



Rethinking Strategies for Economic Resilience, Planning and Implementation

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Tel: +91.141.228 2821, Fax: +91.141.228 2485

Email: cuts@cuts.org

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Reflections

Prakash Hebalkar

Senior Strategy and Public Policy Consultant

We have created a massive jungle of overlapping laws and “rights without commensurate duties” that may arguably be appropriate for highly developed economies like that rickety EU, but stifle our growth which is 50 years behind them in sophistication, a widespread cover of the population, administrative and population integrity and self-discipline “state capacity”.

Arun Maira

Former Member of Planning Commission

Why should the regulatory reform exercise objective be to obtain the top five rankings in 'Ease of Doing Business'? Why not the top five rankings of 'Ease of Living of Citizens'? Is the role of government (and regulations) to serve the well-being of businesses or citizens?

Raj Liberhan

Former Director, India Habitat Centre, New Delhi

There is indeed agreement amongst the commentators here that the poor and those on the margins of society have been short-changed twice in the planning process and again in the implementation process. Revenue extraction is not the aim of any decent government, it has to be revenue collection.

Narendar Pani

Professor and Dean, School of Social Sciences
National Institute of Advanced Studies

Much as liberalisation was desperately needed in 1991, we cannot assume that opening up is all that matters. Just as it took great courage to challenge the dogma of state control, we need to be brave enough to evaluate the course of liberalisation and its severe consequences for the economy.

Competitive markets only reward those that can be efficient in them. Indeed, the success of the market is typically determined in terms of how well the beneficiaries do. This is reflected in the preoccupation with growth rates in the entire discourse.

Naushad Forbes

Co-Chairman, Forbes Marshall Pvt. Ltd.

Let's not try instead to control imports, control foreign investment, control what firms do. We must achieve greater access and equality by making the poor richer, and not the other way around.

Ajit Pai

Distinguished Expert, Economics & Finance, NITI Aayog

Having accurate and timely data is not sufficient – ensuring that minimum capacity in analysis and decision-making exists at every level of government and enterprises with decision-making sufficiently distributed.

Sumit Majumdar

Professor of Technology Strategy, the University of Texas at Dallas

For a country of its size, scale, ambitions, aspirations and scope, and its perpetual (but it seems never to be realised) potential, India is the most starkly inefficient country on earth.

R B Barman

Former Chairman, National Statistical Commission

Empowering the vast masses tapping their potential to gain the strength and thrust needed, working on both supply and demand sides, is the way for sustained high inclusive growth.

Ratnakar Gedam

Former Adviser – Transport, Planning Commission

The economy is set on the path of more wealth creators (though the majority could be corporate looters), incentives and subsidies are meant to help induce in wealth creators an urge of animal spirit (bull and bear of stock markets) leading to a wealth of nation and ignoring the need for re-distribution or removal of inequality, thereby ensuring government back accumulation of wealth by corporate leaders leading to further growth of income-inequality for certainty in next decades to come.

Arun Maira

Former Member of Planning Commission

21st-century planners must be systems reformers to guide changes in complex systems to improve the well-being of citizens, not just increase GDP. A national planning process must incorporate inter-disciplinary capabilities, and planners must adopt new systems models which are not limited to economic parameters.

Sudipto Mundle

Distinguished Fellow

National Council of Applied Economic Research

Even good Plans will fail to deliver development or welfare if they are implemented by colonial heritage administration more interested in serving themselves than the public.

Montek Singh Ahluwalia
Former Deputy Chairman
Planning Commission of India

The point is that we should not identify economists as a homogeneous class. They differ enormously in their views and the solution to their deficiencies is to have economists of different persuasions

Sanjaya Baru
Distinguished Fellow, Institute for Defence Studies & Analyses
Former Media Advisor to the Prime Minister of India

India needs a forum where CMs can negotiate issues with PM and GOI.

Ajay Shankar
Former Member Secretary
National Manufacturing Competitiveness Council

The important expectations from a Planning Body, the NITI Aayog now, would be robust policy discussion with transparency and widespread stakeholder consultation and nudges on the big issues.

Ratnakar Gedam
Former Adviser Transport
Planning Commission

Politics relies on economists' wisdom to manage the economy through the Constitution of India. It is a political document incorporating the rule of law of the governing nation, but it also encompasses the economic constitution.

Prodipto Ghosh
Distinguished Fellow, Earth Science and Climate Change
TERI

The logic for certain units to remain in the public sector are as salient as they always were: to take up social responsibilities that the private corporates will not address.

Surendra Singh
Former Cabinet Secretary
Government of India

Hesitation in decision-making is at the political level. Governments are susceptible to charges of being pro-business (and therefore anti-poor) which opposition parties constantly level at them.

Sebastian Morris

Professor, Indian Institute of Management Ahmedabad

Casteism" is rampant within the civil service. Only the IAS are "brahmmins". All others are.....

M Govinda Rao

Member, Fourteenth Finance Commission,
Former Director, National Institute of Public Finance and Policy

The capacity of the governments is limited and therefore, they should focus on areas where markets fail to deliver efficient results. Furthermore, the type of government intervention depends on the type of market failure.

Athar Shahab

CEO, Nabha Power Limited

There's no problem if a public sector organisation must run perpetually on subsidies as long as its social contribution is tracked and measured objectively (to the extent feasible).

Jamshed J. Irani

Former Managing Director, Tata Steel Ltd.

Unfortunately, in our democratic system, useless projects are kept going by useless staff to justify their useless roles in a useless administration. There is very little value given to efficiency and there is no accountability.

S K Pachauri

Former Secretary to Government of India

The question of the contribution of Generalist vs Specialist in Public Administration is a matter of deep concern. The erstwhile Planning Commission and its successor NITI Aayog are conceived in the popular imagination as Specialists.

Pritam Banerjee

Logistics Sector Specialist
Consultant - Asian Development Bank

It is the lower bureaucracy that is responsible primarily for implementation on the ground. By not investing in their prestige and self-worth, and in turn, a career path that can take them close to the apex if merit and ethics are demonstrated, we have compromised the quality of the bureaucracy that people and businesses interact with daily.

Pradeep S Mehta

Secretary General, CUTS International

Political economy and vested interests do not allow our system to think of better alternatives.

Sorabh Bansal
CA

The bureaucracy is failing miserably as it is not reforming itself; bureaucracy is failing as it is not performing itself. It is failing as it is not using its intelligence.

V K Sharma
FCA, LLB

When government-controlled organisations produce the best results for China even without bureaucrats, IAS-run institutions fail in India.

R C Bhargava
Chairman, Maruti Suzuki India Limited

The reasons for the system's failures, to my mind, are that the bureaucracy, while being highly intelligent and well trained in administration and crisis management, was never trained for economic development and how to bring about competitive manufacturing. That is mainly true even now.

Preface

Open and non-partisan discussions are important to address complex policy and developmental issues. CUTS International, in this respect, encourages viewpoints from all corners and stakeholders to contribute towards inclusive policymaking. For this purpose, it has set up various e-groups, including a Forum on Competition Policy (FunComp) meant to discuss various national economic policies and developmental issues. This forum focuses on sharing resources on important national policy developments and inviting comments and inputs on some select topics of extreme importance. Various eminent policy experts and practitioners enthusiastically participate in discussions on these groups.

One of the memorable debates conducted on FunComp was on a difference of opinion between two Indian economist stalwarts, Jagdish Bhagwati and Amartya Sen. In 2010, Bhagwati had delivered a lecture in the Indian parliament arguing that India had achieved Stage-1 i.e., growth and now need to work on Stage-2 i.e., social sector investment. Amartya Sen, in an interview with the Financial Times, said that over-reliance upon growth is misguided without and social sector investment happening in parallel. Martin Wolf, Chief Economics Commentator, Financial Times, London, remarked “Obviously, higher incomes are a necessary condition for better state-funded welfare, better jobs and so forth. This is simply not debatable. Indeed, only in India do serious intellectuals dream of debating these issues.” While Martin Wolf held forth his view, a fact that makes India special is its ability to evolve through debates. In fact, debates are central to a syncretic and diverse society like India.

Another seminal debate was held in 2014 on Re-inventing the Planning Commission. It was published as an e-book by CUTS International and is in many ways a precursor to the current volume.

Turning back to the present volume, it is important to state that it is entirely a result of deliberations on a digital platform curated by CUTS. To reach out to a select group of intellectuals, another e-group was created by the name ‘Plan 21’. When physical interactions were not possible due to the pandemic, this channel facilitated an exchange of views on important issues concerning India’s economic well-being.

We are indebted to various experts who participated in this debate and who represent great diversity across age, profession, and gender. Their vigor and passion for the good of the country are truly inspirational. A dedicated engagement was witnessed throughout the deliberations, which not only lasted for months but also catalysed rich discussions and brought forth valuable insights and observations.

We are grateful to Prashant Tak for his substantial contribution in finalising this volume and the programme management team consisting of Akshay Sharma, Mukesh Tyagi, Rajkumar, and Madhuri Vasanani, provided crucial support in moderating the discussions and editing this volume.

Last but not least, we hope this book serves its readers a world view on three important and interlinked aspects, namely economy, planning and implementation.

Pradeep Mehta

Secretary-General, CUTS International

Abhishek Kumar

Partner Indicc Associates and Honorary Advisor, CUTS International

Introduction

The COVID-19 pandemic struck India much while it struck the rest of the world. The whole world went into lockdown. Economies came to a standstill. It meant different things to different people, but mostly it was a painful experience for the majority, with a disproportionate impact on the marginalised groups. Incidentally, the rich got richer while the fortunes for the majority spiraled downwards. India was no exception. The top 30 stocks in India went up by 72 percent from March 2020 to December 2020 and the wealth of the top one percent of Indians increased to 39 percent of India's total wealth.

Such a skewed distribution is not due to the pandemic alone, even though it may have accelerated it to some extent. Pandemic has just exposed us to the myriad vulnerabilities, but the factors leading to increasing inequality prevailed even before its onset.

This is worrisome simply because an unequal society is also a fragile society. In this backdrop, CUTS International curated three parallel yet cognate debates on Economic Resilience in the 21st Century, Planning in the 21st Century and the Role of Bureaucracy in the 21st Century. These debates, curated on CUTS e-platforms, are cognate because they form a crucial triad for a resilient nation – one that looks at the framework of the economy that one must aspire for, the principles of planning needed for it and how that can be delivered efficiently.

It must be noted that these debates accommodate views of all possible stakeholders from all ideological hues, including some of the most respected thinkers, planners and practitioners in India. This is perhaps what gives this debate a unique character and very high credibility. For a list of contributors, please see Annexure I.

Key questions were posed to catalyse the three debates. These questions emanated out of catalytic backgrounders for each debate. The first debate on economic resilience is a response to a provocative backgrounder by the book's editors. They lucidly characterised the present state of the Indian economy and suggested the need to think in a different paradigm. Accordingly, they stressed upon addressing the following fundamental questions:

- What is the current paradigm of economic thinking?
- How can a new paradigm be imagined?
- What will be the benefits of the new paradigm?
- What entry points can be imagined to actualise the new paradigm and how?

The second debate on planning is catalysed upon a thought-provoking piece by the former member of the Planning Commission, Arun Maira. He stressed that a national planning process must incorporate inter-disciplinary capabilities, and planners must adopt a system's lense of thinking. In brief, he posed the following questions in the context of planning:

- What competencies must a central planning body become an essay in persuasion without powers to allocate funds in a democratic and federal setting?
- What are the new approaches of systems thinking and systems reforms it must learn?
- Are there any constitutional changes essential to strengthen the role of a national planning body as an essay in persuasion and systems reformer?

The debate on the “Role of Bureaucracy in the 21st Century” originated from the remark made in Dr. Arvind Panagariya's latest book ‘India Unlimited: Reclaiming the Lost Glory’ cited in an article “Bureaucracy slows down reforms approved by PM” by Surojit Gupta.

Expressing deep disappointment, Dr. Panagariya opines that India's bureaucracy often suffers from a socialist overhang that slows down the progress and even blocks reforms that the top leadership has sought to implement. He cites the government's attempts to privatise a large number of public sector enterprises which have remained stalled despite Prime Minister Narendra Modi's push to get cabinet approval for the list of companies drawn up by the NITI Aayog.

Before moving ahead, another word on specific backgrounders will be in order. The one on economic resilience presents a distressing reality of our economic system. It is not a partisan take on the economic system that prevails. The near breakdown of the current economic system is the outcome of bi-partisan politics and economic policies practiced over decades.

In a way, it is also a commentary on a discredited economic system that prevails globally and not just in India. All participants to the debate showed unanimous agreement with the state of affairs enunciated in the backgrounder.

The backgrounder on Planning is again a powerful reminder that India needs to change the paradigm of thinking if planning is to deliver for India. Yet again, all participants agreed with the problematque articulated in the backgrounder.

However, the book review backgrounder takes on the economic ideology of socialism and squarely imputes the blame of bureaucratic inefficiency on that system. This lends it a partisan tone, implicit in an argument that *the right-leaning economic system produces better economic results than the left-leaning one*.

However, when the three backgrounders are conflated together, it is abundantly clear that the debate cannot be about one system versus the other. Instead, it has to examine the paradigm in which both systems fail and reimagine a paradigm that can truly deliver for the people.

The reader may notice that all three debates gravitate into semantics very easily. They also occasionally display a contest of arguments between participants. As just said, the one on bureaucracy is particularly unforgiving towards the Indian Administrative Service (IAS) but what needs to be understood is that the purpose of these debates was not to organise a contest of ideas or provide a channel of some cathartic release by identifying a common enemy. Rather, it was to understand the commonalities in our differing perceptions needed to create a common vision for all.

These three debates have helped collate the challenges before the Indian economy and offer insights into the normative yardsticks for bureaucracy, planning and developing economic resilience in the 21st century.

In other words, the purpose was to enable us to think in a different paradigm. Towards this endeavour, this trilogy of debates somewhat achieved that goal, as it managed to offer insights into the normative yardsticks for bureaucracy, planning and developing economic resilience in the 21st century. But it is easy to miss this broader message without a brief synthesis of all three debates.

Keeping this in mind, the book's editors considered it appropriate to divide it into two parts. The first part entails a sequential arrangement of synthesis of three debates, each with their respective backgrounders. The second part contains all three debates (as they happened) in chronological order.

Part I: Synthesis

Debate 1: Moving towards Economic Resilience in the 21st Century

1. Background

There is a silent crisis brewing up around us. **Inequality** has been on the rise, **capitalism** or markets have been discredited, **GDP** does not create jobs, a handful of states in India make for the majority of GDP, **capacities** and capabilities are stranded, **bankruptcy** is on the rise, market **competition** is shrinking, wealth **redistribution** has failed, rent-seeking has increased and the list goes on.

These interlinked issues have become chronic and are **destroying opportunities** for the demographically youngest nation in the world. Interestingly, the many metrics used to measure the economy's progress and people do **not capture** the seriousness of the problem. In effect, citizens and consumers are reduced to **passive recipients** rather than active participants in the life of an economy and society. One wonders how the call **for self-reliance** will enable this.

In the real world, everything is interconnected. When the **economy** shrinks, it pulls down polity too and vice versa. Economic democracy suffers. Incessant lamenting about **state capacity** becomes all-pervasive and the government starts **plumbing** through a plethora of regulations and policies, often without necessary competency and diagnostics.

Institutions and organisations are part of this larger environment and hence mirror the same behavior that causes the problem. The environment of **distrust** - between and amongst - government, business and people get reinforced, leading to pockets of **vested interests** that rally around centers of power.

In effect, this does something more damaging than can be easily perceived. It affects the **learning curve in** the economy and introduces large-scale incompetence. In other words, it leads to an economy-wide 'Peter Principle'. This is precisely the context that prevails today and therefore, we need to think about some fundamental questions.

One of the most critical questions is how to create that equilibrium where the economy and all its ingredients are perpetually learning and seeking holistically better. In other words, how can lasting economic resilience be ushered in for a far more certain world than we have seen before?

This discussion is critical and is umbilically linked to the discussion on Planning in 21st Century India. Therefore, there is a need to ask the following fundamental questions:

- What is the current paradigm of economic thinking?
- How can a new paradigm be imagined?
- What will be the benefits of the new paradigm?
- What entry points (Good jobs, Green Growth etc.) can be imagined to actualise the new paradigm and how?

2. Synthesis of Debate 1

At the outset, it must be said that there was a general agreement with the problematique expressed above. In other words, everyone agreed that India is an unequal state both in economic and social realms. Their contributions implicitly also suggest that the Indian economic system has evolved into a very complex system and fixing it would require a bi-partisan and all-inclusive approach.

In response to the questions posed above, the debate highlighted many points. These are discussed in the following categories:

- Issues with Current Economic Model
- What Must We Learn?
- Understanding Resilience
- Way Forward
- A word of Caution on Exports

A. Issues with Current Economic Model

The debate brought to the surface many opinions regarding the current economic system. For the sake of clarity, they are sub-divided under following headings:

- **Collapse of Value System**

In the early phase of the debate, participants discussed the prevailing value system in India. They argued that the societal value system today is devoid of empathy. This can be understood by comparing the two classes of ‘entrepreneurs,’ i.e., trade and industrial entrepreneurs.

It was brought forth that the trade model of industrialisation tends to include humans as only a factor of production. In contrast, industrial development aims to improve the capability of domestic enterprises, managers and workers so that they can compete and grow. Sadly though, trade entrepreneurs rather than industrial entrepreneurs dominate the current economic landscape and hence the value system based on larger societal well-being does not exist.

- **Fruits of Growth Mainly go to the Owners of Capital**

A natural result of the dominance of trade entrepreneurs is that the fruits of growth mainly go to the owners of capital which inevitably increases the distance between haves and have-nots. Therefore, fostering inclusive growth cannot merely result from seeding a narrative, but it will have to be backed by an entrenched strategy that accompanies such a narrative. Therefore, there is a need to think of a different framework for economic policy formulation and execution.

- **Plethora of Laws Weakens State Capacity**

Aiding the prevailing scenario is the system of policymaking which is haphazard and unstructured. To address deep structural problems, the tendency is to enact a new legislation, regulation, or rule. This is symptomatic of ad-hocism and lowers state capacity. This in turn deepens and widens the gap between state, businesses and people.

- **Egos are bigger than institutions and set a normative culture in economic decision making**

A more distant state is also a more incompetent state. When this conflates with an innately feudal mindset, the outcome is inflated ego. Participants raised this point mainly in the context of planners and implementers with civil servants as obvious targets. It was, however, also discussed that ego is also present in varying degrees across various sections of society and relates to how people choose to exercise power in their settings.

- **Indian Democracy is Not Mature Enough**

In the context of rights and duties, it was felt that India's democracy is not mature enough to work with a similar liberal outlook as do more advanced economies in the West. Liberalism, as was argued, is suited for more sophisticated settings as EU and the US. While this point was not directly contested, the larger sense throughout the debate pointed towards unanimous preference for a more liberal societal framework.

- **Mismatch between Short Term and Long Term Goals**

With regards to balancing short-term needs with long-term goals, the debate brought forth the complexity involved in negotiating short term and long term strategies because the short-term approach is often incremental and reinforces the resistance to transformative change. In that sense, progress is confused with mechanical actions rather than structural reforms.

- **Specialists Need to Broaden their Outlook**

Related to the preceding point, it was felt that mainstream economists tend to believe that macroeconomic management can ensure both growth and stability. The paradigm for such a belief is based on unrealistic assumptions about the reality and a failure to develop a common understanding of the complex polity. Therefore, they often err in their ability to read the economy accurately. Such failures encourage them to become more insular.

However, economists everywhere are beginning to admit that they must reinvent themselves. Similarly, in India, there is a need for our economists to move from narrow debates to fuller understanding of the Indian state. In other words, trade economists, labour economists, industrial economists and all other economists must step outside their specializations, and see reality from many perspectives together.

B. What Must We Learn?

As is natural for a complex and diverse debate like this, the participants sometimes delved too deep into semantics. However, at a later stage of the debate, a quote from Hegel that *the only lesson we learn from history is that we don't learn from history* served as a reminder to do course correction and urged the participants to think about the bigger picture.

This spurred discussion on conscious course corrections that were done in policy matters in the past. For instance, the inadequacy of growth as the sole objective was well recognized in the Eleventh Plan and therefore focus on inclusive growth was added. What followed thereafter was good growth but not inclusive enough because enough attention was not paid to sustainability which in turn necessitated the Twelfth Plan to set its objective as “Faster, More Inclusive and Sustainable Growth”.

However, it is quite clear that none of these objectives have been fulfilled. The debate highlighted many reasons for this. First, fulfilling these objectives has to be a long-term n ongoing project that goes beyond the term of a particular government. Second, it requires a recalibrated approach to bottom up planning (discussed in part 2), third, it cannot only be a state articulated agenda and fourth, but most importantly, it requires thinking in a new paradigm.

It was argued that such a paradigm must include humans in economic models not as numbers and costs but as the source of systems' improvements. The participants emphasised that all other strategies must be premised upon this approach for a more resilient economic system.

C. Understanding Economic Resilience

What is clear from the above is that there is a need to intervene in ways that improve the quality of life of all Indians, especially those closest to economic deprivation and social exclusion.

In this regard, some participants urged others to think of a new paradigm of economic thinking that is necessary. As to what exactly such a paradigm must entail, the debate set this out quite clearly early on. The participants argued that the current paradigm is dominated by concepts like ‘Ease of Doing Business’ and ‘industry competitiveness’. Rarely does the frame ever shift to concepts like ‘Ease of Living’.

It was argued that ‘Ease of Living’ should be seen as a conceptual and aspirational framework of state policy for a resilient economy. All endeavours of state policy, therefore, must aim to galvanise support for this objective while ensuring that it is not reduced to a technical exercise of merely ranking states and cities on a particular index.

The debate also highlighted that a necessary condition to achieve a different economic paradigm would be more deliberative and participatory governance. In that sense, shifting the economic paradigm is a subject that pertains to the form and health of democracy.

D. Way Forward

With ‘Ease of Living’ as a frame for a paradigm shift, three other ideas discussed in the debate are worth mentioning.

- **Understand the Value of Informal Sector**

The debate highlighted that India's real economic resilience is in the unorganized sector that ensures more than 90 percent of employment and constitutes the vital service sector as well. Without them, no urban economy can prosper, yet the entire sector is treated rather roughly through plethora of laws and regulations. On the other hand powerful lobbies like the politico-builder-regulator nexus misuses city spaces and resources, thus disenfranchising citizens and consumers even more.

In other words, the entire municipal administration has to be simplified and made transparent - something that is possible if planning is vested in its truest essence at the district level. If this can be done, then people will take care of the prosperity as they have been doing till now, despite the government.

- **Competition and Regulation need to work for people**

Competition management is an art of preventing the large from dominating and misusing the available resources for the benefit of a few. Similarly, regulations are crucial as they determine the balance between the desired and undesired outcomes in a marketplace. Therefore, similar to principles of competition management, the

principles of regulation are required to help those who have little power compared to those who have more.

The debate categorically highlighted these two points to drive home the point that there is a need to revisit the entire competition and regulatory framework of managing markets and reorient them for the welfare of people.

- **Manufacturing Vs Agriculture**

Arguments on manufacturing and agriculture were particularly interesting as they help in calibrating a new way of thinking about these sectors. It was acknowledged that Indian manufacturing has remained uncompetitive in the past due to many factors. However, now India can no longer afford to waste time to fix competitive issues in the Indian manufacturing. Given the geo-economic shifts, the primary market for India should be India and convergent strategies must be made to expand the consumption base of Indian manufacturing while employing a lot more people at decent wages.

Therefore, the key challenge would be to cater to Indian manufacturing to the majority of the Indian market with low incomes. This requires strategies on multiple fronts to address two key goals – reduce costs of all input items, i.e., from raw material to logistics but not labor (as it is already cheap) and calibrate the extent of automation needed across various sectors and their value chain. This is because the end goal must be to put people back into work life rather than displacing them.

In that sense, one sector which requires particular focus is agriculture and allied activities where most of India's population still is. In this context, the debate offered an important question for future consideration - *Will bringing modern marketing into agriculture provide farmers with better options or subject them to exploitative corporate greed?*

E. A word of caution on Exports

On this count, the debate brought forth two opposite viewpoints. The first focused on the importance of outward orientation of the Indian economy backed by a technology-focused approach. What supported this view point was an argument that in 1991 trade as a percent of GDP was 14 percent which grew to 55 percent by 2012. After that it has dropped to 40 percent, mainly attributable to the declining share of exports in GDP.

This argument countered by an opposite view which suggested that petroleum and related products comprised almost a fifth of exports and over a third of imports in 2012 with elevated crude oil prices. Therefore, the majority of the slide from 55 percent of GDP to 40 percent was on account of oil prices getting slashed by two-thirds from peak 2012 levels to trough 2020.

The key point here is that correlation is not necessarily causality. In other words, reducing trade may not have been the prime cause for deceleration in the economy, as is often

assumed by many. Further, in the new geo-political landscape, the physical paths for India's exports and imports will likely be dominated by new global forces that are typically antagonistic towards India. Given the above, a guiding principle for India's approach should be - *'import what is needed and export what is possible while serving the Indian market'*

Debate 2: Planning in the 21st Century India: Relevance, Design and Form

1. Background

Every complex organisation which has a stake in the present and the future must have a vision and a plan to implement it. Therefore, a nation that is perhaps the most complex organisation human beings have ever invented must abide by this virtue at all times. Both 'vision' and 'plan' are interrelated aspects. Better planning provides greater clarity to the vision and can also help refine it.

India's vision as a society is enshrined in the preamble of her constitution and encapsulated in four words - justice, liberty, equality and fraternity - to be guaranteed through democracy. However, while India embraced political democracy at the time of independence, it remained hesitant in ushering in economic democracy. Even to date, it has remained a work in progress. This has created myriad challenges in fulfilling the vision for the nation as a whole.

In this context, the question of planning assumes special significance for a country like India. Just how India planned under different circumstances has been a matter of great debate and scholarship since Planning Commission (PC) was created in the early 1950s. This debate reached its crescendo in mid-2014, resulting in the replacement of PC by National Institution for Transforming India (NITI) Aayog in early 2015.

Amongst the reasons that were put forth to justify this transition were many shortcomings of the PC. These included lack of accountability, lack of specialisation, the negation of federalism, duplication of work, lethargy in action and highhandedness, to name a few.

Given this, numerous debates took place in 2014 at different fora on the future of planning in India and many views were circulated in the national and regional press. Some of the key questions discussed included reasons that preclude effective planning, questions on the methodology of planning, implementation challenges and reforms that must be introduced to ensure that plans deliver.

CUTS International compiled a comprehensive collation of views on all these and more questions through two roundtables and an e-debate. The outcome report was submitted to

the Government of India with clear recommendations. This was later subsumed into an e-book titled Reinventing Planning Commission: The Great Debate (<https://bit.ly/39K7bVC>).

However, since then, the spate of commentaries on planning in India does not seem to have reduced. On the contrary, a great deal of confusion has persisted on the role of NITI Aayog. The latest book titled Planning in the 20th century and beyond by Santosh Mehrotra and Sylvie Guichard has also renewed this discussion afresh while throwing interesting perspectives on the past, present and future of planning in India.

Keeping this in view, in March 2020, CUTS International curated yet another e-discussion on the topic Planning in the 21st Century India: Relevance, Design and Form. Thirty distinguished participants contributed to the discussion in detail, including those who participated earlier in 2014. With this, nearly 100 scholars and practitioners have contributed to the discussion on planning, making it one of the richest discussions on the topic in the country.

Interestingly, while the issues discussed over the past six years have largely remained the same, perspectives and views have evolved. The present document captures the summary of the latest discussion. This was catalysed in response to the context and questions articulated by Arun Maira, Former Member, Planning Commission of India.

In his initial remarks, he puts forth the following:

For more inclusive and environmentally sustainable growth and faster improvement in public services and human development indicators, India undoubtedly needs to improve all round performance of its economy and faster. Results must be improved on the ground, in states, districts, and cities. Better planning would help since the task is huge and resources are limited.

The question is what role a central planning body can play in a federal setup where there is a constitutional and practical necessity to devolve more power downwards and outwards.

A central planning body, especially if it is not constitutionally empowered to do so, cannot derive its power from allocating funds. It must become an 'essay in persuasion, not an allocator of funds', in the words of Dr. Manmohan Singh, who had called for a reform of India's Planning Commission to make it fit for 21st-century conditions.

The fundamental reforms necessary in the economy must be implemented coherently over many years, beyond the 5-year terms of democratically elected governments. Long-term planning and implementation are necessary. How can this be ensured if the planning body is appointed by elected governments and does not have a mandate beyond them?

Therefore, how do planners prepare and present a coherent and compelling set of ideas of a national plan, which have broad support from citizens, so that it is an essay in the

persuasion of various governments at the centre and in the states? And an essay in the persuasion of non-governmental actors too to align their actions with national priorities.

The models that planners use, explicitly or implicitly, to prepare national plans must be broadened. The limitations of economists' models in predicting even the course of economies have been exposed. Moreover, economists' models leave out too many 'externalities' to accurately represent the realities of complex socio-environmental-economic systems. 21st-century planners must be systems reformers, so that they can guide changes in complex systems to improve the well-being of citizens, not just increase GDP. A national planning process must incorporate inter-disciplinary capabilities, and planners must adopt new systems models which are not limited to economic parameters.

Therefore, reforms of national planning must address three questions:

- What competencies must a central planning body become an essay in persuasion without powers to allocate funds in a democratic and federal setting?
- What are the new approaches of systems thinking and systems reforms it must learn?
- Are there any constitutional changes essential to strengthen the role of a national planning body as an essay in persuasion and systems reformer?

2. Synthesis of Debate 2

A. Opening Interventions

The discussion kicked off with some solutions straight away to the three questions posed above. Some felt that financial or allocation powers are necessary for the planning exercise to be an essay in persuasion. In the initial phase, the discussion on competency focused mainly on the domain expertise that erstwhile PC did not have at the lower levels. It was expressed that domain expertise and institutional memory are important elements of effective planning and that it is also linked to systems thinking. Therefore, fund allocation powers and constitutional status were proposed to empower the planning body to wield the necessary influence. It was further stated that states should also have planning bodies and that necessary powers be devolved to the local governments for a holistic effect.

B. Rejoinder to opening interventions

- **Power should not be vested at the cost of competence**

First, an explanation was offered that allocation powers don't lead to essay in persuasion. For example, the states listened to PC not because they valued PC's advice but because they wanted funds. A similar outcome may also happen if a planning body gets a constitutional status. Both these things will lead to concentration of power which may be counter-productive. Therefore, it was felt that the question of competence to perform the role expected of a planning body is the real question to focus on. The fund allocation power, even though an attractive option, can discourage and stifle true innovation.

- **Culture of mediocrity is all pervasive. Planning is but one part of that environment**

The response to this rejoinder led to several opinions on the question of competency. One of the first things that were brought up was the ubiquitous lack of competence – not just in planning but also in other arenas of decision making like government ministries, departments, private sector and even judiciary.

- **Simplification exercise again needs competence and trust**

One way to move forward is to simplify the economic structures by doing away with unnecessary rules, regulations and laws, ideally through a legislative route and then focus on capacity enhancement, which currently is not a priority anywhere.

- **The role of administrative and regulatory machinery needs to be seen from two perspectives – the roles that can be discharged through regular SOPs and roles that require greater deliberation. The latter needs more focus and strategy.**

The question of competence was also discussed in two other ways. Competence needed for implementation and competence that can be derived from certain processes such as Monitoring and Evaluation. With respect to implementation, what is needed is an agile and responsive administrative and regulatory machinery. For this purpose, the planning body must do a cost-benefit analysis of policies to aid the implementation process.

On the other hand, competence in evaluation will lead to a better assessment of the planned approach. In this context, it was expressed that an institution that does only conceptual planning without a robust monitoring and reporting mechanism will gradually deteriorate into a bureaucracy that is content with incremental budgeting and processes rather than outcome controls.

The evidence of the failure of Outcome Budgeting (OB) further supported this argument. It was pointed out that it failed because the PC did not have a mechanism to measure the development outcomes of all its processes. This is particularly important to note because in 2005, when the Finance Minister launched the OB, it was clearly stated--together with the Planning Commission — Ministry of Finance will put a mechanism to measure the development outcomes of all major programmes. Alas, it never happened.

That said, it was acknowledged that the same governance machinery responds pretty well in times of crisis. Therefore, like armed forces, civil services should also be trained regularly in accordance with a well-identified purpose.

- **People leading the charge of a planning body and respective verticals should be sound generalists who can appreciate that when paradigms change, the dominant ideas of the time are also challenged.**

Another dimension discussed in the context of competency is the need to appreciate that domain expertise can also have a perverse effect. For instance, deeper knowledge can lead to greater silos. Therefore, the greater the need to have domain knowledge, the greater is the need for an institution with systems thinking abilities. In other words, for public policy to be effective, it must be developed with the condition of the whole system in mind. Additionally, competencies must also evolve according to contexts and time. Therefore, a 'Context and Gap Analysis' must be a regular feature of the planning body.

- **Need to think in another paradigm that can enable growth of the whole by growing wealth and resources at the bottom simultaneously.**

Competencies have to be built after a careful situational analysis. The conversations today are happening in two paradigms. First says, 'grow the pie first and then distribute across centre, states and the third tier'. The other paradigm says, 'distribute the roles in development and growth between centre, states, and the third tier'. This implies that there is less need for the accumulation to precede the redistribution because resources will be generated at all levels simultaneously. In this approach, agency and capability is built at the bottom and the role of the centre/top is to build these capabilities. Incidentally, all periods whether pre 1991, post 1991 or with NITI are in the same paradigm i.e. the one where resources are accumulated upwards and then redistributed downwards.

- **Planners must address the complex balance between the provision of public goods and interests of market actors. This should implicitly mean bottom-up or 'citizen-consumer' driven policymaking - something that's possible only through thinking in a new paradigm and with a systems approach.**

The competence required for the Central Planning body also depends on the nature of the task it has to carry on. This is particularly important in the context of state's role in a market economy, which enhances the need for considerable planning in providing public goods.

This should be done keeping in mind both citizens and consumers. Citizens' needs are much broader than consumer needs. It's a truism that none is complete without the other. This necessitates that complex socio-economic-environmental systems need to be understood and balanced. Therefore, not only we should focus on the maxim that says that the interest of the producer ought to be attended to, only so far as it may be necessary for promoting that of the consumer, but also it is important to see citizens and consumers as two sides of the same coin. The economy, thus, is best structured from the bottom up (citizen and consumer-driven) and not just from the top down (producer-driven). Therefore, it is also important for the planning body to create a framework for regulation to ensure fair competition in the overall societal context, not just markets.

- **Capacities on the ground need to be identified and nurtured by planners on the top. Only then the process of planning will be effective**

True decentralisation should sit on a rich database. A permanent Fiscal Council can be created to look at conditional data-based fund devolution. The success of the GST Council and unified national COVID response shows this is possible. Therefore, it may be time to give way to 'Committee for District Planning', a mandatory provision under article 243 ZD of the Constitution and 'Committee for Metropolitan Planning', a mandatory provision under article 243 ZE of the Constitution. Almost all states have incorporated these central provisions in their respective Conformity Acts but seem reluctant to be operational. Further, COVID-19 has shed light on where centralisation works and where local solutions are essential.

Therefore, capacities must be built and used on the ground for all round planning and execution. These capacities must collate multidisciplinary and diverse views so that people collectively are persuaded to take necessary actions because they see the benefits of the actions for themselves.

- **Avoid profligacy and multiplicity of institutions to achieve better coordination and collaboration and find the right leaders to lead.**

Another competency of the planning body should collaborate and coordinate with specialised institutions, state governments, PMO, ministries and departments. It was also expressed that the personalities of the experts in charge can be more relevant than whether the planning body/NITI Aayog should be a Constitutional body or not.

- **There is a need to identify priorities to maximise impact**

Competency also depends upon the projects to be executed within a given time limit and financial resources at the disposal. Today, we have limited resources. When they are allocated too thinly, there is a risk of actually falling further behind than if the same resources were allocated in a more focused manner.

- **The only competitive advantage a country, or organisation, can have in a world with uncertainty is the ability to learn and change faster than any potential competition.**

Capability must be seen in an integrated way i.e., the capability of an institution, its management and individuals. All these can be developed. Indeed, they can change the capability of the system to use resources more effectively and produce outcomes with minimal resources.

Therefore, 'planning' for 'development' must include a plan to develop capabilities. In other words, the 'capabilities' required for a dynamic development process must be endogenous within the model and since the development of capabilities will create new equations with resources within the model, input-output models that include capabilities are non-linear. Therefore, the system should be modeled as a self-adaptive learning system'. Indeed, planners of such systems sit within the system too. As they

learn more about how the system learns and improve their own learning capabilities, they can facilitate the system to be a faster learner.

C. Other solutions that were discussed during the course of the debate

- A federal constitutional body already exists as the Inter-State Council. Unfortunately it is buried in the Home Ministry with no powers to enforce anything. This could be revived with a ring-fenced budget as charged item, headed by the PM and with all CMs as members, and given an effective secretariat of performing civil servants (not a parking lot or a dumping ground for non-performing ones). Additionally, it should have economists, lawyers, financial specialists, technology, and security experts.
- A triad of planning body (specialisation in synthesis) + ISC (coordination and collaboration role) and Finance Commission (allocation role) can be considered with effective overall leadership and leadership of each vertical.

D. Moving Forward

A theme that emerged from the deliberations was that planning is a process of ‘learning to do’. In a dynamic world, where there is little time for leaders and policy-makers to ‘go back to school’ to relearn, they must learn while doing and act while continuously learning. Policy-makers have no choice but to act with the knowledge and capabilities. .

In other words, good planners and policy-makers must be good ‘double loop learners’, a concept introduced by Chris Argyris. ‘Single-loop learning’ only involves improving knowledge and practice without changing the underlying theory.

On the other hand, double-loop learning questions the validity of the underlying theory and requires the adoption of a new theory to produce the desired results. Double-loop learning is like ‘redesigning an airplane in which one is flying’. The underlying theories that guide planners and policy-makers are like an airplane they are flying, seeking solutions. When it becomes evident that the ‘airplane’ is not designed to fly through the rough weather ahead, one has to redesign it while flying. One must continue to be in action while also changing the structures of thought guiding the action. In Argyris’ terms, double-loop learning must be switched on along with single-loop learning.

The way this is done in practice, experts in the field of ‘organisational learning’ say, is by applying the ‘double loop learning’ method while tackling a challenge that needs to be addressed. In other words, apply the method in action.

The major challenge India has is the failure, so far, of its economy to generate enough ‘good jobs’ for its huge population of young people—the largest in the world. They were expected to be the source of India’s ‘demographic dividend’—provided of course, they were employed in jobs which provided them with sufficient incomes or in their enterprises from which they could earn sustainable incomes. This has not been happening. For over a

decade, labour economists have been warning that the employment elasticity of India's GDP growth was amongst the lowest of all large economies; when it should have been the highest to provide for India's growing population of young people. While some tried to discredit the numbers, the pouring out of millions of poorly employed migrants from the bottom of India's economy has shown the reality. Whatever jobs or small enterprises they were engaged in were extremely fragile. The arduous journeys of migrants back to their villages, from which they had come seeking to benefit from the economy, have revealed a 'demographic disaster'.

Demographics change over decades, not within years. Economic structures are also built over decades. The 'migrant problem' is not a failure of the present government or the NITI Aayog, which has been in place for seven years. The migrant tragedy is a consequence of faulty economic structures built over decades. The underlying paradigm of economic growth, and the approaches to planning adopted even by the previous government and the Planning Commission, must be blamed.

India must develop a new economic framework—a 'new normal', and not recover the old one while urgently providing relief to the hundreds of millions of displaced workers and tiny entrepreneurs whose livelihoods have been put into ICU by the pandemic.

India's policy-makers, planners, and economists must engage in double-loop learning while urgently creating conditions for sustainable livelihoods for all Indian citizens. They must change their 'theories-in-use' of economic progress. For example, small enterprises that use less capital and provide more employment must flourish and not be denigrated because they do not have 'scale'.

Economic policies must facilitate the movement of migrant labour, rather than be so focused on facilitating the movements of 'migrant capital', which globalisation policies have focused on enabling capital and large companies to cross international borders. In contrast, migrant workers were being shut out.

Rural areas must not be neglected to create a 'modern economy' in which it is imagined that 'India will no longer live in its villages', thus denigrating the very practical concepts of economic growth that Mahatma Gandhi and his advisers had promoted. Cooperative enterprises owned by producers themselves, and create wealth for the workers, must be promoted, not only enterprises that flourish in the stock market to create wealth for investors.

Debate 3: Role of Bureaucracy in the 21st Century

1. Background

Bureaucracy is recognised as an arterial channel for governance. Evidence suggests that Ancient India relied on a bureaucratic structure to administer provinces and deal with various governance issues. In the pre-Christ era, the Mauryan administration employed Amatyas, Adhyakshas and Rajukas.

Kautilya, in his treatise on social and political economy ‘Arthshashtra’ provided a rigorous recruitment framework for civil servants at that time and mentioned characteristics that a bureaucrat should possess. Foresight, boldness, articulation ability, learning in their field of expertise and practical understanding of the subject supported by appropriate training were considered as desirable qualities to become an efficient civil servant.

Even Mughals in the medieval world employed civil servants for administration. These officials assisted the rulers in three aspects namely administration of the ruled area within a state, collection of taxes and advising the kings on various issues.

The form of civil services in India changed with Lord Macaulay’s Report of the Select Committee to the British Parliament in 1854, which established the ground for merit-based civil services in India. A civil services commission was set up in London in 1854 and a competitive examination was started in 1855. However, during the late half of 19th century, the participation of Indians in Civil Services was poor, as the exam structure purposely disincentivised Indians to join the services. Only after the First World War, the civil services examination began to be held in India, first in Allahabad and later in Delhi with the establishment of the Federal Public Service Commission.

Post-Independence, during delicate times for democracy, Sardar Patel recognized the need to build the steel frame of India, the civil services. In his milestone speech on 21st April 1947, he outlined the task before civil servants in Independent India and laid down certain principles of ‘Surajya’ or good governance. His remark *“Your predecessors were brought up in the traditions in which they ... kept themselves aloof from the common rung of the people and therefore it will be your bounden duty to treat the common men in India as your own”* provides an idea of the kind of civil service he wanted for India.

In the following decades, civil services stood up to the occasion. Several stalwarts played important roles in upholding the Indian sovereignty, its democratic values and addressing the social and development challenges. Immediately after independence, V. P. Menon led the daunting task of political integration of India, striking a merger of as many as 565 princely states with his diplomatic and negotiation skills.

Though relatively unsung in annals of history, Sukumar Sen, the first election commissioner, conducted probably the largest democratic exercise in world history. His

administrative acumen could be judged by his foresight to predict challenges in the actual implementation of electoral processes.

Another civil servant and former Chief Election Commissioner, T N Seshan led the way for much-needed electoral reforms in India during 90s. He enhanced the status and credibility of the Election Commission of India by implementing reforms such as the enforcement of the election code of conduct, Voter IDs for all eligible voters, limiting candidate's expenditure and putting a ban on several malpractices.

On the economic front, several bureaucrats have played an instrumental role as Finance Secretaries and Governors of the Reserve Bank of India to unleash growth.

However, the issue with Indian bureaucracy started to surface when India decided to embrace the market economy on one hand and a decentralised governance framework on the other. The country began to struggle on several developmental fronts and has not been able to adequately redistribute economic development proceeds to all its citizens. UNDP's Human Development Index 2019 published that India ranks poorly at 129, falling behind even Libya and Iraq. It is often suggested that civil servants are the reasons why India failed to ensure growth and equitable development.

Seconding this argument is the latest book by Arvind Panagariya, Former Vice Chairman, NITI Aayog. The book was reviewed recently in the Times of India and the review was posted on the CUTS e-forum for comments. The debate on bureaucracy results from comments received in response to that posting.

It is reproduced below:

Bureaucracy slows down reforms approved by PM

India's bureaucracy often suffers from a socialist overhang that leads it to slow down, even block reforms that the top leadership has sought to implement, former NITI Aayog vice-chairman Arvind Panagariya has said in his latest book.

He cites the government's attempts to privatise many public sector enterprises which have remained stalled despite Prime Minister Narendra Modi's push to get cabinet approval for the list of companies drawn up by the NITI Aayog. "But once the matter went to the Department of Investment and Public Asset Management (DIPAM), it remained stuck there," Panagariya says in his book — 'India Unlimited, Reclaiming the Lost Glory', adding that labour law reforms offered another example of how the bureaucracy blocked efforts of the political executive.

He says bureaucracy's adherence to socialism remains deeply rooted in its members' education in Indian universities, where faculty members are often wedded to antibusiness and anti-market ideology. "Given the dream of an ideal world that the socialist ideology offers, the young are naturally drawn to it. This attraction is reinforced by anti-market ideas that their teachers in colleges impart them," says Panagariya, who was the first

vice-chairman of NITI Aayoga government think tank that replaced Planning Commission.

