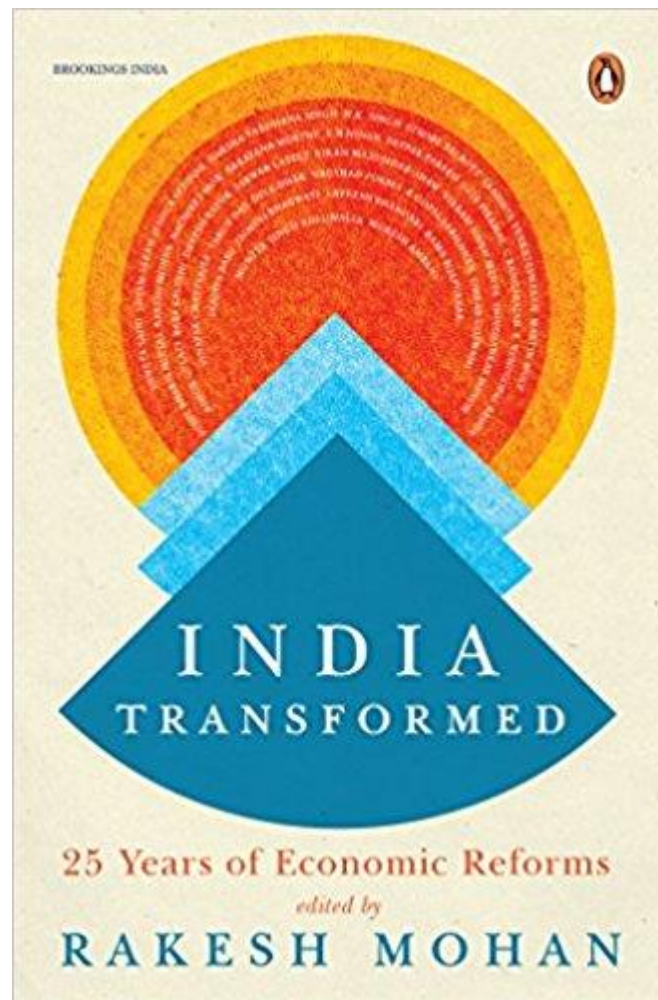


INDIA TRANSFORMED: 25 Years of Marketing Reforms

MARKETING UPDATE



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NEW DELHI: Seventy years after independence, India's economic liberalisation of 1991 remains a milestone with few parallels. It was the year that finally saw India shed the

Rakesh Mohan, Former Deputy Governor, Reserve Bank of India

Rakesh Mohan On India's Economic Reforms: 25 Years And Beyond

India Still has to Cover Huge Distance in Reforms: Jaitley

Finance minister says India needs to improve its growth rate and create relevant infrastructure

Our Bureau

New Delhi: Hinting that more reforms may be on the anvil, the finance minister Arun Jaitley has said India still has a huge distance to cover on reforms.

"There's no finishing line as far as reforms are concerned and I think India still has to cover a huge distance," Jaitley said delivering key note address at release of 'India Transformed' edited by former RBI deputy governor Rakesh Mohan. Former prime minister Manmohan Singh released the book.

Jaitley said India needs to improve upon its growth rate to pull people out of poverty and create relevant infrastructure in the country.

"Given the more favourable global environment India needs to improve upon its growth rate and we need to cover a reasonably long period of time because



Former prime minister Manmohan Singh and finance minister Arun Jaitley at the release of 'India Transformed', a book edited by ex-RBI deputy governor Rakesh Mohan.

you still have large number of people living below the poverty line, you still have infrastructure deficit, you still need a lot of investment in health, education, in rural India and irrigation," he said.

The year 1991 was a key defining moment as far India is concerned, he said adding that it was defining as it changed the mindset of people towards reforms.

In fact, he said, Indian politics changed after 1991. "Unquestionably India today is much better place to live, but there are still lot of challenges," he said.

"India still needs large resources to enable to carry poverty alleviation steps. That large resources can only come if there is larger growth process," Jaitley said.

No Finishing Line for Reforms: FM

Our Bureau

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Finance Minister Arun Jaitley with former Prime Minister Manmohan Singh at the launch of a book 'India Transformed: 25 Years of Economic Reforms', authored by former RBI deputy governor Rakesh Mohan in New Delhi on Friday. - PTI

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Mint
New Delhi, 19 August 2017

Going past the 1991 reforms

A book of essays edited by former RBI deputy governor Rakesh Mohan explains how the 1991 reforms worked—and why the scope needs to be widened now

BY RAJESH KUMAR
rajesh.k@vivent.com

There is no time to lose... Any further postponement of macroeconomic adjustment, long overdue, would mean that the balance of payments situation, now exceedingly difficult, would become unmanageable and inflation, already high, would exceed limits of tolerance. This is how Manmohan Singh described the prevailing economic situation in his landmark budget speech of July 1991, which marked a paradigm shift in India's economic management. The economy has transformed in profound ways since the beginning of the reform process.

The completion of 25 years of this process in 2016 has provided an opportunity to assess progress and explore possibilities for the future. While several articles and books have been published on this subject over the past year, *India Transformed: 25 Years Of Economic Reforms*, edited by Rakesh Mohan, a former deputy governor of the Reserve Bank of India, goes beyond the macroeconomic aspect. The book also contains essays on issues such as foreign policy and security, governance and human development.

Mohan, a key architect of economic reforms who has also worked to take the process forward in different capacities, has brought together policymakers who

were involved in implementing the reforms, business leaders who benefited, and analysts who have observed the process. *India Transformed* has essays by Montek Singh Ahluwalia, C. Rangarajan, Y.V. Reddy, Mukesh Ambani, Sunil Bharti Mittal, N.R. Narayana Murthy, Omkar Goswami, Ashok Gulati and T.N. Ninan, among others.

