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The people behind the Great Men of 1991

The popular narrative of liberalization does grave injustice to the many advisers and bureaucrats who played a pivotal and a largely ignored role

(From left) Ashok Desai, Deepak Nayyar and Rakesh Mohan. Photos by Hindustan Times and Abhijit Bhatlekar/Mint

Ankit Mital

It is customary to question the "Great Man" historical narratives by invoking Tolstoy. So, pardon the cliché. Tolstoy notes in the second epilogue to *War and Peace* that general historians look "for the cause of events not in the power of one man, but in the interaction of many persons connected with the event". This is a useful way to look the history of India's 1991 reforms, especially as an antidote to the numerous—at times nauseating—Great Man accounts we have been flooded with.

When Manmohan Singh was selected as prime minister by Sonia Gandhi and the Congress party, reams where written about how he had emerged as the "middle-class hero" by liberalizing the Indian economy. With the Congress-led United Progressive Alliance's fall from grace, that narrative was pushed back.

Now, another crowd has discovered P.V. Narasimha Rao as the shrewd Chanakya, the man who set the political plumbing right to push through the reforms, but was denied his place in history by his own party.

By most accounts, including Singh's own admirable admission, the outcomes would have been a little different if I.G. Patel had accepted the offer to be finance minister (Patel had been Rao's original choice), or had Yashwant Sinha got the opportunity to present the budget he had prepared but was unable to do so since his government fell.

Rao's deft political manoeuvring allowed reform proposals to become government policies, but the lack of conviction was apparent in how the reforms were sold (or rather not sold) and how the process stalled once the crisis was behind us.

Apart from being simply wrong, the Great Man narrative also does grave injustice to the many advisers and bureaucrats who played a pivotal and a largely ignored role in liberalizing the Indian economy (barring Montek Singh Ahluwalia and perhaps C. Rangarajan).

Amar Nath Verma, for instance, who—first as secretary for industry and later as the principal secretary to prime minister Rao—had a central role in authoring and implementing the industrial reforms, does not even have a Wikipedia entry to his name. Here, I present the stories of some of those men.

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Verma, a 1956 batch IAS officer from Uttar Pradesh, had become the industry secretary during the dying days of the Rajiv Gandhi government. Along with Rakesh Mohan, chief economic adviser at the ministry of industry, he had prepared the first draft of what became the New Industry Policy.

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Industry minister Ajit Singh, backed by prime minister V.P. Singh, pushed that policy, only to be stymied in Parliament. In the short-lived Chandra Shekhar government that followed, Verma was made the member secretary of the Planning Commission. When the Rao government came to power, Verma was picked as the principal secretary to the prime minister, effectively becoming Rao's chief enforcer.

As I have **recounted previously**, his being there played a critical role in putting industrial reforms at the top of the government's agenda. The new industrial policy was such a huge and complicated reform, it is unlikely any other secretary would have touched it, or even dared to suggest it to the prime minister.

But his imprint went beyond just industrial reforms. From dealing with the nitty-gritty of policy to leading weekly committees and banging heads together for five straight years; from being the voice of the prime minister to strategically leaking policy briefs to the media; from managing advisers and ministers to serving as the government's conduit to corporate India, Verma's ruthless style of functioning and a genuine conviction in the reforms proved to be invaluable. Manmohan Singh would later remember him as the **"power centre in reforms"**.

Then there was cabinet secretary Naresh Chandra, the highest bureaucrat in the land from 1990 to 1992. In the dysfunctional days of the V.P. Singh and Chandra Shekhar governments, a lot of the decision-making had come to rest in the cabinet office by default. By the time the Chandra Shekhar government had resigned and was awaiting certain defeat in the May 1991 general election, economic fire-fighting was left to the cabinet office.

With ministers out campaigning, there weren't any cabinet meetings and secretaries would dither at taking decisions. But thankfully, Chandra Shekhar's focus remained on governance. So, Naresh Chandra and the principal secretary would run proposals by him and everything was being processed in the cabinet office. Despite his ideological apprehensions, Chandra Shekhar would agree with what was being proposed in almost all cases. Even the decision to physically export gold was taken in the cabinet office, along with the governor of the Reserve Bank of India.

When the reins of the government passed to Rao, Chandra prepared an eight-page memo of the proposed reforms for the incoming prime minister. A blueprint of what was needed to avert a default and open up the economy, it contained the basic elements of what was to eventually become government policy over the next few months.

While his civil service career ended in 1992, Rao retained Chandra as a special adviser for the next three years, when he played a crucial role in shaping India's nuclear policy. He was one of the very few people in the know of the nuclear programme, taking regular clandestine flights from New Delhi to the nuclear sites to inspect the weapon silos.