A final example relates to the civil services reform. Prime Minister Modi has pushed for lateral entry at the top levels of the bureaucracy for several years. But going by publicly available information, it is a reasonable conclusion that bureaucracy slowed down the process to such a degree that it was only at the very end of his term that nine officers could be inducted from outside,” says Panagariya, who returned to academia and is a professor of economics at Columbia University.

“Civil services in India pick up many among these youngsters (taught by Left-leaning faculties) early. Once inside the government, they find themselves safely in the company of others like them for the remainder of their professional lives,” he says.

The Columbia University professor also does not spare India Inc for the lethargy towards reforms. “Remarkably, in India, even business leaders have played an insignificant role in pushing for market-friendly reforms. In most countries, businesses try to use an economic crisis as an opportunity to seek the removal of regulations that impede their progress. But in India, they use a crisis as the opportunity to seek subsidies and protection from imports,” he says.

“They want the government to intervene more, not less, to save their specific sector or industry. With rare exceptions, even business organisations and associations, which are expected to represent the collective interest of business, have not bothered to push for pro-growth reforms,” Panagariya says.

The debate that was catalyzed as a response to the above is distilled in two broad sections below:

2. Synthesis of Debate 3

A. Issues that Ail Indian bureaucracy

- **Indian bureaucracy is anachronistic and outdated**

The debate highlighted that the bureaucratic system was started in the colonial era and remained wedded to then prevailing political system with the mindset of the then rulers. More than seventy years on its feudal character has been hardened and is on display in virtually all transactions with citizens. When citizens require greater state support the bureaucracy moves in the opposite direction with greater apathy. Ironically, it does not even seem to realize that it needs a radical transformation for its own relevance in the future.

- **A flawed selection process**

There are some serious issues regarding the selection process. For instance, many candidates for the civil services are 'programmed' only to pass the exams. They prepare at coaching centers and seldom reflect the spontaneity needed for a civil servant. In any case, the curriculum at the collegiate level is outdated and does not capture the dynamic changes shaping the new economy. Selections are often based on rote and rigorous learning rather than the evaluation of skills required to match the dynamism in the job.

Increasingly questions are also being raised on the quality and caliber of candidates and even those on selection panels. It was argued that intermittently some marginal improvements occur, but they are essentially led by individuals.

- **Micro-management is the norm**

Another reason highlighted in the debate regarding the underperformance of civil servants is their tendency to **indulge in micro-management**. As a result, they never grant autonomy to "autonomous" institutions or their departments. The poorly functioning government departments and PSUs are testimonies to such micro-management.

- **Process orientation instead of task orientation**

It was argued that IAS officers do not command systems that are task-oriented. They deepen only process-constrained hierarchies. The rules and processes are so dysfunctional that only those bold enough to circumvent or break them can create some public and social value!

In other words, public interest outcomes cannot be expected from an average IAS officer. The fact that they have constitutional immunity further facilitates their mediocre approach to problem-solving.

- **Top positions are parking lot for the IAS**

The culture of mediocrity also prevails as the system rewards one of its own. All top positions are parking spots for the IAS. Therefore, it is no wonder that those who have perpetuated the *status quo* end up leading institutions that are mandated to respond to emergent issues. In this respect, incremental changes are often confused with progress, leading to greater resistance to reform.

- **Politics restricts bureaucracy from functioning optimally**

A dominant view that prevailed in the debate was that it is unfair to paint the entire bureaucracy with a single brushstroke. With rare exceptions, bureaucrats do not generally have ideology-based hang-ups in most areas.

It was argued that the problem is with India's politicians who are not knowledgeable, far-sighted and lack leadership qualities. They rarely encourage the bureaucracy to actively look for alternative solutions.

In other words, hesitation in decision-making and lack of capacity at the political level sends results in lethargy across the governance chain. Governments are also overly sensitive to charges of being pro-business and therefore anti-poor in economic decision-making. Ironically though, poverty and distress have only risen despite such wariness.

- **Watchdog institutions add to policy paralysis**

Bureaucrats tend to be cautious and risk-averse because of the fear of the four C's: CBI, CVC, CAG and Courts. This is because policies are in the domain of the political class, which is usually not sensitive to the many complexities that may emerge as an outcome of their conduct. It is argued that most members of IAS are honest, but the same is not the case with lower bureaucracy or political dispensations. Therefore, existing in the environment of deep corruption affects their psyche also.

- **The bureaucratic casteism adds to the curse**

Casteism is rampant within the civil service. Only the IAS are considered Brahmins. All other services are subordinate to them for all practical purposes. Since IAS is a pure monopoly, no real lateral entry is effective except when inducted at the top level.

The social caste system too, has its bearing on the civil service. The system inherently emphasises loyalty, political connections, and community or caste clout rather than merit. Therefore, indecision and inaction are seldom punished while performers stand a greater chance of getting into trouble as they make more decisions.

- **Generalist approach prevails over specialist outlook**

In response to over generalized approach of the IAS, it was argued that onion-like layers of experience accumulated over the years is what eventually constitutes the domain expertise of the IAS. The efficacy of this expertise is best displayed when genuine alignments between politicians and bureaucrats happen towards certain objectives. However, this is a rare and seldom occurrence. In a true sense, an average IAS is not even a generalist. On the contrary, he/she is a specialist in inventing newer processes to defeat the purpose of effective governance. That said, the debate between generalists and specialists remains nuanced. There are many occasions when "generalist" administrators have delivered much better outcomes than specialist cadres and vice versa.

B. Way Forward

Various committees in the past have taken the task of reforming civil services in India. The First Administrative Reforms Commission emphasised proper professional training, cadre management and specialisation. Consequently, to focus on domain expertise, the Yugandhar Committee in 2003 recommended three mid-career training programmes in the 12th, 20th and 28th years of service. In contrast, Hota Committee in 2004 recommended that domain assignment be introduced for civil servants to encourage professional skills and career planning.

To improve recruitment, it has been recommended to reduce the number of civil services, encouraging lateral entry and uptake to Information Technology (IT) to significantly upscale planning, forecasting staffing requirements and recruitments.

With respect to lateral entry, the requirement for specialisation was felt as far back as 1965, expressed through the recommendations of 1st Administrative Reforms Commission (ARC). Successively, Surinder Nath Committee and Hota Committee in 2003 and 2004 respectively, and 2nd ARC followed suit.

Recognising the demand and challenges of policymaking, the 2nd ARC appropriately recognised the need for a shift from ‘Career Based Approach to Post Based Approach’ at the top tier of the government.

Interestingly, many of these recommendations had come when understanding the impending economic crisis was not as mainstreamed as it is now. Today, India is at that juncture when there is a need to recalibrate the entire executive machinery. Therefore, re-evaluation of these recommendations must be done keeping in view the current economic context.

This can only be done from a **systemic lens**. The earlier two debates have highlighted that a paradigm shift is needed in economic thinking in India. With regards to economic policy, this paradigm shift has to be premised upon a singular objective, i.e., of enhancing the quality of life for all Indians. This objective will remain unfulfilled without adequate planning and effective governance. The debate on planning highlights that it has to be geared towards generating wealth from the bottom to the top.

A critical interface to make this happen will be the Indian bureaucracy, particularly the IAS. The service has been designed essentially as means to facilitate cooperative federalism. In other words, it is a critical link between the centre, state and sub-state levels. Therefore, bureaucracy today needs to be more proactive than ever before and needs to re-skill itself.

Speaking strictly in the economic context, the debate on bureaucracy highlighted that competition needs to drive the market paradigm in India and that must entail ‘regulation with a difference’. The debate on economic resilience also highlighted the importance of local small enterprises. Perhaps, these two things provide a clue that must guide the bureaucracy as well i.e., roll up your sleeves, develop the expertise and put the ear to the ground rather than commanding from the echo chambers and self-conceit.

Part II: Debates as they Happened

Debate 1. Moving towards Economic Resilience in the 21st Century

Pradeep S Mehta

Secretary General, CUTS International

June 11, 2020

Dear Friend,

Greetings!

This is an invitation to participate in yet another critical debate on how the economy should be shaped in these tumultuous times.

There is a silent crisis brewing up around us. Inequality has been on the rise, capitalism or markets have been discredited, GDP does not create jobs, a handful of states in India make for the majority of GDP, capacities and capabilities are stranded, bankruptcy is on the rise, market competition is shrinking, wealth redistribution has failed, rent-seeking has increased and the list goes on.

These interlinked issues have become chronic and are destroying opportunities for the demographically youngest nation in the world. Interestingly, the many metrics used to measure the economy's progress and people do not capture the seriousness of the problem. In effect, citizens and consumers are reduced to passive recipients rather than active participants in the life of an economy and society. One wonders how the call for self-reliance will enable this.

In the real world, everything is interconnected. When the economy shrinks, it pulls down polity too and vice versa. Economic democracy suffers. Incessant lamenting about state capacity becomes all-pervasive and the government starts plumbing through a plethora of regulations and policies, often without necessary competency and diagnostics.

Institutions and organisations are part of this larger environment and hence end up mirroring the same behavior that causes the problem. The environment of distrust - between and amongst - government, business and people gets reinforced, leading to pockets of vested interests that rally around centers of power.

In effect, this does something more damaging than can be easily perceived. It affects the learning curve in the economy and introduces large-scale incompetence. In other words, it leads to an economy-wide ‘Peter Principle’. This is exactly the context that prevails today and therefore, we need to think about some fundamental questions.

One of the most important questions is how we can create that equilibrium where the economy and its ingredients are perpetually learning and seeking holistically better. In other words, how can lasting economic resilience be ushered in for a far more certain world than we have seen before?

This discussion is critical and linked to the just concluded discussion on Planning in the 21st Century India, adduced below. As one reads it, one will realise that one of the key things needed for better planning is thinking in a different paradigm. Similarly, in the realm of the economy too, there is a need to ask the following fundamental questions:

- What is the current paradigm of economic thinking?
- How can a new paradigm be imagined?
- What will be the benefits of the new paradigm?
- What entry points (Good jobs, Green Growth etc.) can be imagined to actualise the new paradigm and how?

Just to reiterate, to make this discussion fruitful, readers are requested to go through the attached Summary of the previous discussion on Planning in the 21st Century. It can also be accessed at: <https://bit.ly/3dSSjWZ>

Looking forward to your active participation in this dialogue.

Udai S Mehta

Deputy Executive Director, CUTS International

June 12, 2020

Very thought-provoking and tough questions which have no easy answers!

I guess what is important is to understand that to solve a lot of these issues, a fully functioning participative democracy must exist and independence of institutions of governance must be fostered so that solutions can be found by consensus.

Further, many problems have been created by successive shocks to the economy and a top-down approach to policymaking without the active participation of various key stakeholders in the policy-making process and being in a denial mode, not willing to hear candidly about what is wrong.

Further, going for long run reforms is commendable, but if you do not take care of the short run and the pressing problems that need urgent attention, then not only will these

problems you mentioned fester, it will seriously jeopardise medium and long term growth and make us more reliant on other economies to our detriment.

I guess for a new paradigm to emerge, genuine cooperative federalism and active participation of citizens would be the starting point for new solutions to emerge.

We also need to make the MSME sector participate fully and their voices heard amply to solve any unemployment problems. Further, an inward-looking economic policy is possibly not the way to solve our gargantuan problems in a globalised and high-tech milieu.

Vijay Mathur

Former Chairman, International Airports Authority of India

June 15, 2020

Dear Pradeep,

A very lucid summation of an extremely complex and multi-layered subject.

At the risk of being repetitive, the ultimate problem remains the very human one of the planners' and implementers' personal attitudes, agendas, and egos. I have seen brilliant plans crash because the implementers sabotaged them for personal reasons.

On the other hand, I have seen brilliant planning and implementation cases succeed because that suits the specific agendas of the people involved. In between are the usual culprits—a clash of egos among the people involved. The endless debate between generalists and specialists is often just that, with ideological battle lines being drawn between the two! You may have seen my comments on this issue in the earlier debate.

The best-laid plans will go awry until we assemble a body of intellectually honest and committed public servants.

In short, we need to debate how the nation can choose and then empower such individuals. If this succeeds, the rest will follow.

Pradeep S Mehta

Secretary General, CUTS International

June 16, 2020

Dear Vijay,

I agree with your views wholeheartedly. The other day, I told a friend how egos cause much of our non-achievement, and civil servants appear to get solid training in it. One small example will illustrate my point.

When telephoning, who will come on the line, it will be determined by which batch the two fellows are. The civilised norm is that the caller should come on the line first and wait for the person called to come on. Alas, our civil servants are not so civil.

Since I do not belong to this hallowed class, I often have to keep holding my mobile listening to music when some sahib calls me. Once I ticked off a friend, an important Secretary to the Government of India, by telling him that I am a human being of the 1948 batch and deserve more respect from somebody born after me. He took it sportingly and in the future always called me himself. But he was a rare civil servant but with little ego.

The idea of narrating this telephone etiquette story was not to trivialise the matter but to show that egos rule our bureaucracy far too much for most of them to be genuinely productive.

But one can collect many good bureaucrats, mix them with econocrats and technocrats, and then move ahead. Many good examples of this hybrid approach have delivered the goods, such as successfully sending a mission to Mars.

Prakash Hebalkar

Senior Strategy and Public Policy Consultant

June 17, 2020

As a less ambitious warm-up exercise, for group mental orientation, addressed to:

The key move required is: "It was expressed that one way to move forward is to first simplify the economic structures by doing away with unnecessary rules, regulations and laws ideally through a legislative route and then focus on capacity enhancement, which currently is not a priority anywhere".

We have created a massive jungle of overlapping laws and "rights without commensurate duties" that may arguably be appropriate for highly developed economies like that rickety EU, but stifle our growth which is 50 years behind them in sophistication, widespread cover of the population, administrative and population integrity and self-discipline "state capacity". By analogy, A320-airplane type autopilots for gliders! Deng's China

transformation illustrates very well how such a change can reinvigorate the country and the economy.

A suggested gedankenexperiment:

Say we wanted to create a Free Trade Zone (think by way of analogy, “One country, two systems”) of the entire Goa state (3700 square kilometers) with a view to:

1. Rank in the Top 5 worldwide for EoDB
2. With (1) in view, subject only to (3) below, enact its own set of civil and criminal laws, currency, forex laws, judicial arrangements, executive administration, immigration and residency as well as taxation schemes,
3. Binary “Existential” parameters are to be set ab initio and inviolate to ensure:
 - Goa remains in the Indian Union physically and politically at all times
 - Countries identified by GOI as enemy countries shall be subject to any immigration, financial transaction and residence restrictions as mutually agreed by GOI with Goa
 - Goa is subject to the Indian constitution (except perhaps for “socialist” in the Directive Principles???) at all times except for equal treatment with other states in regard to the subjects in (2) above (where it is expected to differ).
4. Defence of Goa against all foreign powers will at all times remain the right and responsibility of the Government of India.

Question to be answered: Develop a white paper with the design of (2) above for the setup in Goa to achieve (1) above.

This paper can then lead to reform of the current jungle of laws and regulations by identifying “necessary” laws and marking the rest as perhaps “nice to have when we can afford them” or “vestigial” and so deserving if repeal.

P.S. Goa already has some special treatment currently for income tax purposes and marriage laws, so this just builds on that in this thought experiment!

Arun Maira

Former Member of Planning Commission

June 18, 2020

Dear Prakash,

That is a perfect way to set up what otherwise could be a complicated discussion to manage. However, let me begin the debate by responding to your suggestion.

Why should the regulatory reform exercise objective obtain the top five rankings in 'Ease of Doing Business'? Why not the top five rankings of 'Ease of Living of Citizens'? Is the role of government (and regulations) to serve the well-being of businesses or citizens?

Indeed, this goes to the core question that economists who want their profession to evolve and get out of the narrow ideological debates of the recent past are debating amongst themselves. They ask themselves what the outcome should be expected from good economic policy?

Prakash Hebalkar

Senior Strategy and Public Policy Consultant

June 18, 2020

Good to hear from you too, Arun. You were in the stratosphere, so too distant for communications for me!

Re your first paragraph, my view is that the Finance Commission and the GST Council now provide powerful and pretty exhaustive mechanisms for revenue sharing and that planning should now be left to the states primarily, with their varying priorities and resources; connectivity-like (power, road, water, rail, ...) inter-state implications need a resolution mechanism, which perhaps NITI (and the Interstate Council?) could provide. The key need is the building of strong planning capacity in each state to prioritise, budget, coordinate and resource their planning-derived initiatives.

Your second paragraph does raise hard epistemology issues. Should economics consider only measurable facets of wellbeing? If not, when does it turn into philosophy, with many views/opinions but no answers? While exhaustibility of resources has been looked at (Small is Beautiful...) what about resource-productivity changes over long periods as a consequence of use (includes misuse ("sustainability"))? What about existential issues (defence, global warming...) which are binary?

Should one do and how does one resource the strengthening of pro-existence forces? Should an increase in knowledge itself (is it measurable, does it matter) be a worthy objective that deserves to be resourced? and so on. Should Occam's Razor be the guiding principle to avoid overreach?

Much room for thought!

R B Barman

Former Chairperson, National Statistical Commission

June 18, 2020

Dear Mehta,

Your effort to address the pressing issue of economic resilience is highly commendable. I have certain suggestions, but it is a long one.

Planning for Inclusive Growth

R B Barman

Until recently Indian economy was growing at a relatively high rate of 7 to 8 percent on average. However, as almost 80 percent of people live within twice the poverty line, the plight of the people, in general, has not improved. In terms of per capita income, India ranks below 130 globally. The fruits of growth mostly went to owners of capital, rising inequality. In this backdrop, our main focus on planning should be a severe drive for inclusive growth to make a difference in the living condition of the people.

Undoubtedly, economic policy's present stance and approach and implementation have not met such growth expectations. In such a context, we need to think of a different framework for the formulation and execution of economic policy.

What are our major pain points? In India, almost half of households depend on agriculture, partly or fully, for their livelihood. A few facts about agriculture are worth noting, which call for more serious intervention. In 2012, the average yield of paddy was 3,721 kg/ha in India compared with 6,775 kg/ha in China. The average use of fertilisers in India was 164 kg/ha, while in China, it was 450 kg/ha in 2011. The proportion of people dependent on agriculture in Japan was 3.9 percent, in Australia 4.6 percent and in developed countries, it is 4.1 percent. Their contribution to GDP was also around the same percentage.

This clearly states how agriculture is a remunerative sector in these countries. However, even in a highly-populated China, productivity in agriculture is much higher than in India. We can not possibly compare these successes when we have small and fragmented land holdings and severe constraints on capital availability to raise productivity. The lesson is that it is possible to transform agriculture for doubling farmer income if we modernise cultivation. But this can not happen in isolation without forwarding and backward linkages.

We need structural transformation to shift huge surplus labour from agriculture to industry and services sectors. We have not succeeded in generating enough employment in these two sectors. The dichotomy of rural unemployment and large dependence of the population on agriculture will continue to be so unless we change the stance of policy fundamentally. The success stories of Asian countries can be useful.

However, we may have limited options for the export-led growth of these countries. When we have a huge domestic market, we need to build on this strength for broad-based economic development. In this process, we may achieve a scale economy and quality to help us compete in the global market.

Growth is a function of capital, labour and technological innovation, given the available land. In a labour surplus market economy, where capital is scarce, we need to find an optimal mix of these factors for raising productivity and competitiveness. To infuse foreign capital, the expectation is on ease of doing business. We also need to see that demand for goods and services are broad-based and structural adjustment ensures that development is balanced and sustained. To maintain stability, we need a subtle balance between demand and supply. How do we ensure all of them and sustain high growth?

The availability of credit to finance capital formation is critical. However, India's debt GDP ratio is much lower compared with its Asian peers, and China far exceeds this count. Compared to Western countries, the financial sector is also inefficient as reflected in the high net interest margin (difference between deposit and lending rate). Also, it is generally difficult for small borrowers to get loans from banks, even if they are willing to pay high interest.

Despite paying high interest on loans taken from microfinance institutions, the self-employed and small enterprises perform well because it allows them to convert their idle labour into marketable products. Hence, it is necessary to ensure that productive opportunities are well supported financially, particularly in rural areas and in critical sectors like food processing and storage.

India can grow at ten percent and more, using human and material resources best following innovative methods. Following the conventional approach will require 40 percent of GDP, too much to expect. The other option is to raise productivity and improve governance to reduce the incremental capital-output ratio to three percent.

This presumes a high increase in agriculture income, which is less capital intensive, agro-based industries for processing and value addition, labour intensive industry, more efficient government investment checking corruption and much-improved management. Is it possible? How do we raise the income of the poor by raising their productivity and ensuring remunerative prices? I offer below workable suggestions on these crucial issues based on micro-macro linkage as a framework of analysis to support policy.

Yet another aspect that requires some dilation relates to the approaches for policy planning. There can either be a bottom-up or a top-down approach, or even a balanced combination of both, to pursue a high growth path seriously. We are accustomed to a top-down approach, which is hazy, transmission channels are weak and left largely to the invisible hands of the market. A top-down approach is also difficult to execute in a vast country, federal in structure.

The regime under which the Indian economy operates is layered, inefficient, and breeds corruption. But we can not envisage any shortcut to a democratic market economy. What can be the option then? As Shermer (2008) noted, “...the long term effects of (Adam) Smith’s deeper principle, that economies are best structured from the bottom up (consumer-driven) and not from the top down (producer-driven). The demand creating globally competitive technology supported by innovative scientific advancement in production and management of resources matters for progress in the real world, as the Asian miracle bears out.

The main focus of economic policy should be a bottom up approach, promoting efficiency using microeconomic concepts of production possibility frontier, data envelopment analysis and the like and optimisation of pricing mechanism consistent with the concepts of consumer and producer surplus. In such a case, it is also possible to pursue an integrated approach gauging the macroeconomy on policy priorities and evaluating performance based on dependable empirical evidence.

As Hamalainen (2003) observed, the prime instrument in the present Information Age is high-quality information and extraction of knowledge for productivity, competitive advantage and higher sustained income through enterprise, capital formation and demand creating technology. Policy intervention must be based on sophisticated understanding of value chains in a global context and the potential domestic competitive advantages for a clear strategy, supported by a measurable action plan.

It requires high-quality strategic intelligence and its cross-examination by multiple experts and stakeholders to enhance strategic choice quality. It is necessary to know the most promising growth areas, most important market and system challenges, and most effective interventions to deal with them.

For a bottom-up approach, we need data right from the district, if not gram panchayat and urban block, on key drivers of the economy – income, consumption, investment, internal and external trade, employment and unemployment, productivity, competitiveness, market microstructure and pricing, and so on. We also need information about people behind such activities, their skills, habitats and so on to assess potential capability.

Data Science combines business issues or objectives, statistics, machine learning and application of information technology to provide intelligence and knowledge to formulate, monitor and evaluate policy. We need to extensively use geo-coding of data elements for flexibility in accessing and relating data for such an exercise. We need to know how to organise huge masses of data collected as digital transactions, e-governance, remote sensing or various surveys.

Institutions and governance have a predominant position in pursuing an economic policy. For an interventionist government to be much more effective and efficient, we need a system of setting objectives at all levels of governance, at least from district upwards and evaluating performance against set targets every quarter. In the present information age it

is possible to go for such a system. This will keep the functionaries responsible for delivering outcomes under a tight leash, disciplining bureaucracy.

The mainstream economists believe that prudent macroeconomic management can ensure both growth and stability. The paradigm for such a belief is based on unrealistic assumptions about reality (Barman 2019). We need micro-macro linkage to explain the real sector, financial sector and fiscal sector nexus and act upon opportunities for inclusive growth.

The planning process should be based on a bottom-up integrated approach and the monitoring and evaluation of progress should be transparent and robust. This will keep the machinery well-oiled for sustained high inclusive growth and balanced development.

The above ideas are the basis of my article In Quest of Inclusive Growth, published in the Economic and Political Weekly (2019).

Pawan Bakhshi, PhD

India Country Lead, Financial Services for the Poor
Bill & Melinda Gates Foundation

June 19, 2020

I like Arun's question and approach. We need to think through both the demand and supply sides. At the same time, Ease of Doing Business aims to reform the supply side, to some extent.

A lot of work needs to be done on the demand side. We must also debate how resilience should be defined, including resilience for the most vulnerable people, especially women. These could be broadly identified as the development indices.

Meleveetil Damodaran

Chairperson, The Damodaran Group
June 22, 2020

If the only thing that holds India back from realizing her full potential, and emerging as a global superpower, is bureaucratic ego, the next step is fairly simple. Send all bureaucrats home, and replace them with persons from the private sector.

To add a little variety, include some journalists and other intellectuals. One small note of caution. Before doing this, please try to reach a private sector MD/CEO on the phone.

Cherian Thomas

Regional Leader, South Asia & Pacific
World Vision International

June 23, 2020

Dear Friends,

My two bits to the discussions:

There were interesting points raised on the egos of bureaucrats. Having been a corporate sector employee for almost three decades - a manufacturing company, an international bank and three development finance institutions, has engaged extensively with the government - both the political executive and the bureaucracy and now with the development sector engaging across sectors and groups - my experience (and opinion) is that egos are not the exclusive "privilege" or problem of only the bureaucrats.

They are present in varying degrees across our society - in organised and unorganised sectors, rural and urban settings. They are also usually a matter of how people choose to exercise power in their settings, but admittedly, some people exercise it far worse than others; thankfully, many are not ego-centric, focused on their work outcomes to be achieved. Trying to set the right egos is a spiritual exercise and suggestions for dealing with the ego in a transformational manner would vary - depending on our faith vantage points. But then, that's not the purpose of this group, right?

I think Arun Maira has raised a pertinent question - what should be the top 5 objectives of any government? Is it only ease of doing business for large or multi-national corporations? While that is necessary from the point of view of the country's investment needs, the inadequacy of domestic capital and hopefully higher efficiency of private investment and management, is that the most important? I would argue that indicators of - ease of living or well-being of citizens should constitute the key objectives - there may be an economic indicator or two in the top 10 objectives we set for ourselves.

Has this been done systematically? We have the Global Happiness Index - can a variation of the same be used for this purpose?

Last year, as World Vision India (together with IFMR Lead, now Krea) - we developed a comparative index for Child Well Being with 24 parameters under three broad heads - Healthy Individual Development (mainly health, nutrition and education), Positive Relationships and Protective Contexts - all from readily available secondary data sources. This was released as the India Child Well Being Report, 2019. The flipside of well-being would be vulnerability. We had developed an even more extensive (38 parameter), block-level index to measure child vulnerability - to identify the geographical areas of greatest vulnerability in the country.

My point is that this can be done objectively and measured systematically. We could develop the top 10 objectives (desirable and measurable outcomes) for Citizens' Well

Being - in a way that they would be acceptable across the political spectrum and would serve as strategic goals for any government in power and against which one could hold governments accountable - since these can be readily measured. Intermediate milestones set as part of a strategic map, with suitable course corrections that may be needed in COVID-19 like situations.

Securing agreement on the outcomes as was done for the MDGs and SDGs (some of these parameters could well be indicators that can be used).

On policy and legislation - it is not that these are in shortage - we have many of them and generally good - our problem as a society is always in execution - shoddy implementation - and for a variety of reasons - corruption, lack of political will/ oversight, vested interest groups etc. etc. - but these cannot be wished away overnight. The focus on outcomes and the willingness to be held accountable to them and having them independently measured may be a more pragmatic way of getting ahead.

We would otherwise continue to be a "flailing" society (always short of "failing") and work our way out of one crisis only to be confronted with the next one around the corner.

P.S. I have always been a critic of SEZs - my point would always be, why can't the entire nation be ONE SEZ?

Anu Aga

Former Member of Parliament, Rajya Sabha

June 23, 2020

Dear Arun,

I 100 percent agree that a country should be judged not by the ease of doing business but by the ease with which an average citizen lives.

Recently there have been suggestions to bring in inheritance tax and increase tax for the super-rich. In socialistic countries like Denmark and Sweden, the tax is very high, but it is used wisely and the average citizen has a social security net. But in countries where corruption is tremendous, I believe money in my hands is better used for social causes than in the hands of the government.

One of the reasons for our country not giving an average Indian a decent lifestyle with access to reasonable health care and education is rampant corruption amongst the corporates and the government. The one who gets the brunt of it is the poor man.

If we get back our basic values (and not just talk about them in public), we will be caring towards our poor (such as migrant workers) and the gap between the rich and the poor will not keep widening.

Movements like Teach for India make youngsters realise India's grim realities and most of them shun lucrative jobs and work effectively in the social sector.

Sorry I have got carried away and wrote a longer mail than I planned.

Vijay Mathur

Former Chairman, International Airports Authority of India

June 23, 2020

Dear All,

The intellectual inputs are thoughtful and certainly deserve much more discussion and refinement. May I suggest, however, that we also identify and involve a 'Godfather' or, better still, a group of Godfathers to pilot the final product to actual implementation on the ground. Just a White Paper, or a compendium of suggestions, is likely to remain on the shelf- joining the large number of such documents that have been commissioned over decades by the Government itself.

With the current pandemic resetting the political universe in ways that are still evolving, we have a unique opportunity to sell our ideas to several mainstream politicians to get their committed support. This is not as difficult as it may seem, provided we can link the suggested reforms with specific, quantified, and time-bound, politically relevant outcomes- jobs, rural development, universal health care, etc.

Spelling this out will need careful thought and planning, with the responsibilities to be assigned to the Panchayat, State, and Central agencies spelled out. We will also need to list the funding sources from the Central & State budgets and extra-budgetary sources.

In sum, I suggest that we find several politicians at the Central & State level and involve them now. Otherwise, this will remain another exercise in mutual intellectual entertainment.

No offence intended, as I am part of this group and would not like such an exercise to go waste.

Prakash Hebalkar

Senior Strategy and Public Policy Consultant

June 23, 2020

Dear Arun,

I have not posed the problem as a pure policy vs regulators/implementers, but as a *Tabula Rasa implementation of laws with a rigorous Occam's razor mindset*. It is also a sandbox for the education of the rest of India.

2) The early pathetic implementation of EPZs such as SEEPZ, which I experienced first-hand in the 1980s soured me on “modification of existing laws” to create a suitable environment because (a) the minuscule areas were (b) further laid with thousands of legal land-mines from existing laws (c) There was no understanding of simple principles like contiguity to ports and airports.

3) Issues often summed up in EoL can be addressed in my scheme but not in the various Industrial and Export zone concepts. They are seen fundamentally Seen as purely business locales and not living habitations too. **Look at (not today's) Hong Kong until 1997 or indeed 2015 as a more gestalt environment as an analogue.**

Arun Maira

Former Member of Planning Commission

June 24, 2020

Dear Damodaran,

I love your wit! I think the bashing up of civil servants had gone too far in the debates about the future of India. And so had the naive belief that the private sector is a paragon of virtue and competence. Life is not that simple, nor can solutions be.

Thank you for your intercession. Let us focus on the shape of the economy and then consider what competencies are required to create it.

Udai S Mehta

Deputy Executive Director, CUTS International

June 24, 2020

Dear All,

To continue with the discussion and debate, I think we need to move from capitalism to “benevolent capitalism” where the inequities in wealth are addressed as a major issue.

The world or a nation can never progress if it is divided into a rich and a poor state. It will mean realigning our thoughts around profits/revenue, quarterly growth rates, stable employment and performance, etc.

Furthermore, the following steps would need to be taken:

- Education for all, gender equality, health, sanitation, and MSME entrepreneurship will be encouraged. Interest rates will have to come down and realign themselves with global rates for access to capital at much-reduced interest rates.
- Entrepreneurship and social entrepreneurship to be the focus to create jobs.
- Senior citizens earning below 5 lakh a year to get a pension or social security
- Make our universities world-class and revamp the procedure or process of admission so that more people get a world-class education in India.
- Invest in R&D.
- Adopt a welfare state policy for insurance and health care. Many doctors and private hospitals are creaming society for their material gains. Make insurance and Medical care affordable for all.
- Encourage high-class manufacturing and agrarian practices. Enable Reverse migration of best minds in this field.
- Encourage lateral inductees at all levels of state and national governments so that subject matters experts can contribute to national development.
- Financially Disincentive population growth.
- Drastically reduce Income tax, monitor pricing mechanism of builders and real estate players more carefully, reduce stamp duty, and GST one rate across the country.

Every small thing will add to benevolent capitalism, reduce inequity in society, and spruce up a new economic paradigm.

Mohandas Pai

Chairman, Manipal Global Education Services

June 25, 2020

I agree. The no. 1 priority of all governments should be the Ease of Living and the social and economic well-being of citizens. They have to answer the questions - are all citizens enjoying fully the rights guaranteed by our constitution, the dream of our founding fathers? The big issue is the lack of justice in our society which directly hits the poor. If justice is delivered on time, we will be a different society.

Our economic well-being goes with this too. Do we have complete economic freedom subject to good governance? We cannot have a government competing with citizens in business with our tax-paid money.

Jaithirth Rao

Founder, Value and Budget Housing Corporation

June 25, 2020

Good input Damo.

We should stop looking for psychological explanations based on expressions like “ego” which means different things.

Incidentally, not just on the issue of so-called egos, even on the subject of corruption, I have frequently made the point that we avoid talking about private sector corruption. The fact is that there is not one Purchase/Procurement Department in India’s Private sector which does not have the taint of corruption, sometimes in large measure and sometimes in small measure.

Vijay Kelkar frequently points out that there are no silver bullets, no easy solutions, no “five concrete suggestions for the PM/FM.” Dealing with a complex political economy in a messy democracy with competing historical narratives to try to come up with quick fixes will result in more knotty problems for the future.

Broad things we can all agree upon:

1. In 1947, we inherited both physical and soft infrastructure, which was reasonable by Asian standards.
2. We lost about five decades when many of our eastern neighbors went ahead. But these five ‘lost decades’ in an economic sense, may have been vital to ensure political stabilisation. So perhaps they were not lost after all.
3. One weakness we inherited from Soviet economics has been focusing on the physical rather than soft tissues. Contract Enforcement, Efficient legal/judicial process, simple laws, regulations that can be implemented in practice rather than those that remain utopian desires, ensuring that incentives of different actors (including ego-driven bureaucrats) are aligned and do not result in perverse situations, watching out for unintended consequences---all these issues are rarely discussed. Instead, we straight away plunge into roads, airports, power generation, etc. In earlier days, it was Chandigarh, Bhilai, IITs, Bhakra, etc.
4. Even in our so-called soft assets, I notice a focus on the physical. IITs/IIMS have huge campuses. On the indicator "Number of Engineers/MBAs per hectare,"-- India has to be

the worst performer. What is worse is that these campuses are literally and metaphorically “walled off” from the country, their city.

5. We need administrative reforms desperately. But be it land records or police administration--we keep filing away good reports, good ideas. When they appoint Royal Commissions in Britain, they act on the recommendations. The Government of India Act of 1935 came out of the report submitted by the much-maligned Simon Commission.

6. We must learn to avoid self-goals. In recent times, two egregiously bad examples are the 2G Judgement, where unwitting foreign investors paid for the judicial verdict against the original domestic licensees. Could the judgement not have simply “nationalised” the domestic shareholders and let the government get back the revenue supposed to have been lost? The second bad self-goal was the retrospective Vodafone tax. The sheer money and energy wasted in legal wrangling, appeals on top of requests—just thinking about them makes me shiver.

7. We must NOT make proposals that are likely to flounder in the face of state capacity or its lack. Kelkar and Shah repeatedly refer to this. Before we ever say “The government should”...We must ask ourselves whether “the Government can.”

Having said all this, here is one silver bullet I am suggesting:

The Government (all Departments and Agencies) should withdraw ALL appeals where it has been lost at the Tribunal level and make pending payments against these withdrawn appeals in three working days. Similarly, All appeals against domestic arbitrations should be withdrawn and the Government, its departments and agencies should make payments within 72 hours. I would have argued in favor of payments against foreign arbitrations also. But I am thinking of a realistic political economy, and too many hysterical patriots will oppose this.

Incidentally, I would argue that the silver bullet payments can and should be treated as a balance sheet adjustment of proper expenses (or overstated revenues) and, strictly speaking, should not be counted in this year’s fiscal deficit number. The rating agencies should be told that India avoids the Greek trap of delays and accounting gimmicks. Admitting and closing out should improve our ratings. Incidentally, this would also be the single biggest anti-COVID economic lubricant.

The payments should be made to transparent accounts with banks having access/control to ensure that the “use of funds” audit trail on these funds does not result in any round of unjust enrichment of favoured creditors but strengthens the credit cycle and the business cash cycle. This implementation is a bit tricky. But I am confident that our Fintech/NSDL/UPI expertise will help out here.

Indradeep Ghosh

Executive Director, Dvara Research

June 26, 2020

Dear all,

I am learning a great deal from this discussion, so thanks to CUTS for creating the discussion platform.

I would like to contribute two reflections.

The first, on bureaucratic efficiency, was meant to caution about extrapolating from history. If you compared South Korea and India in 1950, you'd find that the two countries were more or less alike on macroeconomic indicators such as GDP per capita, public debt as a share of GDP, etc. Of course, India was a much larger country (area and population) and much more diverse, but the key macroeconomic indicators were similar.

Both countries embarked on 5-year plans, and it was to their bureaucracy that each of them had to turn to implement these plans. Except that India already had a high-calibre bureaucratic machine inherited from the British Raj, South Korea had to create one from scratch, which they effectively did by appointing people from the private sector to various positions of power.

I suspect that situating ourselves in 1950, and looking ahead, most of us would not have been in any doubt as to which of the two countries was better placed to succeed (i.e., in terms of bureaucratic capacity to execute on its five-year plans). Yet, we all know how things turned out in actuality. This very nice paper by Mrinal Datta Chaudhuri (entitled "Market Failure and Government Failure") lays out that history in detail.

The second, on the kinds of indicators a country like India might wish to pursue. A few years ago, I spent a good deal of time working on a master list of indicators as part of a research project funded by the Centre for Partnership Studies. I drifted into this project due to a profound sense of disillusionment with my mainstream training in economics (I have a Ph.D. from a mainstream-paradigm school in the US).

Ultimately the report got published and a companion paper that describes the core ideas of the longer report in a concise format. As alternatives to more traditional economic measures like GDP, I offer this list (of Social Wealth Economic Indicators) as humble additions to the suggestions made by Cherian Thomas and Udai Mehta in earlier emails.

Arun Maira

Former Member of Planning Commission

June 26, 2020

Dear Vijay,

I hear your concern about ‘implementation’, and with it, your suggestion to get the ‘implementors’--that is, bureaucrats and politicians--involved early on. I have always advocated that myself.

However, it works when reforms/changes required are incremental changes ‘within the box’. That approach may not be appropriate when fundamental, ‘out of the box’ changes are required--a change in the underlying paradigm driving existing institutions.

Existing institutions are designed for implementing the prevalent paradigm, for which they have competencies. They find it hard and life-threatening even to imagine something very different.

Consider what is happening with ‘labour reforms’. The labour codes are merely a tidying up of old laws — reducing the rules and removing inconsistencies. The laws were framed many decades ago and in very different circumstances. What is required is fresh thinking, with a clean sheet of paper, to describe what would be good, new laws today. And then to see how the transition will be made from the current set of laws to the new ones.

When bureaucrats are involved too early, they promptly consider what is not feasible and limit the new's emerging vision by putting it back into the old box. Politicians become defensive or aggressive about who was right or wrong, so the debate gets mired in ‘politics’ and ceases to be creative any longer.

What we need now is a fresh vision with creative juices flowing. Let the vision challenge bureaucrats and politicians to use their skills and powers to implement it.

Anand P. Gupta

Former Professor of Economics

Indian Institute of Management, Ahmedabad

June 26, 2020

Dear Maira,

I agree with you. Yes, let us focus on the shape of the economy and then consider what competencies are required to create it.

Let us prioritise the outcomes the people in India are concerned with. I believe one of these outcomes is what Raghuram Rajan calls “the broadly equitable distribution of economic capabilities among our people”.

Delivery of this outcome alone will require many competencies in the health and education sectors, with the government playing a critical role. It will need to articulate the theories of change underlying the interventions it may launch to deliver this outcome.

Amit Kapur

Joint Managing Partner, J. Sagar Associates

June 26, 2020

Anu and Gentlemen,

Many thanks for a rich and invigorating debate.

It is indeed a crying need of the hour to refocus our energies constructively to reinvent ourselves as a nation (with respect to our social, economic, political and environmental paradigms). I hope to learn and contribute in the next few days, but I missed someone writing about managing the transition.

Somehow as a nation, we have failed and refused to tackle an unnecessary distraction in-built in our legal-regulatory-policy environment while we fight to survive. I allude to the requirement in our legal system for parties to stake their claims and/or refute them in a matter of days of the event (be they invoking bank guarantees, or terminating contracts, or claiming force majeure for non-performance).

Most contractual rights get extinguished by deemed acquiescence if not invoked. The proposal was to bring in a standstill on legal rights getting extinguished or, for that matter being precipitated so that the period of lockdown and survival can be tackled without the need to file cases and initiate disputes.

Perhaps a framework to share the shortages and survive, with a framework that recognised the rights permitting parties to square off claims at a future date (after things stabilise) might have helped.

As a lawyer conscious of this problem and its risk of destroying the already fragile fabric of trust in a slowing down economy, I had published a couple of pieces and written to the government in early April and in May 2020 (links below) to no avail.

I regret that I could not persuade the powers to provide a safe passage to the economy through the economic crisis that the nation faces for the next few quarters. Perhaps some of you could lend your voices for this.

By the way, it is ironic that within days of my writing, Singapore enacted a law for the same objective on April 08, 2020.

Ashok K Nag

Former Adviser, RBI

June 29, 2020

This discussion thread initiated by Mehta and its prequel by Maira is focused on achieving “lasting economic resilience” by India in the 21st Century, with an appropriate new set of policies made by the right kind of policymakers having the right kind of competencies. It appears that their idea of policymaking process can be characterised as what Avinash Dixit termed as “normative approach to policy analysis”.

Under this approach, policymaking is ultimately a “control engineering problem”. This was the view of Prof. Mahalonobis when he wanted to apply operational research techniques to the Indian planning process. But the output of such an optimisation problem can be termed as only a proposal. And then what happens? Let us have a longish quote on Prof. Dixit at this juncture:

“A policy proposal is merely the beginning of a process that is political at every stage, not merely the process of legislation, but also the implementation, including the choice or formation of an administrative agency and the subsequent operation of this agency. (from “The Making of Economic Policy_ A Transaction-Cost Politics Perspective”)

In other words, the “State” is the elephant in the room that must be confronted with when thinkers like the curated participants in this discussion group arrive at a set of policy recommendations through intensive and extensive debate.

I do not deny that an idea can become a material force if it catches the imagination of the masses, as Mao Tse Tung famously said [Where Do Correct Ideas Come from?].

But without understanding the nature of the Indian state, it would be futile even to attempt to create what economists call “mechanism design” to implement this policy.

Dr. Indradeep Ghosh has referred to a paper by Prof. Mrinal Datta-Chaudhuri. In that paper, Prof. Chaudhuri has characterised the Indian State as a coalition of four interest groups or classes that exert collective control over state machinery. Irrespective of the correctness of this characterisation of the Indian state, it can be safely declaimed that we must have a common understanding of the Indian state if at all we want our outcomes of this debate to be that single spark that will start a “PRAIRIE FIRE”.

It will be really interesting if persons like Damodoran can educate us more about this aspect of the policy-making process and help the debate reach meaningful, achievable and incentive-compatible policy prescriptions.

Cherian Thomas

Regional Leader, South Asia & Pacific, World Vision International

June 30, 2020

Arun, a key question to answer is who should put together this vision?

To my mind, it cannot be only a group of well-meaning civil society members like us. For one, if those who have the political (and executive) mandate for this task have not been part of the process of its creation, they are not likely to buy into it. Second, any *suo moto* effort of such a kind is also likely to be viewed with a degree of suspicion and scepticism because such an effort is motivated by vested interests.

Even where the political executive and bureaucracy have together been part of such vision creation, in our 72-year history so many of the reports prepared and strategies developed - for sectors across the economy, for restructuring and reinventing several PSUs and other publicly-held/ run organisations - often led by reputed international consultants, and with the government and others making very large investments of time, effort, thought and money - have been discarded; sometimes without even a cursory glance, only to gather dust on bookshelves.

Should it be the NITI Aayog or the PM's Economic Advisory Council? Or a special task force constituted for this sole purpose and after consultation across the political spectrum, and comprising eminent experts with the necessary domain knowledge and who are respected for being objective, unbiased and without a hint of self-interest?

It must then actively engage progressive, energetic and enlightened politicians (young and across party lines) and bureaucrats who should then become passionate champions for the vision in their respective areas of influence.

Feasible?

Vijay Mathur

Former Chairman, International Airports Authority of India

July 02, 2020

Dear Arun,

Your comments are valid and spot on. Your stint in the Planning Commission reflects how much you have learned about government and what drives it! My whole point is that there has been “a change in the underlying paradigm driving existing institutions”.