It is often argued that the 1991 economic reforms were carried out under pressure from agencies like the International Monetary Fund and the World Bank. Mohan's introductory chapter and Ahluwalia's essay address this issue in detail. It was clear to many even in the 1970s and 1980s that the planning process had failed to adapt to changing circumstances. This is also evident from the fact that in the early 1980s, the then prime minister, Indira Gandhi, appointed several committees to look at reforms and deregulation. A number of officials in government departments were also working on structural reforms—in the ministry of industry, for instance. Mohan was working on industrial policy in the later part of the decade. A consensus was evolving that something needed to be done. Progress, however, was slow, largely owing to political reasons. Political instability in the late 1980s delayed the process further.

India inherited the command and control way of functioning from laws implemented during World War II. But instead



Manmohan Singh played tough as finance minister in the Narasimha Rao government.

of getting rid of colonial laws, the government imposed more controls. By 1990, Mohan notes, 8% items were reserved for small-scale industries, including almost all consumer items, such as clothing and shoes, which promoted manufacturing in East Asia. Consequently, Indian manufacturing became uncompetitive. Economic growth did pick up in the 1980s, but it was largely pushed by borrowings, including from external sources.

As a result, fiscal and external imbal-

ance pushed India to the brink of a default. And as Singh said, there was no time to lose. But even though some in the new Congress government led by P.V. Narasimha Rao didn't want to waste a crisis, it was not easy to convince the others. As Jairam Ramesh elaborates in his book, *To The Brink And Back: India's 1991 Story* (2015), many ministers objected to the style and substance of the proposed industrial policy reforms. Fortunately, these were passed after a long

preamble was added.

Ahluwalia argues that there was internal commitment to reforms, and in some areas such as trade liberalization, they went beyond what the multilateral agencies were recommending. In this context, one incident noted by Mohan is worth mentioning. Soon after taking over as finance minister, Singh told a meeting of secretaries: "If any of you have any difficulty with the proposed reform programme, we can find other things for you to do." That shows the kind of political backing he had. It also makes one wonder what happened to his firmness when Singh became prime minister. The answer, perhaps, again lies in political freedom.

India has come a long way, but a lot more needs to be done. A chapter by Ashok Gulati and Shweta Saini, for example, shows how agriculture, which was not on the reforms agenda, has lagged behind. Similarly, the chapter on education by Devesh Kapur and the one on healthcare by Nachiket Mor and others highlights what India has not been able to achieve in terms of outcomes.

India Transformed is a comprehensive guide for anyone who wants to understand the context, content and progress of the reform process. The key underlying message is that the process is working. India now needs to widen the scope of reforms and move forward at an accelerated pace.



India Transformed—25 Years Of Economic Reforms: Edited by Rakesh Mohan, Penguin Random House, 670 pages, Rs999.

India Today (Weekly)
New Delhi, 4 September 2017
UPFRONT

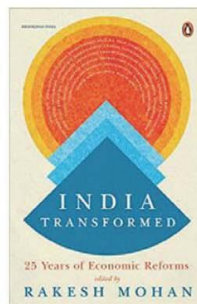
BOOKS

Reforms, When They Worked

This is a fat, heavy and expensive book, reflecting the richness of its contents, which is not surprising given who has edited it and the people who have contributed to it. They comprise the A-list of commentators, on India generally, and the Indian economy especially.

They are all there, writing about one of the most important turning points of policy change in the history of modern India, namely, the economic reforms that began in 1991 and have lurched on

moodily since then. The men who inaugurated the reforms in 1991, the people who benefitted from them and the ones who analysed them have all reflected on how India has been transformed as a result. They all also make the point that much more remains to be done, that the pace of reform is too slow, and that the delivery mechanism for successful reform—governance—leaves much to be desired. But the book suffers from a huge and glaring weakness: it is only about the winners. The losers,



INDIA TRANSFORMED
Rakesh Mohan (edited)
Penguin/Viking
Pages 658; ₹999

like farmers and trade unions to name just two, have been ignored entirely. The book, therefore, gives the impression that reforms

were hugely popular all the way, which of course they were not. Had it been so, the pace, extent and depth of the economic reforms would not have been predicated so heavily on politics.

Since almost every writer mentions this, Dr Mohan must be scolded for ignoring the critics, not just from the Left's political formations but also others who have a different perspective. He could, and should, have drawn from the *Economic & Political Weekly* for at least a couple of essays on the opposite view.

That said, if you want to get something exactly right for a speech or thesis or research paper, this is the book for you. Much of it is opinion leavened by episodic data. It has the right mix of fact and fiction, data and analysis and, of course, pride and prejudice. ■

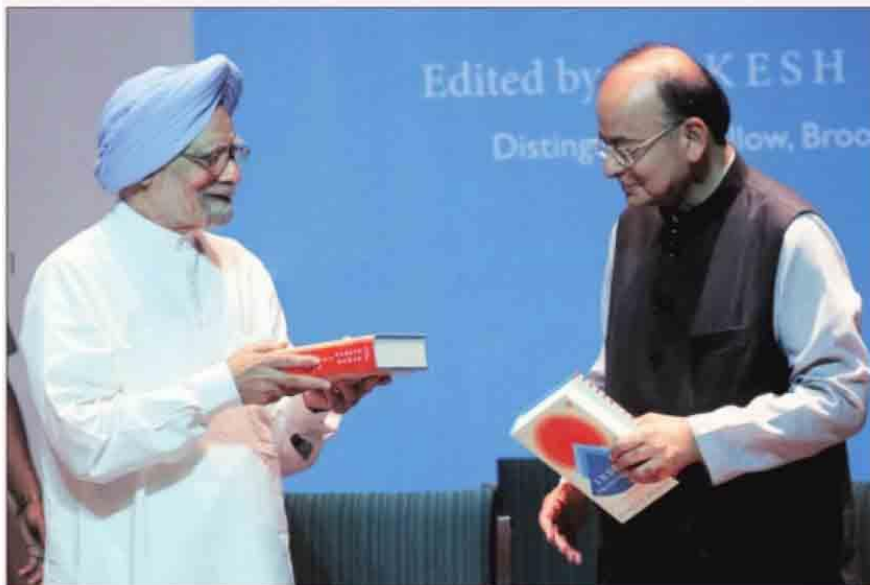
—T.C.A. Srinivasa Raghavan

EXCHANGING NOTES

PHOTO: DALIP KUMAR



Former Prime Minister Manmohan Singh and Union Finance Minister Arun Jaitley at the release of a book edited by former RBI deputy governor Rakesh Mohan, *India Transformed: 25 Years of Economic Reforms*, in New Delhi on Friday



