family and curbs population growth. Atrocities against women, including sexual harassment at workplace, are a curse of the modern society, and need to be addressed effectively. Discrimination against women, in terms of opportunities for education, healthcare, work and wages should be countenanced. India in 2025 should be a country of equal opportunity employers, with considerable improvement in the status of women in the society. .

### ***The sick***

According to the Economic Survey 2000 there were 5.2 Registered Medical Practitioners per 10,000 population in 1998-99, and 9.3 beds per 10,000 population in 1997-98. As per the Human Development Report 2000, the health profile of India, in terms of infants with low birth weight (33%), immunisation against measles(66%) and tuberculosis(79%), pregnant women with anaemia(88%), tuberculosis cases(118.3 per lakh people), malaria cases(275.3 per lakh people) and 4.1 million people with HIV/AIDS, certainly does not augur well for India's suffering population. In comparison with many medium development countries, our health indicators are a matter of deep concern. The widening gap between access and availability of medicare to the rich and affluent on the one hand, and the poor and the underprivileged on the other, deserves to be addressed without delay. While public spending would form the core of the effort to bring good medicare to the doorsteps of the poor and the lower middle class, specialised and sophisticated treatment at considerable costs could be made available to the rich and the affluent by the private sector initiatives. Cross country studies have shown a positive link between public spending on healthcare and labour productivity. A sound healthcare policy and its implementation would go a long way in improving the productivity of the human capital, and hence the achievement of the desired rate of economic growth for the amelioration of the pangs of unemployment and poverty.

### *The poor*

The international community has set ambitious goals for reducing poverty and closing the large gap in social development in the 21<sup>st</sup> century. Meeting these goals will require a strong commitment by developing countries, a renewed effort by international development agencies, and considerable support from advanced countries. The international community has realised that at the beginning of the 21<sup>st</sup> century, the greatest challenge before it is to eliminate poverty. Apart from lacking income, the poor also lack access to education and healthcare and are often exposed to the effects of environmental damage.<sup>2</sup> The international goal is to reduce the proportion of people in extreme poverty by at least half between 1990 and 2015. In India, 36% of the population was below the poverty line ( as defined by the Expert Group ) in 1993-94. The latest estimates done by the Planning Commission show that only 26% are now below the poverty line. This still means that about 260 million people are living in abject poverty. It is certainly within the realm of reality to banish poverty altogether by 2025, if only we could target the poverty eradication programmes including availability of credit in a more focussed manner to areas where they bring the most benefits, improve rural infrastructure and ensure renewed emphasis on the education and healthcare of the poor.

### *The elderly*

With better healthcare and educational facilities, life expectancy at birth would increase. Women would have a slightly greater life expectancy than men, and the proportion of people in the age bracket 65+ years would increase. In absolute terms, therefore, there would be a substantial increase in the numbers of people living in the age bracket 65+ years by 2025. They will need to be tended to. The traditional Indian psyche of the children looking after the elderly may undergo dramatic and painful changes. As the economy grows, there would be a consumerism boom and the earning groups would be spending more upon themselves and saving whatever is left for the rainy days. Evidences of this phenomenon are already visible in ample measure both in the rural and the urban areas. The extended family structure is rapidly giving way to the nucleus family. The care of the elderly obviously, then, lapses into the domain of the Government and public-spirited NGOs and the civil society. Suitable pension schemes for the elderly may be the need of the hour.

Social stability is also affected by considerations of **external and internal security, likely levels of violence in the country and**

**urbanisation.** Any process of social development is profoundly affected by conditions of external aggression or engagement in war like activities with the neighbours, extremists activities within the geographical boundaries of the country, with or without support from external agencies, caste and communal disturbances, religious and ethnic clashes, ideological fanaticism and other forms of violence. Not only the attention of the nation gets diverted during these upheavals, but considerable scarce resource also gets used up in tackling these problems, with consequential adverse impact on the availability of resources for the upliftment of the lot of the vulnerable in the society. A peaceful external and internal environment is a sine qua non of social growth and development.