The pandemic has created an environment in which politicians seem to be willing to break fresh ground and begin to rethink policy from the ground up.

Public opinion and sympathy have now crystallised on the condition of our poor like never before. With the media attention our migrants have received, they are much more conscious of their true economic value. Equally significantly, their employers are much more conscious of the imperative to provide them a fairer deal - hence the recent phenomenon of employers chartering planes to bring their workers back.

At long last, we are approaching the model that exists in other democracies, where the voters will ask 'what have you done for me lately, and locally' before committing their vote. The earlier broad pitches on 'dalit maryada', caste, etc. will resonate much less.

The smarter politicians have realised this. Consequently, they are open to help in creating specific and time-bound programmes for their constituencies that can be completed before the next elections-low hanging but paradigm-changing fruit.

I suggest we draft the specific policy and administrative changes needed to implement time-bound programmes on jobs, village-based entrepreneurship initiatives, new channels for marketing agricultural produce and textile products, primary health, and improved local education.

The programmes will be tailored for particular constituencies to be pitched to the politician there. People like Gadkari, Sachin Pilot, and Nitish Kumar, may buy into such proposals and then provide the consistent political thrust essential for implementation.

Choosing the right politicians in every major party and suggesting such programmes for their constituencies is the key. Fortunately, we have enough competent candidates to choose from, and you can depend on these politicians to select the best bureaucrats to help them.

If these few examples succeed, they will create models that can later be replicated on a much broader scale across the country.

Abhishek Sinha

Co-Founder and CEO, Eko India Financial Services

July 02, 2020

Sometimes we need a cause that the public, including regulators, policy makers, and market participants, identifies. It is about connecting with reason and storytelling to rally people around. Today the entire nation's imagination is around China as our biggest enemy.

We must have a tactical view of this and capitalise on this. China is a great common enemy to choose for regulators, policymakers and market participants. It helps make all of us rally around it. It makes sense for us to benchmark ourselves with China and measure our progress.

The counter we are likely to be offered is that we can't follow how China did it. That's where we need ingenuity and come up with our 'Bharat' model – proposing playbooks, putting together market catalysts, creating policies, regulations and public infrastructures and platforms for achieving these metrics and beyond.

So many ideas have been shared here. I believe this is the best way to package and present them to the policymakers, regulators, entrepreneurs and other market participants. We must benchmark against advanced economies though China catches our fancy and is today the best candidate as an enemy to rally around.

Arun Maira

Former Member of Planning Commission

July 03, 2020

Dear Vijay,

Yes, there is a greater willingness to 'change the paradigm' of economic policies now since the weaknesses of the old paradigm have been so starkly revealed.

My concern is with your suggestion that 'we draft the policy'.

Who are 'we'? And why should the government, and the public around the government, accept what 'we' propose? Especially when there are many 'we's writing policy proposals, papers, and appeals to the government.

Why should we be considered more credible than them? (And mainly when we belong to the same 'establishment' that we are now criticising?).

Another question, regardless of who we are, how should we 'draft' the policy to make it a better one and a more right one? What is the process we will use, and how will this process be different from those already being used (and which we will instinctively use too) who have produced the outcomes we are disappointed with? The design and the quality of the process determine the nature and quality of the outcome.

Arun Maira

Former Member of Planning Commission

July 06, 2020

When the government was forced to declare a harsh lock-down in March to prevent the spread of the COVID virus, the fragility of India's growth model was revealed. Now the government is scrambling to provide 'social security' to hundreds of millions of workers who have lost their jobs and incomes. And, it is trying to build domestic industries rapidly and to support small enterprises, which will employ more people in more secure jobs.

India's planners are being compelled to shift their priorities, focus on the small and not the big; on rural villages rather than on urban metropolises; and on people first rather than on investors. Back to fundamentals; back to the roots.

A search has begun for a new paradigm to replace the one that was neither resilient nor just which has dominated economic policies for the past thirty years. A search for a new model to recouple the economy with society is underway in many countries.

I offer here my essay that was published after the recent Global Solutions Summit. India needs a new model more than most countries. The pattern of India's growth, when it was high, was the least inclusive and least environmentally sustainable amongst all comparators.

In recent years, even the growth rate has declined. India needs a new growth model to produce much more inclusive, more environmentally sustainable, and faster growth. A model built on the strengths of the local, not dancing to the tune of the global. I propose some principles in this essay.

Som Karamchetty, PhD

Potomac, Maryland, USA

July 06, 2020

Since independence, India has tried several Five Year Plans. They were all top-down planning methods. There has been some development, but more could have been accomplished by considering some basic issues and comprehensive planning methods and tools.

People will not become happy and prosperous even if the national economy grows significantly. In contrast, a significant fraction of people is left at the bottom, struggling to eke out a livelihood. This is evident even in a developing country like the USA. Hence, planners have to consider Maslow's Need Hierarchy and the plan should aim to move all the people up the various echelons of the ladder.

The people at the bottom need the knowledge, skills, and attitude that society demands as technology advances with time.

Secondly, in democratic countries, a plan cannot be thrust on the people from the top. People should be motivated and feel that they have a stake in the plan and the results will benefit them and their local region. Hence, there should be a collaboration between the top and bottom rungs of the elected governments. In India, the plan development should be an exercise in collaboration between Panchayats, Districts, States, and the Centre.

By ensuring that economic and social development benefits reach every level based on their wishes and commitment, the plan is highly likely to enthuse people to work for its success.

Finally, people are likely to commit to waiting their turn if they know that there is a timeline in the plan when they and/or their children will reap the fruits of the National development plan. Professor Russell Ackoff's Strategic Planning method lays down the details and the milestones to assure people by showing when their turn would come in the queue and what they have to do on their part.

Since 2005, I have been sending concepts and suggestions to Indian leaders and academics in documents and presentations.

Pradeep S Mehta

Secretary General, CUTS International

July 08, 2020

One lesson which COVID-19 tells us is to rethink and revisit the economic model we are pursuing and what needs to change to come out of the resultant depression.

Globally, new thinking is emerging, which challenges the current precepts of markets, capital, labor, and community. Much of this thinking has been spurred by deglobalisation, which was already happening before the pandemic hit us. Communities are badly affected.

Meanwhile, Prime Minister Narendra Modi has called for Atmanirbharta or self-reliance, 'vocal for local', and speaking about us getting into global value chains. Therefore, it is not autarky but about strengthening our trade and industry and penetrating global markets. As it happens, the India-China conflict has come in handy as a symbol of the new economic philosophy.

Mahatma Gandhi, too, stressed local enterprises and goods to help us lift our poor out of poverty. Amul might not have become successful if people did not boycott Polson, among other things.

Founder of BMS, Dattopant Thengadi, had propounded a Third Way philosophy in the 1950s beyond capitalism and communism. Lately, Raghuram Rajan has published a book on the Third Pillar. Both stress upon people and communities. They also constitute the spirit and core of Atmanirbharta.

In line with the above thinking, Shri Suresh Prabhu and I have published an article: "Atmanirbharatvarsh: Constant interaction between society, State and market through communities is key for progress," which can be accessed at: <https://bit.ly/2ZDDiTm>.

Raj Liberhan

Former Director, India Habitat Centre (IHC), New Delhi

July 14, 2020

Dear All,

I have been reading with interest on the causes and effects of policies adopted for the economic development paradigms of our country. Indeed, of greater importance than the adopted policies are the policies and paths not adopted that have resulted in a slow pace of progress and development spread unevenly across various layers of our society.

There is indeed agreement amongst the commentators here that the poor and those on the margins of society have been short-changed twice in the planning process and again in the implementation process. To borrow Edward Luce's, the national editor of the US Financial Times, India appears to be a country of tomorrows, somehow today never arrives.

We have endlessly brought our economy to a take-off stage and the 'fundamentals' are eternally strong, yet today doesn't come for millions and millions of people. Should the planners blame faulty paradigms or the steel frame take the hit for poor oversight and flawed implementation? Whichever can be cursed, depending on one's proclivity? Politicians are the favourite whipping boys, too and that debate is endless.

We grapple with now: where do we start and with what? We have to use our talent, including the ethical and moral standards of public transactional relationships that prevail in our country. Once we determine this segment, we can figure out the how.

For a start, we need to inject some integrity in public policy and accountability in implementation, i.e., if we are serious about inclusive economic growth. If we are otherwise comfortable with the shenanigan spinning, this discussion then makes for good semi-webinar material and we can boast to our friends how smart our thinking is. Rule of and by law is the fundamental tenet on which any growth can be built.

What is being discussed is that India needs a new model, its own taking our special features into account. It is a good political language. If we are successful, we can always call any model our creation, so let's get the basics. Livelihoods and skills with some education are universal needs, we have to target their facilitation universally.

Secondly, we have to make up our minds on do we need foreign investment and technology or we are going to go with Atamnirbharta all the way. If it is the latter, then let's have a 100-year plan and trudge along. If we want to go any faster, then let prudence prevail in our policy framework and clarity.

Revenue extraction is not the aim of any decent government, it has to be revenue collection. Pragmatic and as painless as possible. The clarity in policy, crisp and succinct, will help and let's do away with the extras like who will eat what, who will wear what and who will employ whom.

Ashok Jhunjhunwala
Institute Professor, IIT Madras
July 15, 2020

Thanks, Raj, for an excellent short write-up. You have put the debate in brass tacks. We are tired of just talking and doing little. I hope this discussion helps India strengthen itself.

We have made great progress since 1991, irrespective of Governments. We seem to be very quickly losing ground in recent times, not just due to COVID. We need to pull ourselves up.

We need short-term aims (three to five years). We need mid-term 10 years to aim and also 20-year aim. We can begin with what we gained in the last 35 years and what we did not. I will give some examples:

1. Almost 50 percent of our children did not go to school then. Today most do. Yes, quality is a problem.
2. We had hardly 20K engineering graduates every year in 1983. Today we have 2 million. Yes, the quality is uneven. We need to attend to it.
3. I waited for eight years to get a telephone in the 1980s. Today, wireless telephony reduced the costs of installing a telephone line from ₹40K per line back then to less than ₹2K per line.
4. In 1981, I wanted to book an LPG gas cylinder (I had just come to Chennai from the US). The older man at the booking office asked me whether I was ever put on the waiting list. When I said no, he looked at me and muttered that I am unlikely to get it in my lifetime. But I should put my name on the waiting list – my children will benefit.
5. I booked a Chetak Scooter to be told to take four years.

We have come a long way. Many of us have worked hard for it. Some 6.5 percent to 7 percent growth in real-terms over thirty years imply that our economy is about six times in real-terms. Lots of poverty was wiped out. Experts may correct me, but I thought our numbers were below 10 percent a few years back. I do not know now. The pre-COVID slowdown in the last few years and COVID impact may have wiped out many of our gains. Hopefully, we will bounce back.

Even in socio-political terms, we had gained immensely. Our media had become free. Elections became mostly fair. “Aaya-ram-gaya-ram” of 80’s had disappeared. Judges were bold. But here too we seemed to have lost. Sometimes we are even afraid of talking today. Hopefully, we will bounce back.

Arun Maira

Former Member of Planning Commission

July 24, 2020

When we restart the Indian economy after COVID, let's make sure all Indians are on the bus. Some thoughts about rethinking economics in The Mint:

<https://www.livemint.com/opinion/online-views/the-great-scramble-of-millions-to-board-india-s-economic-bus-11595515336176.html>

"Economists everywhere are beginning to admit that they must go back to school to invent new economics. India needs a new economic model. It should be neither the model that existed before 1991 when growth was slow nor the model since then, which has not delivered inclusive growth. Our economists must move on from the debate of whether pre-1990s socialism was better for India's masses or the post-1990s adoption of capitalism.

Trade economists, labour economists, industrial economists and all other economists must step outside their specialisations, and see reality from many perspectives together. Moreover, they must listen to "non-economists" with other insights.

The shape of growth matters, not just its size. The pandemic has woken up economists. "Vocal for global" without much "vocal for local" will not create a resilient and just economy. Policymakers and economists at the bus's steering must listen to the voices of the millions who have been holding on to it for their dear lives and livelihoods.

Sumit Majumdar

Professor of Technology Strategy, University of Texas at Dallas

July 27, 2020

Gentlemen:

I hate to be a negative curmudgeon, but what is the point? All new ideas will be absorbed, processed, internalised, sloganised, personalised and bhashanised.

But, since when has there been any actual delivery?

A few doctoral students and colleagues, out in the prairies of North Texas, are evaluating Indian corporate sector data. I have an ultra-large firm-level database for all of India's public limited companies starting in 1970-71 and ending in 2017-18. These run into over 100,000 + observations (by the firm and by year). These entities create, in aggregate, about possibly 75 to 85 percent of India's GDP. Every limited company you can think of has been represented in the database.

On every parameter of firm-level capability or capacity building (one can share and state all of the key variables, and there are many), the numbers are in a significant downward trend since 2010-11, thanks to the ‘Mannu Kohli’ and his ‘industrialisation of corruption’ regime. These are persistent trends. There is a strong hysteresis effect. The existence of this hysteresis effect should, logically, make you hysterical because the prognoses are terrible.

Ultimately, micro-entities, such as these limited companies, make the investment decisions to create capabilities. These then aggregate to a national-level capital formation metric. That capital formation has not happened in India in almost the last decade. What has happened has been capital destruction.

The last decade has been a lost decade. Irrecoverable. Face the facts. These are not fake! These are Bharat Sarkar’s MCA and RBI numbers, as audited by ICAI members. In the light of these, please disabuse me of my potentially profound despair as to the likelihood of the Indian economy ever becoming even a 3rd rate middling global player, let alone the 1st rate beacon of hope of all humanity.

The great ‘Bhashanologist’ will never deliver. To be candid, he cannot. The possibility that India’s micro-economic entities will ever actually deliver, and they are the ones that generate the output that goes into statistical performance summaries, is a pipe dream.

All policies have been mere band-aids to stop a case of galloping gangrene.

We are appalled by what we see. As I said, please, please tell me that my colleagues and I are completely wrong. Tell us that we have singularly misinterpreted the facts supplied to us, which are in any case fake. We are patriots. We want to correct our mistakes. Jai Hind!

Prakash Hebalkar

Senior Strategy and Public Policy Consultant

July 28, 2020

Dear Arun,

In line with your suggestion about a radically different and India specific (or at least India appropriate) economic model, may I suggest the following forest growth model as having merit as one starting approach with suitable substitution of trees by humans.

<https://www.sciencedaily.com/releases/2015/12/151223221755.htm>

Raj Liberhan

Former Director, India Habitat Centre (IHC), New Delhi

July 30, 2020

Sadly, our own experiences of reality of conditions as we have witnessed tempt us to stray off course and I am guilty too.

In my view, our resilience is in our unorganised sector, that very large segment of people who are often voiceless, have little access to education such as it is available in the back and beyond of our country and who also constitute the 'vital service sector' without whom no urban economy can prosper, and this vital segment is the one whose access to the state's civic amenities and so-called affordable services come at a price to be paid to the intermediaries.

We need to respect and regard this unorganised sector and facilitate their economic opportunities. Every city must give vendor platforms where they are not subject to the whims of municipal and police inspectors. The politico-builder-regulator nexus have misused our city spaces. The municipal administration has to be simplified and made transparent and the people will take care of the prosperity as they have been doing till now, despite the government.

This forum has many experts who have an India view as part of their work. Our governing unit has to be empowered and all policy implementation and planning must be started at The District. We do not need the bureaucracy at the state capital. The powers of the State must be vested in the District planning and investment board and they should lead and regulate development initiatives.

The district chief secretary should be of 15 plus years of service. The political representation can be suitably fitted into the District Board. The State headquarters can coalesce the entire state plan, sit back, let governance happen, and solve inter-district hassles.

At this stage of tech development, a lot of assistance is available both for planning and monitoring. The entire state must have a land-use plan published and displayed on its website. The business of CLUs must be stopped for obvious reasons. Once land uses are notified, these can be altered only by electronic polling of the citizens of that area.

The instruments of governance need a huge overhaul. Without that overhaul, everything is a non-starter. We have treated the entire unorganised sector through the Indian Penal Code. One can understand the government's anxiety to bring them into the Organised set, basically because of their revenue potential and who can oppose the widening of the legal economy.

But if we want that to happen, we have first to have the infra of schools, colleges and skill acquisition to their doorstep. The access has to be made easy and universal. We have too rigid a system of education, and that needs to be opened up. The pointers are obvious.

Enough of my thoughts for the moment.

Arun Maira

Former Member of Planning Commission

September 07, 2020

Dear Friends,

The revival of economic activity in India, especially in the lower part of the pyramid, in the informal and small enterprise sectors, requires a fundamental change in the economic 'theory in use' that has been driving economic growth for the past 25 years.

I wrote in the Hindustan Times: <https://www.hindustantimes.com/analysis/in-india-nurturing-the-growth-of-local-economic-ecosystems/story-A92pQx5V4SpfYGP38upfKK.html>

Som Karamchetty

Potomac, MD, USA

September 09, 2020

It was said that if wishes were horses, beggars would choose to fly. India would like to go back to the old village-level economy. Here are my points why it will not work.

India has difficult borders with an economically strong, militarily powerful, and proven aggressor. There is a determined enemy on the West. Terrorists aim to take India back over a millennium and make it a subject nation. To resist these forces, India has to develop a strong military force that requires many hundreds of billions of dollars. The country has to continue purchasing weapon systems and building new research, development, and manufacturing facilities to make its military weapon systems and a supporting economy with fulfilled people.

The opposing forces will have adverse systems in space and communication systems and intelligence systems. They will be encircling India, which means even the other boundaries will also need strong protection. They will bribe opportunists in India with enticing offers to gain better intelligence in all fields of endeavor by the Indian defense strategies in all sectors of the economy. Countering all these attacks will require trillions of dollars to match the enemies.

Advanced technology is progressing when the manufacturing and logistics sectors will be full of robots producing goods and services with tremendous productivity. The quality of both civilian and military products and systems will be orders of magnitude better than what people equipped with old technology can deliver. Owing to the scale of such production level, their goods will be so cheap that India will not be able to compete in

international markets. The enemies will likely plug the physical paths for its exports and imports.

The country will need to earn dollars and not rupees. Hence, India cannot live in an isolated environment even if it hopes to build a wall as it did centuries ago.

Furthermore, it is possible that in the next century or so, AI and Robotic technologies will advance to a level that the populations in the technologically advanced countries need not work at all. The robots will do everything for them, like the genie in a bottle. The robots will defend their borders, expand their territories, mine and bring supplies for them, manufacture devices for them, make drugs, attend to their sick, grow food, cook and feed them, and entertain the hordes of their people.

During the march of mankind towards such a scenario, India has no option but to adopt the same course and try to be at least as fast as the front runners are in such progress. Suppose India hesitates and decides to go back to the so-called traditional village life. In that case, the enemy robots will march into the Indian territory and the innocent citizens will get crushed under their Robo- boots.

Moreover, suppose one were to ask the Indian villagers today to express their aspirations honestly. In that case, almost everyone will state that they want their children and grandchildren to have an IT job in a major city, driven by an air-conditioned autonomous vehicle from their luxurious home to the beach resorts to have a fine meal and glamorous entertainment. Gone are the days when they would have settled for a plough on their shoulders trudging on their way to the farm for a hot day's work.

Suppose the Indian village folk comes to know that their government has a plan for such a hard life for their children and grandchildren while the rest of the advanced technology world will enjoy heavenly comforts on the earth. In that case, there will be a revolution here before the advanced enemy robots emerge out of the factories of the opposing countries.

So, India has no alternative but to take the high technology path as quickly, rigorously, and sincerely as they can. Suppose the current technologists, economists, planners, and managers do not want their children and grandchildren to be overwhelmed by these imminent forces. They should look for a vision where all Indians, be they from a tiny village or a major metro, are knowledge enriched and highly skilled to create, develop, launch, and direct the intelligent machinery for their good and then for global order and good. In that case, they should work overtime and think of good plans to lay a path to that glorious vision.

Even the ancient Dharma Sastras have provided case histories where the virtuous rulers had to ask for superior weapon systems than the cruel ones. Every righteous civilisation that abandoned the need for a vibrant economy, strong force, and Dharmic rulers had perished.

I used some strong phrases only to emphasise and wake up those in slumber but not to demean Indians of any stature

Prakash Hebalkar

Senior Strategy and Public Policy Consultant

September 10, 2020

Dear Arun,

A very sensible article that also prompts two questions:

1) Re. “Indeed, large companies from a country cannot become competitive unless they are sustained by a competitive ecosystem.”, which is of course, true, then does it also suggest that the old conglomerates that built these ecosystems within the same ownership structure were NOT bad and should be viewed more positively again? That need not be an exclusive model for building an ecosystem, but a permissible one? See Korean Chaebols and Japanese Keiretsu, which still survive and, one could say, also thrive.

2) Should we reconsider my EXIMSCRIPS scheme instead of (no longer viewed as ideal) completely free trade to provide structural incentives to build such ecosystems? Shocking, for traditional trade economists, perhaps but fitting for the times?

Ashok Jhunjhunwala

Institute Professor, IIT Madras

September 11, 2020

Dear Som,

I agree with you when you write: India has no alternative but to take the high technology path as quickly, rigorously, and sincerely as they can.

But disagree with you when you put the argument primarily on defending India. India can be best defended when it is prosperous. With almost seven percent GDP growth in real terms, the back of poverty was broken. Though, I will acknowledge that very high inequality has hurt us.

Yes, the GDP declined in the last few years and the waterfall due to COVID will hurt us. Yet, along with social programmes like NREGA and DBT and GDP growth, we have made a dent. But one can only hope that we will recover.

In the meanwhile, our R&D and start-up system has become quite strong, and it needs to grow more rapidly. What is weak is (i) weak industry-academia – though it has started moving but needs considerable strengthening, (ii) leadership that can strengthen Indian technology.

I want to look at self-reliance, Made in India, Make in India, or Atmanirbhar beyond empty slogans. We can certainly create world-class technology, manufacture in India, import what we can not do best at any time and export besides feeding our large domestic market.

So, to sum up, we need (i) rapid GDP growth and some taking care of inequality (ii) strengthening of industry-academia and R&D – Start-up interface (iii) leadership - who understand what to do at every step.

We certainly are isolationists, though we will do things that are more relevant to India (taking into account its low affordability) and tap the strength of our youngsters. In ten years, we can be different and take whoever casts evil eyes on us.

Prakash Hebalkar

Senior Strategy and Public Policy Consultant

October 01, 2020

Dear Arun,

Further to my earlier email on supply chains and conglomerates, do see this:

Germany's mid-sized engineering companies, often family-owned and bank-financed, are facing off against giant state-funded Chinese companies that benefit from vast economies of scale and produce everything in-house, said Sebastian Bauer, Managing Director of Bauer Maschinen GmbH, an industrial equipment manufacturer based in Bavaria.

<https://www.wsj.com/articles/china-once-germanys-partner-in-growth-turns-into-a-rival-11600338663>

Narendar Pani

Professor and Dean, School of Social Sciences

National Institute of Advanced Studies

October 09, 2020

Much as liberalisation was desperately needed in 1991, we cannot assume that opening up is all that matters. Just as it took great courage to challenge the dogma of state control we need to be brave enough to evaluate the course of liberalisation and its severe consequences for the economy.

The migrant crisis during the pandemic is a direct result of the post-liberalisation strategy of ignoring issues of industrial location. The complete absence of any location strategy has

forced labour into short-term migration across a large country. Similarly, the farm bills are all about helping the efficient benefit (though this is also open to debate).

There is no concern for the millions who get left behind. The costs of ignoring the interests of millions of farmers, while in pursuit of the efficiency of the rural privileged, will have social costs. This has been true of all major movements out of agriculture since the industrial revolution.

To pretend we can ignore the fact that agriculture is multi-functional, as the French have put it for a long time, will have serious social consequences. And in the deeply divided society that we have become, playing with fire.

We can hope that democracy will ensure that there will be multiple localised eruptions rather than a national outburst.

Prakash Hebalkar

Senior Strategy and Public Policy Consultant

October 09, 2020

Dear Ashok,

Re: *“You cannot do well without our R&D, import what is needed, export what is possible, while serving the Indian market.”*

I could not agree more. Scale and global ambition are still weak points of our entrepreneurial class (they rarely see beyond risk-free domestic markets) as well as our R&D (me-too).

Prakash Hebalkar

Senior Strategy and Public Policy Consultant

October 15, 2020

I find Dr. Pani’s intervention puzzling.

Liberalisation removed state direction of which industries should set up where, how, etc. leaving it to economic and efficiency considerations. Capital mobility and labour mobility were natural consequences. Capital mobility was easier since it concerned the private sector.

Labour distribution anomalies needed to be sorted out if other conditions did not permit overlap of labour availability and industrial presence for economic considerations.

Mobility of labour is thus a logical consequence and is a fundamental right & characteristic of large free nations (unlike Chinese Hukou permits) like the USA and European Union.

Implications on urban development are important to be addressed but not inherent tragedies.

As far as agriculture is concerned, surely we should be concerned about the hopeless fragmentation of land-holdings that the absence of primogeniture policies has created, at least as much as we were once concerned about the concentration of land-holdings in the hands of a few Zamindars?

I did not see any suggestions/solutions for addressing the fragmentation problem while vocalising the consequential issues arising from “those left behind” other than expecting civil disorder and political demonstrations. Land-pooling and contract farming are just two such possible solutions. Neither involves public disorder as natural outcomes.

Arun Maira

Former Member of Planning Commission

October 16, 2020

Sumant Moolgaokar built an R&D capability in Tata Engineering and Locomotive Company (TELCO) — now Tata Motors — in Pune in the 1970s. He insisted TELCO export its vehicles to test itself against the best in the world. And it did, to 50 countries, even beating its teacher, Mercedes Benz. In many markets. All before 1991.

When the government began the ‘liberalisation’ of trade and industry, which began in the 1980s under Rajiv Gandhi, it allowed Japanese truck makers to come into India. TELCO designed a new LCV model, the 407, and beat the Japanese.

All this before 1991 when Indian industry was supposed to have been in the ‘dark ages’ according to the 1991 reform narrative written by some economists.

This is a remarkable story. Three lessons:

1. As Hegel said, the only lesson we learn from history is that we don’t learn from history.
2. You can do well with R&D, importing what is needed and exporting, while serving the Indian market—as TELCO did, and ‘Hamara Bajaj’ also.
3. There are two classes of ‘entrepreneurs’—trade entrepreneurs and industrial entrepreneurs. The East India Company was very entrepreneurial. Tatas in India were entrepreneurs, too, building even when the British would not allow them to.

Think about it. Which type of entrepreneurs' views are our economic policy-makers driven by? And, who are the real wealth-creators for the nation vs wealth-creators for themselves?

Narendar Pan

Professor and Dean, School of Social Sciences
National Institute of Advanced Studies

October 20, 2020

I must admit that Dr. Hebalkar's response to my intervention has the advantage of certainty that I cannot, and will not, claim.

Transforming an agrarian economy into a non-agrarian one has caused great social distress going back to the Industrial revolution. This distress can come from the state, as in the collectivisation of agriculture in the Soviet Union, or from the market.

Competitive markets only reward those that can be efficient in them. Indeed, the market's success is typically determined in terms of how well the beneficiaries do. This is reflected in the preoccupation with growth rates in the entire discourse.

What to do with the millions who do not benefit does not enter the discourse. And any effort to do so is considered puzzling. The task of addressing their needs is left to the local politician, who uses whatever means they have, legal or illegal.

The favoured local political intervention is to convert the local anger of one group, fueled by economic distress, against another group. These local eruptions take various forms, from caste-based gang rapes to communal and caste riots. It is convenient to treat these eruptions as law and order problems that should not concern economists, but it is worth our while to look at how they can return to haunt the economy.

I will point to just two trends that are already visible. First, can rural distress and its anger-based politics create conditions that will attract investors? And this is not a matter of foreign investment alone. In a globalised world, Indian investors would also prefer foreign shores if they offer more calm. This may not be the only factor in India's struggle with maintaining investment rates it had a decade ago, but we can ignore it at our peril.

Second, the pandemic brought out the extent of the inherent instability of urban industry dependent on rural workers, mainly when a free market has resulted in the workers being located thousands of km away. Whether we would like to admit it or not, the volatility of free-market generated, long-distance, short-term migrant workers forced a deeper slump in India than that of other countries hit by the same pandemic. Moreover, any hesitation on even a section of these workers to return will slow down the recovery.

Keeping with the Indian fascination with dogma, we seem convinced that further liberalisation will remove the problems created by liberalisation. This is evident in the

current fascination with creating free markets in agriculture. The current crisis in agriculture is largely a matter of commodity cycles.

When there is a shortage of an agricultural crop, its prices rise, attracting more farmers to invest in that crop. This leads to overproduction and a crash in the prices when the crop is harvested. And the troughs and peaks of the cycles can be accentuated by the influence of international prices in a free agricultural market.

The obvious answer is to ensure farmers know the price before they sow their crops. This is usually the job of forwarding trading and futures markets. But futures markets in India are situated in distant metropolises that the farmer cannot access. A less ideologically dogmatic policy would have considered converting the procurement system into one that could provide prices based on likely prices at the time of harvest.

The farmers would then have a basis to determine which crop they would grow on a realistic basis. These prices can be determined through futures contracts between the agencies and futures markets. Such a system would also allow the state agencies to mediate between the farmers, especially the small farmers, and large global capital.

We also need to avoid knee-jerk reactions to the challenge of land fragmentation. However small the holding may be, we must remember that the land is a safety net for farmers. Even when farming is not viable, the land remains a saving that farmers believe can fall back on.

It is important to recognise that the scale problem is not confined to land alone. There are already various initiatives in increasing the scale of other agricultural inputs, such as the large-scale hiring of tractors. There are also other innovative constructs we can talk about, but I have already gone on for too long.

Naushad Forbes

Co-Chairman, Forbes Marshall Pvt. Ltd.

October 23, 2020

Dear all,

I've been resisting the temptation to jump into this, but here's a (long, sorry) additional two cents, prompted by Arun's comments on the comments on his article:

1). Are we seriously proposing that the product markets and economy we had in India in the 70s and 80s were superior in any way to what we have now? Let's take two examples from Telco - prompted by Arun's nice recollection.

The Tata 407 was indeed a good innovation that beat Japanese competition. Now ask why Telco did not develop the 407 before competing with the Japanese in India. In other

words, it was a change-like competition that forced a higher quality response. So were we as a country better off or worse off by allowing Japanese investment in the LCV industry? I'd argue much better off.

A second telco example. Arun will have personally experienced that Telco wanted to make cars back in the 60s. I understand that it repeatedly applied for licenses to make cars, which were always rejected or sat on - until 1991 when industrial licensing was scrapped and they were free to enter the car market - after Maruti Suzuki had already done so, thanks to state patronage.

Isn't better clearly an absence of state direction and control of the economy, with all that goes with it? Don't these two Telco stories say the national interest is served by more competition, including foreign competition?

2). The comment on location policy I find scary. India had a location policy throughout the 70s. Many restrictions forced investment in Bihar and UP and Kerala, instead of Maharashtra, Gujarat and Tamil Nadu. Please ask with what result?

The state per capita GDP gap we had at the start of the policy only widened. We see migration as bad - Isn't it only good, as a response by individuals to opportunities in other more dynamic areas? As one Comment says, the Chinese haiku system is a terrible thing to emulate, violating both economic principles and human rights.

3). I cannot agree more with Ashok on the importance of an outward-oriented Indian economy and an Indian industry that is more technology-focused. In 1991 trade as a percent of our GDP was 14 percent. In 2012, at its peak, it was 55 percent. It's since dropped to 40 percent. Sajjid Chinoy shows that almost the entire (large) slowdown in our GDP growth since 2012 can be explained by the declining share of exports in GDP.

And exports and imports are two sides of the same coin. We had autarky under Indira Gandhi. It kept us poor and irrelevant to the world for decades. And the best way to ensure Indian industry invests more in technology is that they must be threatened with not surviving against foreign competition if they don't.

4). Too much of what we are advocating today - self-reliance, location policy, controlling foreign investment and competition - harks back to the policies of the 70s. They failed then. Yes, inequality was lower - because everyone was poor. Could the growth we have seen since 1991 (5 percent per capita, instead of 2-2.5 percent earlier) be more inclusive?

Absolutely. That's what we must fix. But the way to fix it is to invest in primary and secondary education and skills, as the NSDC was set up to do (and not what it has been diluted to now) to enable more millions to participate in growth. And by freeing labour markets as we are currently doing so, we can attract the millions of low-skill manufacturing jobs exiting China but heading to Bangladesh and Vietnam, not Bihar and UP and Jharkhand.

Let's fix those things. Let's not try instead to control imports, control foreign investment, control what firms do. We must achieve greater access and equality by making the poor richer, and not the other way around.

Jaithirth Rao

Founder, Value and Budget Housing Corporation

October 29, 2020

It could not have been said better

Industrial Policy will again be subject to regulatory capture and unintended consequences as price signals are ignored. Clusters (Ahmedabad for Textile Mills in the early twentieth century, Tiruppur for Knitted Garments, Bangalore for I.T., Gurgaon for BPO, Bombay for Cinema, Bombay for Finance, Namakkal for Borewell Drilling, Dharwad/Gadag for Hindustani Classical Music) have arisen not because the state wills it.

Despite state hostility, these clusters have arisen in India because planners were mercifully temporarily asleep. The steep costs of legal electricity and frequent power cuts have killed Coimbatore foundries. We have successfully de-industrialised before industrialising!!

As he points out, Migration is a good thing. I shudder to think what would have happened to our family if we had stayed in a village near Pollachi, where we were two hundred years ago. I submit that each of us should think of the migration patterns of our own extended families.

Late Shakti Sinha

Honorary Director, Atal Bihari Vajpayee Institute of Policy Research and International Studies, MS University, Vadodara, Distinguished Fellow, India Foundation, New Delhi

October 30, 2020

A compelling set of arguments by Dr. Forbes focuses on what the State should be doing. To take up Arun's very thought-provoking article, why did the visionary Sumant Moolgaokar set up his facility in Pune instead of expanding operations at the TELCO plant in Jamshedpur?

The answer lies in that often-misused phrase - the investment climate. Or to use another famous phrase, the ease of doing business - the entire cycle and not just the start. For too long in the recent past, we concentrated on improving property registration, obtaining construction permission, electricity connections, etc. All-important but not enough.

The quality of physical infrastructure, human capabilities and policy certainty are what the State should be working on. Could Bihar (now Jharkhand) compete with Maharashtra

(Pune) in either the quality of physical infrastructure or on human capabilities? Even with Tata's virtual zamindari system in Jamshedpur, the answer was no.

The last (policy certainty) is all the more difficult as the line between promoting innovation and creating rent opportunities is very thin. And it is here that it is easy to fall short.

But thank you, Dr. Forbes, for reminding us of the pre-1991 days - when a Vespa/Bajaj booking took 17 years to deliver and Own Your Phone (OYT) telephones were seen as an innovation since it brought down the waiting period from infinity to a more manageable five years.

As a senior government functionary in Goa in the 1980s, my popularity increased several-fold since I was a member of the Telephone Advisory Committee (TAC). Every quarter, I could help 5-6 persons jump the queue and get phone connections. The same applied to gas connections (only in areas covered initially).

I worked with AB Vajpayee (1996-97) when he was the opposition leader. I realised the pressure on him from constituents in Lucknow for gas connections. MPs would be given a large old-style numbered checkbook with stubs to issue many gas connections per quarter.

I could not help a friend of mine as I did not muster the courage to ask ABV for such a favour realising that constituents should be a priority. Fortunately, another MP helped! But to end with going back to the late 1960's-the early 1970s, even the only watch available, HMT Citizen, not being available off-the-shelf.

Sorry for this detour, but yes, the sepia memories of those days get tempered when I remember the daily indignities that confronted us every day, even as we were relatively privileged. We have shown we can do better, so best to learn from our experience and look ahead.

Arun Maira

Former Member of Planning Commission

October 30, 2020

Dear all,

I am glad that Naushad has asked me to explain two further examples from TELCO's history. Before I do that, I will remind you again that I am asking us, and economists, to consider the force of rapid learning as a variable that (in addition to trade theory) quite elegantly explains industrial development. It is like the discovery of gravity by Newton, which provided a simple explanation for observable phenomena.

The Japanese discovered the power of time-based competition when they were rapidly (re)industrialising after the World War. Time was used as a metric for measuring

performance of a production system, not just input-output measures of productivity. In a variety of industries, they established that when the time to get things done was reduced, the productivity of resources also improved.

The best Japanese firms applied the time metric to two levels of learning. One, to the activities within the production process, like many companies learned to do as 'TQM' spread in Japan and other countries (including to the auto sector in India). The other level was the higher level of measuring how the improvement process produces improvements.

The thesis was that the only sustainable source of any enterprise's competitive advantage is improving faster than all potential competition. This becomes even more relevant when trade borders are thrown open and better competitors are permitted to enter the domestic market.

When the Indian government allowed the four Japanese companies to enter the Indian market, TELCO beat them by developing a completely new product—the 407—in a world record time of only 18 months, from concept to showroom. The ability to do was not developed after the Japanese were permitted. It happened before. Complex capabilities, such as R&D, and product development, cannot be created overnight. TELCO was able to do what it did because it had developed these capabilities BEFORE the Japanese were invited (i.e., pre-1985).

TELCO's forays into the car segment are also instructive. When the Indian government allowed 'broad banding', and TELCO could also make cars, Moolgaokar was very clear that TELCO must use this opportunity to learn rapidly how to make good cars. He would remind TELCO's proud commercial vehicle engineers that cars are sold to individual consumers for personal use, whereas commercial vehicles are sold for commercial purposes, i.e., making money.

Two different paradigms of auto technology apply within the auto sector. In commercial vehicles, robustness and economy of use matter most of all. In cars, fit, finish, comfort, and status matter much more often. Since TELCO was allowed to find a foreign partner to learn how to produce good cars, we must, he said.

However, a criterion we must apply while selecting a partner in which one has the best technology for 'learning faster' and automobile technology, of course. TELCO received proposals from the best companies worldwide—this was an opportunity to enter the Indian market with the strongest Indian company. We researched the companies' track records and even interviewed their managers to understand their management philosophy. And we chose Honda.

Then, with Honda, we designed a rapid learning programme—what subjects, which of our people, and how. Learning targets were fixed. Honda was very familiar with this process. It was a 'learning rich' experience to delve into the technology of 'organisational learning', which is the heart of rapid industrialisation in a global market.

The Honda collaboration had to be called off, even after Honda and our teams had worked together quite extensively without any compensation to Honda, because of the appreciation of the Japanese currency — Plaza Accord, (and decline of the rupee). Even with the rapid ‘indigenisation’ programme that TELCO and Honda had designed voluntarily (because it made economic sense for both), the Accord would have been out of reach of the market we had assessed. Meanwhile, Maruti-Suzuki continued on the path of rapid learning (and were saved from the formidable domestic competition!).

I was able to engage with the subject of ‘organisational learning’ more deeply when I moved to the US in 1989—both theoretically and in my consulting work. My first book, *The Accelerating Organisation: Embracing the Human Face of Change*, was an account of what I had learned until the late 1990s before I returned to India.

It contains the story of Cemex, the Mexican cement company, which applied concepts of organisational learning explicitly to improve its performance very rapidly and became the world’s third largest cement producer, as well as a benchmark for processes, within a short time after Lorenzo Zambrano, its CEO set the goal to become a global benchmark.

Three generic lessons from that story (and from others’ including TELCO).

1. You manage and improve what you measure. Therefore the pace of organisational learning is a very valuable metric, and a stimulus for all-round improvement.
2. Enterprises are ‘socio-technical systems’, (just as countries are socio-economic systems). Therefore humans have to be included in models of the system—not as numbers and costs, but as the source of systems’ improvements. The Japanese example, and German too, support this. Trade models of industrialisation tend to include humans as only a factor of production. Whereas the purpose of industrial development is to improve the capability of domestic enterprises and managers and workers in them to compete. The development of people (and growth of their incomes) is not only the ‘ends’ of the development process, it is also the ‘means’.
3. A rapid ‘learning strategy’ should guide what industrial policies and trade policies India should adopt at this stage of its development so that it will, within a short time, produce globally competitive enterprises. This will require economists to take on board concepts of organisational learning and the human sides of enterprises.

Joseph Stiglitz has been trying to get economists to open their minds beyond trade and GDP. He wrote *Creating a Learning Society* a few years ago with Bruce Greenwald. His most recent book is *Measuring What Counts: The Global Movement for Well-Being*, with Jean-Paul Fitoussi and Martine Durand.

When I read Stiglitz and other economists like Dani Rodrik, what strikes me is the questioning of mainstream models and theories within the economics community. What also strikes me is that what economists say more economists should pay attention to —

such as the human side of the enterprise and social/organisational learning — are subjects quite well known already outside economics!

Anand P Gupta

Former Professor of Economics
Indian Institute of Management, Ahmedabad
November 02, 2020

Dear Dr. Forbes,

I agree with you. As rightly pointed out by you, a significant issue that needs to be addressed is ensuring that the substantially higher growth that we get under the model you have articulated is much more inclusive.

You say the way to do it 'is to invest in primary and secondary education and skills as the NSDC was set up to do (and not what it has been diluted to now) in enabling more millions to participate in growth.' I may add that the way to ensure that growth is much more inclusive is to invest in public health. The idea is to achieve a broadly equitable distribution of economic capabilities among our people. We have failed in delivering this outcome.

You talk about promoting an Indian industry that is more technology-focused. But should we continue to have a fiscal policy that is biased in favour of capital intensity?

Arun Maira

Former Member of Planning Commission
November 02, 2020

Jerry's concern about regulatory capture raises fundamental questions about governance.

We should unpack the term 'regulatory capture'. Captured by whom? And 'regulations' for the benefit of whom?

'Competition management' is the art of preventing the large from dominating and of 'interfering' with the process of 'cumulative causation', whereby those who have been able to have even more. And those who do not have to find it hard to have anymore.

The 'regulation' of the internet, social media, and data bring such fundamental questions about 'governance' and regulations of the economy and society.

Regulations are required to help those with little power compared to those who have. Therefore, they must have a much greater say on the regulations, rather than those who already have.

We fear giving ‘governments’ power to regulate. Because the regulatory process may be captured by one or another group with greater power to distort the competitive playing field in its favour. But broaden this concept of capture. When there is less government, which are regulatory processes captured by? Does not the philosophy that government is not the solution, it is a problem, favour those with greater resources?

Let’s have minimum ‘government’, but let us have more ‘governance’. And for that, we must again discuss the purpose of governance, what good governance is, and how it should prevent regulatory capture.

Prakash Hebalkar

Senior Strategy and Public Policy Consultant

November 02, 2020

Arun Maira’s well-presented points are well summarised in Andy Grove’s “Only the Paranoid Survive”.

Under Andy Grove's leadership, Intel has become the world's largest chipmaker and one of the most admired companies in the world. In *Only the Paranoid Survive*, Grove reveals his strategy of focusing on a new way of measuring the nightmare moment every leader dreads--when massive change occurs and a company must, virtually overnight, adapt or fall by the wayside.

Grove calls such a moment a Strategic Inflection Point, which can be set off by almost anything: mega-competition, a change in regulations, or a seemingly modest change in technology. When a Strategic Inflection Point hits, the ordinary business rules go out the window. Yet, managed right, a Strategic Inflection Point can be an opportunity to win in the marketplace and emerge stronger than ever.

Grove underscores his message by examining his record of success and failure, including how he navigated the events of the Pentium flaw, which threatened Intel's reputation in 1994, and how he has dealt with the explosions in the growth of the Internet.

The work of a lifetime, *Only the Paranoid Survive*, is a classic of managerial and leadership skills.

The Currency Paperback edition of *Only the Paranoid Survive* includes a new chapter about the impact of strategic inflection points on individual careers--how to predict them and how to benefit from them.

Montek Singh Ahluwalia

Former Deputy Chairman, Planning Commission of India

November 09, 2020

Like Naushad, I have also been thinking of jumping in on these Plan 21 exchanges to express my concern at what looks like a dangerous resuscitation of the self-sufficiency philosophy of the 1970s.

Naushad has put it very succinctly and I just want to record that I agree with him. The real question is does anyone disagree with him, and if so, it would be good to know exactly what.

Please note that it is no one's case that the reforms were perfect and produced no problems. Any major change produces some unanticipated problems or throws up new challenges that need to be addressed. Defenders of the reforms only need to show that the reforms set the notion that India cannot grow rapidly.

The growth may not have been as inclusive as one would have liked and it was also not as sustainable. There can be no doubt that policies needed to be changed to achieve those objectives. But there is no case for nostalgia for what existed earlier. I wonder if everyone, or at least a large majority, is agreed on that limited point.

There is a lot to discuss.

Ashima Goyal

Professor, Indira Gandhi Institute of Development Research

November 09, 2020

Interesting debate! But I think we should not read the current situation as a reversion to import substitution. To quote from my HBL article, the link to which is given below:

'During the post-independence import-substituting regime, Indian manufacturing settled into a comfortable high-cost, low-quality outcome in a protected market. Liberalisation was an import competition regime, which manufacturing found difficult to survive given its high costs and unfair government subsidised competition from China. After experimenting with these unproductive extremes, the economy seems to be settling into a more sustainable regime, which I will call 'export competition'.