A different book club

Former PM Manmohan Singh and finance minister Arun Jaitley release the book "India Transformed: 25 Years of Economic Reforms" authored by economist Rakesh Mohan (not in picture) in New Delhi on Friday

EXPRESS PHOTO: PREM NATH PANDEY

Well begun is half done



BOOK REVIEW

SANJEEV AHLUWALIA

Curating 31 essays into a story on India's economic reforms can be a giant yawn. But Rakesh Mohan, a *veteran* economist and a veteran of four major government committee reports, is up to the challenge. Indians believe that the actions of civil servants determine the future of India. This is an abiding fallacy. The truth is, starting from Jawaharlal Nehru to Narendra Modi, it is political and political leaders that set the tone, whilst civil servants dutifully follow with the plumbing. This book is not about the broader political economy of reforms. Those stories have been told elsewhere. Instead, this

book examines the practices and processes — back-office stuff — that achieved reform objectives. Expectedly, therefore, essays by civil servants and public intellectuals dominate this compilation.

Rangarajan marks 1991 as a watershed moment in the Indian economic history. Montek S Ahluwalia agrees and debunks the J Brndford DeLong (2001) and Dani Rodrik Arvind Subramanian (2004) proposition that the 1991 reform process was overhyped; that merely becoming business-friendly would have been sufficient to yield the maximum value; that external liberalisation was merely genuflecting to the Washington Consensus. He asserts that the reform architecture responded to the local context and was designed for medium-term results. Y V Reddy deconstructs the role of fiscal federalism in stabilising state budgets. Lavesh Bhandari evidences this by citing best-fit policies and programmes innovated by states using these additional devolved resources. Jaimitri

Bhagwati reviews the process of capital market liberalisation that was key in enabling competitive industries to grow.

Top diplomat Shyam Saran traces the post-cold war, benign, unipolar world that gave India breathing room to grow till the 2008 financial crisis. His successor in the foreign office Shivshanker Menon establishes how economic growth engendered new foreign policy options for India — a view endorsed by Martin Wolf, who advocates even greater proactivity in world affairs. Sanjaya Baru links the recalibration of India's security matrix to the new-found confidence from successful reform. Tarun Das points to the quiet success of Track II initiatives in forging defence and nuclear cooperation. Harsha Vardhana Singh, details how substantive tariff rationalisation opened domestic industry to competition. However incomplete, domestic factor market reform shackled export growth and enhanced the trade deficit. N K Singh and Jessica Seddon illustrate how public and private roles moved from mere co-existence to co-evolution, especially in infrastructure development.

But the benefits from economic

reform did not accrue symmetrically. Rakesh Mohan postulates that domestic labour market and regulatory rigidities continue to dull the growth potential in small manufacturing. Ashok Gulati argues that liberalisation of the exchange rate, lower industrial tariff and private investment norms never benefited agriculture due to institutional rigidities. Devesh Kapur documents that enlarged access to education was not accompanied by quality enhancement. Naushad Forbes nags the stagnation of Indian R&D spend as a proportion of gross domestic product and the skew towards science research, rather than technology development, which can constrain innovation. Nachiket Mor *et al* are sceptical that stepping up private investment alone can result in catching up on health outcomes. Sarwar Lateef argues for deeper governance reforms to benefit the disadvantaged. Vinayak Chatterjee laments that the PPP (public-private partnership) model died because of unrealistic asymmetric expectations between government and private developers.

The voices of the intended beneficiaries from reforms — consumers and

domestic suppliers — are jammed into the last segment of the book. Rama Bijapurkar caricatures the new Indian consumer, cannily devouring cheap Chinese goods and luxuriating in retail therapy, financed by the deep pocket of e-commerce startups. Gita Piramal points to the churn in private business league tables as illustrative of the competitive forces unleashed by reforms. Omkar Goswami adds that the concentration of business accelerated as companies sought scale economies. Services benefited disproportionately, being less constrained by the continuing hurdles in acquiring land or access to quality infrastructure.

Deepak Parekh narrates how IIDFC seized new opportunities in banking and insurance using its core competence in customer-friendly financial services. For Mukesh Ambani, economic reform was instrumental in fulfilling his father Dhirubhai Ambani's dream of a global scale of operations. Kiran Mazumdar-Shaw — a first mover — lucked out. With just \$100,000 in her wallet, Biocon grew into a \$1-billion listed company by 2004. Sunil Bharti Mittal, a spunky, first-generation entrepreneur, seized every opportu-

nity available to establish India's first multinational telecom company. If every second American truck has a Bharat Forge axle, Baba Kalyani has economic liberalisation to thank for it. For Narayana Murthy, liberalised import of hardware and current account convertibility alone were enough to make Infosys fly. R Gopalakrishnan recounts how storied firms, like ILL and the Tata group, also reconstructed and diversified.

T N Ninan describes navigating reforms in India as the impossibility of cooking an omelet without breaking the egg. Vikram Singh Mehta similarly recounts the broad consensus but only for shallow reforms in the petroleum space. Some of this reticence was because of the *dharma* of coalition politics. This constraint no longer exists. Will the consensus deepen now? And will it now be our time to eat?

INDIA TRANSFORMED
25 Years of Economic Reforms
Rakesh Mohan — edited
Penguin Viking
670 pages, ₹999

INTERVIEW WITH RAKESH MOHAN, FORMER RBI DEPUTY GOVERNOR

'We've failed to adopt a strategic policy stance for agricultural growth'

OVER THE last year, there has been a spate of commentary on the completion of 25 years of India's economic reforms programme. As policy maker, RAKESH MOHAN, who was associated with some of these changes in his role as Economic Adviser in the Ministry of Industry and later as RBI Deputy Governor and Secretary, Economic Affairs has now helmed a collection of essays by a range of practitioners, top industrialists and academicians. *India Transformed: 25 Years of Economic Reforms* will be unveiled today by finance minister Arun Jaitley and former Prime Minister Manmohan Singh. He spoke to SHAJI VIKRAMAN on the positives and negatives over the last two decades and what still needs to be done. Excerpts:

Which big positives have been highlighted in *India Transformed: 25 Years of Economic Reforms*?