Urbanisation is a necessary fall out of economic growth with structural shifts in population from the rural to the urban areas, and industrial and services sectors gravitating to urban centres for proximity and convenience of living and conducting business. Increased agricultural performance coupled with efficiency gains results in rising incomes which find expression in greater demands for non-farm goods and services. Efficiency gains also release under-employed and surplus labour who migrate to the urban centers in search of employment. Industrial activities and the growth of the services sector tend to prefer urban centers for obvious reasons. These trends promote urbanisation. But while economic growth has spurred urbanisation, it is not without its share of woes in ample measure. There is growing poverty in the urban areas, squalor and near absence of sanitation and safe drinking water for the underprivileged is the norm, and almost threatening inequality between the haves and the have-nots. The sharp dichotomy in the quality of life lead by the rich and the poor in the urban areas is like a bomb ticking away, a volatile breeding ground for tensions and social unrest. Environmental concerns are at discount. The problems need to be addressed on a priority basis with proper urban infrastructure planning and gradual spread of urbanisation in a pre-determined manner along specified corridors.

### **Economic stability**

Any analysis of the economic stability must necessarily begin with an assessment of the management of the **macroeconomic policies and factors. Liberalisation, globalisation and privatisation are the favoured mantras of the international agencies for a sustained and accelerated economic growth.** For import of the state-of-art technology, best managerial and financial practices, higher productivity and better

quality of goods and services, increased R & D inputs, in order to have increased competitiveness in an ever enlarging global market access, the policy options get severely limited to those stated above. Inadequate domestic savings would need to be supplemented by FDI, portfolio investments, borrowings, both domestic and foreign, and by efficiency gains in order to achieve the desired rate of growth.

Liberalisation policies in India have meant the withdrawal of the State from the production of goods and services in a phased manner across virtually the entire spectrum of the economy except some strategic and defence related sectors, along with the establishment of the institutions and legal framework appropriate to the functioning of the market economy. There is a greater reliance on the efficacy of the private sector to deliver the goods and services required by the economy. An intensely competitive domestic market has been created with consequential improvement in the productivity and efficiency of the domestic players. There is considerable emphasis on **international trade, FDI and foreign capital movements in the form of portfolio equity investments and external commercial borrowings**. Sharp reduction in protective measures and tariffs across the economy and abolition of quota restrictions have resulted in trade liberalisation. Foreign investors are being wooed and the investment climate is being made progressively more attractive to them. They are being embraced not only in the manufacturing, but also the natural resources and the services sectors. Financial sector liberalisation has led to relative freedom of capital movements.

Liberalisation leads to globalisation as the transnational companies see opportunities. For them, the international division of the factors of production in a competitive market is an asset to be pursued. Free flow of resources, made possible by the explosion in the information technology and the reduction in the communications and transportation costs, has been increasingly integrating the global market in which the national boundaries are becoming seamless for the flow of goods and services.

Liberalisation and globalisation have led to privatisation. Increasingly, governments are realising that to provide the goods and services required by the people in a competitive and responsive manner, the private sector is out-performing the public sector. Governments are, thus, progressively shifting towards providing an appropriate enabling environment for private enterprise, and facilitating and fostering the establishment of private businesses.

The pursuit of these policies, however, would involve the challenge to meet effectively the problems related to social justice and equitable distribution of the fruits of economic growth. The human development issues are at centre stage along with economic development. Regional balance, equitable income distribution, productive employment, the aspirations of the common man, the development and the empowerment of the women and other under-privileged groups in the society, have all to grow alongside the economic development process.

There have been, beginning from Seattle, then Melbourne, Prague, Davos, Quebec, and recently at Genoa, violent and powerful protests against the forces of globalisation. These protests arise out of the perceived harmful effects on society, culture and politics. The protestors contend that

- contemporary globalisation is lopsided favouring only capital to the exclusion of the needy. It enhances inequality among nations and also within nations, and hence is skewed. The structural adjustment policies advocated by IMF-World Bank have only institutionalised the above process of enhancing inequalities among the comity of nations. Trade liberalisation has grossly distorted the terms of trade with the richer nations benefitting at the expense of the poorer, making living conditions in the latter worse.
- Globalisation is invasive, where the influence of capital is all too pervasive totally changing the way the governments of the weaker nations think and act. From education and healthcare to information, thought and deeds, everything must conform to a set pattern as ordained by the masters of capital in today's world. The colourful individualities of independent nations is rapidly giving way to colourless homogeneity, as if life were itself a commodity.
- Globalisation has usurped the sovereign right of societies, peoples and governments to be the final arbiters of their own fate. In today's complex world, the speed at which information, ideas and money flow have simply overwhelmed the weak and the poor nations and societies, leaving them no option but to subsume their identity within the ravaging forces of capitalism.

Paul Hirst and Grahame Thompson, in their seminal work 'Globalisation in Question' (Second Edition 1999, published by Polity Press) have provided academic insights into the logic governing the rationale of the protestors' point of view.