Manufacturing has to export, compete internationally and therefore become efficient. But it will be protected from unfair completion and helped to develop economies of scale under a broad set of policies that lower costs of doing business.'

<https://www.thehindubusinessline.com/opinion/is-there-a-manufacturing-turnaround/article32766400.ece?homepage=true>

Naushad Forbes

Co-Chairman, Forbes Marshall Pvt. Ltd.

November 09, 2020

Dear Gupta,

Thank you for your message. I fully agree with you that investments in public health are also significant in inclusion - apart from being the right thing to do in itself.

From everything I've seen of how our different states have handled COVID, the reason Kerala has had low mortality despite a high recent case-load would seem to reflect a public health system that is superior to what we have in other countries states. That certainly seems to be the case for Taiwan, South Korea and Vietnam.

Prakash Hebalkar

Senior Strategy and Public Policy Consultant

November 10, 2020

Dear Gupta,

Re. your question: "But should we continue to have a fiscal policy that is biased in favour of capital intensity?" Three observations:

1) Technology development moves in the direction that the technology-developing society's strengths and weaknesses lie. As most of the technology development in the past century has been in prosperous but labour-scarce Western countries, it has been directed towards capital intensiveness. If we feel the need for other approaches that match those technologies effectively with less capital but more labour, then it is upon us to develop them. Not matching brings associated penalties of non-competitiveness.

2) Fiscal policies do not have century-long horizons, but shorter periods like "five-year plans" or at best a couple of those back-to-back and so have to take current technologies as givens. Even the C developments have mimicked that approach despite their longer 10-25 year current plans (they learned from the mistakes of the Mao era).

3) Process industries (Oil, semiconductor manufacture, chemicals, pharmaceuticals, power generation, ..) are intrinsically unsuited to labour-intensive processes. The same holds for mining if the matching condition in (1) above is considered.

The other sectors are open to newer labour-intensive approaches subject to the matching condition above or accepting the penalty arising from non-matching as our textile industry did for many decades.

I believe (and have championed for in past years) that Investment Incentives should be available additionally for, and in appropriate cases exclusively for, job creation. Current negative real rates of interest on deposits (with low borrowing costs) suggest that we have reached that point where investment incentives should no more be for capital investments.

Arun Maira

Former Member of Planning Commission

November 10, 2020

The discussion seems to keep getting dragged back into whether the post-1991 period has been better than the pre-1991 period. Like a judgement on the 1991 reforms. Or a repeated indictment of the pre-1991 period.

We should focus on what we have learned since 1991 and what changes in our philosophies we should make going forward. In other words, how well are we learning?

In my interventions in this debate, I have gone back to the pre-1991 period merely to remind us that we were learning then too, not to say that the pre-1991 period was better than post-1991. So, in reminding ourselves of the bad things that happened pre-1991—which seems to be the default argument against anyone, like me, when a question is asked about what one should do differently going forward—please let us not throw out the baby with the bathwater.

The forward-looking questions we must address now are:

- (1) What must we achieve much faster now on?
- (2) What can we learn from the post-1991 period, as well as the pre-1991 period, about what to do more of and what to do less of. (And even from our pre-Independence history, too, as some people are pointing out).

Three things I propose which should help our reflection/learning exercise:

- (1) We use a broader scorecard of performance than economic/GDP growth.
- (2) We must look into examples of how change was brought about, post-1991 and pre-1991, that produced faster all-round progress.
- (3) The rest of the world is also looking for new progress models: there is a realisation that the prevalent model cannot produce what is necessary in terms of all-round social, economic, and environmental processes.

Montek Singh Ahluwalia

Former Deputy Chairman, Planning Commission of India

November 10, 2020

Come on, Ashima! Unfair competition from China cannot justify across-the-board tariffs for all countries. They explain anti-dumping measures against China.

If the government had stuck to the tariff lowering and rationalisation (getting rid of inversions) advocated by Panagariya and imposed anti-dumping duties on China alone, there would have been a case. Would you agree?

Ashima Goyal

Professor, Indira Gandhi Institute of Development Research

November 12, 2020

I would agree in an ideal world, Montek.

However, past regimes have not delivered the large-scale labor-intensive manufacturing required for employment. We need, as Arun Maira tells us, to try something different.

A range of consistent policies is required to create competitive manufacturing clusters. Among these is a temporary, targeted rise in tariffs.

I do not think there has been an across-the-board rise. Apart from retaliation against Trump's moves, the rise is in electronics, textiles and planned for low-end consumer goods such as toys largely imported from China. The rationalisation advocated should also take place. That any rise is temporary and announced to be so is important.

Prakash Hebalkar

Senior Strategy and Public Policy Consultant

November 17, 2020

Dear Naushad,

How much of this superior outcome (tentatively) results from superior execution as opposed to structural superiority (e.g. small state, higher literacy) in Kerala.

In the countries that showed superior outcomes for the management of COVID-19 superior execution and small size were key in Taiwan, South Korea and New Zealand.

Arun Maira

Former Member of Planning Commission

November 17, 2020

We must clarify what the debate is about and what we are being asked to agree with.

Proposition 1: India is better off since 1991 than it was before.

Proposition 2: India needs to do much better than it has been doing even since 1991, for which it needs a new model different from the present one.

I think the debate was supposed to be about ‘moving towards more economic resilience in the 21st century’.

So let me vote Yes for Proposition 1 to get it out of the way as Montek has asked us all to. And then let us, please move forward to discussing a new model for economic resilience.

I think we would all agree that this new model must provide many more opportunities to earn adequate incomes with dignity than economic growth has been providing. And it must be much kinder to the environment—water, air, greens, than the present growth model has been. Merely pressing on the growth accelerator will not do. The shape of growth must change too. Do we?

If we do, let us discuss at least two or three more non-economic gauges that must be on the dashboard of policymakers to gauge how well India is doing?

I think trade and industrial policies are means to get us to where we want to, not ends in themselves. Moreover, they can take many shapes. The right policies depend on where we want to get to from where we are (about which we must be honest).

Dhiraj Nayyar

Director - Economics and Policy, Vedanta Ltd.

November 17, 2020

I tend to agree with Goyal's view.

Of course, no one wants to go back to the pre-1991 regime. But one may need to change one's thinking on some of the post-1991 conventional wisdom.

The fundamental reason reforms have not been inclusive is the failure to grow a robust manufacturing sector. This is where formal sector jobs/good jobs get created. On this count, the post-1991 reforms have failed because they went too far in import liberalisation while not moving at all in the direction of factor market reform and other structural problems for manufacturing like high power tariffs for industry and high rail freight rates.

So, limited protection for the industry is required just for a level playing field with competitor countries. At the same time, government support through more structural reforms and incentives like PLI promise to do more for a competitive manufacturing sector than pre-1991 or post-1991 wisdom.

I say this as a supporter of free markets and worked in government and industry.

Arun Maira

Former Member of Planning Commission

November 17, 2020

I wish all participants in the discussion in Plan 21, and their loved ones a very Happy Diwali. Diwali also falls on Children's Day—Jawaharlal Nehru's birthday—14th November.

Moreover, this Diwali morning, the Economist has published a piece on the discipline of economics. I think it is relevant to our discussions about economic resilience. Here are some extracts.

Extracts from **The Economist** (November 14, 2020)

("Why relations between economists and epidemiologists have been testy")

"Too often, when economists venture into other academic areas, their arrival often looks more like a clumsy invasion force than a helpful diplomatic mission.

Economics could do better. Interdisciplinarity has long been eyed with suspicion. Even those scholars interested in wandering off-piste face incentives not to collaborate with researchers in other fields. For academics seeking tenure, publication in top economic journals is paramount. Co-operation with non-economist places some control over research in the hands of scholars for whom acceptance by a top journal is less of a priority. Therefore, economists' forays into other disciplines benefit much less from knowledge-sharing across fields than is ideal.

Economists' efforts to explain complicated ideas to the masses, from the virtues of trade to the need for bank bail-outs, have often foundered. Such failures encourage economists to become more insular. But, as the pandemic has revealed, sometimes the effects of a policy hinge on how well the public understands what is being done and why."

Ajit Pai

Distinguished Expert, Economics & Finance, NITI Aayog

November 18, 2020

Yes, trade for India peaked out at 55 percent of GDP in 2012, but considering that petroleum and related products comprised almost a fifth of exports and over a third of imports in 2012 with elevated crude oil prices, I would reckon that the largest contributor and possibly even majority of that slide from 55 percent of GDP to 40 percent of GDP was oil prices getting slashed by two-thirds from peak 2012 levels to trough 2020. Clearly, falling oil prices are a boost to India's GDP growth.

The intention to mention all this is to highlight that (i) correlation is not necessarily causality, (ii) the thesis in the particular time frame and reasoning attributed to Sajjid may not be the best example and applying standard formula is too simplistic, and also (iii) based on my research, trade is not the prime cause for the deceleration in Indian economic growth over the past 8-10 years although decelerating global trade and GDP growth are material contributors.

Other key observations over the same period relative to GDP growth where it is also difficult to prove causality, but there is undoubtedly a strong correlation, is the fall in the domestic savings rate and the fall in the domestic investment rate.

As per my analysis, the main cause for India's GDP growth deceleration is the rapid fall in credit disbursement growth from 2011 to 2020, with the public sector banks being the key driver. Numerically, the advances of scheduled commercial banks are about 50 percent of GDP in India (give or take a few hundred basis points). If credit (as in outstanding advances by SCBs) is growing faster than nominal GDP, it would be fair to say that bank credit growth is accretive to the GDP growth rate, and if it is growing slower than nominal GDP growth, it would be a drag, and if increasing at the same pace would be neutral.

The y/y growth rate of advances from SCBs declined from about 25 percent y/y in 2011 peaks to less than five percent at its recent trough. The 20 percent difference in growth rate in advances outstanding would imply a 10 percent relative headwind to nominal GDP growth between peak and trough – a massive headwind – which was only slightly partially offset by the favorable oil tailwinds – and it's a wonder GDP still grew around seven percent despite that could have been well into double digits if the financial system cooperated.

We have a financial system and architecture that requires urgent change, but the status quo continues to prevail with only slow change – why? Economic resilience in the 21st century will be more about financial architecture and managing risk than ever before, especially given the unprecedented levels of global debt and its ratio to GDP – but we can discuss this another day.

My suggested approach to developing resilience in the 21st century would be three-fold:

1. Improve real-time visibility into the economy – public and private sector. The faster we have an idea of what is going on and the real position (both flow and balance), the earlier and better the response to changing conditions.

2. Improve ability to take timely and analysis-driven decisions. Having accurate and timely data is not sufficient – ensuring that minimum capacity in analysis and decision-making exists at every level of government and enterprises with decision-making sufficiently distributed. A relevant bit in the origin of the internet to resilience is its distributed multi-path architecture with packet switching now superseding circuit switching across much more than just the Internet.

India's private sector is also woefully behind on understanding and interpreting industry and own enterprise data effectively on a real-time basis – and often takes decisions based on poor insights.

3. Sharpen focus on enhancing overall enterprise gross margins. The higher the overall gross margins of an economy, the greater the differentiation of the products, the lower its resource intensity, the lower its overall commoditisation, and the greater the resilience and flexibility in a downturn. Gross margins reflect the pricing power in the marketplace and the IP (intellectual property) content.

Companies with higher software content in their product (like Cisco) or differentiated sufficiently (technically like in Gillette razor blades or for preference/process like Swiss/Belgian chocolates) tend to have IP-driven high gross margins. High gross margins also frequently reflect relative scale advantages, monopolistic scenarios, or excessive vertical integration, but countermeasures exist for these less suitable factors.

The German Mittelstand is one such economic engine that is highly resilient and satisfies many of my check-boxes for resilience. The German government works closely with the constituents of the Mittelstand in ensuring real-time data availability, distributed decision-making with simplified procedures. Finally, without government help – high gross margins by competing for quality rather than price far before Apple started focusing on what people want rather than what they need.

The gross margin concept, or either of the other two I can delve into much deeper but the most important takeaway for the resilience of the Mittelstand is the balance between domestic and international. The Mittelstand recognised early on that high relative share in slivers of the global supply chain are more resilient than lower share in a full vertically integrated full product. They also recognised early that relative scale matters at a global level. Bosch still considers itself a Mittelstand constituent, while our definitions of MSME in India barely keep up with inflation.

India currently urgently needs enterprises at scale with a capacity to compete globally. The biggest headwinds our enterprises face are the huge compliance burden, the high cost and low reliability of logistics, and the high cost and low reliability of power. If we improve

these three massive competitive drags on Indian enterprises, we will find a decent boost on domestic gross margins and start performing far better on the trade front.

Rather than keep redistributing margin from those most successful in executing to among the least efficient allocators of capital, let us enable some to scale to globally competitive levels and become beachheads of the resilience of the Indian economy within the larger global context. Also, the greater the domestic savings, the higher the investments, and the faster and more sustainable the economic growth.

Montek Singh Ahluwalia

Former Deputy Chairman, Planning Commission of India

November 18, 2020

Thanks, Arun, for going back to the basics.

If we are indeed all agreed on proposition one, that is progress. That avoids, there can be no doubt that we should be doing better on the other fronts. However, our problems did not arise because the planners focussed on growth alone. The inadequacy of growth as the sole objective was well recognised in the Eleventh Plan when we stated the objective as "inclusive growth".

I would also say that we got a good growth that was more inclusive than in the past (witness the poverty reduction) but admittedly not inclusive enough.

More importantly, we didn't pay enough attention to the issue of sustainability. That's why the Twelfth Plan set the objective as "Faster, More Inclusive and Sustainable Growth". The real question is can we do better on all three fronts?

When Arun says it is not enough to turn on the growth accelerator, he refers to a situation where growth has decelerated sharply. It was down to less than four percent even before COVID. I would agree that simply increasing growth at the expense of the objectives of inclusiveness and sustainability is not the right response. But we need to get back to faster growth while making it more inclusive and environmentally sustainable.

Raising growth from 4 percent to 7.5 percent should not be seen as a form of greed. We can pretty much rule out progress on any front if growth remains at the 4 or 5 percent range. We have to aim at seven-plus percent and ensure that it is more inclusive and environmentally sustainable. The question is, what mix of policies can bring this about?

This is where we run into wide differences of perception. Does sustainability mean pricing carbon and water properly? Does employment generation require an open economy or one closed to foreign competition? Will bringing modern marketing into agriculture provide farmers with better options or subject them to exploitative corporate greed? How do we get banks to fund potentially successful small businesses in a capital-scarce country? Can

government-controlled banks do the job, or do we have to get the government out of banking?

These are only some of the many exciting questions with huge scope for differences. We need much more discussion of the nature of these differences so that governments can take a more informed view.

Looking forward to light being shed on all these issues by the many contributors to Plan21.

Narendar Pani

Professor and Dean, School of Social Sciences
National Institute of Advanced Studies

November 19, 2020

My response to the two propositions:

1. Yes, India is better off today than in 1991, just as we were better off in 1991 than in 1947.
2. Yes, we need to look beyond growth alone. But just using another model with a few more variables, including the environment, is not enough. We need to understand the dynamics of the development process in India and intervene in ways that enable an improvement in the quality of life of all Indians, especially those who are closest to economic deprivation and social exclusion.

We need to see the economy as a living organism in which each intervention may bring about both improvements and less desirable side effects. However, sophisticated it may be, a single model is unlikely to be appropriate. We need to move closer to developing a doctor's prescription rather than an engineer's blueprint.

Rakesh Mohan

Senior Fellow, Jackson Institute for Global Affairs, Yale University
Distinguished Fellow, Brookings India

November 19, 2020

Note that manufacturing did well till around 2010-12, and a huge growth after 1991 for 20 years: not a short time.

That is when the real exchange rate started appreciating, and both manufacturing and manufactured export growth rates have declined.

Remember that the exchange rate compensates for infrastructure and other problems. Also, remember that import duty is equivalent to an export duty, whereas a comparable exchange rate depreciation is neutral between import substitutes and exporters.

So when you slap a 10 percent duty on any import, the effective exchange rate is nominal +10 percent for the importer, while it remains the same for the exporter. Hence it is exactly equivalent to export duty.

The current programme for PLI is better than import tariffs, but we then have to be in the business of selected sectors.

So exchange rate is the issue: please see Sajjid Chonoy's recent papers.

Pradeep S. Mehta

Secretary General, CUTS International

November 19, 2020

Regarding Rakesh Mohan's comments, please see my article "The difficulty of decoding business incentive schemes" published today in Livemint.

<https://www.livemint.com/opinion/online-views/the-difficulty-of-decoding-business-incentive-schemes-11605711499148.html>

"India's government recently approved a production linked incentive (PLI) scheme worth Rs 1.46 trillion for 10 sectors, over and above the electronics and pharma input and medical-device sectors announced earlier. A review of PLI guidelines appears designed to prevent undeserving entities from claiming incentives rather than facilitating this for deserving companies. There are stringent eligibility criteria, allowing only firms with adequate track records to claim benefits. Applicants must submit detailed proposals with steep application fees. This appears to be a fair trade-off despite entry barriers and competition distortions to separate the wheat from the chaff. If found eligible, applicants can focus on operations."

Mohandas Pai

Chairman, Manipal Global Education Services

November 19, 2020

What most people miss in their analysis of India's export and import data is the role of oil and oil prices - India is a major producer of refined products, but value addition is poor at around 12-15 percent!

Another point is about scale. If one looks at China, we find that extensive production facilities are owned by Chinese companies that are contract manufacturers. Sadly Indian

entrepreneurs have not invested enough here! Only now companies like Dixon have come up and this is helping foreign brands come in, get it manufactured here and export!

Export needs a brand and a brand needs investment, time, quality, automation and process! Because of policies like PLI, we will have very large outsourced contract manufacturers here, building scale, developing process knowledge, quality, and improving the supply chain because of volume! This has been the key to China's dominance in manufacturing! Then local companies can create global brands as China has done!

If one looks at SE Asia, we find large contract manufacturers for overseas brands! Today most big global manufacturers do not manufacture internally but outsource! Apple coming here with its partners has tremendously helped, led by good policies!

This lowers the cost for internal sales, too expanding the market! To be a global manufacturer, one needs scale; scale means lower cost, greater productivity and automation! With its large price-sensitive internal market, India needs lower prices to grow the market! Now there is real hope led by better policy!

Arun Maira

Former Member of Planning Commission

November 19, 2020

Prakash's post is another indication/warning that technology has reached a stage of development. It can produce anything - goods or services - without human participation in their production and delivery. If these goods and services are for human consumption, the question is, how will humans get money to buy them if they are not employed in production?

This has enormous implications for the shapes of economies.

Tech firms in California were early and strong proponents of 'universal basic income' - conceived as a showering of money by governments on everyone so that they could buy and keep the wheels of the economy turning - the 'wheels' owned by the financiers of tech firms, who would not like to be taxed (to provide governments with money to shower on people - a very 'socialist' idea, of course) because it would reduce their incentives to invest and grow their businesses.

We have been through this debate extensively on a CUTS platform earlier, so I would rather refer back to it than start it again.

The bottom line is: several forces, including the pace of technological change, require broader 'systems thinking' and rapid evolution of new economics. Satisfying citizens' needs as consumers cannot be the only or even the principal goal of economic growth. Satisfying citizens' needs to work and earn adequate incomes must be a goal also.

Rakesh Mohan

Senior Fellow, Jackson Institute for Global Affairs, Yale University

Distinguished Fellow, Brookings India

November 20, 2020

It could not be said better.

If anything, we need even more emphasis on growth and an employment-generating open economy.

There can be growth without inclusion and sustainability, but we can't achieve inclusion and sustainability without growth.

Sumit Majumdar

Professor of Technology Strategy, the University of Texas at Dallas

November 20, 2020

George Curzon, once Governor-General of India, had apocryphally stated: 'round and round like the diurnal revolution of the earth went the file, stately, solemn, sure and slow; and now, in due course, it has completed its orbit, and I have invited to register the concluding stage.'

I have no wish or capability to have the last word on the subject being discussed, but George Curzon, when also asked to explain, on assuming charge, in a word what his entire policy in India would be, stated: "Efficiency."

That remains true even today. This entire thread has gone around in circles like Curzon's famous file. Never addressing the main point. Never getting to the heart of the matter; if truth be told, darkness is at the heart of the matter.

For a country of its size, scale, ambitions, aspirations and scope, and its perpetual (but it seems never to be realised) potential, India is the most starkly inefficient country on earth.

Clearly, since 1899 when Curzon took over, nothing much has happened on the efficiency dimension. India will forever remain a basket case, with constant abject poverty and GDP per capita # that is near the bottom of the world's list.

In support of my allegations, let me present some facts as empirical regularities. These are based on widely available data to everyone in a non-discriminatory way that can be manipulated using standard spreadsheets and statistical software packages.

Empirical regularity # 1: All great and rich countries have become rich only because of a large (about 30 to 50 percent of the share of GDP) and a very efficient industrial sector. China is the latest example, but there are numerous examples throughout human history.

Empirical regularity # 2: India's industrial sector is about 17 percent of GDP, and industrial production is about 12 percent relative to the OECD countries. Please do calculate how India fares and disprove me!

Empirical regularity # 3: What matters for all economic development are endogenous technical change and productivity (to use the formal language taught in the economics discipline).

Empirical regularity # 4: Corporate India's average R&D to sales ratio is about 0.12 percent of sales compared to an average of 1.2 percent for the OECD countries' corporate sector. In Japan and Korea, it may even be 3 percent.

Empirical regularity # 5: In the pharmaceutical sector, which India is good at, at least in generics manufacturing, the global corporate average R&D to sales ratio is about 18 percent (In some cases, it is 40 percent). The average R&D to sales ratio is about 1.4 percent for India's pharmaceutical firms. Not bad at all. Ten times the generic corporate average ratio.

Empirical regularity # 6: When I assessed the determinants of industrial products for the economy for 60+ years, the measure of technical change came out with a robust and significant negative relationship, against the grain of all received wisdom in the field of economics.

Empirical regularity # 7: India is a nation comprised of hundreds of millions of short-term traders, both small and large, who operate on a day-to-day basis because they are blessed with a massive market of 1.3 billion people and a favorable demographic distribution. They have fabulous **RESILIENCE** in doing "**Jugaad**." But, when it comes to endogenous technical change, or R&D, they could not care less!

Plea: Please tell me that my facts are fake. Or, that I have misinterpreted them.

India is made up of many dynamic and entrepreneurial firms that constantly invent, innovate, and reach frontier efficiency levels.

That for them, "the best means of growth comes from within" (to use a phrase invented by the late A N Haksar, ITC Chairman, when justifying why a tobacco company had to run hotels and get into the shrimp trawling business) and they subscribe to the innovation and efficiency concept.

Please tell me why in 1991 India and China had equal per-capita GDP #s, but today China's is seven times ahead. WHY?

Please, tell me HOW India can be the greatest economy on earth again, that it was, not so long ago (merely 11 generations ago), in 1750, without any endogenous technical change and productivity.

Ashok K Nag

Former Adviser, RBI

November 20, 2020

So far, this ongoing discussion has been carried out mainly through textual assertions/informed opinions and personal wisdom gathered based on experiences. This is the first time Maira, the initiator of this discussion, has formulated two concrete hypotheses or propositions that are amenable to data-driven confirmation or otherwise.

These are, to quote him, as follows:

Proposition 1: India has been better off since 1991 than before.

Proposition 2: India needs to do much better than it has been doing even since 1991, for which it needs a new model different from the present one.

It might be tempting to engage in saber-rattling with sophisticated econometric tools to test these hypotheses with data. Still, it would be more illuminating if we summarised the data carefully and allowed it to speak for itself. Of course, summarisation is not unique but much less prone to model error and many unverifiable assumptions about underlying real-world dynamics.

The following summarisation of national income data does bring out some interesting features about the canonical status of 1991.

Decades	Average of Growth Rate GDP at Factor Cost	Average of Growth Rate of GDP at MKT price	Average of Rate of Gross Fixed Capital Formation	Average of Ratio of PVT Final Cons. Expenditure to GOVT Final Cons. FEXP	Average of Per capita income Growth	Average of Population Growth	Average of openness
1950s	3.59	3.88	0.15	14.82	1.93	1.92	14.29
1960s	3.96	4.07	0.20	10.07	1.59	2.19	10.31
1970s	2.94	2.93	0.20	7.30	0.49	2.30	11.12
1980s	5.58	5.69	0.23	6.11	3.21	2.16	14.25
1990s	5.84	5.77	0.25	5.40	3.73	1.99	20.51
2000s	7.21	6.90	0.31	5.31	5.40	1.57	39.80
2010s	6.44	6.66	0.32	5.37	5.17	1.10	56.11

Note: Data before the last decade refers to national income aggregates at constant 2004-05 prices. The last decade's data is based on the latest 2011-12 series.

The last decade's per capita income and population growth are based on partial data. Openness is measured by the ratio of total foreign trade to GDP at market price.

The following interesting facts emerge from the above summary:

1. The seeds of the turnaround in India's growth story were sown prior to 1991, but it gradually gained momentum over the next three decades.
2. The government consumption expenditure has played a bigger role than the private final consumption expenditure in this growth story.
3. There has been a secular upward trend in India's openness consistently since the 1980s but much more vigorously since the 1990s.

If, following a Bayesian approach, we believe that 1991 was the turning point, then a randomly chosen year in the 1990s would give a much higher growth rate than one chosen from the 1980s. But the following table does not suggest that this is the case.

Decades	No of Years in which GDP at factor cost growth is less than 3.5%	No of Years in which GDP at factor cost growth is more than 5%	Average GDP Growth of years when growth rate ≤ 3.5	Average GDP Growth of years when growth rate $\geq 5\%$
1950s	5	3	1.74	6.46
1960s	5	5	1.04	6.88
1970s	5	4	-0.42	6.75
1980s	1	5	2.92	7.39
1990s	1	8	1.43	6.58
2000s	0	8	NA	8.01
2010s	0	9	NA	6.72

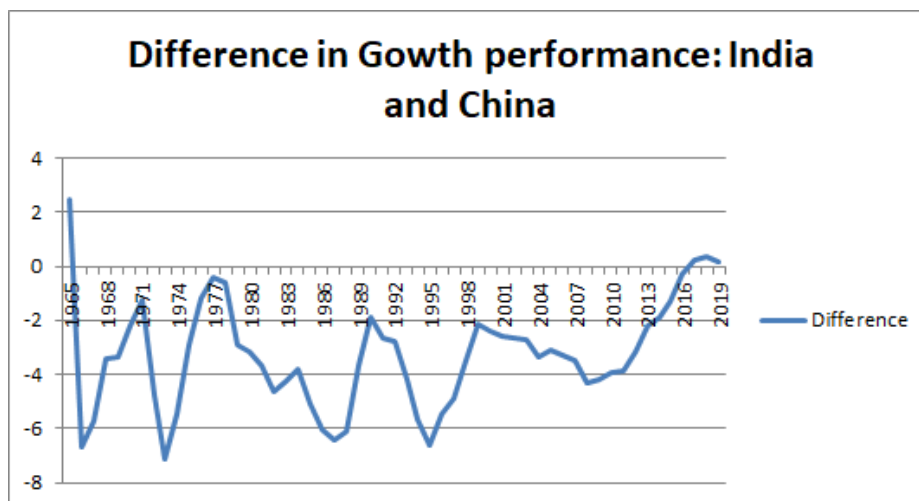
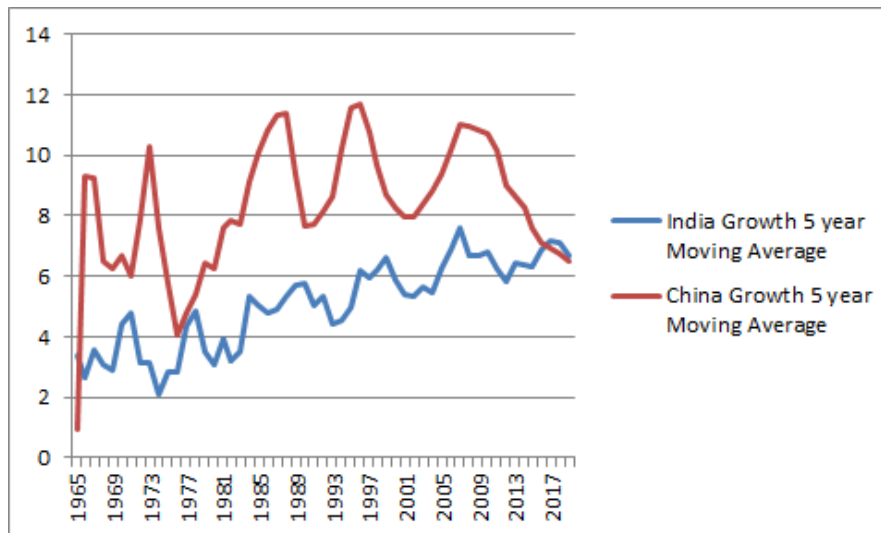
Note: 3.5 percent was chosen for its status of being christened as "Hindu Rate of Growth".

It is quite clear that India's growth became disentangled from the clutch of "Hindu Rate" since the 1980s itself. But definitely, it has stabilised on a new growth trajectory since the 1990s.

It appears that five percent has become a new floor.

As regards proposition 2, we need to know how much better we should do in our growth performance. The obvious reference point would be China trying its best to become the dominant world power.

The following two graphs demonstrate that India's growth performance is still not enough to get a seat at the high table in the club of world powers compared to China.



Data is from the World Bank for both China and India. GDP is at market prices in constant local currency.

Finally, GDP is only one performance metric and not necessarily the best one from a social welfare perspective. Performance regarding other dimensions like education, health, inequality etc., would be equally, if not more important. But this is the only metric that can provide us to write a consistent story over a much longer period.

Ashok Jhunjhunwala
Institute Professor, IIT Madras
November 20, 2020

Thanks, Montek, for a good summary: Growth, sustainability and inclusion is mantra.

If we do it right, we can aim for over 90 percent use of solar and wind to generate our electricity. If we are determined, all products can be produced in India and most raw-materials can be recycled and produced in India. It will require solar + wind + storage (we

can begin with massive Li Ion storage). Solar cell manufacturing may be the most difficult and we may have to go for joint-venture/technology transfer, to begin with.

Similarly, we may have to carry out technology transfer for Li Ion battery cells initially but we should be able to move to next-generation on our own. Beyond cells, we can do everything. The rest of the technology can be by and large Indian. This alone can (i) add Rs 10 lakh crore per year to our GDP. It would make India more sustainable and we need to work to make this more inclusive.

If India has to get somewhere, we need to take up many such programmes, believe in the ability of our young innovators, innovate and develop technology, manufacture and deploy at a large scale. We are a big market. We need to grow at 10 percent. Impossible it may sound, but it is doable. We are a big market.

We need to focus on growth, inclusiveness and sustainability, rather than enhancing divides in the country.

Montek Singh Ahluwalia

Former Deputy Chairman, Planning Commission of India

November 20, 2020

Rakesh has made some very valid points on export growth and the exchange rate.

In the days when we were opening up, industry representatives would often quote the various general disadvantages facing producers in India to argue the case for protection. Still, they never quite recognised that the correct instrument to compensate for those general disadvantages is the exchange rate which would give exporters and import competitors the same incentive.

Relying on tariffs hurts exports *vis-a-vis* import substitutes. Still, with the rate of protection tailor-made according to need, it also leads to differential effective exchange rates for different imports.

And the fact that differentiation is possible encourages individual producer groups to lobby for more favourable treatment. These are some of the problems we will face as we move steadily back to yesteryear.

Naushad put it very well in a recent webinar when he said the inefficient industry would concentrate on lobbying the government for favourable treatment. The government is more inclined to listen to these pleadings than the voices of the more efficient who do not spend too much time lobbying.

All food for thought for policymakers.

R B Barman

Former Chairman, National Statistical Commission

November 23, 2020

Economic policy has many dimensions making it highly complex. Even if we agree on certain fundamentals, we will have serious difficulty implementing them and achieving what we intend. Our transmission channels are hazy and assumptions are often unrealistic. Neither Okun's law on high employment through GDP growth nor trickle-down theory delivered expectedly on inclusive growth. We have seen high growth post liberalisation; but the absolute number of people suffering from poverty and malnutrition remains very high.

We must find a way to overcome high unemployment and underemployment. For this, we need to go beyond MNREGA, a palliative and similar schemes to make the best use of man and material resources, absorb technology and effective supply line management, for gainful employment to raise income at all levels. Empowering the vast masses tapping their potential to gain the strength and thrust needed, working on both supply and demand sides, is the way for sustained high inclusive growth.

We need to know what succeeds in accelerating structural transformation. Our toolbox on analytics should lean heavily on Big Data and Artificial Intelligence to extract knowledge for such pursuit. The framework should link micro with macro allowing us to understand various linkages and thresholds on real-fiscal-financial sectors nexus. Their linkage with the external sector should also be established.

In such a case, we can have a solid empirical basis for an integrated approach on economic policy for a knowledge economy. Through e-governance, we have collected huge data in recent years; we need to integrate them for such analytics to begin with.

Suppose we have to make a decisive dent on poverty, improve productivity and competitiveness, have responsive and resilient institutions and transparent governance. In that case, we should be able to set priorities on development right from the district level, start with, allocate resources to achieve these goals, create an environment for business-friendly investment, monitor progress closely and frequently, and evaluate them for effective follow-up action.

Jaimini Bhagwati

Former Indian Ambassador to United Kingdom

Former RBI Chair Professor, ICRIER

November 23, 2020

The various contributions in this thread, including those of Montek and Rakesh Mohan, have been illuminating.

Taking just one egregious and continuously faulty policy is the external value of the Rupee, which is currently at least 18-25 percent overvalued in REER terms against a trade-weighted basket of 6 or 36 currencies since 2010.

In 2015, I wrote a paper available at (http://icrier.org/pdf/Working_Paper_304.pdf) detailing the causes and consequences of this outlandish overvaluation of Rupee. At that time, i.e., in 2015, the Rupee was about 6-10 percent overvalued.

I would like to remind others in this group that one of the first significant reforms of 1991 was the downward correction in the value of the Rupee in two steps.

Obviously, as in the past, there are similar political-economy reasons for the current persisting huge overvaluation of the Rupee. And, this overvaluation can be corrected by adequate purchases of hard currencies, principally US\$ denominated assets, by RBI. If necessary, the consequent surge in Rupee liquidity could be mopped up by the selling of government securities. If RBI runs short of government securities, "special" securities could be issued by the government and/or RBI.

I will not get into steps that could be taken even in the short-term to literally give the economy corrective shots in the arm, including getting RBI to directly monetise the government's fresh borrowings, which should be at least an additional five percent of GDP.

The borrowing cost would be the reverse repo rate of 3.35 percent and that would be true even for 30-year borrowings, which would be well below the current 10-year government bond cost of 5.9 percent. This would enable the government to pay the past dues to private contractors and others who are owed at least a minimum 1.5 percent of GDP and to fund existing infrastructure projects, including e.g. DMIC (not yet complete even after 15 years since it was started) another e.g. between Bengaluru and Mumbai.

Given the several absurdities in current government/RBI policy making, I often get an "Alice in Wonderland" feeling and hope that I will wake up soon to find that things have returned to normal.

Arun Maira

Former Member of Planning Commission

November 24, 2020

Dear All,

Please find below my article "What India should do for rapid industrial development" published in the Economic Times. This article is behind a paywall hence a pdf version is also attached herewith.

<https://economictimes.indiatimes.com/news/economy/policy/view-what-india-should-do-for-rapid-industrial-development/articleshow/79310052.cms>

Ramesh Chand

Member, NITI Aayog

November 24, 2020

Slightly digressing from the theme, I am bringing the point raised by Montek on Agri Reforms "Will bringing in modern marketing into agriculture provide farmers with better options or subject them to exploitative corporate greed?"

Bringing more players and modern capital in agriculture, including marketing, will raise competitiveness. The healthy competition will also require that the institution of APMC remains intact. The real threat to this institution is its exploitation by States to use APMC as a source of unjustified revenue rather than infrastructure service for farmers.

I am attaching my paper, which discusses the likely implications of the recent farm reforms on APMC, MSP, farmers, consumers, and the economy.

Prakash Hebalkar

Senior Strategy and Public Policy Consultant

November 10, 2020

This may interest many of the elite conflating migrated and migrant workers:

Mass migration - Back to the countryside!

"China's current philosophy brings jobs to the people, rather than bring people to the jobs," said Bert Hofman, a professor at Singapore's National University who spent nine years in senior World Bank positions in China.

The strongest leader since Mao and Deng, Xi is holding up a vision of a countryside brimming with an economic promise to persuade rural-born people that small towns can offer just as much opportunity as major cities.

[China Urges New Era of Mass Migration—Back to the Countryside](#)

The Wall Street Journal, November 17, 2020

Sumit Majumdar

Professor of Technology Strategy, the University of Texas at Dallas

November 24, 2020

Nag has produced some excellent facts to wrap our minds around. A large portion of the gap in the not-insubstantial growth rate differences between China and India could be explained [a] by growth in China's investments in capabilities (endogenous technical change) and [b] by growth in efficiency (productivity), versus that of India.

India is a 'casino capitalism' economy. In the 2000s and 2010s, an economic uncertainty index for India (computed at Stanford University) has shot up. That means she is a risky (highly?) investment destination.

It is not unsurprising that the ratio of Foreign Direct Investment (FDI) disinvestment to FDI investment is increasing, which means foreign investors are leaving (in droves?) and not putting their skills and capabilities into India. Thus, where will growth come from if the stocks of capabilities are being removed and not replenished?

Indian firms are hardly the source of skills and capabilities that the Indian economy needs for a sustainable double-digit growth path. Indian firms are short-term traders. Who will bother about India if India's entrepreneurs themselves do not bother, or care about her welfare?

Taking a leaf out of Indian dalals' books, the ratio of portfolio investment to foreign direct investment has shot up, as foreigners want to play in the excellent casino that is the Indian stock market. But, this is not a type of capitalism that develops a nation!

By the way, all my assertions are based on publicly-available RBI facts. Do not get carried away by the voluminous outpourings from the mouths of rhetoricians!

Arun Maira

Former Member of Planning Commission

November 25, 2020

Montek and Naushad are pointing to the heart of the matter.

Which is, what must industry builders do themselves to improve their own capabilities rather than pleading with government to make life easier for them.

When we made the 'industry plan' for the 12th Plan, we invited 16 industry associations to propose what should be done to increase the scale and strength of their industry. They had to analyse and explain their disadvantages and advantages *vis-a-vis* international competitors and propose how they would be overcome.

There was a condition: they must say what the industry must do to improve its competitiveness and then add what the government must do to support its internal development. We would not accept merely lists of what the government should do.

Responses from the industries varied. Some took the challenge and proposed good strategies—the auto and auto parts' industries and the machine tool industries were good examples. Some others took the usual easy lobbying path. They said the point of any discussion with the government is to lobby the government to do something!

What they have to do internally is their internal matter. Of course, as we knew and found, these were the industries and their associations which were not doing anything internally to build their capabilities.

Along with the 16 industry groups, we had set up some 'horizontals' addressing cross-cutting issues, which all industries faced, e.g. skills and labour, environment, technology acquisition policies. These provided good insights for strategies to address these 'factor cost' issues linked to capabilities.

Sadly, this work did not receive the policy attention it deserved subsequently. Partly because the PC was dismantled; there was a hiatus until the new NITI was found; and a discontinuity.

In 2013, while the PC was alive, a small and intense meeting was organised in Rio, convened by the Brazil National Development Bank, of policy-makers from a few countries concerned about the growth of their industries and some economists. The US was connected too—though they preferred to speak about their 'industry policy' as an 'innovation policy', because 'industry policy' was forbidden, and 'innovation' was acceptable!

Each of us presented the paradigms our countries were adopting to learn from each other. Our approach in India (what we had just done for the 12th Plan) was appreciated as the best one for building a collaborative learning process between industry and policy-makers. Sadly, very few in India have taken good advantage of the insights since then. Though, I do find elements of it emerging now.

Point again: let us shift attention to building a faster learning system. Unless competitive industrial capabilities are built, we will have to keep relying on exchange rates (or tariffs) to make up for our poorer industrial capabilities. Exchange rates downwards can enable one-time adjustments.

Ashima Goyal

Professor, Indira Gandhi Institute of Development Research

November 25, 2020

A flexible exchange rate is a valuable tool, Rakesh, but there are limits to its use. It is challenging to depreciate adequately for three reasons (i) large inflows that appreciate the rupee and limits to intervention. The RBI's balance sheet has 80 percent of US G-secs. It largely helps US, not the Indian government borrowing; (ii) depreciation raises oil and other import costs; (iii) international political pressure — so-called currency wars.

Re. Sajjid's argument the equilibrium REER can't be 100 since 1991. On that basis, REER would be over-valued by about 20 percent. But according to our equilibrium REER estimation that controls for productivity differentials and other structural changes, the equilibrium was around 115 in 2018. The REER has currently appreciated a bit above that. Some depreciation is required but not a lot.

Helen Rey reminds us that even a floating exchange rate is inadequate for EMs to deal with capital flow surges. That is, other instruments are also required. This includes strategic and intelligent use of tariffs. Even Panagariya thinks India should follow import substitution against China, which, together with Hong Kong, accounts for about 60 percent of our imports, clearly identified electronic categories.

Montek Singh Ahluwalia

Former Deputy Chairman, Planning Commission of India

November 26, 2020

Many participants in this discussion are votaries of industrial policy and support for domestic efforts to achieve efficient Make in India through domestic support via PLI.

Shankar Acharya's article (attached herewith) provides a clear cautionary view. Is he right? How do we avoid these pitfalls? I would appreciate an assessment.

ILLUSTRATION: BINAY SINHA



A subsidy-tariff-permit raj?

If each PLI scheme is to be run by different ministries it's easy to envisage a hydra-headed bureaucracy

Over the past three years, our import tariffs have been increased in stages to protect and support a large number of our manufacturing sub-sectors, thus reversing over 25 years of trade liberalisation undertaken by successive governments. Now, there is a new game in policy town. It's called production-linked incentive (PLI) schemes. The avowed goal is to boost manufacturing production in chosen sectors, both for domestic and export markets. The scheme got its big launch in April 2020 in the sub-sectors of mobile handsets and specified electronic components, as well as medical devices and active pharmaceutical ingredients. But, it had been "cooking" over the previous 12-18 months, including preparatory policy measures such as increases in Customs duties on mobile handsets. Early signs of success led, earlier this month, to the Cabinet decisions favouring extension of the PLI scheme to 10 new sectors, including automobiles and auto components, advanced electrical batteries, pharmaceutical products, personal computers and laptops, air conditioners, telecom equipment and specified processed food products.

The essence of a PLI scheme, such as the one for mobile handsets, is to offer government subsidies for a limited period (5 years for mobile handsets) at rates starting from 6 per cent and declining to 4 per cent on incremental sales over a specified base year level, provided minimum qualifying criteria of incremental investment and sales are met. Each PLI scheme is tailor-made and administered by the concerned ministry (Ministry of Electronic and Information Technology, or MEITY, in the case of mobiles) and its designated project management agency (PMA). The subsidy amount is capped: It was ₹40,000 crore over five years for mobiles and

specified electronic components; and is stated to be about ₹145,000 crore for the 10 new sub-sectors, with autos and their components accounting over a third of the total. The details of the 10 new schemes are not yet known.

As a tool for promoting particular manufacturing sub-sectors, PLI subsidies would seem to have some advantages over tariffs. First, they are transparently borne by the government, as compared to tariffs where the "subsidy" cost is borne by consumers and user industries and, more generally, potential exports which get disfavoured compared to import-substitution. Second, PLI subsidies are performance-linked — they only get paid when the incremental sales occur. Third, the subsidies do not discriminate between production for import substitution versus exports. Fourth, the fiscal cost can be capped, at least in principle. Fifth, the subsidies are for limited periods for each beneficiary enterprise — at least that's what is currently planned.



A PIECE OF MY MIND

SHANKAR ACHARYA

However, that does not mean PLI schemes are free of problems. First, the fiscal cost is not trivial, especially in a context of extreme fiscal stress. The "capping" is not easy if the number of qualifying firms and incremental production is substantial in a particular sub-sector. Second, as in the case of sector-specific tariffs, PLI is also beg the basic question: Why does the government want to play favourites with particular sub-sectors? What superior knowledge do civil servants have compared to risk-taking businessmen in competitive markets? Third, how accurately can incremental production or sales be gauged? Conversely, how easy or difficult is it for firms to "game" the system, especially if the production is occurring in existing firms and their "brownfield" plants? Fourth, the implementation of

the scheme requires an application/permission system allowing for significant discretionary elements. Fifth, if each PLI scheme is going to be run by different ministries and their PMAs it is easy to envisage a growing and hydra-headed bureaucracy, sprouting different qualifying criteria, incentive structures and their quality of implementation. Each PLI scheme could, over time, degenerate into its own little licence-permit raj, or, more accurately, subsidy-permit raj.