There are five key achievements which are reflected in the writings. First is clearly the acceleration in growth. On an average,

it is almost 7 per cent now. That's a big feat after growing at 3-3.5 per cent in the first 35 years after independence. So can't see why we cannot grow at 8-10 per cent over the next 25 years. Second, there has been a remarkable reduction in poverty, especially in the last 15 years though it is still too high for comfort. Third, there has been a remarkable resurgence in entrepreneurship and as Omkar Goswami and Gita Piramal have documented in the book — many incumbents had to retool to remain competitive with the new entrants in the corporate sector. There is more entrepreneurship energy in the country with as many as 35 new companies dominating the top 50 list. Fourth, the opening up of the external sector has been remarkable. India was a relatively closed economy till the late 1980s. The current account has been opened fully, while the capital account is substantially open now to FDI and portfolio flows. This has been done in a calibrated manner and without disruption, which is unique in the

history of reforms in the world. And finally, there is a palpable increase in self-confidence in the country, which is also reflected in the country's foreign policy as articulated in the book by Shiv Shankar Menon and Shyam Saran.

What have we failed to achieve during the same period?

The true failure is in agriculture where we have failed to adopt a strategic policy stance for enhancing and sustaining growth, over since the success of the green revolution... Then of course, there has been inadequate attention to health and education in the 70 years since independence. We cannot grow into a middle income country unless we give more focused attention to the better delivery of basic health and education services. The contributions by Devesh Kapur and Nachiket Mor document details some of our shortcomings in these areas and the task ahead for the country. As the economy becomes more complex in a diverse country like India, we need to have less cen-



A key challenge identified in *India Transformed* is governance. Why has it become a more formidable challenge now?

A key issue is that the old administrative super structure of generalists, has not changed. With the economy getting more developed and more complex you need domain experts in every sector. There is little domain expertise in most ministries with key officials being birds of passage in constant flight. This issue has not been addressed by any government and we continue with the colonial system of administrative governance, which has been abandoned almost everywhere in the world. Contrary to popular perception, the Indian government is small at all levels. In contrast to the finance ministry in India, its counterpart in the UK, the Treasury, is reported to have as many as 100 staffers at the joint secretary level when we have ten. The real issue is competence in governance. Unlike in a command and control economy, when people used to line up for

government approvals, we should now have ministers and departments whose role is to promote or facilitate trade and industry. This cannot be done without domain expertise.

Since opening up, we have had a new class of entrepreneurs emerging and a big change in the pecking order of the top 25 or 50 business houses or groups. But do you see a new class of entrepreneurs emerging again in the present milieu?

One does see a slowdown in the churn at the top and in new entrepreneurship, particularly in the manufacturing sector. There was a burst of entrepreneurship in the 1990s and early 2000s as meticulously documented by Gita Piramal and Omkar Goswami, and as eloquently evident in the personal stories of incredible growth related by Mukesh Ambani, Sunil Mittal, Deepak Parekh, Kiran Mazumdar-Shaw and Baba Kalyani. But the current issue of concern is the slowdown

in private industrial investment. There may be a new issue of crowding out. Though the action of scarce natural resources like spectrum is progressive and leads to more transparent allocation, what it has done is that money from banks has been borrowed by telecom companies to pay for the spectrum auction. This in effect means that financial resources from banks are going to the government budget through telecom companies. This is not very different from the crowding out effects of higher government borrowing. The question is whether the fall in private investment in recent years is also related to such indirect crowding out of the private sector.

(Rakesh Mohan has edited India Transformed: 25 Years of Economic Reforms. He is a Distinguished Fellow at Brookings India and a Senior Fellow at Jackson Institute for Global Affairs, Yale University)

FULL INTERVIEW ON
WWW.INDIANEXPRESS.COM

SUDIPTO MUNDLE

is emeritus professor at the National Institute of Public Finance and Policy and was a member of the Fourteenth Finance Commission.

Taking stock: 25 years of economic reforms

A new book offers a holistic view of the ripple effects of liberalization—and points to its unfinished business

India's transformative economic reforms were introduced a quarter-century ago, in 1991. It is a good time to take stock of what has been achieved. Several recent articles and books attempt to do this. But *India Transformed: 25 Years Of Economic Reforms*—a collection of papers edited by Rakesh Mohan—is different. Contrary to expectations, it is not just a collection of papers by economists. Certainly, there are several papers by economists. But there are also papers by diplomats, journalists, other keen observers of the reforms and business leaders.

Some of the contributors, like C. Rangarajan, Montek Singh Ahluwalia, Venugopal Reddy, N.K. Singh and Mohan himself, were among the key technocrats who designed and implemented the reforms. Other contributors are leading entrepreneurs like Baba Kalyani, Deepak Parekh, Kiran Majumdar-Shaw, Mukesh Ambani, N.R. Narayana Murthy, R. Gopalakrishnan and Sunil Mittal. These entrepreneurs seized the opportunity of a new liberalized environment to transform their businesses into leading enterprises in their respective industries, in some cases on a global scale. Together with the policy technocrats, they give the reader a rounded picture of what was done, how it was done and how it changed Indian industry and the economy.

When India sought International Monetary Fund (IMF) assistance to deal with the crisis, that assistance came with reform conditions attached, as is usual for Fund programmes. This led to the belief that the liberalization

implemented during the next one or two years. Yet other reforms were stretched over several years.

Different chapters in the volume discuss most of the major reforms announced in the 1991 budget, i.e., comprehensive liberalization of the industrial policy regime, trade and exchange rate policy, public enterprise reform, financial sector reform, reforms in energy and infrastructure and other policy reforms that followed. Fiscal policy is the only major reform that got excluded, for reasons beyond the editor's control, as he explained in a personal conversation.

One aspect of the economic reforms, coming as it did at the same time as the end of the Cold War, is its link to a complete transformation of India's foreign policy and its security doctrine. Three papers by Shivshankar Menon, Shyam Saran and Sanjaya Baru discuss this issue and a new security doctrine linked to economic power rather than just defence capability. However, while hoping that India will emerge as a major global power, Martin Wolf also cautions that India is still rising; it has not already risen.