As Jeffrey Sachs has said, "The main problem with globalisation is that much of the developing world is not part of the process. Developing countries that are neighbours of the rich have over other developing

countries. Their natural advantages in lower transportation costs to the major markets are often augmented by trade policies in the rich countries. So there are huge winners in the developing world from globalisation, but many countries are not beneficiaries. In fact, many countries are experiencing outright declines in living standards. A sensible dialogue between supporters and opponents of globalisation must begin with a recognition that although globalisation is doing a huge amount of good in many poor countries, many are left behind in squalor, which may be intensifying in part because of globalisation."

But as Nobel laureate Prof Amartya Sen has said, "Globalisation is not in itself a folly. It has enriched the world scientifically and culturally and benefited many economically. In overcoming pervasive poverty, modern technology and economic interrelations have been influential. The predicament of the poor cannot be reversed by withholding from them the great advantages of contemporary technology, the efficiency of international trade and exchange, and the social and economic merits of living in open, rather than closed, societies. What is needed is a fairer distribution of the fruits of globalisation, between as well as within nations."

At the macro level, therefore, there is a felt need for liberalisation, globalisation and privatisation. But, at the same time, appalling poverty and staggering inequality will also need to be addressed with a great deal of zeal and dedication.

The sound management of macroeconomic factors is crucial for the stability of the economic health of the country and for attracting foreign investors. With gross domestic savings at 22.3% of the GDP in 1999-00, gross domestic investment at 23.3%, FDI at 0.4%, central fiscal deficit of 5.5% which combined with the states is of the order of 10%, gross fixed capital formation at 23.8%, inflation hovering around 5%, generalised industrial slowdown in sync with global slowdown, particularly US, sluggish growth in private consumption expenditure, all these do not augur well for rapid economic growth. The capital market has reflected the gloomy mood by the near absence of IPOs, subdued activity and depressed market indices. Interest payments have risen to 4.7% of the GDP and centre's debt is about 54%, the same level as in 1990-91. GDP was growing at an average of 6% plus, but has dipped to 5.1% in 2000-01. The persistence of high levels of fiscal deficit has meant higher debt service expenditure with consequential erosion of resources for public investment. This, in turn, has depressed demand for industrial goods and also dampened private investment in the infrastructure. The continued

high borrowing due to high fiscal deficit exerts an upward pressure on market rates of interest and international risk premium, raising the cost of capital to domestic as well as the foreign investors. Crowding out of private investment by public borrowing is another symptom of this malaise. There is, thus, an urgent need to contain this deficit and bring it down to manageable limits.. Withdrawal of subsidies, privatisation of PSUs, tax reforms and greater compliance with tax laws, sharp reduction in the bureaucracy progressively as government withdraws from areas best served by the private sector, elimination of corruption, are some of the other measures that need to be taken up. These measures would release scarce resources for enhanced public spending on infrastructure, social sectors and the provision of a social safety net for the protection of the vulnerable.

A bouyant capital market, with deepening of the equity and the debt markets including trading in the secondary markets, a sound and effective regulator, the development of an ethical and transparent system of trading, and a graded approach to capital account convertibility would considerably enhance the attractiveness of our capital markets for portfolios investments by the foreign FIIs and improve the allocative efficiency of resources. But the experience of the East Asian crisis shows that unrestricted capital inflows, particularly, the short-term loans, can seriously jeopardise the macroeconomic stability. A cautious approach to the liberalisation of capital inflows is well founded. But, at the same time, market forces and modern technology will generate cross border flows, and, therefore, it might well be prudent to assimilate these forces for the sound development of the economy and the financial system including the banking sector on a long-term basis. The efficiency gains could be enormous across the entire spectrum of financial and economic activities.