More fundamentally, in the real world context of proliferating and increasing Customs tariffs, which vary across sub-sectors, it could be quite common for a particular sub-sector (such as mobiles) to be the beneficiary of both relatively transparent PLI subsidies and more opaque Customs duty benefits, especially when one factors in effective rates of protection arising from differing tariffs on inputs and outputs. In such a situation, it becomes virtually impossible for a government agency to gauge and assess the total amount of benefit being conferred by the multiplicity of sub-sector promoting interventions. In actual practice, it will mostly be unknown, as it used to be in the bad old licence permit raj of the pre-1991 years. Then, too, an individual firm and its promoters benefitted from hard-to-quantify values of their industrial licences, various categories of import licences as well as a high and varied protective, Customs tariff structure. It was actually a licence-permit-tariffs jungle, which defied quantification of the financial benefits being conferred on the beneficiary sub-sectors, other than the general presumption that those businessmen who got the licences were extremely fortunate and favoured.

As we all know, that system bred inefficiency, low productivity and corruption. That is why the reforms of the early 1990s dispensed with industrial licensing and import licensing (for consumer goods, over time) and set in motion a quarter century of Customs tariff reductions. It is bad enough that the trajectory of declining import tariffs has been reversed in the last three years. Layering a new scheme of sector-specific PLI is on top is unlikely to increase the long-term productivity and competitiveness of India's faltering manufacturing sector. It will certainly make it harder for India to enter regional free trade arrangements such as the Regional Comprehensive Economic Partnership (RCEP) that we passed up, unfortunately, a year ago and which was signed a fortnight back by 15 participating Asian countries accounting for about 30 per cent of world output and trade.

Anyway, PLI schemes in 13 sub-sectors are here to stay for now. My hope is that they will not proliferate, at least until such time that the recent trend of rising import tariffs is decisively reversed. Furthermore, it would be desirable for the government to ensure maximum feasible transparency, automaticity, uniformity and accountability in the design and implementation of these schemes across the various ministries and PMAs. It would be sad if the murky, discretionary taint of the old licence-permit raj was to infect these new schemes.

The author is Honorary Professor at ICRIER and former Chief Economic Adviser to the Government of India. Views are personal

Arun Maira

Former Member of Planning Commission

November 26, 2020

Montek has asked for comments on Shankar's op-ed. (*Déjà vu.*)

It makes eminent economic sense to export more products and services made in India to other countries, especially richer, 'more developed' countries. The wealth of consumers there can be brought in to pay for the increasing incomes of Indian citizens. They have more money; more people need to work to earn.

For this transmission of wealth to work, producers in India must make products and services at prices and of the quality that customers in other countries are prepared to pay for, especially when they choose to buy from producers in other countries, including their own

"Make in India" for exports and domestic consumption is imperative for faster, more inclusive growth of the Indian economy. India is not exporting enough. And Indian citizens prefer to buy many imported products too in preference to products made in India. More production of competitive 'India-made' products is the need of the hour.

Why are Indian products not competitive at present? Many reasons. Economists, and industrialists, point to factor cost and input availability disadvantages—power, skilled labor, poor logistics, etc. Also, intangible costs add to doing business—time to get decisions from the government, inefficient bureaucracy, etc. Industrialists turn to the government to reduce these costs (who else?).

Reduction of these disadvantages cannot be made within a year or two. It will take many years because the problems are 'structural'. Moreover, several of them, such as developing skills—labour skills and management skills—will be developed by use. Therefore, the government must lubricate the process for accelerating learning and improvement.

Shankar confirms that 'Subsidies are better than tariffs because they are borne by the government, and not consumers and user industries'. Of course, subsidies—such as in the PLI—will add to the government's deficit until the increased production (and government incomes derived from it) increase. There will be a lag. Government's resources are limited. Therefore, the government is compelled to choose some sectors of the economy/industry to provide temporary assistance to.

"Industrial policy", to choose the sectors to support which will produce the maximum bang for the buck, in terms of increasing domestic incomes and the largest multiplier effects through the economy, cannot be avoided.

The selection of sectors and technologies to support is not easy. Yet it has to be done. Certainly, it should not be left to the power of lobbies. Government bureaucrats cannot be the repositories of all the wisdom to make the right choices. Nor are economists able to

provide universal menus. The selection has to be contingent on the state of the global economy and the present state of domestic industry. The selection must emerge from an interactive ‘learning’ process between industries and the government, not a ‘lobbying’ process.

When we did global bench-marking, with the help of the World Bank’s Competitive Industries Division in 2010-12, we learned of countries that had grown their industries rapidly (and those that continued to maintain their competitiveness). The quality of the interaction and learning process between government and industry determined the effectiveness of their industrial policies. They all have ‘industrial policies’. For them, it is not a bad word. However, their policies were not the same, and none of them was transportable to India. Nevertheless, lessons could be learned about how to make industrial policy.

Industrial policy must improve the competitive capabilities of enterprises in the selected domestic sectors within the allotted time frame. Suppose their capability is not improved with increases in exports and domestic production within this time frame. In that case, the country will face the problem of low competitiveness again and have to remedy it furthermore.

The Indian government has not been very good at stimulating the growth of competitive industries so far. Stories of its delay and its bungling, too, are legion. Therefore, many economists suggest that it is best to keep the government out of the picture and leave it to the market. This is an argument of despair. The market can be captured by actors to the detriment of the economy, and often is. Government action in the economy cannot be avoided. The government must learn from its past failures of too much, or too little, or the wrong forms of intervention, and improve its abilities.

At the same time, industry actors, to whom the government would like increasingly to leave the economic activity, must learn to improve their capabilities much faster than they have so far.

If the government has to choose some companies within a sector, it should assess their track records of improvement. A little support will be more effectively used by those whose internal machines are humming. It will be wasted by those who use it to compensate for their internal deficiencies. Sunset clauses will spur the former sort of company. The latter will plead for extensions. (I say ‘If’ the government has to choose. Though I am not aware of how the schemes are being implemented, there must be some eligibility criteria.)

Industrial policy, as described here, is not anti-trade. It requires trade to export and import technologies (and inputs not yet obtainable in India) for a limited time.

Some critics of the PLI have pointed to the messiness of procedures for obtaining the promised assistance. The government must improve its ability to implement its policies efficiently. This is a universal problem in all government areas—not just industrial policy.

Government must clean up its act. However, making a case against industrial policy because it may be badly implemented is to throw the baby out with the bathwater!

Jaithirth Rao

Founder, Value and Budget Housing Corporation

November 27, 2020

This piece is a bit meandering and deliberately so. I apologise in advance for the somewhat laboured and pompous approach.

It is about prediction, what may likely happen rather than what should ideally happen. It is about social structures, political pressures, cultural matters, etc. Please bear with me:

1. The recent talk of banking licenses for business houses (in our younger days, we referred to them as MRTP houses - do you remember?) got me thinking. I had written earlier strongly against this idea. I had referred to the now-forgotten Dutt and Hazari reports which indicted the Tatas, Birlas and Dalmias, among others, for “cornering” licenses and “monopolising” bank credit. That was in the distant sixties! I am now a tad more hesitant. (Have I gone native?).
2. The trouble is that we have all been brought up on the idea that let us follow neoclassical economics when in doubt. When puzzled, fall back on the Sherman Anti-Trust Act.
3. The historical facts, though, are less than comfortable with our comfortable assumptions. While Taiwan practiced democratic, competitive capitalism, Japan and Korea chose the Zaibatsu and Chaebol models and Germany chose a variant of crony capitalism and regulatory capture. China is a different “loka”; not a loka of ordinary “manushyas”.
4. We might be heading in the direction of a state-business alliance. The trial balloon on bank licenses reflects that. The Steel industry should have told us something. There is endless talk of disinvestment and privatisation. But SAIL is never referred to. The continued non-privatisation of SAIL suits among others, the Tatas and the Jindals as SAIL provides a convenient price umbrella. SAIL also conveniently lobbies for “anti-dumping” duties, resulting in cost increases for the construction industry in India, which is not effectively or efficiently cartelised.

The Cement cartel is yet to pay any of its Competition Commission fines. The appeals will surely drag on for decades. The FX rate, of course, is curiouser and curiouser. The Foreign PE/VC firms who have been pretty active are excellent lobbyists. They need their investments to be protected, even if Tiruppur and Jaipur exporters suffer a bit in the process. An aggressive rupee depreciation, therefore, becomes difficult.

5. The point is: “Who is to say that a cosy Zaibatsu-Chaebol type arrangement between the GOI and the Tatas, Birlas, Dalmias, Walchands, Mafatlals, Lalbhais and Sarabhai's in the 50s and 60s might not have resulted in 8 percent growth rates and a richer India, albeit with excessive power in select hands and these-called attendant “distortions” in our political economy?”

The adversarial relationship that Nehru, Mahalanobis, TTK, Krishna Menon, Indira and even Morarji (surprise surprise) had with emerging Indian Chaebols and the fierce protection of Hindustan Steel, BHEL, HMT, ITI and the nationalisation of Air India, Hindustan Aircraft and Hindustan Shipyard among others, ensured that the three richest business families in Asia as on 1946, were by 1986 puny affairs as compared to Hyundai, Samsung and even Indonesian groups that were unheard of in 1945 let alone in 1925.

6. Perhaps a cozy relationship with favored business groups and the Government is not bad. After all, a country cannot grow rich by impoverishing the somewhat wealthy. Are “liberal” bank licenses about coming events casting their shadows? Is it possible that over the next two decades, India grows along with the Ambanis, the Adanis, the Tatas, the Birlas, the Bajajs, the Kotaks, the Jindals, the Vedanta, the Mittals and a handful of others?

7. Lastly, a completely unrelated query: Do our people want wealth, prosperity, high growth, etc.? Does every Chinese family want a bigger refrigerator, a bigger apartment and a nicer car next year? Do we share this cultural trait? Are we a low-growth country because our politicians simply respond that our people are satisfied with modest improvements over the previous year?

Even our middle classes have taken it for granted that islands like Dubai that had not been heard of fifty years ago are prosperous and endowed with great infrastructure. (In passing - whatever happened to Aden, which was the happening place not that long ago?). Indians who travel seem to think that it is “natural” that other countries will be cleaner, better-lit, and more comfortable. That’s just the way things are.

Just like internally, we simply accept that Eastern India will be behind even the pretty backward levels of the west and the south. Perhaps the people of Bengal who loved Jyoti Basu wanted low growth, de-industrialisation and a languid ectoplasmic ennui hanging in the Calcuttan air? Basu simply gave his people what they wanted. This thought is not entirely tongue-in-cheek. The issue of having a “hunger for growth” remains a puzzle.

Shankar Acharya

Honorary Professor, ICRIER

Former Chief Economic Adviser, Government of India

November 27, 2020

Reference Montek's citing of my article in Business Standard “[A subsidy-tariff-permit raj?](#)” (paywall). I look forward to the reactions that Montek has invited.

R. Gopalakrishnan

Author and Corporate Advisor
Distinguished Professor, IIT Kharagpur
November 27, 2020

Friends, allow me to bumble into this debate, if I may.

I had seen Shankar Acharya's piece. I had a feeling of *Déjà vu* —was I reading a commentary about policy in 2020 or 1980? As an industrial manager, I am tired of policy-creating schemes to incentivise the industry to do what it is supposed to want to do desperately. PLI feels like the old stuff to me.

Policy should do what it is best equipped to do and industry will do what it is best equipped to do. Policy should use the fewest instruments to level the terrain and industry should drive on that terrain.

This complex PLI scheme achieves the opposite.

Sorry if my view is not in line with distinguished economists....after all, I am not an economist!!!

Narendar Pani

Professor and Dean, School of Social Sciences
National Institute of Advanced Studies
November 28, 2020

What is being prescribed by Shankar Acharya and Arun Maira is essentially a reaffirmation of liberalisation strategy. The discussion so far suggests that while this strategy may have had its positive aspects, it has not provided all the desired results. It is difficult to believe that a strategy that has had only partial success over nearly three decades will suddenly provide the results it has not provided thus far.

The answer is not to go back to the tariff-protected regime before 1991. The results of that policy regime were, if anything, even worse than liberalisation. Rather than being led up one ideological path or the other, we need to revisit why Indian companies have failed to compete. This question becomes more critical in a liberalised economy, as the inability to compete hurts exports and, as Maira suggests, competition with foreign products in the domestic market.

It is tempting to lay the blame for the inability to compete at the government's door. As an outsider who has never been in government, it is easy for me to find fault with bureaucratic and political processes and cast a few aspersions while at it. But such an approach ignores some of the imbalances that have emerged in the course of liberalisation. I would like to point to just two related ones here.

1. The preoccupation with a single strategy for a diverse country has ensured that policy, while supporting the interests of some sectors, is not sensitive to the requirements of some others. Take the case of Bengaluru's garment industry. This is a globally competitive industry in a low-cost environment. It was then decided that, in an attempt to attract foreign capital into information technology industries, the city must build a high-cost infrastructure. These projects impacted the cost of living in the city, either directly through user fees or indirectly by reducing the government's resources to support livelihoods. As the cost of living rose, Bengaluru's garment industry lost its low-cost advantage in the global market. Many garment units simply shut down, while some more efficient ones began to locate their new units in Bangladesh.

2. The preoccupation with large models also ignored the critical role of labour mobility. As agriculture lost its relative viability, development theory would expect workers to migrate permanently to cities. But with the costs of the cities being unaffordable, millions of workers have tried to earn in cities to pay for their households in the village. This process requires workers to continuously move between the village and the city, often a thousand kilometres and more away from each other. The volatility of this process can disrupt the supply of labour, as we have seen in the pandemic. But even if the process works smoothly, the costs of continuous mobility can be high, adding to the difficulty of competing with other low-cost economies.

Many such processes have emerged in three decades of liberalisation. They are not difficult to spot, but they will be ignored as long as our focus is on tired old ideological debates.

Prakash Hebalkar

Senior Strategy and Public Policy Consultant

November 28, 2020

Re. Montek's question:

Shankar Acharya is quite right to be concerned about the hazards of bureaucratic millstones, not least for having been a part of it himself.

That said, his immense faith in low tariffs all around, "free trade" and trade agreements are somewhat dated. The world has changed and, besides mercantilist exchange-rate and industrial policies being back in fashion globally, trade agreements include non-economic provisions such as environmental and labour conditions or bizarre Investor-state dispute settlement (ISDS) provisions, etc. that are quite severe, services trade is often left out, national treatment is effectively bypassed, dispute resolution provisions are sabotaged, and so on.

For this reason, no economy can seriously believe in or practice pure-as-the-driven-snow economic theories. That could be shooting themselves in the foot!

Dhiraj Nayyar

Director - Economics and Policy, Vedanta Ltd.

November 28, 2020

Dear Acharya,

I read your piece with great interest and can understand your misgivings.

I would like to argue that the interventions this time around, whether tariffs or PLI are taking place in a different setting from pre-1991. For a start, we have an open FDI regime. Interestingly, it isn't Indian companies alone that are attracted by PLI/tariffs; global companies that make for international markets are in the fray.

In addition, we are a much more export-oriented economy than before and even Indian companies see that market as important. Most sectors where PLI and tariffs are being used to foster manufacturing are competitive and not dominated by one or two firms. All of this reduces the risks of industrial policy.

Of course, these must be temporary measures and the government must continue to resolve the structural problems which render India uncompetitive. But given that this is unlikely to happen overnight, it makes sense to provide some incentives to give manufacturing in India a level playing field.

We can quibble over the precise reasons, but the reality is that neither the pre-1991 nor post-1991 consensus yielded a competitive manufacturing sector. I would be willing to try a third way.

Arun Maira

Former Member of Planning Commission

November 28, 2020

Thank you, Pani, for broadening the discussion to take a 'systems' view rather than an ideological view of our challenge.

'Liberalisation' has become an ideological idea. It seems that one is either pro-liberalisation, or one is against it. And the 'it' seems to be defined, by one camp, as unrestrained free trade. If one suggests that free trade cannot be the end objective of public policy, as I do, then I am labeled as anti-free-trade (and, by extension, anti-liberalisation). Whereas I wish to point to the ends, the outcomes, we should want to achieve by more free trade, which is the improvements of the lives and livelihoods of everybody, especially as those who are being 'left behind' by the growth of sizes of economies which more free trade enables.

So, it seems that one has to be either pro-RECP or anti-RECP, whereas one may be suggesting, as I am, that we must think of many more things while we discuss the terms of trade agreements.

If one questions the present form of corporate capitalism, one is promptly labelled as 'socialist' and put into the 'Soviet' box, as Bernie Sanders seems to be in the US. Or described as 'anti-capitalist', as some of us suggest that we would like capitalism to reform itself to enable everyone to benefit.

Whenever some of us say that there must be significant changes in the policy paradigm we are presently governed by, we are promptly accused of wanting to go back to pre-1991. This reveals an inability to think of something new. Why cannot there be an alternative to both, what has been happening for the past three decades, and also what was happening before that?

The 'free-trade globalisers' are having a hard time defending themselves politically worldwide. Because it seems, those left behind, whether in the US or here, want someone to speak up for them. They must listen to the people left behind or feel left behind and feel that the system has been somehow unfair. The truth is they are being left behind, and your analysis, Dr. Pani, points to the systemic reasons why they are. It explains why free trade globalisation in its late 20th-century version has been good for migrant capital but not good for migrant labour.

Digital technology (somehow, the term 'technology' has been usurped by the digital technology industry) makes it very easy to trade money. It has increased the speed and reach of financial transactions enormously. It is startling that the average time an investor holds a stake in equity reduced to 22 seconds in 2019. It used to be some months in the 1960s/1970s. Lots of money is made on the transactions, not from the fundamentals of the investments. Investors don't care so long as they make more money.

So, when I mention this, I will again be declared as anti-free-trade. But I return to the point. Trade is a means. The questions are who the stakeholders must benefit from it, and how will they?

We must listen to those not being heard from enough when we frame policies. In India, it is the so-called 'informal' sector, and small enterprises enable many more citizens to earn something here and now than large enterprises are. Yet, some economists and policy-makers decry them as the 'problems' of our economy. The terms of trade seem to be set against small people in the political economy and favour of the big. The small want to be heard and should be, rather than their voices being suppressed, if we want to develop a new, more resilient model for our economy, which must be different from the prevalent paradigm. And different from the pre-1991 one, I will add that I am not misunderstood again.

Prakash Hebalkar

Senior Strategy and Public Policy Consultant

November 30, 2020

Re. Ramesh Chand's views on the APMC:

They have failed to adopt transparent pricing in auctions by NOT adopting either an open-outcry model or a more modern INSTANT display of deals negotiated. Without either, they remain as inefficient as private deals between 'adatiyas' and buyers?

Anand P Gupta

Former Professor of Economics

Indian Institute of Management, Ahmedabad

November 30, 2020

Dear Chand,

I have read your paper titled "New Farm Acts: Understanding the Implications" with great interest.

You talk about ten significant reasons for initiating reforms in the agricultural sector. One may add a significant reason. This relates to the agricultural sector's huge demands on India's public finances.

Given the pressing demands on the country's public finances from other sectors, the agricultural sector's demands for public funds (e.g., fertiliser subsidy, electricity subsidy, PM-KISAN, and so on) are becoming unsustainable. I believe this reason has also played a major role in initiating the reforms in the agricultural sector.

Geeta Gouri

Former Member, Competition Commission of India

November 30, 2020

Jaithirth, in giving a different view, has been provocative.

Corporatisation of banks is different from protection to large houses. It is a dangerous game and best avoided.

As regards cartels, more decisions of CCI are important for market development, not the fine which the Government collects.

Ratnakar Gedam

Former Adviser – Transport, Planning Commission

November 30, 2020

Dear All,

Please permit me to express my views as follows:

1. No doubt crystalised views are par excellence. I learnt a lot in terms of the writing skill of each of the respondent participants. It serves to exchange for the surplus of intellectual thoughts on the CUTS platform

However, these views of luminaries are more inclined towards introspection of economic policies and outcomes as reflected in the number of growth in GDP, investment, trade, subsidies, taxes, duties, incentives, etc. At best, the past success or failure could be attributed to about 70 policies and economics from 1950 to 2014. The reality is that these old policies took India to 7th position or US\$3.5tn economies. Except for higher high per capita income, India has everything needed for national prosperity due to income inequality.

Top one percent of India's population has 75 or 80 percent of the country's wealth. Or richest one percent holds four times the wealth held by the bottom 70 percent. Even in the world, as per WEF 2153, billionaires have more wealth than US\$4.6bn (or 60 percent of the world population). But none cares for income inequality (the Constitution of India mandates Justice Political, Social and Economics, and Art 14 about equality). Still, pro-business love of present regime means love of rich, richer, and richest (that is the love of status of only a few people with the highest income).

The economy is set on the path of more wealth creators (though the majority could be corporate looters), incentives and subsidies are meant to help induce in wealth creators an urge of animal spirit (bull and bear of stock markets) leading to a wealth of nation and ignoring the need for re-distribution or removal of inequality, thereby ensuring government back accumulation of wealth by corporate leaders leading to further growth of income-inequality for certainty in next decades to come.

2. Though it is none of the business to make a concurrent analysis of policies of the legitimate government in power, challenging to ignore the probable good or bad impact of the enunciated policies and cabinet decisions of the present government, at least by academicians, intellectuals, thinkers, past decision-makers, and influencers. Therefore, one would be tempted to dwell upon the policy regime in place, which may sooner or later invigorate its old publicised agenda to take the national economy beyond US\$5tn in five years and may be in another next five later to US\$7tn.

The target is known and period of next five years in two tranches. Which (post-COVID-19) policies with working from home, masked face employees at work in half of its original strength, frequent hand washing, social distancing which put a limit of engaging

employees/workers/technicians in the rooms pace or floor space already constructed, propaganda Corona vaccine production and distribution without knowing the duration of effectiveness of claimed vaccine) could help achieve the target of US\$5tn GDP at PPP, knowing fully well that India has a solid brick and mortar industrial base. However, it is at the nascent stage of Industry 4.0 (I4.0) technologies. Still, its competitiveness exports of manufactured goods to be so-called as economic resilience in the 21st century?

Further, are Atmanirbhar policies and stimulus packages that were recently announced tantamount to old terminology of “import substitution” or boost further “export-led growth”? India has recently published an FDI policy. How much will it help attract more FDI across targeted sectors? However, the past is a prologue but not always. What was once revolutionary is denounced as with time. Change in rule & regime in 2014 shows past wasn’t perfect or imperfect as could be appreciated or denounced depending upon which side of a half-filled glass of water the debate looks at.

Of the 21st century, two decades have already passed and so could another two decades. But next two decades, policy prescription for the governance of the nation, corporate governance (its principles and frameworks), sustainability, SDGs, FDI and its role in raising India’s ambition to US\$5tn in a time-bound manner (instead of open-ended shifting target), etc. String forces of redefined shareholder capitalism dominate the Indian corporate world eco-system that ignores both stewardship and stakeholders or minor investors, including consumers, customers, or clients and may enforce more laws in favour of corporates. COVID-19 will be a pandemic of the past like other diseases, but it will define new normal and changing rules of games.

3. Present is being shaped by right-winged policies that aim to replace old socialist institutions with new capitalist institutions. That is, present policies execution has eventually shaped the nation's future. The current regime is bent upon drifting the nation away from socialistic to capitalist ideologies where traders, capitalists, businessmen, and industrialists propel the nation instead of the government itself through costly intervention in favour of the poor’s welfare. The government brands businessmen or large firms as wealth or value creators (and not as looters of the nation's wealth), signaling wealth creators need more protection than investors.

This made case decriminalizing all laws very severe punishment was prescribed. The framework of new laws shows no penalty and punishment to businessmen. For example, RERA-2016, IBC-2016, Companies Act 2013, Labour Code 2020 comprises four laws or farmers’ code (which wants contract farming, producer companies to take over farmers’ produce, demolish minimum support price, etc.). Question is not good or bad, but shaping the nation in next decade.

4. Under RERA 2016 statute provide judgments to be delivered 60 days after admission of complaint about compensation for delayed possession. Still, there is no time limit for execution of that judgment, so it makes frustration or useless the whole process of civil remedies under RERA 2016. Under the IBC-2016, the entire process was to be completed

initially in 180 days, later extended to 270 days, and now it is 330 days, but cases are going on since admission for insolvency in 2016.

Competition Act 2002 is already made ineffective. In September 2020, over 75 clauses were decriminalised under the Companies Act 2013 or many offences have been made compoundable. Amendment to IBC 2016 shows that initially threshold limit to trigger insolvency was raised from Rs.1 lakh to Rs. 1 Crore or 100 people or 10 percent in case of class action or by financial creditors and later government section 7, 9 and 10 of IBC 2016 suspended for six months extended to one year, or look at the recovery rate of default amount and outcome of efficiency & efficacy of insolvency of over 9600 companies, outcome from scam by corporates in collaboration with bank suspension farmers' bill, labour code including compounding of offences under social security code that is, owner of company collected money of social security but did not deposit to government he is fined nominal amount (that is, it is like a process justifying fine is same as sharing part of loot by private company with government officers and get absolved of both civil and criminal liabilities which is license to free loot of labours), look at the beneficiaries of incentives announced under the Atmanirbhar Bharat including eligible 10 sector in PLI, recent FDI policies etc.

What signals do these policy and institutional changes send to the economy and global community? Further period from post-2014 shows that nation could be managed without centralised planning (replacing planning by NITI is an example). So, ongoing policy dispensation will shape the future economy and not past policies.

5. As said above, it is not debated over the good or bad of the present policy framework, but it is a reality and not a myth. Farmers, Labour, investors, customers, clients, etc., are being subjected to new institutional norms, not necessarily those meant for welfare. Still, the result is exploiting the resource for profit by so-called wealth and value creators. Greed for profit backed by the government.

Emasculating of courts, tribunals, and allowing dispute settlement by the official by paying part of corporate loot as fine, that is, making government as a partner in crime of corporate loot in the name of cheap and quick remedies to civil offences by corporate (because courts take a long time in the civil and criminal justice system).

What ought to be or should be is wishful thinking of an individual, but what is present policy framework and policy regime is a reality irrespective of ones' liking or disliking because future outcome (bad or good) will be based on today's Cabinet Decisions or sovereign will. So the time has arrived to ponder upon a query is it worth dwelling too much upon the past policy framework is worth or need a relook. As utility could only be academic than useful to the real policy framework.

6. Last economy (brick and mortar model) is replaced by a digital or new economy dominated by disruption of Industry 4.0, which is introducing 100s of new business models (see The St. Gallen Business Model Navigator, which explains Business Innovation Model Map, through what, how and why of new 55 models) and will

eventually, determine the competitiveness depending upon the level of digitisation of automation in the manufacturing sector and other activities of the old economy).

The new normal is being redefined in the post-COVID-19 era due to global mass trends shaping the world in the time to come. The old economy (brick and mortar model-based) and the new economy (digital technologies-based new models) will co-exist for the next decade.

There are dozens of global level trends and over three dozens of Emerging New Technologies identified by the Gartner Hype Cycle where innovation is going on. So present and future ought to be more noteworthy than glorious or otherwise of the past.

Shankar Acharya

Honorary Professor, ICRIER

Former Chief Economic Adviser, Government of India

November 30, 2020

Dear Dhiraj,

Thanks for your comments. Foreign investment is fine, but as you know from the East Asian experience, it comes into its own as a major contributor to growth and employment in a relatively export-oriented policy environment.

Second, we were becoming increasingly export-oriented till about 2012-14. Since then, if memory serves, the share of export of goods and services in GDP has dropped from about 25 percent to below 20 percent by 2019-20, with most of the drop attributable to stagnating goods exports.

Yes, world trade was also sluggish post-2012, but it did not prevent several Asian countries (including China, Vietnam and Bangladesh) from increasing their share of world goods trade, unlike us.

We were doing that till 2012 or so. We may still be significantly more export-oriented than pre-1990, but we are moving in the wrong direction in the last 5-6 years.

My worry about trying the "third way" is that it may condemn us to inhabit the "third world" for a lot longer.

For others in this group who have commented on the piece, Montek circulated: Thank you for taking the time and trouble. I had found the comments interesting, even when some were quite reminiscent of widely prevalent views pre-1990. Let me also seek "forgiveness in advance" for not contributing actively in this group and reverting to my past practice of remaining an interested observer.

Arun Maira

Former Member of Planning Commission

November 30, 2020

This conversation is getting brisker and deeper too.

I am slipping in a comment on Majumdar's observation that 'efficiency' is the most important, if not only principle, for gauging the effectiveness of India's economic governance. (Lord Curzon, a British ruler stated it, he says).

I suggest that 'equity' (and not the shareholder variety) is an equally important principle. (This did not matter to the British in India).

Technology, especially the digital variety, is very good for increasing efficiency. But, unless properly applied and governed, it increases inequities, as we are realising.

I would suggest that we apply both equity and efficiency in gauging the design of policies for economic resilience. I would also recommend that we unpack the concept of 'resilience' to understand what we want our policies to produce. In terms of more GDP, just 'economic' growth will not produce resilience even in economic growth. Societal and environmental conditions must be factored in. The shape of growth matters, not only its size.

Rakesh Mohan

Senior Fellow, Jackson Institute for Global Affairs, Yale University

Distinguished Fellow, Brookings India

December 01, 2020

Gopal, you are much more distinguished than any of us and your pithy comment proves this.

In simple English, what you have said is exactly what economists should be saying loudly and clearly.

Ajit Pai

Distinguished Expert - Economics & Finance, NITI Aayog

December 01, 2020

Suppose the discussion is resilience within the Indian economy. Can even outside of petroleum (for energy and plastics), where we import over 80 percent of our consumption, we also do not yet manufacture commercial aircraft amongst many other products that have gradually shifted from serving 0.1 percent of the Indian population to a greater proportion (semiconductor memory likely touches greater than 90 percent of the Indian population in a meaningful way).

This group will also mostly agree that the option of becoming an isolated economy would be detrimental. Scale in at least a few categories is critical in a world integrated to the extent that international trade comprises almost 50 percent of GDP. The world's appetite for handicrafts, or those products that don't have significant economies of scale, is discretionary at best. For the majority of the less discretionary items, scale is a factor. Thus to Arun Maira's point that the terms of trade are set against the small people in the political economy, for the sake of the country's progress, I say – about time. Yes, there will have to be a deal – to swap independence with sub-critical mass scale for better livelihood and/or living conditions.

An under-appreciated aspect of Henry Ford's switch to Taylorism in the production of the Model T was the increase in affordability of the car in society to create a much larger market and permitting Ford's employees to afford the cars they produced in unprecedented numbers – for a significant sacrifice in quality of job by getting it narrowed to a specific function on an assembly line as parodied in Charlie Chaplin's *Modern Times*.

To those that still want to prevent the development of modern retail and internet commerce at the cost of the Kirana store – while I feel for the Kirana store – I would advise not to fight the future and efficiencies as the country will pay the price in its global competitiveness. Lower efficiencies result in higher costs and lower consumer surplus to those at the bottom of the pyramid.

A lot of the discussion on this forum has shifted from economic resilience to developing models for greater equity. Over here, perhaps the new way can have us evaluate each policy decision not based on the equity of the decision but on whether the person at the bottom is better off or worse off with changes being considered. If you want to get a dozen individuals from one side of a football field across the other - the slowest way is with everybody holding hands. The same individuals running across without holding hands are likely to make it across faster the vast majority of the time.

Constraining leaders to ensure less disparity domestically is self-sabotage internationally. Yes, I agree those at the economic bottom are there frequently because of circumstance and not always a choice – but even the wealthiest nations have homeless and homeless shelters and the quality of their ability to take care of those at the bottom is driven by the nation's wealth or capacity to create wealth. Those at the bottom have zero; whether those at the top are at \$10,000/year or at a million dollars per year is less relevant unless it is at the cost of those at the bottom.

Thus, a necessary but insufficient condition to take care of those at the bottom is creating wealth. For a developing country like India with a per capita GDP still below 20 percent of the world average, this should be the priority – growing the pie over how to share it with some caveats for too much monopolistic power, which does take from those at the bottom.

The pre and post-1991 discuss the performance of a far from the best-in-class team that didn't make it to the quarter-finals. In the early 60s, India's per capita GDP peaked out

over 21 percent of the world average. It subsequently declined to around 6 percent by the early 90s before reversing and rising to its current slightly north of 18 percent. We are yet to make it back to our relative position in 1963-64.

China's per capita GDP was at 18-19 percent of the world average in the early 60s – below India's. It subsequently declined to 8 percent by the early 90s (India had fallen below China in the mid-80s on the metric of per capita GDP) but is today at >90 percent of the world average with every likelihood that in 2021 it will exceed the world average with the massive relative shift of China's economy to the rest of the world in 2020.

India under-performed China 1960-1991 and 1991-YTD on the metric of per capita GDP, with China's strict control on population only one factor that was not the largest contributor to the out-performance. The power that China exercises today in terms of trade globally and especially with developing nations is a real matter and proportionate to its heft and its wealth.

For India's more rapid development in a competitive world, we are better served by creating 100 corporations the size of RIL rather than slowing the path of others getting there. We need 10 banks the size of SBI and at least three double the size of SBI, not more of the 98,000 banks outside of the SCBs that dot our urban and rural landscape. We need the average farm size to grow from 2 acres (down more than 90 percent in the past century) to an order of magnitude larger.

We should enable consolidation across industries rather than slow scaling by supporting the sub-scale into perpetuity. We should embrace the future and technology that will permit India to leapfrog the legacies of prior systems created globally. There will be vested interests resistant to change to prevent stranded costs. Technology provides massive scalability and models can be created/encouraged to enable the micro further to scale (whether farmer or Kirana) but let no doubt that modern retail and the internet will perniciously claw away the share of the fixed Kirana unless it innovates and scales. Do we really want 40 percent of our population in agriculture feeding the rest when best practices globally are less than 1 percent can feed the rest?

Yes, there is greater resilience in diversification than high concentration – but not when each entity is below critical mass and not competitive globally. For a country's economic resilience, it is better to have multiple industries that are competitive globally than none. Given their modest size, South Korea chose a handful of industries to develop a highly risky global scale. However, as has become evident through each of the subsequent waves of bankruptcies – each left the country stronger – and does not take away a per capita GDP factor of an order of magnitude that of India.

Not suggesting a return to pre-1991 licenses – just indicating that greater global trade has made the market and competition global for an unprecedented number of categories. It has thus created competition between enabling environments. India must focus on its enabling environment. China has made its choices of which products to enable to be most competitive globally. It's strategic choices. India historically appeared to be squandering

its far more limited resources across too many agendas and initiatives, with a government that was leaving its industries to the winds of global trade and at the mercy of the new giant that was steadily dominating category by category by subverting free markets.

It's good to see greater focus and what appears to be deliberate choices that have surprisingly come through such a decision-averse bureaucracy. The choices and metrics can be debated, but the quality of discourse with the PLI scheme is moving in the right direction.

Dhiraj Nayyar

Director - Economics and Policy, Vedanta Ltd.

December 01, 2020

Dear Acharya,

At least two of the three countries you mentioned, namely China and Vietnam, use all kinds of State support to boost manufacturing while simultaneously moving forward on market reform. Bangladesh also has carefully crafted policies targeted at textiles, their major export. You would say that they are all export-oriented and I would argue that what is emerging in India now is also export-oriented.

India's exports rode the wave of the global boom in the mid-2000s, but the competitiveness of manufacturing was never great. Once the wave died down, we found out who was swimming naked.

I wish the reformers of post-1991, such as yourself and Ahluwalia, had pressed for a much wider gamut of market reforms than import liberalisation and industrial delicensing. We would not have needed a third way and we would not have been in the 'third world' today.

After all, in 1991, the per capita income of China and India was the same, around US\$350. So, 30 years on, I find it difficult to either blow the trumpet or sing the tunes of 1991 any longer. Not that I am placing the blame on you; politics has its logic.

I like markets and believe they will deliver, but only in the right enabling environment.

Sumit Majumdar

Professor of Technology Strategy, University of Texas at Dallas

December 01, 2020

Building on Maira's comments, simplistically, (and not being a pedantic pedagogue), let us take the following relationship as something aspirational: Effectiveness (of what? growth? development?) = Equity x Efficiency.

It is a multiplicative and not additive relationship, implying that the end result is zero without any one element.

Let us next take what effectiveness (of development [let us stop obsessing about growth {which is a mere statistic} and leave those numerical details to Dalals and Munshis]) may imply, and one may think of something fundamentally aspirational as: Is my country the country of last resort?

Translated as, does everyone want to emigrate here? If so, why?

What does she (India/Bharat Mata [a gender confusion here?]) offer?

Livelihoods? Physical well-being? Opportunity? Equality? Fairness? Warm welcome? Peace in private life? Engagement abilities in public life?

And a similar host of other attributes define the nature and composition of human and national development!

Sidharth Birla

Past President, FICCI

December 01, 2020

I love what Rakesh Mohan ji said about simple English, I agree.

Adding some 2-bits worth.

- Subsidisation is most likely the wrong answer. Have been saying for a long that sector-agnostic competitiveness to global benchmarks is central to our growth - we cannot achieve this by going back to the drawing board and the microphone every second week. It requires sheer doggedness on select criteria, none of which are new.
- Business attractiveness is a necessary, but not sufficient, condition for investment; systemic reciprocal trust is critical for undertaking risk. The key risk any business assumes should be “business risk”. Sadly, our system blurs certainties and delays outcomes, leaving us far too exposed to “non-business risks”.
- Implicit peril of litigation must not allow good-faith decision-making to be derailed, and one can’t keep looking over his shoulder as to what the next shock-and-awe move could be.

Amol Kulkarni

Director (Research), CUTS International

December 01, 2020

Dear all,

Few thoughts on Acharya's piece and some points raised on this forum:

1. All notifications of PLI schemes begin with disabilities faced by the sector. These disabilities can be broadly grouped into 'internal' and 'external' factors. The former are infrastructure, logistics, finance, power, R&D and other constraints, all of which are aware. External factors include a lack of a 'level playing field' with other nations. It appears that there is a sense that even if we were to address the fundamental internal concerns, we would not be able to compete with other nations that have adopted sector or firm promotion strategies.

Thus, all PLI schemes intend to provide a mechanism to compensate for manufacturing disabilities vis-à-vis other major manufacturing economies. To compete with them, there is a need to do something similar. Perhaps there is a need to think about better ways to compete with economies launching similar preference schemes.

2. Under the PLI schemes, while expenditure on R&D is within eligible categories of investment, it has not been granted any special consideration. Manpower cost for R&D is not included in suitable investment. Shouldn't R&D investment be specifically incentivised, given our dismal track record? Interestingly, all non-creditable taxes and duties are included in eligible investment, but expenditure on land and building (even for the project) is not eligible.

What is the rationale? Should we not be doing away with such unreasonable taxes and duties so that enough headroom is available for productive investment? Similarly, while the applicant is required to estimate the number of jobs likely to be created, employment is not linked to the selection of applicants or grant of incentives.

3. Each PLI scheme has provided a maximum number of companies that would be supported. For instance, the PLI scheme for large-scale electronics manufacturing provides that not more than 20 companies will be supported. Similarly, the PLI scheme for promoting the domestic manufacturing of medical devices will support 28 companies. It has been reported that the number of applications made has significantly exceeded this number.

The PLI schemes provide that in case of receipt of excess applications, the eligible applicants will be ranked from the highest to lowest based on consolidated global manufacturing revenue (including group companies), and the top companies will be selected. The idea is to support big companies, despite all of us being aware of German mittelstand, Apple sourcing from 350 locations in China as against eight in India, and the need to support Indian MSMEs.

Should the schemes not have focused on supporting a large number of small companies instead of a small number of large companies? Do such preference to large companies, no specific consideration to jobs created, and limited focus on investment in R&D, make these schemes inefficient and inequitable? Could they have been designed better to support small and mid-sized entities that create a greater number of jobs?

4. While a nodal agency must implement each PLI scheme, it appears that IFCI Limited, a Government of India undertaking, has been appointed as the nodal agency for most such schemes, including the ones on electronic manufacturing and medical devices. IFCI is currently in the process of recruiting personnel to manage the schemes. Thus, companies will need to convince IFCI about their eligibility and compliance with prescribed conditions for availing benefits.

One is not sure how IFCI was appointed as the nodal agency. Without commenting on IFCI's expertise, we may need to think if this is the best way to implement such schemes or an increased risk of inefficiency. Concerns have been raised about delays in reviewing applications and disbursement of benefits. Can we not envisage a better, transparent, and accountable mechanism to ensure such schemes remain time-bound and meet their objectives?

5. The guidelines for PLI schemes provide that these were prepared after detailed consultations with industry and stakeholders. For instance, the PLI scheme for medical devices provides that a committee headed by CEO, Andhra Pradesh MedTech Zone Limited, was constituted for consultation. Who were the other stakeholders consulted? Was this consultation sufficient? Has the consultation made the guidelines inclusive? Was there sufficient transparency in seeking stakeholders' input, and was a diverse group of stakeholders reached out to? What suggestions were rejected? Do we not need an institutionalised mechanism to efficiently consider stakeholder inputs during the design and implementation of such schemes?

Some issues worth pondering for members of this group.

Prakash Hebalkar

Senior Strategy and Public Policy Consultant

December 02, 2020

Re. Arun Maira's recent comments on efficiency versus equity *prima facie* appear reasonable overall, however:

1) Inattention to the efficiency of governance has led us to our current state of a venal and indifferent administrative climate at all levels of administration, in contrast with efficient ones like Singapore, equally a product of the British colonial administration. What a nation value determines the direction of this development.

2) If “equity” in the context of economic policy means “broad-based”, it definitely has validity, but not if always tested at a micro-level of, say x-community or y-business, e.g. by profession, caste, industry, etc. No policy can stand that test in every measure.

3) The “versus complex” has been our downfall. Do we not want growth if we cannot figure out how to make it equitable=broad based, e.g. non-exporters not benefitting from policies? Has not the versus complex led us to the adage of resulting in “distribution of poverty” for equity reasons?

This versus complex has destroyed our will to do almost anything because some social group always perceives such a “versus” argument as applicable. Sheer grit in what could well be a well-oiled machine, to give an analogy.

4) Finally, his good suggestion that “Societal and environmental conditions must be factored in. The shape of growth matters, not only its size’ can certainly be adopted but only with the caveats above.

Arun Maira

Former Member of Planning Commission

December 07, 2020

Several vaccines have reached the final stages of approval. Distribution systems have been lined up. One can hear a huge sigh of relief. Bloomberg reports (Bryce Baschuk, 2nd December 2020) that "[Globalization is Alive and Kicking in Trade's Big 2020 Comeback](#)." After a harrowing nine months of disruption of economies, supply chains, and personal freedoms, it seems we may soon get back to ‘normal’ life.

An aspiration was shared during the pandemic that we must not recover the old economy. We must create a more resilient economy in which the most vulnerable people do not suffer as badly as they have during the pandemic. They must have more sustainable sources of income and more secure lives than they had before the pandemic. After the financial crisis, this was the hope also a decade ago, when there was a backlash against globalisation and some economists began searching for a ‘new normal’.

If globalisation is alive and kicking again, the inequities that anti-globalisers were protesting about—increasing wealth inequalities and precariousness of jobs and incomes at the bottom—seem to be alive and kicking too. The Economist, a staunch cheerleader of free trade and globalisation, seems concerned. It reports (5th December 2020) that the rich in India became even richer during the pandemic while hundreds of millions are still suffering from loss of incomes and employment and lack of social safety nets.

According to the journal, the top 30 stocks are up 72 percent from March, when the real economy went into lockdown—‘one of the largest rises amongst economies’. Moreover, the wealth of the top 1 percent of Indians has increased to 39 percent of India’s total wealth, which is the highest globally, more than Russia, the US, and China, it says.

Sajjid Chenoy, Chief India Economist of J.P. Morgan, hardly an ‘Occupy Wall Street’ supporter either, worries that the pattern of India’s growth does not bode well for investors in India’s stock market. Net profits of India’s listed companies have risen by 25 percent, while the GDP contracted by 7.5 percent. Though their revenues contracted, he explains that companies increased their profits by cutting employee costs. He warns that insufficient employment and incomes for the masses will not make India an attractive investment market.

Mainstream economists say the size of the GDP matters because there must be enough to go around. The two economic crises within the first two decades of this millennium have revealed that the shape of growth matters, even more to ensure that there is resilience in the livelihoods of all people, not just the people on the top. This is necessary for growth to be sustainable, as Chenoy warns, even if there is no moral opprobrium against inequity.

Free trade lifts all boats, and increasing trade volumes will help everybody, in the long run, trade evangelists say. However, shifting patterns of trade matter too. Transitions from one global pattern to another can take years to wash through economies, and during the transitions, there are always losers and winners.

Debates with economists, and amongst them too, seem to be stuck in black-and-white ideological ruts: free trade or protection; free markets or regulation; private sector or government. Economists should step out of these old debates. They should obsess less about GDP and trade volumes. To increase international trade and overall economic growth, they should track the winners and losers in the global race.