An interesting theme running through the volume is a comparison of India's performance with the East Asian benchmark, especially China. But none of the papers asks why the broad sectoral composition and sequencing of reforms in India have been so different from those in East Asia. Ashok Gulati and Shweta Saini point out that agriculture was the starting point of reforms in China, but it has been largely neglected in India. This is despite the fact that

The dysfunction of the 'licence-permit' regime had become

IN CONVERSATION

'India is becoming more influential'

TWENTY six years ago, the fate of the Indian economy changed with the most critical reforms of 1991. **Rakesh Mohan**, former deputy governor of the Reserve Bank of India, who has been deeply involved in the various aspects of the reforms has helmed a collection of essays by a range of industry practitioners, top industrialists, and academicians in his book *India Transformed: 25 Years of Economic Reforms*, to keep the memory of 1991 reforms alive. In an interview with **Naina Sood**, he reassures the country that, 'when we make up our mind, we can do things. If it was done once, it can be done again.'

Q: To begin with, tell us what propelled you to write this book?
It dawned on me that reforms had started 25 years ago. Which means that anyone under the age of 42 has no idea what the country was like before the reforms took place. People ought to become familiar with what happened and how the reforms took place. If you understand the significant changes the country has gone through in the last 25 years, you could have more confidence in going forward.

Q: You mentioned in your book that the country's focus on agriculture was not good enough and still isn't. Why have we failed in a sector on which the majority of population depends?
We, across governments in the last 25 years, have just not paid enough attention to the sector. Starting in the late 1960s and 1970s post-Green Revolution, we paid a very high level of attention to agriculture. We invested a great deal of public resources on R&D in India. Agricultural universities were set up in almost every state.

The point is that there was organised thinking in the 1970s to propel the green revolution. This means, when needed, we have given concentrated policy attention to agriculture.

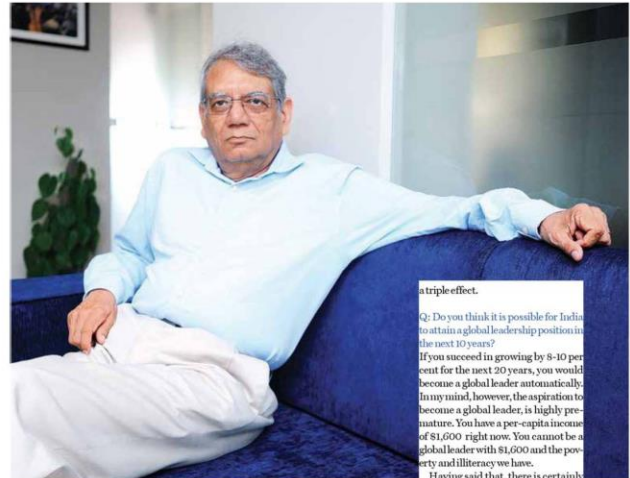
After that, we have not done anything in the last 25 years for agriculture. We have failed to understand the changes taking place in agriculture. As income increases, diets change and become more diversified. Wheat or rice is a very small portion of what we eat today. There is much more production and consumption of fruits, vegetables, eggs, fish, etc. These are more complicated products, and we just haven't done much R&D around these activities. They require a more complex supply chain and higher involvement of the private sector.

'IN ORDER TO GET TO A HIGHER GROWTH RATE, WE HAVE TO TAKE THE PUBLIC INVESTMENT LEVEL UP TO NEARLY 40 PER CENT OF GDP'

Q: Besides agriculture, which other sectors didn't get enough policy concentration in the past decade or since the reforms?

The three biggest weaknesses are health, education and agriculture. If we compare our achievements in terms of indices like average years of schooling, literacy and dropout rates, we are behind almost all our peers. That is a key failing. It is very difficult to understand that something of basic concern and interest to all in the country is not responded to in a democratic country. Our low public expenditure reflects on the poor quality of our public delivery system. No country, whether it is the US, Europe, China, Japan or Korea, has done well without high quality public delivery of services such as education and health. So I think that's really something we have failed at.

Q: We are talking about taking the economy to 10 per cent growth rates. Do you think it is possible for India to touch that level?
Taking cue from what we were able to achieve in the last 25 years, it is clear that 'when we make up our mind, we can do things'. Therefore, it is quite feasible for us to now accelerate our



a triple effect.

Q: Do you think it is possible for India to attain a global leadership position in the next 10 years?
If you succeed in growing by 8-10 per cent for the next 20 years, you would become a global leader automatically. In my mind, however, the aspiration to become a global leader, is highly premature. You have a per-capita income of \$1,600 right now. You cannot be a global leader with \$1,600 and the poverty and illiteracy we have.

Having said that, there is certainly the case of us becoming more recognised and more influential. Despite low income, we are becoming more important globally and we need to respond to that. We first need to improve the capacity of almost all our institutions. Our foreign ministry today is smaller than the Singapore ministry. To attain global leadership, we need to have much more depth in our institutions of all kinds.

Whether it's the transport ministry, commerce ministry, or the RBI, all need to be strengthened. We need to move away from the old continuing civil services system, where people enter as the IAS, IPS and get promoted moving from one job to another. That is not good enough for the future.

Log on to www.businessworld.in to read the full interview
naina@businessworld.in
[@nainasood](https://twitter.com/nainasood)

growth rates from 7 per cent to 10 per cent. But to do that, we need to be clear in terms of public investment in infrastructure. We must understand that the public sector requires investment with respect to capacity.

In order to get to a higher growth rate, we have to take the public investment level up to nearly 40 per cent of gross domestic product (GDP) to get to a 10 per cent growth rate. It is at 32 per cent at present. It had gone up to 37 per cent in 2008-09. You can't increase public investment, unless public resources are increased. Our tax-GDP ratio has remained roughly constant for 25 years. Given the huge increase in incomes, this doesn't make sense. However, with the goods and services tax coming in, many more people are expected to come under the tax net. We must increase the tax-GDP ratio by two or three per

cent of GDP, and we need to take up the infrastructure investment ratio to at least 8 per cent for the next four to five years.