The question of **food security and agricultural performance and productivity** is central to a sustained economic growth. With a contribution of 25.2% of the GDP during 1999-2000 ( Economic Survey 2000 ), employing about 60% of the workforce in the labour market, agriculture is responsible for the living standards of 70% of the population living in the rural areas.. Indian agriculture has come a long way in achieving self sufficiency in foodgrains through widespread use of modern crop varieties (HYV), intensified use of inputs like fertilisers, pesticides etc., and increased investments in irrigation facilities. Agricultural research and extension activities went hand in hand with provision of credit, marketing and price structure favourable to the farmers. Given the constraints of additional availability of suitable land for agricultural operations, and the compulsions of burgeoning

population, food security can be achieved only through technological innovations to increase the productivity in agriculture, more efficient use of inputs and through the adoption of more sustainable cropping mix consistent with a changing pattern of dietary requirements. The vagaries of the monsoon could adversely affect the performance of the rain-fed areas, and hence there is an urgent need for technological interventions and other measures to fully utilise the potential of these areas even during periods of adversity. Technology, extension and policy initiatives may well have to be in the vanguard of agricultural operations in order to ensure food security. The National Agriculture Policy 2000 aims at above 4% annual growth in agriculture through a mix of measures including structural, institutional, agronomics and tax reforms. Greater emphasis is to be given to private sector initiatives with some protective measures, where required, in the post QR regime. It might, however, be worthwhile to emphasise the comparative advantages that the Indian farmers have, using trade in agricultural products, in a phased manner, as a disciplinary device to encourage efficient domestic production. Competition in the procurement and distribution, private sector initiatives in storage and handling, investments in irrigation and research, improvement in the rural infrastructure including rural electrification and gradual withdrawal of subsidies, are some of the measures that can be thought of.

**Industrial development** is undergoing a sort of metamorphosis with the advent of the Information, Communications and the Entertainment industries (ICE). The old economy, or the brick and mortar industries, is losing its sheen to the newcomers, ICE. The convergence technologies for ICE are generating considerable interest and R & D activities, and innovative practices are engaging the customer's attention. Windfall gains but rapid obsolescence is the order of the day. The share of the manufacturing sector in the GDP is declining while that of the services sector is on the increase reflecting the change in the industrial scenario. But the question is whether it is possible to have a sustained level of high growth of the economy buttressed only or predominantly on the services sector growth. International experience has shown that where there is a substantial and effective domestic market to be catered to, mere services sector growth may not be sufficient, corresponding levels of growth in the manufacturing sector is a necessary condition for all round development. We need, therefore, to do away with the distinction between the old and the new economy, and, instead cater to the needs of the umbrella industrial scenario. Substantial infusion of capital for modernisation and enhancement of productivity and quality conformance in the existing manufacturing industries, adoption of the state-of-the-art technologies and scale economies for international competitiveness, provision of

infrastructural facilities at internationally competitive rates, adoption of sound managerial and financial practices, identification of new and emerging opportunities and taking timely and innovative measures to seize such opportunities, are some of the tactics to be deployed to survive in this globally competitive environment. With the WTO and the obligations under it to make the cross-border flows of goods and services freer and seamless, the pressure on the Indian industries to become globally competitive has become all the more urgent and pertinent.

The small sector and the tiny sector, for all their visible inefficiencies, contribute significantly to the total export earnings, to the supply of goods and services in the domestic market at affordable prices and to the generation of employment opportunities for those in the job market. International competition, as has recently happened with the 'dumping' of Chinese goods in the domestic market, would, in the years to come, continue to inflict unbearable injuries to the growth prospects of this sector, unless prompt corrective measures are taken. Productivity improvement through the adoption of suitable technologies, quality conformance, freeing from the shackles of investment limits and the atrocities of the 'Inspector Raj', price competitiveness, development and nurturing of the export market and graduated exposure to international competition in the domestic market through the softening of the reservation policy, are some of the policy initiatives that need to be taken.

**Infrastructure** will be the inhibiting factor in the country's development process. There is a **persistent shortage of power of about 10% of the base load and 20% peak load.** The quality and quantity of power supplied by the utilities to the industrial consumers leaves much to be desired. Consequently, almost all the continuous process industries have resorted to either captive diesel generating sets or captive thermal plants, an option with a high capital and running cost. The share of the hydel generation is skewed, hence even the effective management of the peak load poses problems. Tariffs do not reflect the real costs; the result, a crumbling edifice of SEBs with crushing losses. The **hydrocarbon sector** is equally gloomy with bulk of the crude oil requirements being imported. The volatility of the international POL market only exacerbates the problem. Efforts to bring natural gas, the fuel of the future, in pipelines from either Iran or Bangla Desh has not borne fruit. Our own reserves are dwindling and new finds are uncomfortably spaced. The **goods carrying capacity of the Railways** is curbed by heavy cross-subsidisation and line capacity. Paucity of funds for capital investments and reluctance to raise the passenger fares has inhibited the Railways and crippled its ability to meet the challenge. There is an urgent need to raise