After a brief interlude as the governor of Gujarat, he went on to serve as India's ambassador to the US (1996-2001) during a period that saw the nuclear tests, economic sanctions on India and eventually Bill Clinton's landmark visit to India. His Padma Vibhushan in 2007 was more than well deserved.

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The government of India had many advisers during that period, but here I focus on three of them.

Rakesh Mohan—the chief economic adviser to the ministry of industry during 1988-96—because of his impact on industrial, trade and foreign investment policy.

Deepak Nayyar—the chief economic adviser to the government during 1989-91—for he eventually rebelled against the reforms.

Ashok V. Desai—chief consultant in the finance ministry in 1991-93—for his departure from the government represented the waning enthusiasm for reforms in the leadership.

Mohan joined the industry ministry as an economic adviser in 1988. With a Ph.D from Princeton, he had spent most of his career at the World Bank. Joining the ministry after serving as an expert on urban economics in the Planning Commission, he first came to survey the miserable state of India's industrial policy regime out of sheer boredom. This compilation was eventually published as an **academic paper** in 1990, in what was a highly readable and severe indictment of India's economic command-and-control regime.

I won't repeat the story (read **here**), but it is suffice to say that, alongside Verma, Mohan can rightfully claim to have authored the industrial reforms of 1991. Mohan remained in the ministry till 1996, pursuing further and deeper reforms. Later, he would serve as a deputy governor of the Reserve Bank of India, and most recently, represented India, Sri Lanka, Bangladesh and Bhutan at the International Monetary Fund (IMF) as executive director.

Nayyar had been writing on India's impending fiscal and balance of payment crisis since the middle of the 1980s. So, it was ironic that he found himself in the seat of the chief economic adviser when the **crisis stuck**.

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Signs of a crisis brewing would have been visible to anyone looking carefully. When Nayyar tried to warn the cabinet of the economic situation in the summer of 1990, he met a disinterested audience. That changed in the autumn, when the liquidity crunch started to bite and he faced an alarmed audience in a presentation to the cabinet in September 1990. The decision to approach international creditors was taken around that time—something he actually wanted to do much earlier.

Starting with his visit to Washington D.C. in December 1990, Nayyar was among those who led the negotiations with the IMF. However, by the summer of 1991, there were clear differences between him and the leadership. They varied from the pacing and nature of reforms to the overall crisis-fighting strategy.

For example, Nayyar saw the IMF route only as a **tactical withdrawal**, that would act as an imprimatur to restore confidence and would give India breathing space to restructure the economy. However, it came to be seen as a strategic advance, with the government pushing all sorts of reforms under the cover of the IMF.

Nayyar was disappointed by the nature of fiscal adjustment (the sword fell heavier on investment versus consumption than it should have), and along with finance secretary S.P. Shukla, he was seen to be cool to liberalizing the economy as compared to his colleagues.

Over the years, Nayyar has elaborated upon his disagreements in great detail in **books**, interviews and articles.

While there are many different versions of how his exit played out, it is suffice to say that in the face of mounting disagreements, Nayyar left the government in the summer of 1991.

Due to bureaucratic reasons, his replacement Desai could only join in December 1991, and that too with a different title—chief consultant instead of chief economic adviser. By the time he joined, the negotiations with the IMF were already done and the crisis was no longer that severe.

A typical day in those days would involve endless meetings, and actual work started only by 6pm and went on till 10-11pm. It wasn't very useful though. Desai would prepare and send Manmohan Singh lots and lots of ideas and would get only tepid responses.

After a while, Desai thought Singh also got fed up of him. So, he was told to focus only on writing policy reports and retreat from the role of the economic adviser—which would involve advising on the daily policymaking at the ministry. Eventually, in April 1992, Desai was shifted to a tiny little room on the first floor. His staff fell from six to two, and as he told me, "he no longer even had a peon". He was "put on the shelf".

Desai kept on writing and filing in reports, but never heard back (those policy proposals were eventually published as a **book**). When he confronted Singh—the two had been friends since their days in Cambridge together—he was only told to write more. Disappointed and hurt at the lack of progress on reforms, he decided to leave quietly one night to take up a fellowship in Berlin.

Desai's disenchantment with the government reflected the latter's abandonment of the reform agenda. Once the deal with the IMF was done and the default averted, the government had lost its will to do anything substantial. There was no strategy, or frankly even any intent to honestly sell the reforms to Parliament or the public.

If the Great Men get the credit for liberalizing the Indian economy, they must also share the blame for failing to pursue the reforms with conviction.

Even as Rao is lauded for the political management, the timidity and dishonesty in selling the reform package must also be questioned. The defensiveness, the forced and incoherent fawning of Nehruvian socialism and Indira's populism may have helped in soothing the angry voices in the Congress party for the time being, but did it help the reform process in the long run?

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