They must step into the grey, non-mathematical zone and learn how the economy's fuzzy social and political systems work. Because the ‘new normal’ economics must factor in social justice too to create a more resilient and just economic system. That was the light of a new Enlightenment at the end of the COVID tunnel that many have hoped for. Let it not die.

Perhaps the time has come to take stock of what we have learned so far in this debate sponsored by CUTS.

Debate 2: Planning in the 21st Century: Relevance, Design and Form

Arun Maira

Former Member of Planning Commission

March 24, 2020

Call for Debate

Without a doubt, India needs to improve all round performance of its economy and faster too. For more inclusive and environmentally sustainable growth. And faster improvement in public services and human development indicators. Results must be improved on the ground, in the states, districts, and cities. Since the task is huge and resources are limited, better planning would help.

The question is what role a central planning body can play in a federal setup where there is a constitutional and practical necessity to devolve more power downwards and outwards.

A central planning body, especially if it is not constitutionally empowered to do so, cannot derive its power from allocating funds. It must become an 'essay in persuasion, not an allocator of funds', in the words of Dr. Manmohan Singh, who had called for a reform of India's Planning Commission to make it fit for 21st-century conditions.

The fundamental reforms necessary in the economy must be implemented coherently over many years, beyond the 5-year terms of democratically elected governments. Long-term planning and implementation are necessary. How can this be ensured if the planning body is appointed by elected governments and does not have a mandate beyond them?

Therefore, how do planners prepare and present a coherent and compelling set of ideas of a national plan, which have broad support from citizens, so that it is an essay in the persuasion of various governments at the Centre and in the states? And an essay in the persuasion of non-governmental actors too to align their actions with national priorities.

The models that planners use, explicitly or implicitly, to prepare national plans must be broadened. The limitations of economists' models in predicting even the course of economies have been exposed. Moreover, economists' models leave out too many 'externalities' to accurately represent the realities of complex socio-environmental-economic systems. 21st-century planners must be systems reformers so that they can guide changes in complex systems to improve the well-being of citizens, not just increase GDP. A national planning process must incorporate inter-disciplinary capabilities, and planners must adopt new systems models which are not limited to economic parameters.

Therefore, reforms of national planning must address three questions:

1. What competencies must a central planning body become an essay in persuasion, without powers to allocate funds in a democratic and federal setting?
2. What are the new approaches of systems thinking and systems reforms it must learn?
3. Are there any constitutional changes essential to strengthen the role of a national planning body as an essay in persuasion and systems reformer?

Yoginder K Alagh

Vice Chairman

Sardar Patel Institute of Economic and Social Research, Ahmedabad

March 26, 2020

A strategic reform process has to have financial incentives as a part of the design. Reform does not occur because economists, like other experts and me, design it but only if Economic institutions, private and public, see their interests.

As a Secretary to a Ministry in which I was chairing a Committee told me 'Sir to get lectures on reform, we will come to your Institute. Why should we go to NITI Aayog.

It is correct to say Manmohan Singh does not believe in long-term strategic planning. His great contributions as an economist are in international trade and open economy macroeconomics, so tax and interest and exchange rate dilemmas. Of course, as a civil servant, he does all his jobs very competently.

Arun Maira

Former Member of Planning Commission

March 26, 2020

Dear Alagh,

I would humbly point out three things.

1. The erstwhile Planning Commission had financial allocation powers. Yet it could not induce faster all round and sustainable growth.
2. The great economists the PC no doubt had, were criticised by businesses and civil society that they 'don't get it'. The states' stakeholders were obliged to listen to PC's lectures because they wanted the allocations. Not because they valued its guidance much.

Therefore, we must evaluate (1) whether economists have the right models. And (2) how economists (and experts generally) can be more persuasive of all stakeholders.

Santosh Mehrotra

Cambridge Professor of Economics and Chairperson,
Centre for Labour Studies, Jawaharlal Nehru University

March 27, 2020

Maira asked the following three questions. Let me attempt to respond.

Therefore, reforms of national planning must address three questions:

1. What competencies must a central planning body become an essay in persuasion without powers to allocate funds in a democratic and federal setting?

Having spent eight years in the PC over 2006-2014, I learned that the PC had lost people with high domain competence over time. What the PC had were first-rate Members with domain expertise. It also had massive convening power, bringing together the best minds in the country to draft the five-year plans in working groups.

However, below the Members, very often, domain competencies of the heads of divisions (in at least half the cases) were well below what was required in top-ranking planning institutions for an economy that was growing rapidly and diversifying at a phenomenal pace. This was true for both IAS and IES officers.

Only some division heads had a. institutional memory and were there because they were domain experts and loved their jobs. The rest were 'passing the time', before moving on to other Ministries where they ran programmes. Such a central planning body cannot become an essay in persuasion. The latter requires both varieties. Neither was present. The NITI has even less of both.

The 'essay in persuasion' (EIP) capability is strengthened when the planning body has funds to back its ideas. That is why Prof. Alagh, Kelkar, and I have argued for fund allocation capacity. Ironically, NITI's current CEO and VC would probably give an arm and a leg to have funding capacity, but they know they will not get it.

2. What are the new approaches of systems thinking and systems reforms it must learn?

No planning body will acquire systems thinking and systems reforms capacity if no domain expertise is greater than in Ministries. Then the planning body is just another Ministry, and worse, a Ministry with no money.

3. Are there any constitutional changes essential to strengthen the role of a national planning body as an essay in persuasion and systems reformer?

Yes. A cabinet decision created the PC (I quote it in the last chapter of my book). If it had a constitutional imprimatur, it could have all the characteristics of effective planning bodies.

Just as COVID has overwhelmed the planning capacity of individual ministries (and the PMO is full of bureaucrats who have little domain expertise so cannot plan except in highly constrained ways), climate change-driven catastrophes will overwhelm governments, state and central, in the future. The PMO will be incapable of handling such disasters.

Hence, Alagh argues in a chapter in my book that a PC is needed so that water shortages across the country are dealt with in a holistic, cross-ministerial, cross-state manner.

A planning body exists because on a normal basis, governments take actions that prevent catastrophes, or when they do happen, can help the whole govt to manage the coordination function.

The other constitutional change will be that every state government has effective PC equivalent bodies. Kerala, under LDF governments, usually does (that changes under UDF governments, as politicians get appointed as Chairman and Members of the Kerala Planning Board).

The third constitutional change has to be that the ULBs and PRIs (created by the 73rd and 74th Constitutional Amendments in 1993), will be empowered. That means that if state governments don't transfer the 29 subjects that the 73rd and 74th Amendments transferred to them (most have not transferred many of those subjects), the Finance Commission funds intended for ULBs and PRIs will not be transferred to the states.

Arun Maira

Former Member of Planning Commission

March 27, 2020

I had the pleasure of working with Santosh Mehrotra when he was with the Planning Commission. He and I worked together to develop an industrial plan to create more employment, a crying need in the country. Therefore I understand his observations about the competence of the resources within the Commission. The Commission was referred to as a 'parking lot', even by senior civil servants.

A point that he makes, which Prof. Alagh has made, is that the national planning institution will be effective only if it has more power. They may be referring to the lack of budgetary power of NITI Aayog. Because the PC always had powers of allocation. Whatever weakness the PC had cannot be attributed to its lack of power to allocate funds.

Santosh confirms that the PC did not have 'constitutionally' sanctioned powers. Neither does NITI.

So, there is a 'power' question: power from allocations and power from the constitutional position. (Both must go together). However, the real issue must be competence, which must be primary.

After all, many commentators on the Indian economy, including CUTS' network, have complained that a major problem in the Indian economy today is that the competence of regulators does not match the powers they have been given. Enforcement of bad regulations can cause great harm. So can the enforcement of bad plans.

Competence to perform the expected role is the core question we should focus on.

Does the competence of the planning institution lie in its Members? Or in its staff? Or in how they work? And in how they relate with other resources around them from whom they can (and should) derive information and insights?

I think a good diagnostic of competence should be the starting point before too easily attributing weaknesses to lack of power.

Anand P Gupta

Former Professor of Economics

Indian Institute of Management, Ahmedabad

March 28, 2020

Yes, competence to perform the role expected is a major issue that we should focus on. Take, for example, the case of Outcome Budget (OB), which the Government of India launched on February 28, 2005, to change the culture of its officials from one of measuring their performance in terms of the amount of money spent against the budgeted allocations, to one of measuring their performance in terms of the delivery of outcomes the people in India are concerned with. OB is an excellent initiative.

The Planning Commission was expected to play a major role in implementing "a mechanism to measure the development outcomes of all major programmes". It was also expected to help "ensure that programmes and schemes are not allowed to continue indefinitely from one Plan period to the next without an independent and in-depth evaluation".

But OB has failed. It has failed because the Planning Commission didn't have the competence to perform its role.

Ajit Pai

Officer on Special Duty, NITI Aayog

March 28, 2020

The remarks so far are of great interest to me. I also cannot agree more with the comment that the primary issue is competence rather than the other sources of power that the erstwhile PC enjoyed, including the capital allocation. Yes, the VC and CEO of NITI Aayog would be delighted to have money to throw at their ideas and convictions— but who wouldn't? That is most likely not the stumbling factor to exercising greater influence.

The advisors in the world with the broadest/greatest influence over the past few decades are generally strategy consultants and advisory investment bankers that don't put their own money where their mouth is – they just get paid for their time or in the case of M&A bankers a contingent fee but on consummation of a transaction rather than on the projected outcome of benefits. In fact, having skin in the game to align interests is frequently considered a conflict of interest at these pure advisory firms.

Why is there so much mediocrity and lack of competence and why also so much tolerance for both? Politicians worldwide have incentives aligned in a certain way, but the rest of India's machinery truly boggles one mind on how it got to where we are. The Darwinian analogy “It is not the strongest of the species that survives, nor the most intelligent that survives.

It is the one that is most adaptable to change” perhaps holds for the Indian system, where our inability to evolve policymaking, governance, and administration at the appropriate pace has set us back on a relative basis both in terms of traditional metrics like per capita GDP but also competence or competitiveness in a world that was globalising until very recently.

The competence issue is not restricted to the regulators. Still, it permeates the entire machinery, whether government or the bureaucracy, and I am pained to note, law enforcement and at the risk of being charged with contempt, frequently the judicial system. To a great extent, I also see it in India's private sector large incumbents that would rather have protection for their domestic market than become more competitive to compete globally, perhaps because of giving up on ever having a system that would be supportive of any global aspirations by rationalizing their excruciating compliance, bureaucratic and tariff burdens domestically.

What is it about these systems and the incumbents that they are so resistant to simplification and change? Was the creation of a system by a colonial power to rule and control a colonised people while drawing from the pool of the colonised so well-devised that over 70 years of federal Parliamentary democracy could not bring in greater inclusion of global best practices and private sector talent within the governance, administrative, and policy systems?

Arun ji has an early background in the private sector – and a fairly successful one with great exposure brought back to policy-making – why didn't the trend expand? Why are most of our regulators led by-products of our bureaucratic system that would rather increase complexity than reduce problems to their simplest forms to derive the simplest responses?

Empowering the third tier of government without first creating capacity will just result in similar or worse performance than states where sufficient requisite capacity is yet to be developed. Capacity building is not a sufficient priority for our policymakers. Greater attention is paid to the allocation of capital to a leaky, inefficient and poorly aligned with a strategy expenditure system with the majority of revenue extracted away from the gross capital formation by a tiny minority of individuals and enterprises that are within the tax system and slowing their path to attain globally competitive scale and competence.

Perhaps it is because almost everyone believes they know how to spend money the right way. Still, very few know how to build models to create capital over long periods sustainably. Even fewer believe that their time is better spent focusing on building capacity in the Indian government. Does anyone, department, or ministry have the mandate to build capacity in the Indian government/system towards a specific goal?

I am most attracted to NITI Aayog for its aspiration of transformation, and perhaps accidentally, the lack of deemed authority bestowed on it or the absence of authority over cash flows. Interestingly, in the Indian system, power is derived from the seat one occupies, generally in a strict hierarchy or a mandate bestowed by the highest offices, and not necessarily the quality of the content of one's message. Big capital and spending do not usually encourage true innovation but stifle it.

It is likely no coincidence that HP, Microsoft, Dell, Google emerged in lean times with their innovative models that proved sustainable over time, while the enterprises that emerged in times of abundance had a significantly higher mortality rate. Can NITI, with its current mandate but yet to be fully formed agenda, rise to the nation's needs and morph to fill what is required?

NITI's aspiration is to bring in the best-suited personnel, irrespective of their length of experience or age but based on their accomplishments and capacities. However, the challenges of adhering to a system of due process in selection very different from that considered reasonable in the private sector have slowed the lateral entry to a trickle – and most with a background similar to the ones already in the system with the pool of candidates/aspirants being judged for suitability by people within the system that are unlikely to appreciate metrics too different - much like the half dozen JS level lateral entrants that finally made into the Government of India from the not unreasonable goal of the PM for about 400.

My strong preference before focusing on something new yet again would be to bring an archaic system to contemporary best practices. Let us get Parliament to focus on simplifying and updating the Indian Penal Code from the mid-19th century so that those

enforcing the law and those that it is being enforced upon both have a decent chance of understanding it and the principles are simple.

Let us get Parliament to bring down the complexity of compliance for normal people and businesses to make it possible to comply reasonably (Lemon Tree CEO tells the PM that he had 1,600 different licenses and permission to build his Mumbai property) across the country. Let's get Parliament to prioritise simplifying all our rules and regulations on an ongoing basis so that the principles are more easily understood and the policy measures appropriately designed.

What India needs, in my opinion, is a massive simplification exercise across all laws, rules, and regulations, with higher compliance of simplified and easier to comply with codes.

Once this massive obstacle to growth is being addressed sufficiently, the resulting material acceleration in economic growth will provide us the greater flexibility to aspire for the appropriate goals that will become more visible at the time.

The next big task would be to build the basic capacity in the system that we all lament as missing. Either by rotation of fixed-term lateral entrants for, say, 20 percent of the top 2,000 positions in the Central government and a different threshold at the state and third levels. Or by a suitable change in the current system of admission to and functioning of the bureaucracy if the incumbents are dead set against lateral entrants while outsourcing all roles that the private sector can more efficiently handle without creating any controversies.

Can NITI Aayog perform a role in these two transformations? I would sincerely hope so, but modest changes to its mandate and business rules are required. Not saying that NITI should not be working on the policy, innovation and other measurement and evaluation functions, as well as cooperative federalism mandates it already performs – but suggesting that focusing first on the two more foundational transformations that do not appear to be a focus for anybody will increase the effectiveness of the current functions many fold.

Planning in the 21st Century: Relevance, Design and Form – I hope my comments align with the direction/intentions of the Chair and the hosts of this new form of debate that I am embracing without perhaps necessary caution.

Arun Maira

Former Member of Planning Commission

March 29, 2020

The Finance Ministry may prepare the OB. However, Ajit Pai is raising an important issue about the competencies required for 'national planning'. One of these is to design policies and programmes that cut across many 'domains' and many ministries and silos. These silos were very strong within the Planning Commission itself. I don't know what the condition is in NITI. This problem of siloed planning arises from the view that 'domain'

expertise—even deeper domain expertise—is the solution to the competency problem in planning.

National planning requires an integrative view, a holistic view. The ministries can have, and should have, the domain expertise required for their parts of the system. A 'systems thinking' ability to put the parts together is required. This must be the core capability of the national planning process.

If the PC (or NITI) has this integrative capability and is seen to be using it effectively, there will be less need for Finance or others to fill the void.

When the cabinet secretariat developed a “Results Framework Document” process for target setting and evaluating ministries’ performance, they ran into this problem. The goals and targets of the ministries should not be set in isolation because the ministries’ policies and programmes should produce the actual outcomes that the country needs. For example, no point in Skilling Ministry achieving its goals if jobs are not there. Therefore, the cabinet secretariat turned to Planning Commission to provide the integration, which Planning Commission was unable to.

More amusingly, since it was/is a ‘ministry’ within the government’s bureaucratic set-up, the PC was asked to propose goals and targets for its performance. Many in the PC were horrified that they should have goals and be evaluated! They were supposed to be above it all. They could evaluate others. But no one should evaluate them.

Sudipto Mundle

Distinguished Fellow

National Council of Applied Economic Research

March 30, 2020

Dear Arun,

The answer to your third question is straightforward: the Planning Commission was not a constitutional body, unlike the Finance Commissions, yet it had far more clout because it was given (unconstitutionally) the power to make resource allocations between centre and states and among states. It had the Prime Minister's backing. This suited the centre because it gave the central government a lot of discretionary room for manoeuvre, unlike the Finance Commissions, over which the central government had limited control.

Re. the other questions, I think they are best addressed if you think of a planned economy like a giant corporation with administered internal markets, only more complex. Corporations are largely planned bodies run by a CEO and her management team under Board supervision. The answers to questions of competence, whose competence, etc., will become obvious if you compare successfully and failed large corporate groups in India, allowing for context-specific factors like luck, crony capitalism, etc.

I am much more interested in issues of competence at the implementation level rather than in planning because I think our main successes and failures are attributable to successes and failures of governance and administration in different areas at different times rather than competent or incompetent planning.

Even good Plans will fail to deliver development or welfare if they are implemented by colonial heritage administration more interested in serving themselves than the public. By the same token, a competent administration committed to delivering development and welfare (not generally the case in India) will find its way even around bad Plans to deliver what consumers (the people) need.

I am a great believer in crossing the river by feeling the stones. Flexibility, willingness to junk a bad plan/policy if it failed to deliver, is something our Plans and policies never had but the Chinese always did, which is mainly why, despite many terrible policies like the Great Leap, Steel in the Backyard, Cultural Revolution, etc., they left us far behind, apart from the discipline and control of their command- and- control system as in large corporates.

However, our administration does quite well in a crisis, as I think is the case right now - despite poor initial planning of the lock down, its consequences and how to deal with them. After all this is over it would be interesting to compare how we did with how the Chinese handled it from Wuhan on.

Apologies for imposing this long comment. Will hold back going forward.

Arun Maira

Former Member of Planning Commission

March 30, 2020

Two fundamental reforms for planning for 21st century India

Last night, the PM of Singapore was interviewed by CNN to explain how Singapore has handled the COVID19 crisis so well so far. At the same time, an Indian channel showed pictures of thousands of migrants thronging at bus stations in India and trudging along highways, sort of shelter, food, and water. The Singapore government has used technology remarkably well in a country where all citizens are connected with technology. What are the lessons for other countries, Fareed Zakaria asked Singapore's PM?

In their book, *Thinking in Time: The Uses of History for Decision-Makers*, (The Free Press, 1988), Richard Neustadt and Ernest May, Professors of Government and History respectively at Harvard University, analyse dozens of cases, including the Cuban Missile Crisis, the Swine Flu Scare, and US Social Security reform. Some were successful; some were failures. They conclude that a fundamental error of policymakers is their failure to understand the context in which the public policy is required before looking for best practices and solutions from elsewhere. Countries are complex systems. Complex systems

take different shapes in different countries. Moreover, systems evolve. Therefore, even a policy that had worked in the same country in the past may not be the best now.

A second fundamental error in public policy is non-systemic thinking. Complex systems combine economic, social, and environmental forces; and the conditions of different subsystems, such as health, education, housing, transportation infrastructure, natural resources, etc. A public policy to be effective, even for one domain, such as health, must be developed with the condition of the whole system in mind.

India's public policies often fail because they are developed within silos of ministries and by silos of domain expertise. Sadly, national planning processes have also been broken up by 'narrow domestic walls' within the planning institution. Moreover, economic models are not complete representations of the condition of countries—a limitation which even economists admit. National planning has been failing to provide the integrative systems thinking required.

A review of India's national planning institution must keep two fundamentals in mind.

The review must begin with an analysis of significant structural changes in India's 'system'. 1) It should beware of 'not thinking in time'. Even if planning was good in the past, it must accept that it cannot be done in the same way today when the context has changed. Changes are caused by forces within it and by forces around it. India in the 2020s is not what India was in the 1970s or even in the 1990s.

2) Change has become faster and more uncertain globally. Public health issues can damage the health of economies severely. Trade policies cannot be separated from geopolitics. Nor trade from the need to grow industries and jobs within countries. *Systems thinking must be strengthened*. Perversely, the deeper the domain knowledge is in each of the silos, the greater is the need for an institution with systems thinking abilities.

Montek Singh Ahluwalia

Former Deputy Chairman, Planning Commission of India

March 30, 2020

I have been following this fascinating discussion on Planning. I am not sure I want to contribute at this stage. Still, given the barbs thrown by Arun Maira at economists as a profession, I thought I would share the extract reproduced below from the Introduction to Binyamin Applebaum's "The economists Hour". This puts things in historical perspective: economist bashing has a long and distinguished history.

The point is that we should not identify economists as a homogeneous class. They differ enormously in their views and the solution to their deficiencies is simply to have economists of different persuasions. The UPA Planning Commission did have economists with different views.

But thanks, Pradeep, for starting this chat group. Incidentally, the "planning" for handling the Corona problem will make an excellent case history study someday. These COVID hit times will receive more attention than they otherwise might. Not that the solution is easy. But the question arises: is domain expertise being used? And is it a silo approach or a holistic approach? Also, does the approach allow the states to take the lead with different approaches?

From the Introduction to Biyamin Applebaum's book:

In the early 1950s, a young economist named Paul Volcker worked as a human calculator in an office deep inside the Federal Reserve Bank of New York. He crunched numbers for the people who made decisions, and he told his wife that he saw little chance of ever moving up.

The central bank's leadership included bankers, lawyers, and an Iowa hog farmer, but not a single economist. The Fed's chairman, William McChesney Martin, was a stockbroker with a low opinion of the species. "We have fifty econometricians working for us at the Fed," he told a visitor. "They are all located in the basement of this building, and there is a reason why they are there". They were IN the building, he said, because they asked good questions. He continued they were in the basement because "they don't know their limitations, and they have a far greater sense of confidence in their analyses than I have found to be warranted".

Martin's distaste for economists was widely shared among the midcentury American elite. President Franklin Delano Roosevelt privately dismissed John Maynard Keynes, the most important economist of his generation, as an impractical "mathematician". President Dwight D. Eisenhower, in his farewell address, urged Americans to keep technocrats from power, warning that "public policy could itself become the captive of a scientific-technological elite".

Congress took testimony from economists, but, as a rule, it did not take that testimony very seriously. "Economics was viewed generally among top policymakers, especially on Capitol Hill, as an esoteric field which could not bridge the gap to meet specific problems of concern", an aide to Wisconsin senator William Proxmire, a leading Democrat on domestic policy, wrote in the early 1960s.

When C. Douglas Dillon, the U.S. Treasury secretary, commissioned two studies in 1963 of potential improvements to the international monetary system, he pointedly declined to consult academic economists. Another official explained their advice "was practically useless to those in charge of decision-making".

That same year, the Supreme Court upheld the government's decision to prevent the merger of two Philadelphia banks despite evidence the merger would produce economic benefits. The court described the economic evidence as irrelevant.

Abhishek Kumar

Honorary Adviser, CUTS International

March 30, 2020

Dear Maira and Colleagues,

One of the important things that came up in the discussion is the need to appreciate the context of planning. Today's context as a sum of what's happening globally, nationally and sub-nationally, and how it affects people's welfare is very different from PC days and even when NITI was created. Therefore, the question is: Have we understood the context in its entirety and how it affects the interests of different stakeholders and not just the government? Can we have a mechanism to convene a 'context and gap assessment' exercise at the central and state levels?

Second and the related thing that we are hearing is that reform happens when public and private institutions see their interests. The question, therefore, is what are the factors blocking their interests. Are these just siloes or turf or mediocrity issues in the public and private sector or something else? Are we missing a binding economic and social agenda? What mechanism do we have to create a truly shared narrative for stakeholders to have their skin in the game?

We have also heard about competency or the lack of it in planning and implementation. Should not the question on competency be looked at from two separate lenses, i.e., planning processes and capability of executing the plan? While the former could entail systems in use to make planning an effective exercise, the latter can be seen in the context of the capability of the administrative machinery to deliver, monitor and evaluate on the ground and the willingness of the political class to accept that feedback.

We have also heard about mechanisms like Outcome Budgeting (OB), but the issue, it appears, is that when the overall system remains wedded to mediocrity, mechanisms like OB suffer from the same inertia and remain sub-optimal. We have also heard that in moments of crisis, the same system is quite capable of delivering, though some would argue that it does so at considerable costs to people and the economy.

I believe that our planning and evaluation processes used to be far better, as has been argued in the attached paper from 2015 and delivered on their mandate in the context they operated in because of an effective evaluation mechanism that provided the necessary persuasive influence.

Today we have a NITI Aayog, Finance Commission and Inter-State Council Secretariat. All three have their unique authority either by being headed by the PM or their constitutional status. Still, the irony is that there does not seem to be strategic coordination amongst them.

Santosh Mehrotra

Cambridge Professor of Economics and Chairperson,
Centre for Labour Studies, Jawaharlal Nehru University

March 31, 2020

Perhaps contributors to this debate may wish to see what started it: ***Planning in the 20th Century and Beyond: India, the Planning Commission, and NITI Aayog***, Cambridge University Press, 2020 (eds. Santosh Mehrotra and Sylvie Guichard)

<https://www.amazon.in/Planning-20th-Century-Beyond-Commission/dp/1108494625>

It is a 300-page book that is a) intellectual history of Planning in India, including the PC; b) where the PC was failing; c) what PC's successor, the NITI, does, and what its capabilities are; and d) what should be the nature of planning for a 21st century India.

Yoginder K Alagh

Vice Chairman

Sardar Patel Institute of Economic and Social Research, Ahmedabad

March 31, 2020

Dear Maira Saheb,

I completely agree with the suggestions for the next stage of work. My two penny thoughts on this are in two books just released. (1) Louis Albrechts (Ed.), *Planners in Politics*, Elgud: (2) Santosh Mehrotra, et al. Ed., *The Next Stage of Planning in India*, Cambridge, University Press.

Interesting global literature is developing around the theme.

Next year's European Conference of Planners (Lisbon, June 2021) will discuss the global experience and views. I am invited and going. I hope the Indian perspective after COVID we are all discussing will be adequately there.

K M Chandrasekhar

Chairman, Centre for Development Studies

March 31, 2020

I did not participate in the deliberations of this group because I wanted to gather my thoughts together. I have seen Arun's note and the remarks of other participants. All of them reflect deep consideration and a desire to initiate a new process of pragmatic thinking.

My thoughts are based on my experience as State Finance Secretary, Revenue Secretary in MOF, dealing with economic issues as Cabinet Secretary and my tenure as Vice

Chairman, State Planning Board and, in that capacity, dealing directly with the Planning Commission NITI Aayog. Here goes:

1. I think the Planning Commission (PC) served a very useful purpose in ensuring the allocation of sizeable resources to development. I recall the intense conflict that used to take place every year between PC and MOF. This wrangling over the Gross Budgetary Support was usually settled only by the PM taking a firm decision after heated debates between the two on the size of Gross Budgetary Support (GBS) to the Plan.
2. The concept of GBS and the Plan/Non-Plan distinction in the budgets of Ministries ensured that the Ministries and States thought deeply about expenditure on development while preparing their Budgets. The same purpose was served by the annual debate between State Planning Boards/Commissions and State Finance Departments. This too, was settled usually with the intervention of the Central Planning Commission.
3. This system also served to curb the tendency of the Finance Ministry at the Centre and Finance Departments in States to sacrifice development expenditure to meet non-plan needs or to put unnecessary curbs on development spending.
4. With the collapse of this system, the present division is only between PMO-initiated expenditures and non-Plan expenditures. While the past determination of development expenditures involved consultation and discussion at various levels, top-down approaches are preferred. This is not desirable in a large and diverse country like India.
5. The 14th Finance Commission endeavoured to redress the balance by raising vertical devolution of Central revenues to States from 32 to 42 percent. But, as they said, this is only a “compositional shift”, it enabled the Centre to claw back their share of resources by reducing Central shares in Central Schemes and Centrally Sponsored Schemes. The resultant surpluses and the savings from a dip in oil prices in the early years of the present government spawned a new generation of PMO-sponsored schemes.
6. The NITI Aayog played some role in formulating schemes but now seems to engage itself in preparing indices to compare States. I find such indices meaningless because they depend on the parameters chosen and the areas and samples selected. This shortcoming can be perceived in international indices also. The much-talked-about Ease of Doing Business Index is compiled based on identified regulatory areas, including speed of starting businesses and issuing construction permits, property registration, getting credit, tax rates and tax-paying mechanisms, enforcement and resolution of contracts, training, trading across borders and dissemination. Scores are calculated based on improvements in the selected areas.

In India, one of the improvements cited related to ease of obtaining construction permits in Delhi and Mumbai. Pakistan and Togo are ahead of India in the list of

countries showing the most improvement must make us sit up and think. If the Doing Business index of the World Bank ranked India higher in 2018-19, the Global Competitiveness Index brought out by the World Economic Forum shows that India had slipped down from the 58th to the 68th position out of 141 countries based on 103 indicators organised into 12 pillars.

These 12 pillars are assigned scores and cover data on institutions, infrastructure, ICT adoption, macroeconomic stability, health, skills, product market, labour market, financial system, market size, business dynamism and innovation capacity. India and Brazil are the lowest-ranked among BRICS countries at 68 and 71, respectively. The divergence between the two indices in essentially the same sphere of business competitiveness underscores the unreliability of short-term indices in determining performance in a limited area.

The same applies to inter-State comparisons, too and, in my view, this is a sheer waste of time. Kerala may be below Gujarat in terms of infrastructure and ease of doing business. Still, how it handled the Nipah virus in 2018 and dealt with COVID 19 today shows how better its public health system is.

7. Then what went wrong with PC? Some points that came to mind:

It became a giant bottom-heavy bureaucracy with all the faults of the bureaucracy. As is the problem with bureaucracies, it allowed control freaks to proliferate.

In line with bureaucratic thought processes, its procedures became long-winded and stalled development rather than speed it up.

Honestly, the PC became a dumping ground for many civil servants who could not find places in Ministries. These civil servants realised this and endeavoured to escape from that institution by hook or crook.

The practice of calling CMs for meetings and then lecturing made the PC hugely unpopular. Central Ministers also had complaints of PC talking down to them. There was insufficient respect for democracy.

Some CMs detected political overtones in their way of functioning. Some Members lectured certain CMs more harshly than others.

8. So does PC, or any like body or system, have a future? Some views:

The system of distinguishing between developmental and non-developmental expenditure - in whatever form - has to be restored. The power of the MOF has to be curbed by creating a countervailing force.

The top-down approach in development spending has to be replaced by one involving horizontal consultations.

The PC has to be a lean and mean body. It must involve the States. NITI Aayog was supposed to do this, but it floundered and later became a purposeless appendage.

Civil servants appointed to PC must be carefully chosen. They must invariably have prior experience working in Finance and academic background in economics or management for generalist positions and domain experience, preferably with a domain academic background in specialist areas.

The PC must not replicate a Secretariat-like structure with shadow wings or departments mimicking corresponding Ministries/ Departments and acting as a brake on them. Its primary purpose must be to ensure adequate development resources and help Ministries/Departments/States structure their annual plans. Having done this, they must allow them to implement their schemes/projects in whatever manner they consider proper without sitting in judgment over them. However, they must devote more time to monitoring progress without getting into details and adopting peremptory tones in speech or writing.

Their organisational structure must be built more on a flexi model, to be easily dismantled when a particular need is over and re-created equally quickly to meet a need that may have arisen elsewhere. Adhocism and flexibility in thinking and approaches must, therefore, be the name of the game.

The Planning Commission can play a great role in managing economic crises, as it admirably did in 2008-9. Governments must think of PC as an economic crisis management centre.

I do not believe that Five Year Plans have any more relevance. Too much time is spent on them and, ultimately, they have no practical use in the preparation of Central Budgets or State Budgets. Instead, there could be medium-term strategies for specific sectors.

Whatever is mentioned above applies equally to State planning mechanisms also. There must be a direct and continuing connection between the Central and State planning mechanisms.

M Govinda Rao

Member, Fourteenth Finance Commission

Former Director, National Institute of Public Finance and Policy

March 31, 2020

Arun Maira has raised very important questions and several eminent scholars have made important suggestions. These are the times when we should think about how the planning should be undertaken in a market economy and identify a clearer role for the Central planning body in a decentralised set up.

The planning body has to (i) deal with the challenge of creating an enabling environment for the orderly functioning of the market economy and (ii) coordinate with the States in ensuring harmony in the planning process. Dr. Chaliah used to say that centralised planning is negation of federalism".

In a multilevel system with no institution to facilitate and reduce the transaction cost of Centre-State and Inter-state coordination, intergovernmental bargaining and conflict resolution.

Many thanks to Maira for raising very pertinent questions. My view on the three questions are as follows:

The competence required for the Central Planning body depends on the nature of the task it has to carry on. This takes us back to the role of the State in a market economy. In other words, the State intervenes when markets fail and the nature of the intervention depends on market failure. There is considerable planning needed in the provision of public goods itself - ensuring the safety and security of the people, protecting their property rights and enforcing contracts. This involves competencies in security, strategy and legal matters.

Similarly, when the intervention has to be in ensuring 'merit' goods and services or those with significant externalities, much of the provision will have to be at decentralised levels and equalisation and incentivising them through specific purpose transfers will require the capacity to design and implement the transfers system to ensure minimum standards of such services. The intervention required to plan and implement physical infrastructure; this requires domain (engineering) knowledge and experience and legal and administrative knowledge to deal with public and private partnerships.

Similarly, the planning body will have to create a regulation framework to ensure fair competition. Not all these need to be done by the planning body itself; it can coordinate with other existing specialised agencies.

The above implies that the Planning Body will have to have core competencies in core areas and also should be able to collaborate with specialised institutions and persons. Since this involves considerable collaboration and coordination with the State governments, the Inter-State Council presently placed in the Union Home Ministry could be shifted to the Planning Body.

The Planning Body should be given a Constitutional status and merging the inter-state council could help foster cooperation, facilitate bargaining, and resolve conflicts. The Constitutionally recognised planning body should be made an independent entity (not a part of the Union government with its budget) to act as an impartial arbiter between the Union and the States.

Sorry for the long message. I think, future of coordinated planning involves both the Union and State governments and an independent institution will become necessary.

Arun Maira

Former Member of Planning Commission

March 31, 2020

When paradigms change, the dominant ideas of the time are challenged, as Thomas Kuhn explained in *The Structure of Scientific Revolutions*. It is natural in the realm of ideas, nothing personal. Economics is the dominant social science in public policy. Economists have sat beside rulers; and have even ruled. It has been 'The Economists' Hour', the title of the book Montek quotes from. As Montek points out, there were 'economists with different views' in the Planning Commission. But they were 'economists' nevertheless.

Montek had called for a re-examination of models of the Indian economy around 2009. He asked Dr. Kasturirangan and myself, the two physicists amongst the Members of the Planning Commission, to listen to a presentation by leading Indian economists. In my book *An Upstart in Government*, I have recorded our reflections, which we shared with Montek.

I pointed out to him that a similar meeting between economists and physicists had happened at the Santa Fe Institute in 1987, when Kenneth Arrow and Brian Arthur, Nobel Laureates in economics, had invited their Nobel Laureate peers in the physical sciences to evaluate the quality of economists' models.

Sanjaya Baru

Distinguished Fellow, Institute For Defence Studies & Analyses

Former Media Advisor to the Prime Minister of India

April 01, 2020

I have been educating myself through this exchange and have no wisdom to add.

I do wish to extend further a point just made by Govinda Rao - which is the role of PC as a "federal" body to facilitate better Centre-state relations.

One of the achievements of the old PC was the Gadgil Formula. From what my father tells me all accepted the formula because of the respect Gadgil commanded and the willingness of CMs like Brahmananda Reddy, Sukhadia, EMS, Anna Dorai and others to accept it even when they were not willing to accept any idea that came from Indira Gandhi and her Government. My father accompanied Brahmananda Reddy to the NDC in 1969 and sat through the discussions between a group of 4 or 5 CMs and Dr. Gadgil, who worked out the formula during a recess of the NDC.

Those days are long gone. PC became the secretariat of the NDC. This government not only disbanded PC but has never convened an NDC to the best of my knowledge. (Am I right?!) But India needs a forum where CMs can negotiate issues with PM and GOI.

NITI Aayog has become a PR body of GOI. It cannot inspire the confidence of States as presently constituted. I agree with Dr. Govinda Rao that NITI has to be re-invented as a federal, if not a Constitutional, body. This is more so now when more than half the country is administered by political parties different from those running GOI.

Ashok Nag

Former Director, Center of Excellence in Analytics / Data Sciences

NMIMS University

April 01, 2020

According to Maira, a central planning body, especially if it is not constitutionally empowered to do so, cannot derive its power from an ability to allocate funds. It must become an 'essay in persuasion, not an allocator of funds'.

Reading this, I am tempted to quote Keynes. In the preface to his book "Essays in Persuasion", published in 1931, he wrote the following:

And here emerges more clearly what is in truth his central thesis throughout — the profound conviction that the Economic Problem, as one may call it for short, the problem of want and poverty and the economic struggle between classes and nations, is nothing but a frightful muddle, a transitory and an *unnecessary* muddle. For the Western World already has the resources and the technique, if we could create the organisation to use them, capable of reducing the Economic Problem, which now absorbs our moral and material energies, to a position of secondary importance.

This was written in 1931. After almost a hundred years, we are still looking forward to economists to solve the same set of problems that Keynes thought solvable if desired by policymakers. The "unnecessary muddle" still persists. In fact, what is the expectation of real policymakers from economists?

Dr. Ahluwalia, a policymaker himself, has hinted about it in his reference to the book by Binyamin Appelbaum. But the most candid confession came from Montagu Norman, the longest-serving Governor of the Bank of England, when he told Henry Clay, the Bank's first professional economist, in 1933, "You are not here to tell us what to do, but to explain to us why we have done it".

Economics is the only subject that allows the Nobel prize to be awarded to two persons—one of whom builds a model assuming that "Earth revolves around the sun" and then to another one who avers that "Sun moves around the Earth". Otherwise, I cannot fathom how Robert Lucas and Abhijit Banerjee both can get Nobel prizes on the same subject.

In 2003, Lucas made the famous statement that the macroeconomists had solved "the central problem of deflation-prevention" and they should move to other subjects. It took only five years to prove the hollowness of this "rational expectation".

T C A Srinivasa Raghavan
Columnist, Business Standard
April 02, 2020

Article 263 Provisions with respect to an inter-State Council

If at any time it appears to the President that the public interests would be served by the establishment of a Council charged with the duty of –

1. Inquiring into and advising upon disputes which may have arisen between States;
2. Investigating and discussing subjects in which some or all of the States, or the Union and one or more of the States, have a common interest; or
3. Making recommendations upon any such subject and, in particular, suggestions for the better coordination of policy and action for that subject.

It shall be lawful for the President to establish such a Council and define the nature of the duties to be performed by it and its organisation and procedure.

Arun Maira
Former Member of Planning Commission
April 03, 2020

The COVID-19 pandemic has revealed the precariousness of the livelihoods of hundreds of millions of Indians, as well as the fragility of India's public health systems. This, after 60 years of national planning, including 20 years of reasonably high growth. It is time for thought-leaders who care to step up and introspect about the architecture of India's national planning processes. Not the details, but its design.

The crisis has also revealed that solutions to complex, inter-disciplinary public policy problems must be local in a large, diverse country. All facets of complex systems can be managed together. Experts at the centre cannot design implementable solutions for everywhere. In my article, 'Thinking national, acting local', The Hindu, April 02, 2020 (<https://bit.ly/2wPCWi9>), I discuss India's planning process architecture.

Abhishek Kumar
Honorary Adviser, CUTS International
April 03, 2020

Dear Raghavan,

It seems that no government wants to be bound by the recommendations of a constitutional body in federal relations. It appears that politics triumphs growth and development in center-state relations. However, it merits attention that the Inter-State

Council (ISC) that emanates from Article 263 was not set up even during PM Nehru's time, even though the same party ran most states. Why?

It's noteworthy that Article 263 is not about ISC, but it speaks of a council that can discharge specific enunciated functions. The government deemed it fit to call it ISC and it was set up in May 1990 on the recommendations of Sarkaria Commission under an order from MHA. Interestingly, the PM is supposed to be the chairman of ISC as well (http://interstatecouncil.nic.in/wp-content/uploads/2016/08/gazette_1.pdf).

While article 263 laid down the function of ISC as you have rightly pointed out, the Sarkaria Commission, while citing the 1969 ARC report, recommended that socio-economic planning and development be outside the purview of ISC. It recommended that a separate identity of the National Development Council be maintained. Its status should be formalised and duties re-affirmed through a Presidential Order passed under Article 263 and renamed as National Economic and Development Council (NEDC), which was never done.

Therefore, the big question is why governments want the planning exercise to be outside of the ambit of the Constitution? Does it not implicate our political class for neglecting people, growth and development? I am by no way saying the PC or NITI have not added value, I am only pointing out that despite explicit constitutional provisions and recommendations of multiple commissions, planning has always kept out constitutional bodies. Either the framers of the Constitution and the wise men heading commissions got it wrong, or those in the business of running governments got it wrong. There must be a reason for it which we need to understand and appreciate.

T C A Srinivasa Raghavan
Columnist, Business Standard
April 03, 2020

And the old Planning Commission was independent? Especially after 1972?

Folks, this is pure nostalgia. Don't forget what Rajiv called the Members. Don't also forget that once investment planning was given short shrift and industrial licensing was abolished, the Commission struggled to find a new role for nearly 15 years.

The coordination role with the states was the result of coalition governments.

Here's what I think for what it's worth. We do need a mechanism for coordination with and between the states. But that doesn't mean we need the Planning Commission to be resurrected in any form.

Hence my intervention with Article 263. The Council can be moved out of the Home Ministry. It will probably end up in the PMO.

Below is what Kaushik Basu wrote in 2004.

http://news.bbc.co.uk/2/hi/south_asia/3716736.stm

Sudipto Mundle

Distinguished Fellow, National Council of Applied Economic Research

April 03, 2020

Apropos Sanjaya Baru's comment, a federal constitutional body, already exists as the Inter-State Council. Unfortunately buried in the Home Ministry, with no powers to enforce anything. This could be revived with a ring-fenced budget as Charged Item, headed by PM and all CMs as members, and given a powerful secretariat of performing civil servants (not dumping ground for non-performing ones) plus economists, lawyers and other experts.

It could take over the planning function. Indeed a missing function today, oversight of CSPs, plus federal coordination on all security, law and order, etc. matters. The GST council is an excellent example of cooperative federalism at work, though that is not without its flaws.

T C A Srinivasa Raghavan

Columnist, Business Standard

April 04, 2020

Good question. For an answer, you might like to refer back to John Mathai, who resigned in 1952 as finance minister when Pandit Nehru issued the fatwa setting up the Planning Commission. There was hardly any thought or discussion. The Constituent Assembly never even thought of such a body.

The Commission became a way of bypassing the finance ministry. I can't say whether that was desirable or necessary. The context may well have warranted it.

By the way, I was asked to write the history of the Commission in 2013. Nothing came of it for obvious reasons.

Also, I think unless the more articulate former Chief Ministers are asked their opinion, this discussion will be very one-sided.

Ajay Shankar

Former Member Secretary, National Manufacturing Competitiveness Council

April 04, 2020

Dear All,

It may be useful to recall the origins of the Planning Commission. Nehru conceived it and nurtured it. He tried to get the best minds from the world. I remember being told that one of them went on to win the Nobel Prize in Economics. I recall Galbraith narrating that Nehru was looking for an eminent international economist. The shortlist of two comprised

Milton Friedman and Nicholas Kaldor and Nehru chose the Cambridge economist, Kaldor. Galbraith wondered how things would have panned out if Friedman had been chosen.

The effectiveness of the Planning Commission has depended on the extent to which the Deputy Chairman was seen as having the Prime Minister's confidence. When I came to GOI as a Jt. Secretary, the then Deputy Chairman, KC Pant, was seen as a person whose counsel the PM valued. When my Minister P Kumaramangalam wanted to bring in a new Electricity Act, he felt that it would be good to first take the draft to a Group of Ministers headed by the Dy. Chairman and if the GOM recommended it, there would be smooth sailing in the Cabinet for this far-reaching reform legislation.

This perception about the strength of the Planning Commission continued in the UPA years.

As far as India's relative under-performance is concerned, it would be unfair to look at the Planning Commission. The causes are, in addition to certain policy choices, complex and lie in social, cultural and political developments in recent decades. There are also huge differences across states.

The NITI Aayog is a think tank. It can reach out to the best minds and institutions in India and abroad as its predecessor could. Arun Maira and Santosh Mehrotra were good examples of this. If the perception in some quarters is that the NITI Aayog is more into PR, then it probably sees that as an important function/responsibility.