resources for capital investments in new rail tracks, doubling or even trebling of the existing tracks where warranted by traffic load, rolling stock, rail engines, electrification projects, upgradation of gauge, and other attendant facilities for safety and proper management of the system, apart from efficiency gains in operation and maintenance. This would call for a serious management review of the entire rail system involving in the first instance corporatisation and then eventual privatisation. Instead of a huge monolithic monopoly, which breeds inefficiency and lack of accountability, the railways should enthrone competition and bring about efficiency gains through corporatisation. This would ensure the desired flexibility in operations of the Indian railways system in order that it is capable of meeting the challenge of considerably increased traffic load. The evolution of a multi-modal transport system would be the key to the solution of the transport sector. **The road transport system** is severely handicapped by the existence of good and all weather roads connecting different parts of the country. The quadrilateral connecting the metros and the rural roads which would ensure connectivity to each village will need to be completed in a determined manner. Private sector initiatives in raising resources and construction to world standards would be necessary. Strengthening of the road network along the corridors of urbanisation and within the urban centres would also be required. The question is not one of laying out the road network at the optimum cost to the economy, albeit in a longer time horizon, either through public or private, including foreign, funds, but of ensuring that the network to world standards is laid out as quickly as possible, even if it is slightly more costly. Time is of essence in this. **Civil aviation, shipping and port capacity** need considerable upgradation for effective integration with the global economy. We are severely handicapped by our inability to handle goods carrying ships and tankers in an efficient manner. The turnaround time at our ports is unusually high. Perhaps the management of the ports would need a review involving corporatisation, and possibly privatisation.

**Technology, Employment, Environment and Regional Disparities** are the other aspects to be considered. The economy of the future and future growth prospects would be **knowledge based**. The cutting edge of **technology** would provide the comparative advantage in the emerging competitive scenario. Technological obsolescence, as is evident in the information technology sector already, would be the order of the day as newer and better technologies using newer materials, biotechnology, genetic engineering and better manufacturing processes using CAD-CAM are evolved. In this changing scene, technological prowess would not only have to be gained but continuously strengthened from stage to stage. In his Technology Vision for 2020, Dr A P J Kalam has said that for a

technologically strong India, there is need to have sustained efforts for growth of core competence which would lead to self reliance in critical technologies and also improvement in the strategic industrial infrastructure. The two combined would enable us to acquire technology leadership. He goes on to say: " We have to build and strengthen our national infrastructure in an all round manner, in a big way. Therefore, we should build around our existing strengths including the vast pool of talented scientists and technologists; and our abundant natural resources. The manpower resource should be optimally utilised to harness healthcare, services sectors and engineering goods sectors. We should concentrate on development of key areas, namely agricultural production, food processing, materials and also on the emerging niche areas like computer software, biotechnologies and so on. The common link required to bring this transformation is the human resources. Therefore, adequate attention needs to be paid to development of special human resource cadre in the country to meet these objectives."<sup>3</sup>

**Quality employment** and its sustainability as well as its ability to encompass all those who come in the job market would be dependent on achieving a high rate of sustained economic growth (8-9%). It has a direct impact on the fight against poverty through income redistribution, quite apart from its role in mitigating social and political unrest, and, hence, is something that must be ensured in the coming years. As quality employment takes roots, there would be a migration from the rural to urban centres with the attendant problems of urbanisation. The big employers would be the agriculture and allied activities, food processing, small scale industries sector and the services sector. Special emphasis on the growth and development of these sectors may be called for, both for quality employment and increased employment opportunities.

Sustainable development is contingent upon the protection of the **environment**. The long term cost of environment degradation is enormous as more people would have to share dwindling water resources, as growing sections of the population face increased health costs, as more vehicles, factories and chimneys spew pollutants in the atmosphere, as hazardous chemicals in greater quantities threaten the lives of the people and animals living in the surrounding areas, as acid rains bring untold miseries, as ozone depletion continues to warm up the world bringing climatic changes and as less land becomes available for competing uses. The environment must, therefore, be taken care of, and the costs for such protection shared with the polluters on the basis of the principle 'the polluter pays'.