Q: What do we need to focus on to accelerate this growth rate? Is there anything we are not paying much attention to in the current scenario?

I think we need to solve the NPA (non-performing assets) issue, to begin with. Of course, it will take time to restructure the NPAs, but banks should be relieved of this burden soon, so they can start functioning again and lend for productive activities.

One thing that has not happened much is the financial resources savings. Most of the savings in the country is still in bank deposits. What we need to do is to incentivise much more savings into contractual savings, say like, insurance and pension. This will have

Miles covered, miles to go

A critical appraisal of 1991, which freed the economy, and why the next big set of reforms is yet to take off

PUJA MEHRA

Technocrats should be heard carefully. Not heeding to their low-decibel wisdom can cost you dearly. In 1971, on first entering government as an economic advisor, former prime minister Manmohan Singh wrote a paper, 'What to do with victory', arguing that Licence Raj's controls that were being spun in the name of socialism would not lead to growth; the maze of controls would strangle the impulses for growth. It took India 20 years to dismantle those controls and break free. If 1947 brought political independence, 1991 set the economy free.

Why did it take so long? The problem in India is not so much of not knowing what is to be done. There is always a body of actionable analysis gathering dust, waiting to be acted upon. But political agendas are often too full of other things to do. Bureaucrats, who perform exceedingly well when the goals of their political bosses align with the people's, such as in times of calamities or the Kumbh Mela, do not stress enough on the urgency of course correction in time.

The 1991 crisis—the shock of the 1990 Gulf war pushed the deteriorating balance of payments into a full-blown crisis, leaving the country's reserves with just enough foreign exchange to cover the import bill for barely three weeks, and on the verge of a default on its external loan repayment obligations—gave an unlikely team of a politician, a technocrat-finance minister and a bureaucrat the perfect excuse for executing difficult change. In two years, then prime minister P.V. Narasimha Rao, his principal secretary, IAS officer



India Transformed: 25 Years of Economic Reforms
Edited by Rakesh Mohan
Penguin Random House
₹999

A.N. Varma and finance minister Singh took decisions that transformed India. The country acquired a taste for markets, finally burying the ghost of the East India Company, suspected private business less and opened to foreign investors. Lives changed unimaginably. Although not all lives changed equally.

Lack of consensus
Crisis over, political opportunism resuscitated. The reform team lost spirit.

Till today, 26 years later, strong reforms that create a class of both winners and, in the interim, losers have not been taken up. Such as labour, agriculture reforms. These are painful, but necessary to change lives still mostly untouched by 1991. Singh rose to prime ministership, but in ten years could not drive political consensus for them. And, although advice heaped upon advice implores it to bite the bullet, the government led by Prime Minister Narendra Modi, despite the unassailability of its majority, is inert to the need. *India Transformed* is yet another reminder that political



Unpleasant truths: 'Labour, agriculture reforms may be painful, but necessary to change lives still mostly untouched by 1991.' PHOTO: V. SUDERSHAN

minds have fallen behind the rest of the country in transforming it. Politicians are content creating strong consensus for weak reforms, and weak consensus for strong reforms.

The title suggests a comparison of what India is today with what the country was in 1991. And, the chapters by Infosys founder Narayan Murthy and HDFC chairman Deepak Parekh on their companies' careers and Rama Bijapurkar's essay on the peculiarities of the Indian consumer serve up delightful doses of then-versus-now. But this book commiserating the 25 years of economic reforms is not focused on those juxtapositions. These masterful papers and essays by leading lights of economics and business tackle important

questions: What were the reforms; what were they intended for; how they have affected the economy. Of what the 1991 reforms intended to achieve, the book examines how much has been accomplished.

What emerges is a neat demanding agenda of problems both new, the unregulated negative effects of growth, and old, the backlog of the unfinished backlog pending from 1991.

Low-decibel and deeply analytical, it is a break from the cheer-leading and the self-congratulatory narrative of world-beating GDP growth. *India Transformed* is concerned with the quality too, not just the speed of growth. It speaks the unpleasant truths: Not all change of the last 25 years is good. Air and water are getting

dirtier and forest cover is retreating. Of the good change, there could have been more. By 2016, China's GDP per head was double that of India; these were at the same level in the two countries in 1970s.

New thinking

The authors in the book do not share the BJP government's pessimism on employment: Jobs will come out of faster, quality growth. Time is ripe for new thinking, writes the last deputy chairperson of the now-abolished Planning Commission, Montek Singh Ahluwalia, with a touch of caution, on dangers of complacency setting in. The conditions are conducive.

The disquisitions challenge widely-held notions about the 1991

reforms. They were more homegrown than commonly understood, went far beyond the International Monetary Fund's conditionality for bailout. The characterisation of the reform strategy as gradualism is rejected. To cover up for sloth in implementation, opportunism is presented as considered gradualism, offers Ahluwalia.

Not all change of the last 25 years is good. Air and water are getting dirtier and forest cover is retreating.

The editor, Rakesh Mohan, a Distinguished Fellow with Brookings India, traces controls of the Licence Raj to World War II and the promulgation of the Defence of India Act in 1939, much sooner than the decades influenced by socialism.

Mohan was an author of an early draft of the 1991 industrial reforms. He shares a little-known story of how Ajit Singh, the Industry Minister in the V.P. Singh government, an IITian with specialisation in Computer Science from the Illinois Institute of Technology, and a stint at IBM, was the one who had really set the ball rolling on industrial reforms.

A genuine reformer will find much in this book of use. Trouble is, those are rare.

The book is convincing in ascribing the blame to whimsical political will, but stops short of suggesting cures. The authors, despite their vast exposure to the system and deep insights of behaviours, do not come up with fixes for this fundamental problem they so eloquently identify.

Compared to 1991, resistance to reforms is by and large over today, says Jaitley

ENS ECONOMIC BUREAU
NEW DELHI, AUGUST 4

THE DISCOURSE of public and political opinion has undergone a “transformation” since the government opened up the economy in 1991, with the “emerging” India becoming impatient for reforms, finance minister Arun Jaitley said on Friday, adding that the arguments that were made 25 years back based on “fear of the unknown” don’t dominate the opinions now.