The abolition of the distinction between Plan and Non-Plan budgets was overdue as this had become distortionary and counterproductive. Good assets went into decay as an increase in Non-Plan outlays was a no-go area. It was easier to get a far more expensive new asset in the Plan than getting an old asset in order at a lower cost. The annual Plan allocation exercise also became more of a ritual as resources were not there except for political priority, say, MNREGA. But this is the way it should be. The political leaders in power need far greater involvement and participation in the budget decisions and allocation of scarce resources. The secrecy around the Budget has outlived its relevance.

The important expectations from a Planning Body, the NITI Aayog now, would be robust policy discussion with transparency and widespread stakeholder consultation and nudges on the big issues. To illustrate, what policy shifts and instruments can be used to have economic growth with the creation of many more jobs for those at the bottom of the pyramid, should India consciously choose to accelerate the pace of urbanisation, or, should India start thinking seriously about becoming net carbon neutral by 2050.

Then there are specific development aspirations and goals. It would help if the resources and time required for achieving a particular objective were computed and made public for a more informed discussion and choice of priorities. Household electrification has been completed and provision of an LPG cylinder also with the cooking stove for all households is taking place but without any subsidy in the price of gas for the poor.

From the perspective of a poor rural woman, the provision of subsidised cooking fuel may have got precedence over electricity for lighting and both may get precedence over supply of piped water. Good work on the interlinkages between different SDGs has been done internationally. These need to be done for India at the national as well as the state level. This is an important aspect of the Planning function and I think Arun Maira alludes to this when he calls for a systems approach.

Programme implementation presents a mixed picture. The Planning function is better performed if there is an understanding of the ‘why’ behind failures and successes. For this, credible evaluation has to be the basis. This is difficult, as experience has shown. The Planning function should provide a better understanding of how to design programme implementation better.

A truism at the end. The Planning function would be performed in the manner the political executive sees the need for it and demands it. The political executive is sensitive to what the elite that supports him thinks he should be asking for.

T C A Srinivasa Raghavan
Columnist, Business Standard
April 04, 2020

Friedman was indeed consulted. He spends a month or so here. But the Avadi resolution of 1955 had an implicit preference for Kaldor.

https://ccs.in/sites/all/books/com_books/friedman-on-india.pdf

Late Shakti Sinha
Director, Atal Bihari Vajpayee Institute of Policy Research and International Studies
MS University, Vadodara
April 05, 2020

As a taker of the Planning Commission's decisions, I thought I would bring in some perspective from the other side. I had to deal with the Planning Commission from the perspective of a small Union Territory, Andamans (1983, 2009-11), a small State, Goa (1987-1991) and later a strange Constitutional anomaly, Delhi.

First reactions - not happy, extremely discretionary. Though Shri KM Chandrashekhar meant it, if the Gross Budgetary Support (GBS) is to be finalised by the PM, why have a process at all? What does that speak about the Gadgil, modified Gadgil, Gadgil-Mukherjee Formula etc?

Taking off from this, and speaking from the perspective of a beneficiary how even Centrally Sponsored Schemes can be created, I must recite this incident from Goa. We decided to host an international football tournament, Nehru Cup, held in January 1989.

With hardly seven months to organise ourselves, our priority was constructing an international standard football stadium.

The State Government opened its coffers, but we needed more. Union Minister of Sports Margaret Alva agreed to help but lacked an instrument. She persuaded the PM, and in a month, a new Centrally Sponsored Scheme was drawn up, EFC and Planning Commission approval taken, and we got the money. Thank you :-)

Two, Dr. Chellaiah was right – centralised planning goes against the tenets of federalism. And giving Planning Commission the authority to allocate funds is unconstitutional. The Finance Commission alone can do it. Taking it out of the FCs and giving it to the PC in 1969(?) was a political, not technical, decision. I don't know how this can be defended.

Three, an increase in inter-state disparity is a severe issue but did the Planning Commission contribute to it? The Freight Equalisation Policy hurt the eastern states and enabled others to move forward. While grateful to the green revolution, did the choice of location for increased investment in selected regions/ districts, helped reduce inter-state disparities?

The decision to locate both public and private sector (licensing) units was centralised and presumably politically driven. Do we have any evidence on whether the national planning process helped reduce or increase inter-state disparities?

Four, Arun Maira is completely right on the need to appreciate that it is physically and mentally impossible to predict human behaviour, the basis of planning. Senthilanathan's work, for example, has shown that most people take different positions when asked to invest a fixed amount for one year and 366 days!

Five, the uniformity that central planning assumes can sometimes be funny, but tragically so. Short of foreign exchange, GOI decided to become self-sufficient in pulses. So it launched a CSS and distributed dal, suitably coated with fertiliser/pesticide to help growth and prevent misuse for consumption. Very smart.

Union Agriculture Secretary SP Mukherjee was horrified and angered when I told him that our farmers in the Andamans carefully washed off the *dal*, and ate it. The thought that one-sized-fit-all was inappropriate didn't seem to strike anyone.

Six, while Arun Maira is right on the need to use but grow out of domain expertise at a higher level, I still can't get over persuading an Advisor in PC to allow me to buy ships and ferries for the Andamans. He just would not clear our specific schemes.

I can go on but will stop. The O in OB seems to have been Output, not Outcome, as PM's letter shows, but we mix up words *and concepts*.

Vijay Mathur

Former Chairman, International Airports Authority of India

April 05, 2020

A 2 piece comment- as a part of the Ministry of Heavy Industry, I was responsible for coordinating and collating the Ministry's budgetary demand for the country's entire public and private sector under the 5th Plan. DP Dhar was then the very gracious Deputy Chairman, who presided over my minister's first and final meetings.

With great effort to collect the huge and wide-ranging data required, discussions with Industry, and several meetings at all levels of the Planning Commission and our Ministry, our demands were discussed in detail, pruned, and then accepted by the PC. These were then forwarded as accepted to the Finance Ministry, which merely (no meetings) imposed an ad hoc cut of 10 percent and included the reduced amount in the Budget!

I wondered then what the use of all the collective effort and multiple discussions was! The PC's recommendation did not seem to count at all.

Ashima Goyal

Professor, Indira Gandhi Institute for Development Research

Member of Prime Minister's Economic Advisory Council

April 05, 2020

Dear all,

Some thoughts on this interesting debate, which draw on my OUP handbook:

The question of why the Inter-State Council never became functional and why public services are underprovided in India has an interesting answer—Planning. I agree too much nostalgia for planning and the PC is misplaced. As a country, we have to move forward. The post-reform PC presided over a continuous fall in public investment. We need more decentralisation and coordination and strategic thinking to empower the average citizen.

At independence, India had full political inclusion, but it did not lead to full economic inclusion, although Indian democracy started with a full adult franchise. The then-dominant ideas of government planning boosted central controls given an already centralised Indian civil service inherited from the British. The focus on planning allowed the government to persuade a constitutional body, charged with making grants-in-aid to bring States to a uniform level of public services, to cede grant-making powers to the PC.

According to the Plans, the latter made transfers to build industry, thus taking attention away from general public services for the average citizen, which the first Finance Commission had emphasised. Moreover, structural aspects such as caste heterogeneity and poverty made it possible to create caste and community-based vote banks, side-stepping public service delivery. In health and education, dual responsibilities have eroded the

constitution mandates' delivery, despite multiple wasteful CSS schemes that sought to compensate.

Superimposing a centralised planning structure on a constitutional structure led to a multiplicity of agencies, with no clear accountability. The tendency to start new programmes and create new bodies without a clean exit from old ones led to overlaps, conflicts and delays. The way to reduce overlaps is to prioritise constitutional bodies over others, even as redundant bodies are restructured or closed down. But in addition to overlaps, there are also gaps in Indian institutions.

Empowering states alone will not achieve the required decentralisation. This also requires direct devolution of funds and finances to the 3rd tier, which can most directly be held accountable to the citizen, especially since states have failed to implement such devolution.

Devolution should be based on a rich database. A Permanent Fiscal Council could be set up and be made responsible for conditional data-based fund devolution to states with other functions as a non-political fiscal watchdog, even as the Inter-State Council could be revived to get participation, feedback as well as movement to best practices and most productive expenditures including investment among states in a vibrant fiscal federation.

The smooth working of the GST council and good coordination over Corona show it is possible. A reversal of hysteresis can happen in a time of disruption. A fiscal/inter-state council could moderate the power of the finance ministry. States have come to resent the latter's take-over of the PC's allocation powers.

Strategic thinking, coordination, and decision-making require strong leadership empowered with deep, relevant research and data. Good policy cannot be made without information and a framework to interpret it.

This is an age of information overload. But a lot of it is driven by short-term market analysts. Research bodies have to develop longer-term perspectives and independent context-based research, which is taken seriously. A fiscal/inter-state council could be staffed with such experts to build up a credible body of peer-reviewed international quality research over time.

Systemic thinking is also important, as is the link between macroeconomic policies, systemic spillovers, financial stability and long-term growth, especially for India, which is far from steady-state growth. The FSDC also needs to be empowered with more systematic data collection, research studies and experts.

K M Chandrasekhar

Chairman, Centre for Development Studies

April 06, 2020

My weekly column, this time on planning:

<https://www.pennews.net/opinion/2020/04/03/thoughts-on-planning>

Yoginder K Alagh

Vice Chairman

Sardar Patel Institute of Economic and Social Research, Ahmedabad

April 06, 2020

That 10 percent cut was decided in a meeting where the Finance Ministry, Minister and Chief Economic Adviser, Manmohan Singh, wanted the Fifth Plan given up. PC fought that battle and won.

The 10 percent cut was PC's response to the Energy Crisis and Droughts of 1972. Plan Finance was a joint functioning section of PC and Fin Min which sanctioned the Plan Budget.

This is written up in Indian Economics Texts, also in some fairly popular texts, I have written.

Minister Heavy Industry was in the loop all along.

Arun Maira

Former Member of Planning Commission

April 06, 2020

World-systems may be going through a 'bifurcation' caused by the global COVID-19 pandemic. A 'bifurcation', in systems theory, is a point at which the shape of a fundamental system is transformed. What emerges on the other side of the bifurcation are the same constituents of the system but configured very differently.

Keeping this in mind, I return to the discussion of Planning in the 21st century. First, I will concentrate on the world just before COVID-19 and discuss what sort of planning was required, in contrast to the process that was being followed then and had been for some decades. My focus is on the **process** required, not the institution's design. The institution must be designed to support the process and not the other way around.

Some significant changes in the context for planning that have been underway since the 1990s must be noted. A planning process that fits the context pre-1990s must be tested to see if it would fit the changed context or not. The point Dr. Manmohan Singh had made

was that the world and India had changed significantly since the 1990s, but the underlying 'theories-in-use' of planning in India had not.

1. The private sector has a much larger role in the economy than it had.
2. The states have become more independent, politically and financially.
3. Globalisation—opening more connections across national borders, with finance, trade, people, and information flows—has made changeless predictable and faster.
4. Many say they want more democracy and federalism, and less authoritarianism and centralisation, (though many do not, perhaps).

The implications of these changes are:

1. The process of planning must be much more participative than hitherto. For both a normative reason (democratic) and a practical reason (many inputs are required from diverse actors to understand what is going on).
2. Plans cannot be too rigid into the future. A process is required to steer through uncertainty.

With this in mind, the PC decided to allow an experiment of applying 'scenario thinking' for national planning in 2010-12, while the main PC proceeded with planning as it was, making 5-year plans and allocations, etc.

Systems thinking-based scenario planning has begun to be used by far-sighted corporations to steer strategies and plans through uncertainty. These processes are also being used in shaping public policies.

The experiment in PC was conducted on the fringe, with limited resources. As it should have been perhaps. One cannot risk blowing up the whole ship if the experiment causes harm. Reference to the scenario planning process was made in the 12th Plan document. It is worthwhile, I think, to revisit the process and the scenarios that were produced and the reforms they suggested. I am attaching a document that describes the process and the outcomes.

COVID-19 has shed light on where centralisation works and where local solutions are essential. Allocation of resources, which only the centre can commandeer in a time of crisis and resource crunch, should be done by the centre. However, solutions that balance competing needs must be found on the ground. Health protection vis-a-vis maintaining essential supplies, etc. Capacities must be built and used on the ground for all round planning and execution. Indeed, one sees the benefits in this already in response to COVID-19.

After the medical emergency has been dealt with and the war won, what sort of planning should we have? I think the ideas that emerged from the scenarios remain valid. A far more decentralised, participative, and cooperative process than has been used for planning.

Mani Shankar Aiyar

Former Union Minister, GoI

April 07, 2020

I think much of the “process” mentioned by Arun Maira was anticipated by Rajiv Gandhi when the district planning provision of the 64th amendment was being drafted. Remember it was he who had described PC as a “bunch of jokers” in an off-hand but much-resented remark. And Arun, more than anyone else, knows what happened when we tried to move the issue “Backstage”!

KM Chandrasekhar’s predecessor on the Kerala Planning Board made the most useful and detailed report on the nuts and bolts of district planning. And it was the PC that dumped the report. I don’t think I can ever forgive PC for the disaster they brought upon themselves by misusing PC for self-serving intellectual and ideological ends.

Reconceiving PC to include the people a (and, if possible, exclude those who have visited only one Village in their lives - the one in downtown Manhattan!) might be the only viable way of winding up the farcical NITI Aayog propaganda machine and replacing it with “inclusive planning” as envisaged in the 74th amendment that has now passed its silver jubilee on our statute books.

V N Alok

Associate Professor, Indian Institute of Public Administration

April 08, 2020

Communities are being mobilised to combat the crisis in the current medical emergency. There could be a shift, soon, towards localisation and decentralised planning. Hence, the following institutions need to be strengthened further:

‘Committee for district planning’, a mandatory provision under article 243 ZD of the Constitution.

‘Committee for Metropolitan planning’, a mandatory provision under article 243 ZE of the Constitution.

Almost all States have incorporated these central provisions in their respective Conformity Acts but seem reluctant to make them operational.

The significance of decentralised governance and planning can be traced in many legal documents, including Shriman Narayan Agarwal's Gandhian Constitution for Free India, of which Gandhi wrote a foreword.

Pradeep S Mehta

Secretary General, CUTS International

April 09, 2020

There is an old story written by popular Danish author Hans Christian Andersen called *The Emperor's New Clothes*. The story reminds us of the duties of advisers to the king, who are expected to present a clear picture to the king, and give fair and frank advice, without fear or favour.

NITI Aayog was expected to act as the principal government think tank and adviser to the Prime Minister on key economic policy issues, which can transform India. But, the government appears to set its agenda and priorities rather than being an organic, independent thought process. It has not become the transformational catalyst that many, including Prime Minister Narendra Modi, wanted.

An example comes to my mind that I have also quoted in this piece (<https://bit.ly/2V7Pzgg>) from 2017. The Aayog, while recognising the importance of competition, walked with the government on promoting digital payments through select entities and kept mum when government policies distorted competition.

Consider the three-year action agenda or strategy for New India@75. These documents remain silent on any operational insights and fall short of addressing imminent challenges.

NITI would have done better if it had focussed on implementation challenges and provided a roadmap after comparing the costs and benefits of different policy alternatives.

Sumit Majumdar

Professor of Technology Strategy

University of Texas at Dallas

April 10, 2020

It is important to realise that planning for India's economic development started in 1905, after the first Bengal partition and the birth of the Swadeshi movement (thanks to Curzon in many ways). I attach extracts (apologies for sending stuff into your mailbox) of three chapters from my 2018 book (*Lost Glory: India's Capitalism Story*, OUP, 2018) that have some details I was able to dig out from here and there, mostly London.

On planning history: sad that three stalwarts are never given any credence - Sir M. Visvevaraiya, Sir Ardeshir Dalal, and Sir E. Penderel Moon. The first two (Sir MV and Sir

AD) were Bombay technocrats. If it had not been for these three men, there would be no modern Indian economy! The last two (again Sir AD and Sir EPM) were ICS men.

Thanks to a conversation I had with the late Professor Tapan Ray Chaudhuri in Oxford some years ago, I appreciated E. P. Moon's role in India, and realised he had a profound role in the 1st and 2nd plans (1951-61). He then left India in 1961. My chapter 5 has some stuff on him.

Chapter 4 highlights the role of two persons "really responsible" for India's 90s liberalisation – Vadilal Dagli and Sharad S. Marathe, but who get zero recognition.

Do read EPM's 1944 book, *The Future of India*, if you can get it. Very slim but fundamental volume. Thanks to David Blake, of the British Library, who put together all 12 volumes of "Transfer of Power in India: 1942-47" books, I became aware of it.

Changing the subject: no one (absolutely not one person) in this debate/discourse/discussion has raised the issue of resources. You do not implement a plan for the economic development, of a country like India, without money (basic principle of corporate strategy/planning/economic planning 101).

India's 1st and 2nd plans were implemented because of the Sterling balances (1.3 billion pounds) at her disposal. They made India what it is. (The Sterling balances story is key in India's history, but I digress.)

That the 3rd plan was a failure is known, and there are a variety of reasons, but a key one was money. E. P. Moon wrote a detailed note ('Top Secret' but available at the British Library) when he was Adviser (Planning) in the Planning Commission, sometime in 1959 or 1960 (in conjunction with Dr. K. D. Malhotra, who later was an Adviser too), highlighting the precarious position India would be in as the money (Sterling balances) had run out. That the

Today, India is equally fiscally precarious, if not much more so. So, let us complete our history and then address the utterly ghastly resource imbalance in India's books for any development planning and spending to go ahead.

Arun Maira

Former Member of Planning Commission

April 11, 2020

Majumdar,

Thank you for introducing the idea of managing 'resources'.

A range of resources can and should be deployed to meet strategic objectives. Ranging from material and financial resources to several 'intangibles'. Computable input-output

models can account for the tangibles. But not the intangibles, which are excluded as externalities.

As you know well, and my experience also showed, corporate strategy is the art of harnessing and directing the intangibles, not merely managing tangible resources. Impacts of corporate strategies on the environment, etc. have been missing too, as externalities, so far. Now there is increasing demand for them to be included.

National planning models have mostly suffered from the same limitations. They are directed towards measurable economic outcomes. Too many intangibles and externalities are not included in the inputs and outputs of planning models.

In the 21st century, planning must include such ‘externalities’ at corporate and national levels. Otherwise, we cannot have ‘sustainable’ and ‘inclusive’ growth, which are adjectives we have been adding to the aims of national plans for ‘faster growth’ for the past 15 years.

Yoginder K. Alagh

Vice Chairman, Sardar Patel Institute of Economic and Social Research, Ahmedabad

April 12, 2020

Majumdar has interesting detail in this informative intervention with a historian's insight. I have covered some of this ground with additional material, having worked with Sharad Marathe on a critical review of freight equalisation and knowing Dagli, who Prof. Lakdawala of my Institute succeeded.

There is some additional detail in my contribution in the Book *Planners in Politics*, edited by the Belgian planner, Luis Albrechts, published by Elgud.

Its copy is stuck somewhere, between New York and Ahmedabad, on the Lock Downs.

The Indian reform process is best described as Strategic Liberalisation as a part of a Plan and has been critiqued in this frame (Lance Taylor).

Dr. Ratnakar Gedam

Former Adviser Transport, Planning Commission

April 13, 2020

With due respect to all, I wish to present here counterpoint and please allow me to do so, as follows:

Excellent thoughts of great stalwarts or old guards remind of the famous quote of John Maynard Keynes that “The ideas of economists and political philosophers, both when they are right and when they are wrong are more powerful than is commonly understood.

Indeed, the world is ruled by little else. Practical men, who believe themselves to be quite exempt from any intellectual influences, are usually slaves of some defunct economist.” But consistency in the opinion of “system thinking” lacks as far as the original three points are concerned. Debate is about three questions that national planning must address:

1. What “competencies a central planning body” must have to become an “essay in persuasion”, in a democratic and federal set-up, “without powers to allocate funds”?
2. What are the “new approaches of systems thinking” and “systems reforms it must learn”?
3. Are there any “constitutional changes” essential to strengthen the “role of a national planning body” as an “essay in persuasion” and “systems reformer”?

The Planning Commission was set up on the 15th of March, 1950 through a Cabinet Resolution. Nearly 65 years later, the country has metamorphosed from an under-developed economy to an emergent global nation with one of the world's largest economies. Cabinet Resolution No. 511/2/1/2015-Cab set up NITI Aayog (National Institution for Transforming India) dated January 01, 2015, though the decision to abolish was announced on August 15, 2014, by the Prime Minister.

NITI Aayog has seven pillars and 13 objectives to perform. Cabinet Resolution of 2015 by BJP Govt. acknowledged that “The Planning Commission was set up on the 15th of March, 1950 through a Cabinet Resolution. Nearly 65 years later, the country has metamorphosed from an under-developed economy to an emergent global nation with one of the world's largest economies”. It served the purpose for which it was created, and it is no longer required.

The Planning Commission ceased to exist and NITI exists as a reality. At least for the next 50 years, NITI Aayog will continue to work within its mandate. NITI Aayog is not a Central Planning Body. It is an instrumentality of furthering the private sectors’ investment agenda, financing private sector projects without concern for debt to equity ratio, bad debt and NPAs of banks, refund of debt or interest payment, diluting labour laws, simplification of laws and suggesting pro-capitalist strategies. Certainly, it is the least concerned about.

However, germane to the decision of establishing NITI must have considered four aspects: (a) What was the role planning body assigned to Planning Commission, before feeling the need of NITI Aayog inception; (b) What were defects in the functioning of the Planning Commission, which NITI Aayog intended to remove or the guarantee that those defects will not erupt in due course of functioning of NITI Aayog, or how far it is fool-proof from the defect that Planning Commission had; (c) What problem NITI Aayog to resolves which Planning Commission could not conceive of; and (d) Does NITI Aayog have more power than Planning Commission had. But without having considered all these aspects, the Planning Commission was dismantled unceremoniously, and NITI was established in haste. Therefore, an appropriate and rightful query could be “has Planning Commission served the purpose for which it was created”?

Therefore, the aspirations and pre-empting of Relevance, Design, and Form of the Central Planning Body appear to be incompatible with the BJP government's priorities for politico-socio-economic and industrial development. UPA Government may not re-gain power to rule the nation shortly as popularity and the basic fabric of INC has been destroyed beyond its survival. Nation will continue to be governed by the right-winged ideologies of BJP with a popular base of traders, businessmen, industrialists and capitalists. The constitutional mandate under Directive Principles of State Policy has been given meaning different from what was assigned in the 1950s.

Two aspects are relevant to it. Firstly, “what law is” which is “the rule of law”; and secondly, “what law should be” or “what the things ought to be”. While the first aspect states “fact and is a frame of reference” for decision-making and guiding principles for running the government, the second is merely wishful thinking of all those who fail to appreciate and are opposed to reality under “what is”. To bring about change in the first point, what is required is an amendment by the ruling government.

BJP was never in favour of the Planning Commission. Arun Shourie as Minister of Planning & Statistics, wrote an article about the need to wind up it being calling it irrelevant to national objectives as reforms initiated in 1991 or liberalisation of the economy allowing 100 percent FDI would help the nation to grow faster without the intervention of the government through planning process.

NDA Government of India, led by Atal Bihari Vajpayee set up the National Commission to review the working of the Constitution (NCRWC) on 22nd February 2000 to suggest possible amendments to India's Constitution. It submitted its report in 2002.

Commission was headed by Retired Chief Justice of India Justice M.N. Venkatachaliah and had the 11-members including B.P. Jeevan Reddy (Chairman of the Law Commission), R.S. Sarkaria (Former Judge of the Supreme Court of India), K. Punnayya (Former Judge of Andhra Pradesh High Court), Soli Sorabjee (Attorney-General of India), K. Parasaran (Former Attorney-General of India), Subhash C. Kashyap (Former Secretary-General of Lok Sabha), C.R. Irani (Chief Editor & Managing Director of the Statesman), Abid Hussain (Former Ambassador of India to the USA), Sumitra Kulkarni (Former Member of Parliament) and P. A. Sangma (Former Speaker of Lok Sabha).

I (then the President of the Planning Commission Officers Association and the Secretary and a few other office bearers) consider myself a few among those who interacted with the NCRWC, comprising a full bench of 11 members being present. I made a strong case from both legal viewpoint stating Union List Item 20 is subject matter of Economic and Social Planning falling under Central Subject, Part IV: Directive Principles of State Policy has directives through Article 37 to 51 but there is no clarity as to which Ministry of Department will implement either individually or jointly, and which body would be accountable to the Parliament.

There is a central body Planning Commission as per item 20 of the Union List, but the body has no *locus standi* under the Constitution. Even the parliament questions raised

against the Planning Commission have to be replied to by the Minister for (Planning) & Statistics or others. There is a central body Planning Commission, but it does not figure under any of the Chapters of the Constitution. One of the arguments was the need for socio-economic welfare of over 45 percent of the population then living below the poverty line, improving the quality of life, implementation of socioeconomic policies, etc. and pleaded for making the Planning Commission a Constitutional Body with inserting at an appropriate place under Directive Principles of State Policy preferably at the end of Chapter IV. Or after Article 280 on the Finance Commission by inserting Article 280A with the mandate of Article 36 to 51 and numerous Human Rights declared by the Supreme Court as Right to Life under Article 21 and Article 21A.

Chairman and other Members of Commission thought that NCRWC has no mandate to recommend creating a new body or justify making a new body or expressed the need to create a new body to fulfill any of the obligations under various Articles of the Constitution of India to review the functioning. Also an argument was put forward because of apprehension that various officers are posted from All India Services and allied or other Central Service and many officers may lose their posts, job, etc. restructuring of organisation cannot be resorted or kept alive merely because there are experts and best brains.

Only good thing was that they did not recommend in 2002 the winding up of the Planning Commission. The absence of political will in the BJP rules government owes to their ideology of right-winged policies. Thus, the Planning Commission was never considered a candidate suitable to strengthen, redesign, and restructure or reform or seek new competencies in the domain of economic. Moreover, organisational theories/management theories of corporate governance are alien to economic theories. Rather management of economic institutions is purely the domain of economists and management is a subset of economics.

Politics relies on economists' wisdom to manage the economy through the Constitution of India. It is a political document incorporating the rule of law of the governing nation, but it also encompasses the economic constitution. Even today, numerous corporations are created with a profit motive and they do hire few skills and competencies from the market. Whereas Indian government has to make a post, create new recruitment rules stating both essential and desirable qualifications and experience, advertise the post, and through UPSC (a constitutional body). Therefore, what a private corporation can do within management theories is neither applicable to public or civil or public administration.

True, institutions are created and destroyed depending on the changing needs, as seen from the winding up of licensing mechanism, MRTP Commission, DGS&D, etc. Planning had not more than 10 to 12 percent of the total Expenditure Budget of India. Though the Planning Commission's basis for the theory of market failure to allocate resources in socially desired projects justified government intervention, at the end of its closure, it was only confined to justify the allocation of resources to sick PSUs.

The incremental changes are the basis for planning as there was always uncertainty about the size of the fund that the Ministry of Finance would place at the disposal of the Planning Commission. Planning was subjected to the availability of funds and was never based on the notion that plans were prepared according to national priorities matched with adequate funds.

Now reverting to “system thinking” and “emerging competencies” are management theories that are taken care of in Corporate Governance frameworks. Corporations are created with a profit motive and its Board of Directors has “thinking” of profit motive so they acquire talent and human resources with skills and competencies they foresee as useful in furtherance of their profit motive. The government cannot be run like a private corporation. It is a different matter that some MNCs have their annual budget more than some of the governments in the world.

The government is exercising its sovereign power emanating from the Parliament. Therefore, what the Cabinet thinks is appropriate is national thinking. No government department or even State Government can afford to have thinking independent of what Parliament has approved. The Planning Body could be termed as “*think tank*” but the mandate of “organisational thinking” (not like Board of Director thinking” for-profit motive) must be within the ideals of Preamble and Directive Principle of State Policies under the Constitution of India. Anything alien to it would be “*ultra-vires*”.

India is Socialist state by the Constitution but with changes in Industrial Policy, Commerce Policies, Investment Policies, Labour Policy, Decriminalising of offences under the Companies Act 2013, pushing ahead of over 7000 Insolvency and bankruptcy cases without recovering a single penny out of Rs.10.5tn of NPAs, allowing FDI 100 percent etc. there is shifting away from socialist policies to capitalist policies.

The government in power is entitled to decide what is good for the nation and citizens. Some of the limitations to different stakeholders, including Pressure Group and NGOs as watchdog agencies, cannot take decisions that the government should take in the Parliament.

Emerging technologies as manifested from ICT sector or identified on Gartner Hype Curve, unemployment as measured from Beveridge Curve, Mega-Trend at global level, Competencies being developed, are internalised by hundreds of private companies that are implementing Industry 4.0 enabling environment or digitisation technologies such as, Cyber-Physical Systems (CPS), Smart Manufacturing, Horizontal integration through value networks, End-to-end digital integration of engineering across the entire value chain, Vertical integration and networked manufacturing systems, Enabling Ecosystem and Enabling Technologies, etc. functions to help execute assigned work through automation. It does not make any case to create a new central planning body merely because technologies and competencies are there so a new organisation has to be created.

For example, the advent of the 3D Printer helped lot more things to perform on an individual level, but it would not replace the robots used in manufacturing and assembly

lines of car manufacturers. In my opinion, the Planning Commission or similar body may not be revived in the next 50 years.

Major criticism of centralised planning was a book “The Road to Serfdom” (Serfdom means Slavery) written in 1940 1943 by British Austrian economist and philosopher **Friedrich A. Hayek**. Planning, because it is coercive, is an inferior method of regulation. At the same time, the competition of a free market is superior "because it is the only method by which our activities can be adjusted to each other without the coercive or arbitrary intervention of authority". The minority of handful people brought by central leadership imposes upon millions of people procedures of rationing of food, steel, aluminum, while big businessmen allowed to create scarcity.

The present situation in India is like, “If you owe your bank a hundred pounds, you have a problem. But if you owe a million, it has.” (John Maynard Keynes). Even today, prominent businessmen, industrialists, traders etc., are allowed to avail bank debt disproportionate to their assets and without any genuine requirement. At the same time, poor people still did not find income adequate to survive honestly.

Systems thinking is considered as a subset of system dynamics. Systems Thinking Characteristics could be summarised as Recognizing Interconnections, Identifying Feedback, Understanding Dynamic Behavior, Differentiating types of flows and variables, Using Conceptual Models, Creating Simulation Models, and Testing Policies. These characteristics are in the context of a small group of people within a firm of say 500 nos. and not for deciding socio-economic policies based on cost-benefit analysis affecting 135 crores people with diverse food habits, farming, trades and profession, etc. Each family acts as a unit for decision-making in opting out of available alternatives.

Economic policies heavily rely on market fundamentals, monetary and fiscal policies, distributional efficiency. Simply speaking, taking from the rich and subsidising the poor, etc. Policies related to development, expansion, modernisation, Agriculture, Irrigation, mining, manufacturing, construction, gas, power and energy, hospitality and hotels, trade and services, investment and disinvestment, etc.

Therefore, identifying the “Competencies a central planning body” seems to be hypothetical as since August 15, 2014. NITI Aayog is in no way comparable to the erstwhile Planning Commission. Theory of Market Failure in resources allocation by the private sector in socially desirable sectors makes a case for government intervention. Still, interventions must be selective and efficient or become a source of corruption. PSUs 300 nos with Rs.16.4tn plus 41 ordnance factories Petc. has helped to create industrialisation base. Therefore, an appropriate question could be “has the Planning Commission served the purpose for it was created” rather than how it could be redesigned. The Planning Commission is unlikely to be revived by the present government.

The management theory of “system thinking” or “board thinking” is perhaps alien to civil services and public administration. Constitution of India has Preamble and Directive Principles of State Policy as a source of ideas of the government function and role. As the

Planning Commission ceased to exist and NITI Ayog is the only PR body, deliberation on Relevance, Design, and Form needs to be relooked as to what purpose such intense deliberation may serve, except vent for suppressed thoughts and exchange of old ideas.

UPSC is a Constitutional body entrusted with recruiting officers for civil posts for the Union Government. The recruitment process in government is based on recruitment rules that prescribe essential and desirable qualifications and experience in the prescribed areas. The emerging technologies, skills, competencies etc., are considered as additional knowledge like knowledge of computers, etc. The ICT-based corporations, App-based new business models etc., may require different skills and competencies. Still, demand for skills and competencies like those required for enabling ecosystem and enabling technologies for implementing Industry 4.0 has no direct relevance in public administration.

NITI Ayog is going to remain as long as the BJP government is in power. Therefore, to think of reviving or reconstitution the Planning Commission seems far from a realistic assessment. The competencies required at the floor level may not be useful to public services. The technologies such as: 3-D Printing or Additive Manufacturing, Advanced Materials, Artificial Intelligence, Robotics, Drones/Autonomous Vehicles, Biotechnologies, Energy Capture, Storage, and transport, Block Chain (or Distributive Ledger), Geo-Engineering, Internet of Things (IoT), Neurotechnology, New Computing Technologies, New Computing Technologies, Virtual Reality, Augmented Reality, and Mixed Reality, Cyber Security, Big Data, Supply Chain Management, etc. are enabling digitisation and enabling competitiveness.

A constitutional body means an amendment to the Constitution of India to accommodate the Planning Commission. This is a political process. Already few changes to the Constitution have been made, such as GST and the nation has witnessed the debate. In conclusion, the Planning Commission is a forgotten chapter. We need to relook at an intense debate to find its relevance, design, revive and form, and competencies needed.

Sumit Majumdar

Professor of Technology Strategy, University of Texas at Dallas

April 13, 2020

Maira,

In planning, resources are the ‘flip side of the coin.’ Without resources, there is no plan implementation. The balance sheet will not balance, as it will be one-sided.

The political and philosophical issues, IMHO, are much more pressing. National planning means creating national capabilities, both tangible and intangible (as you state), predicated on a ‘VISION’ of what the country will be one generation (25 years) to, let us say, four or five generations from now.

First, the political issue is ‘national interest’ and the projection of a country like India as a global power. Every successful country has projected national power and pride. Planning is, therefore, the means to an end. But, what are the ends? Panditji had an evident vision. Since then, there have been ocular debilitations.

Second, the philosophical issue is one of the inter-generational bequests. Funding plans occur through taxation and borrowing. Taxation is the micro-economic power of government. It is a short-term thing. Borrowing is a macro-economic power of government. It is a long-term thing. The debts are paid by the children’s, grandchildren’s and great- grandchildren’s generations. If at all.

Funding and resource acquisition for today’s planning and development means the imposition of our vision and our will on succeeding generations. By what moral authority? This is the philosophical question. What national capabilities are we bequeathing inter-generationally? If we do not have current surpluses because we are inefficient and unproductive squanderers, what standard of behavior will be inflicting massive fiscal harm on future generations be justified if we suffer from a deficit of economic optometrists?

Insoluble conundrums!

Ratnakar Gedam

Former Adviser Transport, Planning Commission

April 13, 2020

Debate is about three questions that national planning must address:

1. What “competencies a central planning body” must have to become an “essay in persuasion”, in a democratic and federal set-up, “without powers to allocate funds”?
2. What are the “new approaches of systems thinking” and “systems reforms it must learn”?
3. Are there any “constitutional changes” essential to strengthen the “role of a national planning body” as an “essay in persuasion” and “systems reformer”?

Point 1:

1. The central planning body ceased to exist since August 2014 and is unlikely to be revived with the same name. NITI Aayog, in a strict sense, is not a planning body. The question refers to the present and future competencies of an organisation (which ceased to exist) need analysis of gap in competencies, that is, a gap in demand and supply of competencies, without defining what competencies it meant. The Central Planning body had more than 30 subject divisions plus 28 States and 8 UTs.

Competencies for each of subject differ from one to another. Organisation first comes into being and based on its vision, mission, strategies, objectives, management team is built based on competencies needed. But the question here is finding required future competencies without the possibility of bringing into existence of an organisation and that too based on hypothetical activities it might perform. Competencies to each of the sectors like IPR, climate changes, sustainability, renewable energy, mining of coal, mining of gold or diamond, medical, pharmaceutical, chemicals, agriculture, real estate, military etc. are different from the manufacturing of steel, cement, copper, car, etc. and competencies to differ.

Management of banks differs from the management of the film industry or hospitality sector. We may remind ourselves that “often three types of skills are increasingly important in labour markets: advanced cognitive skills such as complex problem-solving, socio-behavioral skills such as teamwork, and skill combinations that are predictive of adaptabilities, such as reasoning and self-efficacy. Building these skills requires strong human capital foundations and lifelong learning” (WDR 2019).

The problem refers to “responding to the changing nature of work” at a non-existent central planning body. There is a need for either forecast or predicting, or identification and acceptance that certain mega-trends are for real. They would change the world based on analysis that those changes would continue to be there depending upon the lifecycle of those trends for the next three decades. But are those competencies readily available (or sold over the counter or like consumer items displayed in grocery shop shelves) in academic institutions or available for transfers as know-how for a fee or under technology transfer? Then where to find those competencies or sources of competencies to fill the gap identified.

Different sources (such as the World Economic Forum, World Bank, IMF, OECD, etc.) identify the emerging megatrends or Gartner Hype Cycle for Emerging Technologies and private firms. Therefore, the first task would be to identify megatrends relevant to an organisation in business or has a mandate. In the future, the forces of automation and innovation will shape employment based on the acquired competencies (synonymous to skill). To note is matching competencies, keeping in view both organisational changes and work that intend to perform based on the norms of 3E (efficiently, effectively, economically) and in a time-bound manner.

Commonly referred to eight key competences: Communication in the mother tongue; Communication in foreign languages; Mathematical competence and basic competences in science and technology; Digital competence; Learning to learn; Social and civic competences; Sense of initiative and entrepreneurship; Cultural awareness and expression. Other competencies could be: Creativity and Innovation; Communication and Collaboration; Research and Information Fluency; Critical Thinking, Problem Solving and Decision Making; Digital Citizenship; Technology Operations and Concepts.

Capacity development for a changed organisation may involve - technology literacy, knowledge deepening, and knowledge creation with different components of the system

like policy and vision, curriculum and assessment, aptitude to lifelong learning, ICT, organisation and administration, and professional development, and dimensions like: collaboration, knowledge building, problem-solving and innovation, use of ICT for learning, and self-regulation, with dimensions like knowledge building, problem-solving and innovation, use of latest ICT tools and equipment, and highest skilled communication as well as understanding Technological Principles, Developing Solutions and Achieving Goals, Communicating and Collaborating with an expert with peer level.

What new digital competence is needed assuming existing officers have already acquired or may have to be acquired to access full and reliable Information; Communication (corporate, inter-personnel, writing); Content-creation; Safety; Problem-solving using individually and combination of all competencies.

2. "Essay in persuasion" was written based on an event during 1927 to at the end of World War I, and after the conclusion of the Treaty of Versailles. The problems addressed in the book "Essay in Persuasion" have no direct relationship either with the origin of the centralised planning or with the present situation that India is facing. The Constitution of India in its Preamble committed to SOCIALIST ideals.

Further, under the Directive Principles of State Policy, Article 38 (1) stipulates state to, "strive to promote the welfare of the people", and Article 34(2) it stipulates "strive to minimise the inequalities in income", Article 39 too stipulates (a) right to an adequate means of livelihood, (b) "ownership and control of the material resources" to sub-serve common good, (c) "operation of the economic system does not result in the concentration of wealth and means of production to the common detriment", (d) health and strength of workers, men and women, etc. not abused, and (e) "children are given opportunities" for healthy development. In short, India was committed to developing a society based on socialist tenets with a thrust on welfare, equality and an egalitarian society.

To fulfill various such objectives, the Planning Commission was created by Cabinet Resolution to meet these objectives. Resources allocation was made under the economic policies and directive principle of state policy without having Constitutional Status. And it served well. Both bookish knowledge and theories of one branch do not apply to other branches of studies, for example, management theories cannot be mixed with pure economic of macro and microeconomics as well as development economics, trade theories or to legal branches or international theories like formulating bi-lateral and multilateral treaties including human behavior or human psychology or even, theories of system thinking, system reforms, etc.

For the fact that the world or country population cannot be controlled under a single ideology, cannot be made to think alike, or accept what one says or writes is gospel truth be it a religious book of different religions, even the constitution of different countries etc. are quite different. Religions, Political ideologies, Constitutions & institutions therein, Politico-economic governing systems, or Organisations are created by visionary men with certain objectives. Institutions are created and destroyed as soon as the objectives are achieved.

With a nation of 130 crores population divided into states, culture, food habits, languages, different academic aptitude; having acquired qualification education, experience, etc. in unrelated subjects, the consensus-building is very difficult process, e.g. CAA-NCR-NPR, to award or not death penalty for crimes, Is socialism or capitalism is good or bad for India, etc. are best left unaddressed. That is why discretionary powers are delegated to decide matters instead of wasting time on never debates as no two highly educated intellectuals either agree on issues of what is good for targeted people or methods of delivering services or achieved or measure the welfare of the people.

Project Appraisal of projects was introduced to arrive at the objective of cost-benefit analysis, but it was transformed into subjective analysis from initial objective analysis, thereby counterproductive outcome, which is commonly found in each area of public administration. Bureaucrats, including economists, serve political bosses in the power and do not carry and pursue their agenda. The single agenda of socioeconomic development is to ensure economic growth and distribute the gains of growth to maximise the welfare of the largest possible population of the country as measured from the rise in per capita income.

Government appoints by capturing young talent, only on selection an officer by the selection committee, within the ambit of recruitment rule that too best among the candidates 1:10 ratio as judged from the written test, interview, psychological analysis and proven talented according to All appointees of government from different academic streams and concerned theories of different subjects are expected to contribute for furthering of the common objective of investment for prosperity and socioeconomic development.

Politicians are delegated power by voters through the election process to run within Constitutional mandates for which the best brains are placed at their disposal. When two equally valid arguments or interpretations of the same facts are possible, the one that favours the welfare of the poorest of the poor should prevail.

3. Two distinct legal facts. What is differs from what should be. That is, “what present law is” that depends upon both what the “rule of law” is and what is the “procedure established by the law” which refers to the “Constitution” and Constitutionalism. Second, “what ought to be” is nothing but the wishful thinking of ideologies opposite political parties or other millions of individuals who are opposed to the present ruling party or not satisfied with present or current ways and methods of public administration, and it is certainly a *ultra-vires* to “rule of law”.

Wishful thinking differs from one person to another, depending upon the ideology (left, right, or centre) one pursues or is aligned. NITI Aayog, what presently does, has the PM's approval of the BJP government, which pursues right-wing ideologies and pro-capitalism. Therefore, those aligned to socialist ideology would never agree with pro-capitalist ideologies. But criteria to decide whether present policy dispensation conforms to constitutional mandates and relevant provisions. On this criteria, *as a frame of reference*, it

can certainly be concluded that NITI Aayog's activities are out of context or ultra-vires to mandates to the following provisions on Directive Principles of the State Policy under the Constitution of India:

Article 37: Application of the principles contained in this Part.

Article.38: State to secure a social order to promote the welfare of the people.

(1) The State shall strive to promote the welfare of the people by securing and protecting as effectively as it may a social order in which justice, social, economic and political, shall inform all the institutions of the national life.

(2) The State shall strive to minimise the inequalities in income and endeavour to eliminate inequalities in status, facilities, and opportunities amongst individuals and groups of people residing in different areas or engaged in different vocations.

Article 39: Certain principles of policy to be followed by the State.—The State shall, in particular, direct its policy towards securing—

(a) that the citizens, men and women equally, have the right to an adequate means of livelihood;

(b) that the ownership and control of the material resources of the community are so distributed as best to sub-serve the common good;

(c) that the operation of the economic system does not result in the concentration of wealth and means of production to the common detriment; (d) that there is equal pay for equal work for both men and women;

(e) that the health and strength of workers, men and women, and the tender age of children are not abused and that citizens are not forced by economic necessity to enter avocations unsuited to their age or strength;

(f) that children are given opportunities and facilities to develop healthily and in conditions of freedom and dignity and that childhood and youth are protected against exploitation and against moral and material abandonment.

Above Articles could be duties and role for the working of Planning Commission, and Articles, where Planning Commission could be placed under the Constitution of India after amendments, are as follows:

Article 266: Consolidated Funds and public accounts of India and of the States.

Article 267: Contingency Fund.

Articles 280: Finance Commission.

Article 280-A: Planning Commission.

Article 281: Recommendations of the Finance Commission.

Article 281-A: Recommendation of the Planning Commission.

4. At independence, India had to choose a path for successful socio-economic development. Schumpeter, J.A., [1911], *The Theory of Economic Development: An Inquiry into Profits, Capital, Credit, Interest and the Business Cycle*, translated from the German, there was a debate on “Can Capitalism Survive? or Can Socialism Work?” as far as 1911. During that period, too, most leaders were inclined to socialist patterns of development than strategies leading to capitalist society. The evils of capitalism and imperialism were very much publicised. Keeping in the view the need to transform India from feudal society (with social norms like Master-Slave, Zamindars-Labours), few rich land-lords showing a concentration of agriculture land and wealth in the hands of few zamindars, inequality, discriminations, etc. to a modern society based on the equal opportunity of education, employment, trade and acquisition of productive assets.