**Regional disparities** are getting accentuated with the BIMARU states continuing to remain, despite shining examples provided by some of the more enlightened political leaders of the day, laggards in the process of development and growth. The nagging propensity to procreate despite visible advantages of population stabilisation in the neighbouring states is adding fuel to fire. With the exception of Punjab and Haryana, almost the whole of the northern, eastern and the north-eastern regions of the country are in the grip of excruciating low levels of development. The southern, western and parts of the central regions are in a much happier situation with near stabilisation of the population and enlightened political leaders and the bureaucracy. These states are embracing the forces of development with open arms and are thus reaping the benefits of economic growth. The growing inequalities in almost all the relevant parameters is likely to result in a large scale shift in population in search of better quality of employment and life. The migration of population from the poorer states to the richer and better-off states has all the potential of political sensitivities and could well be the reason for social upheaval and unrest in the years to come.

### **Political stability**

Examples of spectacular growth within a short span of time abound. China, South Korea, Taiwan, Malaysia, Singapore and Thailand are some such exemplary cases. What is clearly discernible in these cases is the close link between economic prosperity and a strong, dynamic and determined political leadership with a stable political system. The dynamic leadership has not only provided the vision and commitment to growth with a human face, but has also ensured political stability for the pursuit of the mission in pursuance of the vision. Democratic traditions and institutions necessary for effective functioning, parliamentary form of government, federalism, electoral system, political parties, inner party democracy, coalitional politics and its imperatives, corruption, power brokers and lobbyists, are some aspects of the political system. Political stability is not synonymous with status quo, and is not a negation of the dynamics of change in a political system. Far from it. It refers to the inherent strength and resilience of the system to adapt and adopt the dynamics of change while ensuring stable good governance in the overall interests of the masses. Stability in more concrete terms would include the periodicity of elections as per the constitutional provisions, the inherent strength of the political parties and the coalitions to withstand external and internal pressures detrimental to the overall good of the people, the federal structure of the polity which strengthens democratic values and traditions, inner party democracy, probity in public life, and

the ability of the system to take bold decisions in the interest of good governance and the general welfare of the people.

We have been witnesses to the rapid unfolding and deepening of the political system in the country- a change that has seen the transfer of political power from the then creamy layer of the society, which was in the minority, to the majority castes and classes comprising the society. We have also seen strong and decisive leaders, some democrats to the core while others autocratic in behaviour, and weak and indecisive leaders. The challenge before us today is to generate, within the basic features of the Constitution, a strong capability for management of democratic changes. Such capability would not only anticipate the coming changes in the democratic structure, but also accommodate them through a positive policy of inclusion. Through this process will evolve a progressive political system capable of producing dynamic leadership at all levels, so necessary for accelerated economic growth with a human face.

### **Nature of political power**

The transfer of political power to the castes and classes of the society, which had faced long years of dispossession and lack of privileges, has been facilitated by the dynamics of winning an election. The principle of 'first past the post' in a multi-party contest has led to the realisation that a solid vote bank of about 25-30% is more than adequate to win elections. This realisation has politically strengthened the castes, communities and classes in the countryside. Political power today is more an expression of the interests of different segments of the society, each pulling in its own self-determined direction, rather than an expression of the interests and welfare of the entire community. Urban workers, rural land-owning peasantry, the backward classes and the rural poor have become politically very powerful and their voices are being heard with great attention in all fora, including the legislative assemblies and the parliament. It augurs well for our democracy, since almost all sections of the society can now place their case forcefully in a forthright manner. The bold experiment of adult franchise, despite various challenges, has stood the test of time. The voter has become more mature and politically discerning.

There are, however, dark clouds on the horizon. First, the manner in which elections are conducted in some parts of the country, with widespread rigging by the political parties in collusion with the state machinery, is a matter of great concern as it tends to negate the very

foundation of our democratic beliefs and traditions. Second, the politician-criminal nexus is on the increase, extremism is fanning out in the countryside rapidly with the active support of the politicians. Third, probity in public life is at a serious discount, and power brokers and lobbyists are having a field day. Costly elections and personal greed appear to be the *raison d'etre* for such lack of probity.

Political power derived out of criminality or support to extremism can hardly be expected to survive for long. It is self-defeating in nature, but, in the short term, is capable of causing major upheavals in the exercise of political power. It is rent seeking, rather than developmental in action. Political and economic decisions tend to be affected and tainted, and progress is tardy. Human rights get trampled, tolerance and concern for the society suffers.

### **Likely political coalitions**

The transfer of political power to the various interest groups has resulted in a multiplicity of political parties with strong local bases and considerable clout at the centre. Recent elections have shown fractured verdicts both at the states as well as the central levels, with the result that coalition governments have had to be formed. For most of the coalition governments, there is a common minimum programme which is acceptable by all the coalition partners. The CMP forms the basis for policy initiatives, and inevitably involves give and take at the political levels. At the centre, the states have been asserting themselves as important and powerful coalition partners, and have ensured that there is less of central intervention in their pursuit of their own goals.