As far as the political and public opinion is concerned, there is a very interesting transformation in the last 25 years. I remember when Dr Manmohan Singh and Narsimha Rao initiated the process (of economic reforms in 1991), the constituency of those who opposed reforms was much larger. Therefore, for those to carry on that reform process was far more challenging,” Jaitley said.



Former Prime Minister Manmohan Singh (right) and Niti Aayog Vice-Chairman Arvind Panagariya in New Delhi on Friday. Prem Nath Pandey

He was speaking at launch of the book — *India Transformed: 25 Years of Economic Reforms*, edited by former Deputy Governor of Reserve Bank of India Rakesh Mohan. The launch was also attended by Singh, among other present and former Central officials such as Niti Aayog vice chairman Arvind Panagariya, chief economic adviser Arvind

Subramanian, former Planning Commission deputy chairman Montek Singh Ahluwalia. Singh did not make a statement at the event.

Giving an example, he said that when the government proposed opening up the telecom industry to the private sector, arguments such as a potential threat to national security was raised. “As we evolved all these years, I think public opinion has essentially changed, except in certain areas. Today, in terms of public opinion, predominant political opinion, the resistance to reforms is by and large over. In fact, the emerging India and the younger public opinion is becoming impatient and restless as to why are these things not happening,” the finance minister said.

Further, he also pointed out that to win elections, it was important for governments to blend in reforms with “clever politics”. “A government which

maintains status quo and really does nothing is more likely to lose an election than a government which carries on with reforms but blends it with clever politics, because it’s essential that for winning elections you need some clever and competent politics, but if you can blend the two together, politics can be successfully managed in that process...,” he said.

Jaitley also said that there is no finishing line for reforms and India still has to cover a long distance so as to remove poverty and bridge infrastructure deficit.

“There’s no finishing line as far as reforms are concerned and I think India still has to cover a huge distance,” Jaitley said.

India needs to pump in huge amount of funds in sectors like health, education, rural infrastructure and irrigation, he said.

He further said that given the more favourable global environment, India needs to improve upon its growth rate.

No finishing line for reforms in India: FM

FE BUREAU
New Delhi, August 4

FINANCE MINISTER Arun Jaitley said on Friday there is no finishing line for reforms and India still has miles to go to bridge a massive infrastructure deficit and eradicate poverty despite remarkable progress since the liberalisation of the economy in the 1990's.

Huge investments are required in sectors like health, education, rural infrastructure and irrigation, Jaitley lamented, barely one month after the introduction of the goods and services tax, touted to be the country's biggest indirect tax reform. The finance minister was speaking at the launch of a book, titled *India Transformed - 25 Years of Economic Reform*, edited by former Reserve Bank Of India governor Rakesh Mohan.

"There's no finishing line as

far as reforms are concerned and I think India still has to cover a huge distance," Jaitley said.

The finance minister said given the more favourable global environment, India needs to improve upon its GDP growth rate and this elevated rate of economic expansion has to be sustained over a reasonably long period of time. This is "because you still have large number of people living below the poverty line, you still have infrastructure deficit, you still need a lot of investment in health, education, in rural India and irrigation".

However, he also spoke about some of the achievements of the BJP-led NDA government, including steps to boost financial inclusion and foreign direct investment, and a big push to digital economy. Jaitley said the liberalisation of the economy in 1991 was a key defining moment for India.

RESOLVING STRESSED ASSETS

'RBI's job is not to create restructuring schemes'

Need to be more proactive, counter cyclical: RBI Dy Guv

ENS ECONOMIC BUREAU
MUMBAI, AUGUST 23

RESERVE BANK Deputy Governor Viral Acharya on Wednesday said the central bank should not be in the business of creating restructuring schemes for banks to resolve stressed assets of companies and when loans can't be rectified in three months, banks should take such cases for bankruptcy.

"We don't talk about any adequate reserve being kept aside to bear a loss until a loan actually defaults. Then we have the windows of time when it gets recognised as a non-performing asset and unfortunately the RBI has for a variety of reasons has engaged various forbearance schemes... that you can take 18 months or two years," Acharya said at a function to release the book 'India transformed: 25 years of economic reforms' edited by former RBI Deputy Governor Rakesh Mohan.

"In one way or other, we have actually, in my opinion, contributed to this problem having become so protracted. What I would like to see us is to be more proactive and counter cyclical in asking banks to provision. You have to provision in good times to save for the rainy day rather than start looking for provisions

'PROVISION IN GOOD TIMES'

■ "...we have in my opinion, contributed to this problem having become protracted. You have to provision in good times to save for the rainy day," Acharya said

■ According to Acharya, when covenants (between banks and borrowers) are failing, then banks should engage in renegotiations much before the defaults

when things have already gone burst," he said.

On the RBI's handling of the situation, Acharya said, "I want us to be Rahul Dravid rather than Virender Sehwag. I think around Dravid it's holding the fort... it's about keeping the ship in good shape. Sehwag is really about first ball six."

"I think as a central bank our focus should really be on what's the possible stress scenario we could end up in or whether we have additionally provisioned for that... as central bank we got the banks to provision for that. I think the number one thing I would like to change is that right now when banks makes loans, the entire provisioning that banks do is to save for the rainy day. Am I preparing for the losses that are going to take place?" Acharya said.

He said Sebi has announced its ruling that any default has to be recognised and announced publicly and informed to rating agencies in a very short period

of time. "I think we should give banks three months to rectify the accounts. If you can't rectify the account, it's a non-performing asset and you have to file the case for bankruptcy. RBI should not be in the business of creating restructuring schemes for banks to resolve these companies," Acharya said.

According to Acharya, when covenants (between banks and borrowers) are failing, then banks should engage in renegotiations much before the defaults actually take place. "Right now what's happening is that we are starting the process of resolving our enterprises and companies which are failing at a low point of enterprise values that our loan recoveries are only 15-25 paise on a rupee. In other parts of the world where bankruptcy system is working well and these things are done in a timely manner, the recovery value is 85-90 cents on a dollar," he said.

Midday
Mumbai, 24 August 2017

The thing about 1991

IF such a term could be used for an event this well-heeled, there was a virtual stampede last evening at Asia Society India Centre and Brookings India's launch of 'India Transformed: 25 Years of Economic Reforms,' by distinguished economist and civil servant **Rakesh Mohan**. Earlier this month, the book had been released by former PM Dr **Manmohan Singh**, followed by a keynote address by Fin Min **Arun Jaitley**, with a panel discussion between **Arvind Subramanian**, **Pratap Bhanu Mehta** and **Uday Kotak**, moderated by **TN Ninan**.

Mumbai had not done too badly either with Minister of State with Independent Charge for Power, Coal, New and Renewable Energy and Mines **Piyush Goyal** delivering the keynote address, followed by a panel discussion with **Chanda Kochhar**, **Anand Mahindra**, **Viral Acharya** and Mohan himself.

As is known, the former Deputy Governor of the Reserve Bank, had played a significant part in Indian economic reforms in the 1990s, and the book, marketed as a 'ultimate compendium on the 1991 reforms' with contributions from the likes of **Montek Singh Ahluwalia**, **Mukesh Ambani**, **Sanjaya Baru**, and **R Gopalakrishnan**, had been described as 'low-decibel and deeply analytical'.



Anand Mahindra, Piyush Goyal, Chanda Kochhar, Viral Acharya and others at the launch of Rakesh Mohan's book



The panel discussion. PICS/SNEHA KHARABE

No surprises then, that last evening, for a certain kind of Mumbaikar, all roads had led to a Colaba five-star, where according to insiders, 400 people had earlier

RSVPd their attendance confirmations. Spotted on the occasion were the likes of **Rajiv Lall**, **Nadir Godrej**, **Hemendra Kothari**, **Sunil Alagh**, **Mihir Doshi**,

Camellia Panjabi and a host of Mumbai's money men and women.

According to attendees, the highlight of the evening was when Mohan, a Senior Fellow at Yale, quoted Manmohan Singh citing Victor Hugo's famous, 'No one can stop an idea whose time has come,' to describe the events of 1991.

The next big ticket gathering of this nature of course will be at the launch of the book that everyone has been waiting for. Former Governor RBI, **Raghuram G Rajan's** 'I Do What I Do', on his stint at the RBI, and will be published exactly one year to the day he exited his high-profile position, on September 5!

Meanwhile, the best takeaway line from last evening's event? 'The RBI panelist arrived late, like the reforms.'

The Economic Times
Kolkata, 5 August 2017

More Reforms on the Cards, Hints Jaitley

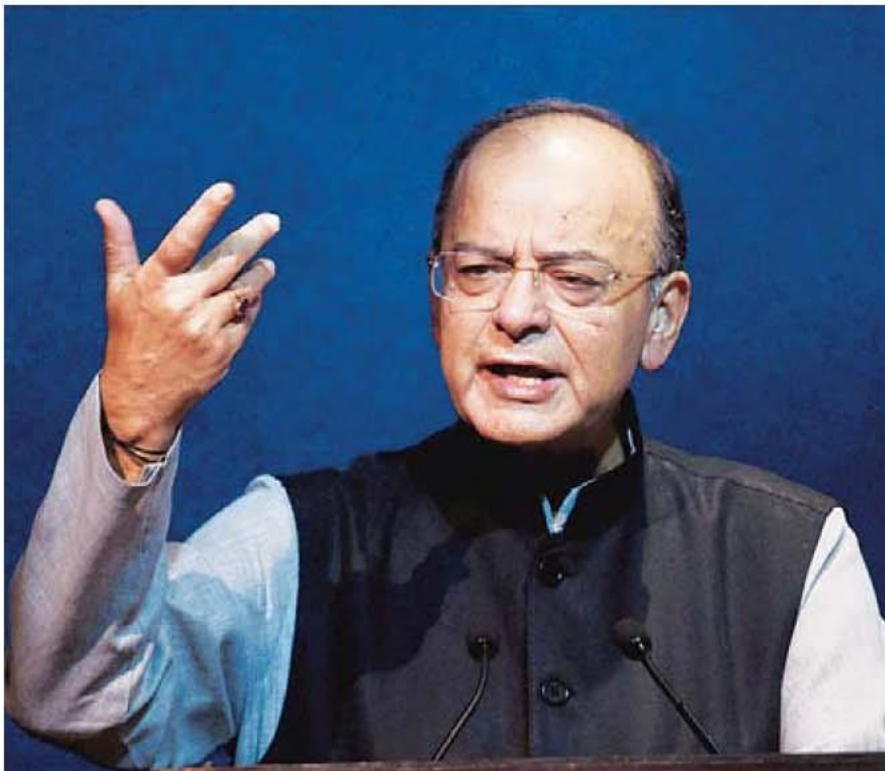
Our Bureau

New Delhi: Hinting that more reforms may be on the anvil, the finance minister Arun Jaitley has India still has a huge distance to cover on reforms.

"There's no finishing line as far as reforms are concerned and I think India still has to cover a huge distance," Jaitley said delivering key note address at release of 'India Transformed' edited by former deputy governor Rakesh Mohan.

Business Standard
New Delhi, 5 August 2017

Jaitley hints at more reforms



Finance Minister Arun Jaitley speaks at the launch of the book *India Transformed: 25 Years of Economic Reforms* edited by economist Rakesh Mohan in New Delhi on Friday PHOTO: PTI

INDIVJAL DHASMANA
New Delhi, 4 August

Union Finance Minister Arun Jaitley on Friday hinted at undertaking more reforms, saying the country needed to better its growth rates in the given favourable global environment.

A month after the launch of the goods and services tax (GST), Jaitley said there was no finishing line for reforms and India still had to cover a

sion, Kotak Mahindra Bank Executive Vice-Chairman and Managing Director Uday Kotak said the next big reforms should be privatising public sector banks, saddled with non-performing assets.

“Whether this happens in one year or two years, sooner or later, we really need to move forward on that. The banking system is seriously lagging the potential economic growth. We should be really ready to take that plunge.”