However, sometimes the stance of the coalition partners propelled by their own agendas and interests, and the ego and personal influence of their leaders, has created fragility in the political system. The fear of going back to the voters in the event of a fresh polls, is what cements the dissenting partners, and some compromise, perhaps, at times, at the cost of good governance, is hammered out. While some may find fault with this arrangement, but at the same time, it cannot be denied that this process has also lead to the strengthening of the democratic values and institutions. The process has ensured that every voice and concern is not only heard but also respected.

The binding force between the coalition partners, the Common Minimum Programme, overseen among the partners by either a Steering or Coordination Committee, could itself evolve into two distinct sets of

policy planks for the coalitional partners- one valid for adoption at the state level and the other for consideration at the central level. The state level policy plank would obviously be more focussed at the vote banks and their specific requirements in a bid to garner as much of political clout as possible. The central plank could be more broad-based considering the implications of the external sector and the socio-economic needs of the country at the macro level. The management of the interface between the two planks would, of course, be daunting for the political parties. Pragmatism and political expediency would, perhaps, be the guiding principles in such matters. The inherent strength, policy of inclusion and affirmative action of our democracy could also, perhaps, lend its weight to the CMPs eventually evolving, barring stray aberrations, into stable objectives and goals on social, economic and political issues.

### **Political parties**

Nations have progressed remarkably well because of political leaders who were mature, were admired and respected by all walks of life, had the courage and conviction to lead their people at all times, despite almost insurmountable adversities, enjoyed the confidence of their colleagues, were visionaries and had the capability and capacity to execute their vision with a missionary zeal. Such leaders were very conversant with the pulse of the people, and belonged to the entire mass of the population, and not to a segment or a few segments of the population.

However, the evolving political structure is mainly comprised, barring a few exceptional people, of leaders of segments of the population. A strong and vibrant inner party democracy could, perhaps, provide the training ground for future leaders of the party, not only at the top but at all levels. Political parties can seldom survive for long without inner party democracy. Without it, the doors for effective communications with the grass roots, the basic strength and foundation of any political party, get closed, isolating the party bosses. An effective inner party democracy mechanism, which is transparent, free and fair, could develop the leadership through different stages of its growth to shoulder bigger and bigger responsibilities with competence and credit. The lack of it, or the inadequacy of it, could result in the choking of democratic values in the political parties perpetrating the hegemony of a select band of people in disregard of the majority in the party, with disastrous effects on the morale and well-being of the party in the long run.

Political parties have fallen prey to the politics of caste, creed and community, and there is hardly any attempt by them to stem the rot, lest they fall by the wayside. Caste, creed and class are the criteria adopted by almost all the parties, whether national or regional, for selection of candidates for elections. Since all the parties are adopting such criteria, perhaps, it may well be self-defeating in the long run. But, instead of abatement, the malaise is on the increase. All political utterances and deeds and all electoral calculations are based on these criteria. A jaundiced vision does not augur well for the future of the country.

All political parties need enormous amounts of funds for running the party machinery as well as for elections. Fund raising in a transparent manner could go a long way in eradicating or minimising corruption in high offices. At the same time, electoral reforms would be essential to limit election expenses to a reasonable level. Apart from ensuring probity in public life, this could also mean the taking of objective decisions in the furtherance of the common good.

### **Federalism and multi-level governance**

Federalism is one of the basic features of the Constitution and the Indian polity. A federal polity based on effective leadership at the state level and an equally strong and effective government at the centre, co-existing harmoniously on mutual trust and respect, would be the ideal situation. There must be effective devolution of power and political authority to lower formations so that governance could become responsive and accountable. For a robust centre-state relations, there has to be a free flow of information and frank discussions before taking major political, social or economic decisions. The Inter State Council, a platform provided for such interactive free and frank discussions, should not only be strengthened but also made active and continuing

The 73<sup>rd</sup> and 74<sup>th</sup> amendments of the Constitution, perhaps the most revolutionary and important amendments in recent years, have sought to take power of governance to the people, to whom it must necessarily belong. The institutions of the panchayats and nagarpalikas, forms of local self governments, have been endowed with attendant continuity, stability and constitutional status. These institutions have not only given power to the people, and, thus, ensured their commitment and involvement in taking care of their own lives, with resultant improvement in the quality of life, but also provided a forum for the training of future political leaders of the country, leaders who would know intimately the pulse of the people. A qualitative improvement in their approach, thought

processes, concerns for the under-privileged, policy of inclusion and affirmative action, would be clearly discernible in the leaders so groomed.

Essentially, the study is an exercise in building scenarios:

- The optimum scenario where India will, with considerable degree of resolve and dogged determination, upstage even the accomplishments of China and get into the league of industrialised countries by the year 2025. This would, obviously, mean a quantum jump in the rate of growth from the very start on a sustained basis, the great leap forward. Social, economic and political constraints would need to be ruthlessly contained, and economic growth and growth alone would be the mantra of the successive Governments of the day, apart from, of course, the active and vibrant cooperation and participation of the international market forces, transnationals, multilateral institutions and international banks. This could well be a wish-list.
- The most likely scenario, taking into account the social, economic and political constraints and prospects on a reasonable basis. If things go well, then India could possibly have a phased increase in the rate of growth of GDP from the current level of around 6% to, say, 9.5% by 2025 ( i.e. an average of about 8% over the entire period ), and will have a per capita income in terms of PPP of around \$12500 or so ( Table 1 ), and, thus, would have a lifestyle comparable to what Argentina, Czech Republic and Bahrain have today. For being in the league of today's South Korea and Portugal, the rate of growth may have to be even higher, and its phasing must be quicker so that the maximum rate is reached within the shortest time. If things do not turn out the way they should, we may have to be content with either an average of 6%, 6.5%, 7% or 7.5% growth rate till 2025. We might, then, have in 2025 only a per capita GDP in PPP\$ terms of from 7365 to 10800, and the satisfaction level will be to that extent curtailed.

There is, however, a caveat. A study of this sort is naturally beset with many dangers. While some statistical correlations may be established in some parts of the study, bulk of the area to be surveyed defies the logic of statistics. Even where statistical analysis holds sway, there are dangers of nonlinear changes, as key variables start behaving in an unexpected manner due to changes in either the external or even the internal environment. The pace of liberalisation, the degree of regional disparities, the enormous size of the economy, the complexities of the growth dynamics, the physical constraints of infrastructure, the ethnic and cultural diversities of its population, the changing political scene with caste, class and communal divide, all lend themselves to uncertainties of

varying degrees. It would be, therefore, well nigh impossible to factor in all the possible changes that might occur in the future.

Table 1: Per capita GDP calculations at different growth rates

Period	Growth rate	Pop growth rate	Effective rate	\$ PPP per capita GDP-base 2077 in 1998*
1998-2002	6	1.2	4.8	2505
	<i>6.5</i>		<i>5.3</i>	<i>2553</i>
2002-07	7.5	1.2	6.3	3400
	<i>8</i>		<i>6.8</i>	<i>3550</i>
2007-12	8	1.2	6.8	4724
	<i>9</i>		<i>7.8</i>	<i>5168</i>
2012-17	8.5	1.2	7.3	6719
	<i>9.5</i>		<i>8.35</i>	<i>7717</i>
2017-22	9	1.1	7.9	9826
	<i>9.5</i>		<i>8.4</i>	<i>11550</i>
2023-25	9.5	1.1	8.4	12515
	<i>10</i>		<i>8.9</i>	<i>14916</i>

\* Human Development Report 2000.

*Note: Figures in italics refer to an alternate scenario of growth.*

A question that begs immediate response is, then, why study the future in an atmosphere of uncertainty. The rationale for the study comes not from what it projects, but from the relationships that it draws between different factors of growth, highlighting those that would be crucial to a sustained growth trajectory. The identification of the possible road-blocks, and the measures required to get over the hump, in terms of policy initiatives, would be, perhaps, the most important positive outcomes of the study. In general, reforms and stability in all spheres would lead to efficiency gains and better savings and investments resulting in accelerated growth with a human face.

In its very nature, the study is subjective, being largely the writer's own perception of how things would evolve in future. It would not, therefore, lend itself to any academic or theoretical discussion or modelling. But since the crystal-gazing would be done by an informed and experienced mind, the final outcome of such perceptions could very well be close to the shape of things to come. The chapter-writers are all

eminent and scholarly persons in their respective fields with high academic credentials and expertise. An analysis and exposition of the unfolding scenarios of different aspects of social, economic and political stability, albeit subjective, is positively worth looking at. Valuable insights into the trend and possible course corrections required at different levels in various fields should be of great advantage to the policy makers.