So the task was to pursue policies that lead to equality, remove inequality, achieve a casteless society, distribute land to landless, improve literacy, longevity, eradicate chronic diseases, etc. These problems can't be solved by pursuing development policies leading to the growth of capitalism. Therefore, the obvious choice was pursuing a path leading to socialism. The prosperity of the former USSR was attributed to centralise planning.

Therefore, following the path of socialism, need was obvious to prepare estimates for public investment for achieving specific socioeconomic goals like removal hunger and poverty, raising agriculture production, removing inequality, raising the quality of life, distribution of income, pursue missions like health for all, universal educations, immunisation from diseases like smallpox, chickenpox, cholera, education for all as well as defense forces, central government employees, agricultural development, irrigation of rain dependent agricultural land, etc. reforms of land holding, distribution of land and productive assets to poor, land for tillers etc.

In contrast to Communist Manifesto (February 1848), which explained how could transition to prosperity be achieved, India had opted explanation of Walt Whitman Rostow's book “The Stages of Economic Growth - A non-Communist manifesto” which proposed five stages of economic growth from to prosperity staring from traditional society namely the preconditions for take-off, the take-off, the drive to maturity, and the age of high mass-consumption. Numerous theories of economic development prevailing in 1950 to 1960s have served as the basis of formulating strategies, such as theories of like stages of growth, a vicious circle of poverty, balanced growth, small is beautiful, appropriate technologies, growth centers, etc.

The book *Wealth of Nations* (1904) was attracted the attention of a newly independent nation because it was the great seminal works as social philosophy, as economic history, as well as political economy Economic Development theories, supported planning, including Schumpeter's theory of economic development (1930) explained lucidly (I) The Circular Flow of Economic Life as Conditioned by Given Circumstances; (II) The Fundamental Phenomenon of Economic Development; (III) Credit and Capital; (IV) Entrepreneurial Profit; (V) Interest on Capital; and (IV) The Business Cycle. Schumpeterian theory of economic development had four elements for economic

development namely Circular Flow, Role of Entrepreneur, Cyclical Process or Business Cycle and End of Capitalism as well as innovation as creative destruction of technology; “The fundamental impulse that sets and keeps the capitalist engine in motion comes from the new consumers’ goods, the new methods of production or transportation, the new markets, the new forms of industrial organisation that capitalist enterprise creates.” (Schumpeter, [1943] 1976: 83) as well as Schumpeter’s view was that “economic activity may have any motive, even a spiritual one, but its meaning is always the satisfaction of wants.”

Jan Tinbergen, Paul Samuelson, Simon Kutznet, Kenneth Arrow, Wassily Leontief (Input-Output tables), Rosenstein Rodan, Ragnar Nurkse, Harrod–Domar and other theories based on Keynesian model of economic development and growth. Gunnar Myrdal theory of cumulative causation and his books like *The Political Element in the Development of Economic Theory* (1930) and *Beyond the Welfare State: Economic Planning and Its International Implications* (1960) were guiding factors for development policies etc. However Friedrich A. Hayek’s criticism of Keynesian welfare state and of totalitarian socialism as well as “*The Road to Serfdom*” (serfdom means slavery) made to relook at whole process of centralised planning. Reform in 1990 were based on “Washington Consensus as Policy Prescription for Development” second half of [1989](#) by John Williamson.

Ten point policy reforms included – Fiscal Discipline, Public Expenditure Prioritisation, Tax Reforms, and Liberalisation of interest rate, Trade Liberalisation, Liberalisation of inward FDI, Privatisation, Deregulation, and Property Right Protection. Assumption that “market-oriented reforms would lift millions out of poverty, and to recognise that the deregulation” would equalise or levelling Playing Field to both private and public sector alike as has been recognised by Binyamin Appelbaum Little, Brown in their book “*The Economists' Hour: False Prophets, Free Markets, and the Fracture of Society*”.

5. Rest reforms were based on multilateral agreements of WTO. Second-generation reforms were pushed up to address other issues (corporate governance, anti-corruption measures, flexible labour market, implement WTO agreement, financial codes and standard, prudent capital account, non-intermediate exchange rate regime, independence of central bank & inflation targeting, social safety net, and targeted poverty reduction. Input-Output tables, econometric modeling and forecasting etc. were extensively used.

These competencies are now outdated. Management practices of PSUs were not either rooted in maximisation of value of shareholder (as was found in private sector) nor committed to maximisation of profit or dividend payout nor financial profit till system of Performance Contract in the form of MOU was introduced, but it was more an eyewash than strictly reward and punishment. Capital restructuring often resorted merely to wipe out losses, clean balance sheets, and inject equity with or without accompanying business restructuring.

Often debt was provided at concession rate, pushing up Public Sector Borrowing Requirement (PSBR), which was considered unhealthy practices. But maintaining huge

industrial-township, with facilities for free housing, education, health, markets, transportation, concession rate loan, etc. had huge social costs on enterprises or overheads disproportionate to the production of items concerned. States too were encouraged to promote the state-government public state enterprises like Scooter India, Electronics factories manufacturing TVs, etc. This raised employment, industrial base, literacy, education, etc., and gradual improvement in the standard of living.

6. Centralised planning has served nations from 1950 to August 2014 as an apex body meant for Socio-Economic Development based on strategies of Growth and Development as a concurrent process enabled by government machinery. Public Investment was subjected to cost and benefit analysis to ensure social benefits exceed the economic cost. The project appraisal of public investment was subjected to the project cycle advocated by Warren C. Baum.

Both large-scale projects to be financed from domestic sources or with a foreign investment with technology transfers were subjected to preparation of pre-feasibility and feasibility, and Detailed Project Report as well as project appraisal before the approval of investment with Expenditure Finance Committee of Ministry of Finance and later by the Cabinet. Conception (identification), Project Formulation, Project Appraisal (from angles of Technical, Economic, Financial and Institutional), Implementation & Supervision, Operations and Evaluation).

Centralised Planning was based on the theoretical basis that market failure (due to least return on investment) to allocate resources in a socially desirable project (like roads in rural areas, dams for irrigation of one season paddy field, primary health centers, elementary education schools, etc.) justifies the intervention of the government in the form of public investment. However, public intervention in the form of investment or allocation of resources signals an opportunity for corruption in grabbing a tender by a contractor. Per capita income in 2014 was US\$1574 with a growth of 8.5 percent per annum as compared to US\$2,045 in March 2019 and growth in per capita had declined to 4.1 percent per annum.

Today there are over 3200 dams in India, 344,718.61 MW power plants, 300 PSUs in India, 41 Ordnance Factories, more than 7000 companies listed on the BSE and NSE, etc. It was by no standards a small achievement. The strong economic base prepared by the Centralised Planning made India one of the top 10 richest economies of the world till 2014 had the potential to become the top three economies of the world. However, institutions are managed by the men appointed by the politicians, dumping of errant bureaucrats causing them frustrated, etc. had adverse impact on quality of institution added to it was nepotism caused decay in the planning process.

7. But the advent of the ICT revolution, the rise of 100s of disruptive technologies has created a new economy in addition to the old economy. Global operations of ICT companies have shown the ability to reach each individual through smartphones, which symbolises the convergence of hundreds of technologies and the destruction of technologies like Postal Service, Camera using Photo film, and processing, tele-printing,

fax radios and pocket transistors, etc. With disruptive technologies and new models of delivering services, hyper automations, digitisation etc, the old economy has been reduced by 30 percent. This makes the future uncertain. Therefore, planning as an apex body of human experts thinking on solutions does not appeal to be true.

8. Mega changes are shaping societies, technologies, and culture. At least for another 25 years, digitisation through industry 4.0 ecosystem and enabling technologies - Cyber-Physical Systems (CPS), Smart Manufacturing, Horizontal integration through value networks, End-to-end digital integration of engineering across the entire value chain, Vertical integration and networked manufacturing systems, Enabling Technologies, rapid convergence of Information technologies and operational technologies, etc. are going to have impact on the industrial organisation, communication and information technologies.

Further short span of technologies due to disruptive innovations. Using Gartner Hype Cycle one could predict the emerging technologies; therefore competencies for central planning for the next 30 years would be far different from traditional economics, statistics, political science etc. Sustainability as a business case, compliance to principles of corporate governance, etc. would be dominating. Corporates will see more mergers & acquisitions, take-over on one side and insolvency, bankruptcy, winding up etc. on the other side. Sustainable Development Goals (SDGs), Corporate Social Responsibility (CSR), and concern for 3P (planet, people and profit) would be replacing traditional development economics.

Obviously, this means competencies of Big-Data (descriptive, prescriptive, diagnostic, and forecasting), simulation and modeling, etc. would involve. FDI and portfolio investment, private equity would be playing a bigger role. NPAs of banks (or bad debts of corporates) would be growing commensurate to the enhanced lending capacity of banks due to their mergers. Brick & Mortar Models would be diminishing slowly in favour of new business models through use of apps, drones, 5G-broadband applications, the Internet of things and additive manufacturing would change the entire manufacturing sector. Hyper-automation to raise manufacturing competitiveness, robots and drones would be used in many cases. Therefore, the competencies needed for centralised planning for the next 30 years would differ from the past 30 years.

9. Poverty eradication, public sector investment etc., traditional roles are no more required. Market failure theories that justified the case for government intervention in resource allocation are out of context as more and more private investment is taking place in numerous sectors. Moreover, government intervention leads to a market signal for potential corruption, as seen from the 2G and mining licensing case. Therefore, the role of administrative ministries has to be based on a more transparent manner, online applications, and without human interface.

10. Objectives assigned to NITI Aayog are rooted to neither of any ideals enshrined in the Constitution nor to contemporary or arising next 50 years development imperative or strategic intents nor to Institutional Economics, nor ideals of institutional building for socioeconomic development, nor any theoretical basis or ideologies of socialism or

capitalism, therefore, is a misfit in the federal structure. NITI Aayog has neither any power delegated or conferred upon its approval of big tickets investment projects or even failed to see the importance of the need to curtail NPAs exceeding Rs. 10.5 Lakh Crore and still growing, more than 6550 cases of insolvency, bankruptcy are awaiting waiver off the loan of banks on closure/windup of business, and that too without action against the loot of public money.

The document India Strategy @75 shows refer to topics that are arbitrarily chosen, such as drivers, infrastructure, Inclusion, Governance, etc.. In contrast, other ministries follow their agenda like Digital India, Make in India in short, it is working on topics out of context and not related to either socio-economic development or for pushing up investment in a different sector, etc. In contrast, the whole of EU, US, UK, OECD, Japan, China etc. have prepared Industry 4.0 plans to improve the competitiveness of their manufacturing sector. India's auto sector, real-estate, banking, financial and insurance sector is bleeding.

Urbanisation is growing at the compulsory land acquisition (like Noida, Greater Noida, etc.). The economy encompasses dozens of sectors like Agriculture, forestry, mining, manufacturing, construction, trade and commerce, hospitals, dispensaries, pharmaceutical, real-estate & warehouses, storage, hospitality hotels, transport, logistics, and tourism, banking and insurance, public administration, including jails, police station, etc. but NITI Aayog's document Strategy @75 is seen in only a few sectors, as if rest sectors ceases to exist. Its US\$5tn economy has more like an election slogan than any strategy.

11. Competencies for the next 30 years would be determined by the thing's shape yet to materialise. Mega Trends, Climate Change, Corporate Governance, Big Data, Artificial intelligence, Cyber-Physical Systems, Cloud Computing, etc. would change how government functions today or service deliver presently being made to citizens. The private sector companies in ICT would dominate the new economy, whereas companies like Airlines, Steel & Mines, Transportation/Logistics/warehouses would cause system delivery to be reframed. With an increase in old aged population, the medicines and doctors requiring attendance would increase. Competencies to interpret the impact of finding from Gartner Hype Cycle of Emerging Technology, Smile Curve, calculating gains from integrating Global Value Chain to improve Competitiveness of nations and PSUs would be necessary.

To remove unemployment competencies to prepare Beverage Curve (unemployment inferred from the number of applications received per post, instead of outdated statistical survey methods) for states and center posts would need to be developed. Competencies to design and put in place Internet of Things, Internet of Services, Internet of Everything, Management of services in planned 100 Smart City, and other urban infrastructure using techniques aimed at convergence IT and OT, SCADA or similar to it new software etc.

Point No.2: “new approaches of systems thinking and systems reforms”

About “new approaches of systems thinking and systems reforms” are good for firms seeking management of change for new profit motives, but surely not meant for discharging duties under the Constitutional mandates like removal of poverty, removal of inequality, removal of discrimination, avoid concentration of wealth in the hand of few private industrialist, etc. and superstructure created under the constitution through political economy, public policy, public administration, socio-economic development, issues as well as for building consensus within working environment with differing and contradicting political ideologies and ruling alliances to rule nation for five years based on “common minimum programmes”.

Government employees, bureaucrats, etc. dealing with states and central ministries for development problems of people, places, dwelling in slums, villages, forest, sub-urban, urban, cities, metros, etc., having different means of productions, earning, differing food habits, competing for interest, etc. Employees of a firm may have system thinking and it could be possible to system reforms with the profit motive as objective. But in the offices of the central government, state government etc. the eco-system is already formed by the laws, rules, regulations, circulars, code of ethics, code for behaviors, targets for service delivery, etc.

Therefore, any changes in the government rules, regulations, and procedures require the approval of competent authorities. The government established the **Administrative Reform Commission** for that purpose, which could be treated as system thinking and system reforms, but its outcome is well known. Even IPC provisions on filing FIR and despite Supreme Court judgments and guidelines, the police of different states have different norms and approaches to crimes. India believes in unity in diversity. No two people can think alike and neither two people reading the same book arrives at the same conclusion or are equally motivated. Therefore, system thinking and system reforms though desirable but may not be possible in the Central Planning body.

Given the object to planning for five years for sectoral development based on incremental changes is practical and feasible rather than brainwashing or brainstorming of all actors to think alike and write alike as problems and issues state to state are different and sector to sector approach requires different.

Point No. 3: Constitutional changes that are essential to strengthen the role of a national planning

I had an opportunity to present the case for making Planning Commission a Constitutional Body before the full-fledged meeting (lasting 5 hours) of the National Commission to Review the Working of the Constitution (NCRWC), also known as Justice Manepalli Narayana Rao Venkatachaliah (Retired CJI) Commission, which was set up by a resolution of the NDA Government of India led by Atal Bihari Vajpayee on 22 February 2000 for suggesting possible amendments to the Constitution of India. It submitted its report in 2002. Its report did not recommend any such changes.

James Buchanan in his famous work “The Constitution of Economic Policy” wrote:

I called upon my fellow economists to postulate some state model, of politics, before analysing the effects of alternative policy measures. I urged economists to look at the “constitution of economic polity,” to examine the rules, the constraints within which political agents act. Like Wicksell, my purpose was ultimately normative rather than antiseptically scientific. I sought to make economic sense out of the relationship between the individual and the state before proceeding to advance policy nostrums.” He goes on pointing out that “Stripped to its essentials, Wicksell’s message was clear, elementary, and self-evident. Economists should cease proffering policy advice as if a benevolent despot employed them, and they should look to the structure within which political decisions are made. Armed with Wicksell, I, too, could dare to challenge the still-dominant orthodoxy in public finance and welfare economics.

If we are not delegated power or entrusted with the power to find an alternative to NITI Aayog or devise a new Planning Body, then analyse factors opposed to and in favour of it. The whole world is obsessed with capitalism and wants free movement of FDI and factors of production. Most of the MNCs are finding India as a preferred destination. Therefore, re-establishing faith in socialistic development abandoned by the BJP government would send the wrong message to capitalist countries and create apprehension in the minds of capitalists companies that India may resort to nationalisation or confiscate assets of companies should something go wrong and political policy changes unexpectedly.

Because, planning is considered un-American or anti-American policies, and pro-Russia because it has socialist goals. The US has been dominating economic and military super power since or even before World War I and that too without having Centralised Planning whereas USSR where both Communism and Socialism as the best way to govern the developing countries has failed with its disintegration. F. A. Hayek in his book “Road to Serfdom” “[warns] of the danger of tyranny that inevitably results from government control of economic decision-making through central planning”. Hayek pointed out that “abandonment of individualism and classical liberalism inevitably leads to a loss of freedom, the creation of an oppressive society, the tyranny of a dictator, and the serfdom of the individual.

Hayek challenged the view among British Marxists that fascism (including National Socialism) was a capitalist reaction against socialism. He argued that fascism, National Socialism and socialism had common roots in central economic planning and empowering the state over the individual”. None has provided an alternative logical argument to views of “Road to Serfdom”. Serfdom means slavery, and Hayek considered planning as Road leading to slavery or perpetual dependency. As could be noticed, a large number of the population, unless given the opportunity of education and permanent employment suitable to education, the transition from economic dependency to economic independence may not be feasible.

Poverty line estimates and providing food-grains were basically to keep alive all those in poverty. Transferring excess funds with the rich through taxes and subsidising of food

grain or free distribution of food grain, etc., is meant to keep the majority of people under the slavery of government.

Central Planning was essential when there was no private sector investment coming forward in various activities of national importance. But with the permission of 100 percent FDI through automatic FDI investment route, opening up of all sectors for private investment, the need for investment planning is ruled out.

The BJP Government led by the Prime Minister has abolished through his speech of 15th August 2014 and replaced by NITI Aayog. The government in power with 303 MPs is competent through its Cabinet to decide whether they need the Central Planning. Having abolished the central planning body to deliberate whether it could be revived or has a need at all is somewhat misplaced in present political policy dispensation. However, germane to such decision has four things to be considered – (a) What was the role planning body assigned to, before NITI Aayog inception; (b) what were defects in the functioning of the Planning Commission, which NITI Aayog will not have that defect; (c) What problem NITI Aayog to resolves which Planning Commission could not conceive of; and (d) Does NITI Aayog have more power than Planning Commission had.

Sumit Majumdar

Professor of Technology Strategy

University of Texas at Dallas

April 13, 2020

Alagh,

Thank you so very much for your important thoughts and inputs. People and personalities matter in a critical area such as development planning, which is necessarily founded on a robust national political economy.

The 'Bombay Gang' played fundamentally path-breaking roles in India's development thinking. This 'collective' possessed what one may call the 'Peninsular India' attitude and wisdom. Unfortunately, what one calls the 'Gangetic India' attitude prevailed.

Why does that matter? Simply, because 'Peninsular India' has 30 percent of India's population but produces 70 percent of India's output, and 'Gangetic India' has 70 percent of India's population but produces 30 percent of India's output. There are variations in a production orientation.

Exact numbers may, of course, be different, but such lop-sidedness, I am given to understand, has been looked at in considerable detail by the current 15th Finance Commission.

Arun Maira

Former Member of Planning Commission

April 14, 2020

Majumdar,

You are right. The 'balance sheet' must balance. The 21st-century question, for national and corporate planners, is: What items should appear on the balance sheet?

Should environmental assets, such as freshwater resources, air quality, good soil, etc. appear on the balance sheet? Should 'trust in institutions' and 'social harmony' appear in the balance sheet?

And if they appear on the balance sheet, should there not be a method of measuring the variables in the P&L, i.e., account of 'flows' that impact the items on the balance sheet?

Depreciation of fixed assets (on the balance sheet) appears in P&L accounts.

Where are the corresponding items in national accounts?

A big, conceptual accounting problem in business accounts is that human assets do not appear on the balance sheet. Wages appear as costs. Wages are what is spent on human inputs. They are not a measure of the asset.

There are many big, conceptual problems in economists' accounting. For example, 'Productivity'. That will require a longer discussion.

Ratnakar Gedam

Former Adviser Transport, Planning Commission

April 14, 2020

Competence means the ability to do something successfully or efficiently. It is a combination of knowledge, skill, and ability. Knowledge may include business and management, law and public safety, education and training, manufacturing & mass production, automation, engineering mathematics and science, health science, arts and humanities, engineering & technology. Skills could be communication skills, content skills, social skills, systems skills, resource management skills, process skills, complex problem-solving skills, technical skills, negotiations skills, etc. Abilities could be defined as cognitive abilities, psychomotor abilities, sensory abilities, physical abilities, etc.

Competency mapping identifies an individual's strengths and weaknesses. The aim is to enable the person to understand himself or herself better and to point out where career development efforts need to be directed. Competencies include Strategic thinking,

Persuasive communication, Delivering results, Developing Talent, Cross-Cultural Intelligence, Global Business Acumen, Resourcefulness, and Agility. Also Creativity, Customer-Centricity and Influence & Inspiration.

No	Top 20 leadership skill and competencies
1	Communication skills: Ability to listen, speak clearly, and present information compellingly
2	People or “connective” skills: Ability and willingness to develop and nurture relationships
3	Integrity and credibility within the campus and the community
4	Ability to develop and implement a collaborative vision
5	Collaboration with peer-level individuals, ability to be a team player and team builder
6	Candor and honesty
7	Motivational skills and passion for the work
8	Knowledge of all aspects of the position and competence on the job, including an understanding of the use
9	Big-picture thinking, including the use of data to drive decisions
10	Courage and willingness to take risks
11	Openness to new ideas
12	Creativity in terms of ideas and execution of vision
13	Strong decision-making skills and confidence in one’s decisions
14	Ability to delegate and empower others to make decisions
15	Devotion to students and student success as the core of leadership decisions
16	Change management and conflict resolution skills
17	Authenticity and self-knowledge
18	Visibility on campus and within the community, heavy interaction with faculty
19	Awareness of and dedication to community needs and partnerships
20	Empathy and emotional intelligence

Ajit Pai

Officer on Special Duty, NITI Aayog

April 14, 2020

After many insightful comments and equally valuable references to reading material from many of the most qualified, I am taking the opportunity to pose questions related to Maira’s original three.

1. The vast majority of discourse in this discussion was oriented towards how to share the pie rather than how to grow it. Expenditure, redistribution, government programmes (CSS) and balance between Centre, state, and even (thankfully!) the third tier in distributing

resources. Have we not reached a stage of development where being globally competitive is becoming increasingly relevant?

By ensuring that private enterprise has few obstacles and only reasonable checks and balances, will we not accelerate our overall development with greater resources to distribute? Majumdar rightly points out that resources have been a key limiting factor for several of our plans. Creating resources sustainably should have been and should become a key factor for the vision and planning of the government.

However, for reasons long since discarded by the ex-Soviet, the Chinese, and many others that embraced them, Indian governments and their executive arms continue to focus on an overly controlled economy with high participation of the government and public sector with unpredictable policy changes and the most successful in the private sector required to pay higher rents and face greater compliance, unhealthily increasing their costs and throttling down their growth, making them less competitive globally and less attractive for global investors.

Should not the vision and strategy for enhancing future resources at a rapid pace be as much or a greater priority than the output-outcome distribution of received and redistributed resources in our planning process?

2. Has not one of India's key disadvantages across many different sectors (primary, secondary, and yes, even tertiary) been that of relative scale at a global level? And yet, our policies are generally designed to help and support those at an uncompetitive scale remain there longer. The average Indian farm landholding has fragmented down to less than a hectare. In contrast, the most competitive globally have consolidated to a scale advantage factor of 10,000 percent or two orders of magnitude larger?

Do we not need to address aligning the government and the private sector incentives to help ensure that successful models, especially segments where India has some sources of competitive advantage, can scale up faster and reduce fragmentation in sectors that make India less competitive? The average size of an apparel production unit in India relative to Bangladesh or Vietnam, for example.

Shouldn't our planning process emphasise global trends and competitiveness on a contemporary basis in addition to what has worked in the past, which frequently may not be as relevant? Does the world have the capacity for another large manufacturing nation and will its trajectory be similar to that of China's in the world that is more saturated with capacity and more cautious on imports?

3. Even if the speed of economic growth has decelerated globally over the past couple of decades, the uncertainties, risks, and volatility have risen. Global debt is at unprecedented levels, global political and economic power has shifted its center of gravity and the unipolar world order is again shifting to a bipolar order. The planning implications for most economies are extensive and require strategic repositioning of priorities and also resources.

Perestroika had significant implications for India's planning – will the emergence of China as a powerhouse have far-reaching changes on our planning and are we doing enough? The system of governance in China relative to the US in the current pandemic brings relevance to the federal model of the two countries and the form of governance – clearly, there is a material difference in effectiveness in controlling the infection but are the tradeoffs worth it?

Does our planning process sufficiently examine the rewards and risks of policy decisions? Is persuasion relative to capital allocation the only tradeoff for planners? Are there other sources of control that can be exercised and are these constitutional or, if appropriate, require amendments?

Many institutions get ossified into ways of doing things and it would appear to many that large parts of the government and administration are vestigial in their agendas. Yes, planning, regulators and governance will lag the frontier of innovation – but by how long? Yes, innovation cannot necessarily be planned, but putting in place a process to rapidly adjust policy to embrace or discourage what is happening in real-time domestically or globally must be incorporated into the planning process.

I would look to guidance for those seeking to shut down NITI Aayog to provide their vision for how and which arm or body of the government of India will provide for the following functions or whether such functions are not deemed necessary for India and status quo for the system is preferred.

- (i) Independent opinions on policies proposed by line ministries to better inform decision-making/policy-making.
- (ii) Aim to ensure that different ministries are working synergistically on multi-ministry initiatives,
- (iii) Will follow and track the latest developments globally across sectors and benchmark India's relative position.
- (iv) Spend time trying to figure out how our federal democracy can work better in goals of cooperative federalism, competitive federalism or better still in synergistic, symbiotic federalism.
- (v) NITI's DMEO (Development Monitoring & Evaluation Office) has vastly improved or created the process for the output-outcome framework for evaluating hundreds of Centrally Sponsored Schemes and continues to spend time on how to improve the processes increasing efficacy and reducing leakage.
- (vi) Observe and identify inter-sectoral/ministry anomalies that must be corrected to ensure the Indian economy can progress smoother than otherwise
- (vii) Provide immediate cross-sectoral advisory support in case of national and regional crisis and other issues

NITI Aayog is mandated to be the central government's policy agency, think tank, and agency for fostering cooperative and competitive federalism. Yes, central planning is not the primary agenda, but helping ensure that state planning and line ministry planning is better aligned with defined and measurable goals for the federal republic are certainly part

of the agenda, as well as helping inform and formulate the vision, agenda, and plan for the nation for sectors and states to plan towards with the expectation that policy will be guided towards those visions, strategies, and agendas, rather than have all sectors/ministries and states pushing in independent directions that may not be synergistic or aligned.

To do so, NITI Aayog is operating with less than a third of the staff of the erstwhile Planning Commission, and based on the commentary from those that have transitioned from the Planning Commission to NITI Aayog – never have they been as efficient, worked as hard, or been as productive as in the environment of the past few years with as few resources. Yes, NITI is drawing from the same pool of bureaucrats and economists as its predecessor organisation but with a very different mandate and also throwing in as many lateral entrants as it can to build NITI and government capacity where deemed necessary.

Capacity issues in NITI will be there just as in other line ministries and state governments but hopefully will still vastly improve the organisation's quality and quantity of output. Opinions may not always prove to be the best but are independent and studied and encouraged to be candid – which helps in better policymaking whether followed or overruled at the line ministry or state.

To even claim that NITI Aayog is not concerned, unaware, or in some way responsible for NPAs in the banking system as some panelists/participants are suggesting, is ludicrous. Very clearly, the bulk of the NPAs in the financial system were hangovers from a different system of governance than the one that NITI espoused and were from loans disbursed when bank credit was growing unsustainably at >25% y/y with the regulators, supervisors and the government either sleeping at the wheel or abetting the binge.

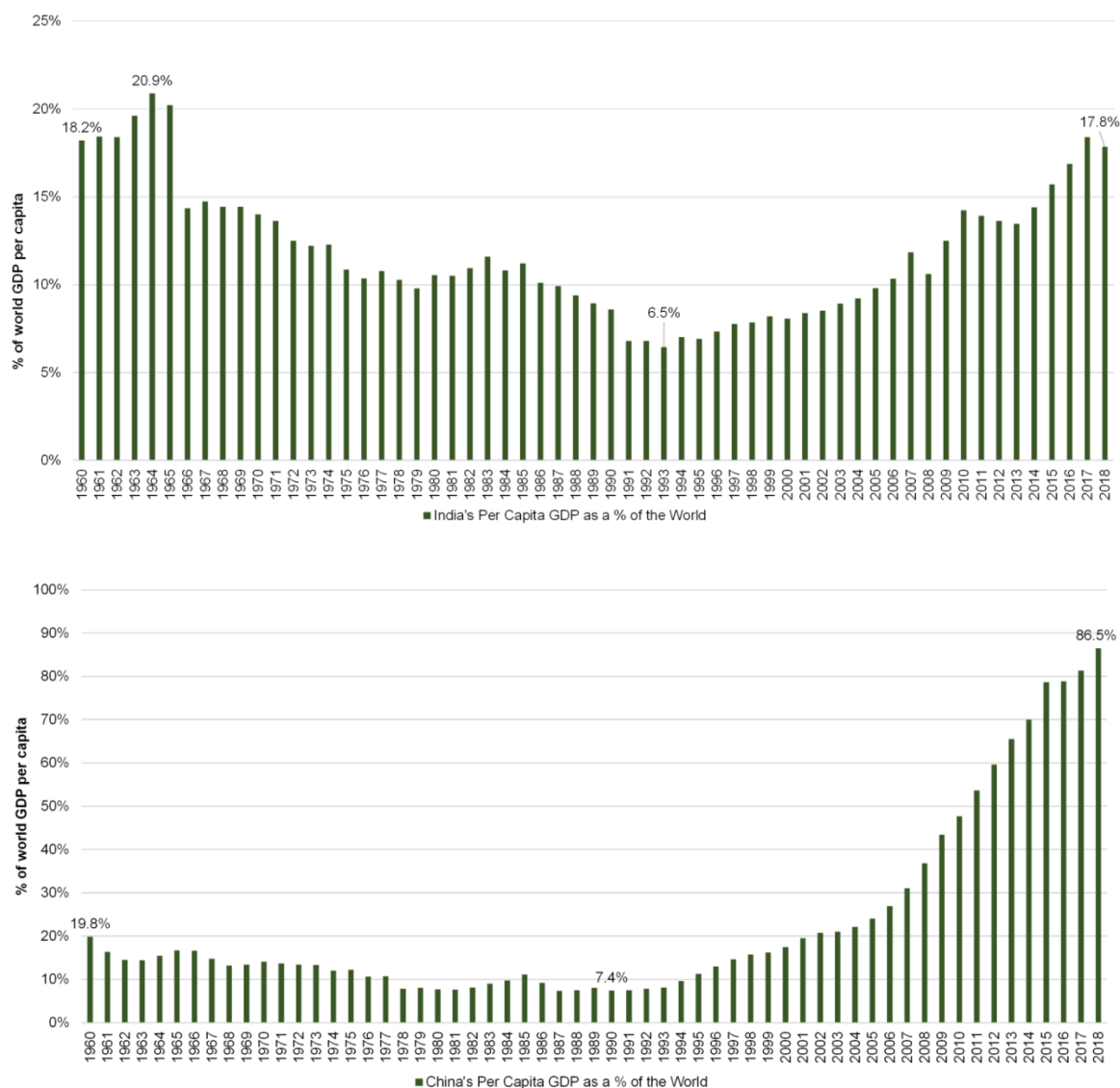
The prior system overcapitalised the power generation and steel industries without ensuring that other enabling reforms were carried out first – symptomatic of the previous system of overly centralised control over credit delivery and planning. Banks should not have made such massive loans to few sectors when bond markets or other agencies could have, especially with their inherent ALM. Banks were evergreening bad loans at an unprecedented pace when NITI Aayog was created.

It was a prior RBI governor that preceded the formation of NITI in his seat that decided to clean up the banks after NITI was created and it is to the credit of the then-new government that the massive cleanup to recognise bad loans that were being hidden at banks to be recognised as NPAs and show up in the system and sharply reduce the strength of bank's balance sheets and thereby slow credit delivery growth, were not curtailed in any way.

In fact, financial sector reform to ensure that such things don't happen again and the financial sector helps the economy accelerate to elevated levels of growth while minimising risk and maximizing capital formation would be an area where NITI Aayog helps.

I provide below two charts: One of India's per capita GDP as a percentage of the world average from 1960 onwards and then China's per capita GDP as a percentage of the world average from 1960 onwards. It is remarkable that in the first decade and a half of the PCs existence, India showed tremendous progress peaking substantially higher than China in the early to mid-1960s. However, subsequently, both declined following similar trajectories until the early 90s, with China gradually pulling out ahead from behind in the 1980s.

What is interesting is the post-1990 phase for the two countries. Starting from roughly a similar position, a dismal mid-single-digit percentage relative to the world average per capita GDP, China is now almost at the world average while India is yet to reach the relative levels it attained in the early 1960s. What does this August group think are the reasons for the poor relative performance to China and many other countries that started at disadvantaged positions? Who can and will change this? How can planning help on this metric? Do we agree that this metric is also important or are we focused purely on redistribution?



Ashok Nag

Former Director, Centre of Excellence in Analytics / Data Sciences

NMIMS University

April 14, 2020

Thanks to Prof. Majumdar, this largely historical (but for some anecdotal reminiscences) conversation is getting rooted in history. To understand the historical root of the Indian Planning Commission as a body of experts entrusted with creating modern India in the post-colonial period, we need to go back to the beginning. The history given below is largely taken from an article by Prof Partha Chatterjee (2002).

In 1936-37 Congress participated in the provincial elections held under the Government of India Act 1935 and formed a government in eight out of eleven provinces where elections were held. The leadership of Congress could sense the impending possibility of running the Indian state. So the Congress working Committee in its August 1937 meeting in Wardha adopted a resolution recommending *“to the Congress Ministries the appointment of a Committee of experts to consider urgent and vital problems the solution of which is necessary to any scheme of national reconstruction and social planning”*.

In the following year, Subhas Bose in his presidential address at the Haripura Congress declared that the national state “on the advice of a **Planning Commission**” would adopt *“a comprehensive scheme for **gradually socializing** our entire agricultural and industrial system in the sphere of both **production and appropriation**”* (emphasis ours). We should note the word “gradually socialising”.

In October 1938, Bose formed a National Planning Committee (NPC) with Nehru as chairman. Of the 15 NPC members, 4 were industrialists, 5 were scientists, 3 were economists (including M Visvesvaraya) and 3 were politicians, including Nehru.

Nehru wanted those state policies in Independent India would be carried scientifically by a group of “experts”. At the same time, Nehru also wanted NPC to avoid a “theoretical approach”. He wanted India to become an industrial power based on modern technology. This vision of India was in stark contrast to Gandhi’s vision of India’s future. As Chatterjee says, Gandhi believed that **“it was industrialism itself ...was the root cause of Indian poverty”**.

J. C. Kumarappa, the only Gandhian member of NPC, was strongly opposed to Nehru’s emphasis on industrialisation and, in fact, on large-scale industries. Anticipating such hurdles in the future, Nehru wanted to keep the national planning process beyond the “squabbles and conflicts of politics”. That is why Nehru did not favor a constitutional arrangement for the Planning Commission. It became, therefore, easy to disband the Planning Commission just by issuing an executive order. You reap what you sow.

It is also interesting to note that the first Planning Commission did not include experts who would share Nehru’s vision about the rapid industrialisation of independent India. The Deputy Chairman was Gulzarilal Nanda, a Congressman with deep roots in the trade

union movement. Other members were C.D. Deshmukh, T.T. Krishnamachari, G.L. Mehta and R.K. Patil. Patil was an I.C.S officer who had resigned to join the freedom movement. V.K.R.V. Rao (1952) noted that “the Commission consisted of wise and practical men rather than of theorists or mere idealists”.

These wise men wanted to “walk in the middle of the road in a world in which pedestrians are fast straying away from the centre and taking their places either on the left or on the right side.” (Rao, *ibid*). Finally, the schizophrenic attitude of Indian planners was captured most poignantly by Dr. Rao, the architect of a couple of India’s finest schools of economics, in these prescient words:

“The uneasy compromise of a mixed economy may indeed provide the benefits of both a capitalist and a socialist economy, but it is equally probable that it may result only in producing the disadvantages inherent in both.”

I leave it to the wisdom of participants of this discussion to tell us which of the two possibilities have materialised.

Arun Maira

Former Member of Planning Commission

April 15, 2020

The opening sentences of Ajit Pai’s comments vividly bring out the contrast between the two paradigms.

He talks about the balance in ‘distribution of resources’ between centre, states, and the third tier. This is the paradigm that says, “First grow the pie before you can distribute it”.

The other paradigm is, “Distribute the roles in development and growth between centre, states, and the third tier”. This is the paradigm that says, sustainable and inclusive growth will happen only if growth happens bottom-upwards *simultaneously* with growth at other levels.

Two paradigms of economic growth are contrasted in these views and two theories of change in complex self-systems. In one, resources must be accumulated upwards and then redistributed downwards. On the other hand, there is less need for the accumulation to precede the redistribution because resources are simultaneously generated at all levels. In the latter approach, agency and capability are built at the bottom. And the role of the centre/top is to build these capabilities. Therefore, this must be the orientation of, and the capability of the centre in ‘national planning’, rather than capabilities for planning the distribution of resources.

The Soviet central planning and capitalist accumulation models are in the paradigm of accumulating and then redistributing. We must get out of the debate between capitalism and Soviet planning and step into a new paradigm.

The Soviet model focussed on the growth of *incomes* at the bottom, not wealth owned by people. The capitalist model focuses on wealth creation. However, it has become evident that wealth has been accumulating at the top, not at the bottom. The inequalities in wealth between top and bottom have become enormous, as so many studies have revealed.

Accumulation of wealth at the top, whether in the hands of the government or wealthy capitalists, has implications for ‘who’ makes policy and ‘how’ policy is made. In central planning by government, theoretical experts and bureaucrats, determine policy and allocations. In the ‘raw’ capitalist model, such as in the USA, wealthy people call the shots. Or, when you have both together, yet within the paradigm of ‘first accumulate and then redistribute’, you get crony capitalism.

Another paradigm can enable the whole's growth by simultaneously growing wealth and resources at the bottom. This is based on the design of ‘complex, self-adaptive systems’. Systems science has progressed rapidly in the last thirty years. Mainstream economics hasn’t caught up.

Maybe part 2 of this debate (or another debate) should proceed beyond comparisons of in which era India’s planning was better—pre-1991, or post 1991, or with NITI. All are in the same paradigm. The new discourse should step out of the old paradigm. It should look for or create ideas for 21st century “planning” that will enable *inclusive and sustainable* growth **along with** faster growth. It should begin with asking what we want more growth of in the 21st century.

M Govinda Rao

Member, Fourteenth Finance Commission

Former Director, National Institute of Public Finance and Policy

April 15, 2020

Much has been discussed about the history of planning and the contribution of many stalwarts. There were also references to the role of the private sector in a planned federal economy. The discussion has been insightful and enriching. Ajit Pai has rightly raised the issue of the need to ensure a competitive economy and remove the obstacles on private enterprises.

We need to remember the contribution of a great Dissenter, B. R. Shenoy, way back in the mid-50s when Pandit Jawaharlal Nehru appointed a panel of economists to work on the Plan frame. Prof. Shenoy submitted a dissent note to the Prime Minister on the Memorandum Submitted by a Panel of Economists.

In the note, he dealt with (1) the Size of the Plan, (2) Deficit Financing as a means of raising real resources for the Plan, and (3) certain Policy and Institutional Implications of the Plan Frame.

On the size of the plan, he pointed out the dangers of planning without resources. He warned about the inflationary consequences and their adverse impact on the poor on deficit financing. He pointed out the dangers of focusing on the public sector and related price and quantity controls on the plan frame.

Unfortunately, Shenoy was swimming against the tide. As Gunnar Myrdal said, "It is much easier to be a conformist rather than a competent rebel". He was indeed a competent rebel and his note of dissent makes interesting reading even today.

I am sure many in this discussion group must have read and reacted to the dissent note, and I am attaching the same for the benefit of those who have not. Sorry for inflicting this as well.

Sumit Majumdar

Professor of Technology Strategy, University of Texas at Dallas

April 15, 2020

Maira,

You are right about all the intangibles. The social rate of return (SRR) on developing intangibles is in the thousands of percent, while the internal rate of return (IRR) on the deployment of tangibles is often in the tens of percent only.

Capacity, the physical dimension of assets, is one thing. Capabilities, the intangible, intellectual and tacit dimensions of assets, are entirely different.

At TELCO, Poona, in Pimpri-Chinchwad, the late (great?) Sumant Moolgaonkar spent decades putting together world-class capabilities, even though it took almost 20 years before the first trucks rolled out.

Great life for those working there, perhaps, but he aimed to develop world-class resources. As a result, in the rest of the country, the automotive sector has developed, to standards of world-scale, if not class, because of ex-TELCO human capital.

A digression: in the Indian Army, similarly, human capital development is at a very high premium. There are more 3-star officer headed training institutions and bodies than there are Corps. Hence, I would rely totally on our defence forces. They take people ultra-seriously.

Is it the same with our vast civil administration, handling economic development? Not!

If anything, in the last three decades, since liberalisation, the quality of education in general, and social sciences and economics training in particular, has plummeted.

Thus, do we have the ‘bandwidth of capabilities’ to create our asset side of the “development planning balance sheet”? If not, then how do we develop these capabilities?

These are fundamental, open-ended and critical questions.

Som Karamchetty

Potomac, MD, USA

April 16, 2020

The former Planning Commission had developed plans at a conceptual level. But they are not plans as Programme Execution Officers and Programme Managers deal with to execute the plans for national programmes and projects. India had and still has a strong need for real plans and planners and executive managers.

In that sense, the former Planning Commission’s “plans” did suffer in execution. They ‘planned’ for certain products and services (at a mega or gross level) to be produced, hoping that such production might lead to certain economic parameters. At best, the outputs of the Planning Commission can be called some broad outlines for plans. The Planning Commission distributed funds to various governments and organisations as part of the process. Poor elected Central and State ministers were made to request or beg the Planning Commission for funds. The Planning Commission did not appear to have monitored if certain parties pocketed funds; that responsibility was up in the air.

The first step in national planning is to lay down strategic objectives and goals, starting with Maslow’s Need Hierarchy to evaluate the needs of people and the nation. For effective national planning, one should follow the strategic planning model laid out by Russell L. Ackoff. That model has five phases and various levels of objectives and goals. It looks in detail at the means, ends, and implementation. The execution of the plan is monitored periodically and re-planning is done as needed.

The Administration prepares a budget as part of a long and continual process in the US. First, guidance comes from the top. Departments and Offices at various levels participate in the entire process to know what they asked for, what they got, and what they committed to do, and have to do. It is not a process where some money is merely doled out arbitrarily by the Administration or Congress to performing Departments and Agencies.

While the Administration prepares the budget, Congress (elected Representatives and Senators) finally approves the budget and allocates funds. Yes! The President signs it into law.

If a similar method were followed in India, the Planning Commission should not have been the allocator of funds. It is the responsibility and prerogative of the elected Members of Parliament, Members of Legislative Assemblies, and other Members of Elected Local bodies collaboratively.

In the US, DoD, for example, uses Planning, Programming, Budgeting, and Executing System (PPBES) that starts with identifying the country's security requirements and continues with executing programmes. The System takes a long-term view, midterm view, near-term view, Budget year view, current year execution, and monitoring/management. By evaluating the progress of the programmes, allocation of resources is reprogrammed periodically such that funds are made available where the needs are urgent and funds are taken away from programmes that cannot use them as planned.

Suppose India were to follow a method like that. In that case, mega programmes are subdivided down to panchayats and the national plan will commit various participants from national, down to panchayat and village level leaders. Lack of such commitments has been evident in India as Delhi sanctions projects and locals object to the operation of the factories for their reasons.

I prepared a presentation explaining a plan model called Panchayat Planning, suggesting a planning method suitable for India following Ackoff's method and participation and commitment by leaders, starting with national leaders down to panchayat leaders and managers. The objectives and goals of a national plan can be realised when the various lower-level plans are successfully executed.

Pradeep S. Mehta

Secretary General, CUTS International

April 16, 2020

Sumit,

Your example of the Indian armed forces (not just the army) is excellent for building capabilities. Promotions depend on the number and type of training undergone by an officer.

Furthermore, officers do not get promoted automatically as in the civil services but leave the force in various career stages rather than serve until 60. Thus deadwood gets out and the more capable continue to rise. This is a great incentive for officers to perform and state capability made stronger.

We have this example that we can use in our civil services, but it appears to be challenging to beat the *status quoists*. Many of the land in parking lots to serve up to 65 in plan bodies, regulators, information commissions, tribunals, etc. They operate as a cartel and do not allow anyone from outside the system to get in. Thus, state capability continues to backslide and looking for competence in this sea is like looking for a needle in a haystack.

K M Chandrasekhar

Chairman, Centre for Development Studies

April 16, 2020

I agree with Mundle. A sensible way forward to achieve the objective without further experimentation with the PC and its successor and within the existing Constitutional framework.

Arun Maira

Former Member of Planning Commission

April 16, 2020

Dear Majumdar,

Thank you for bringing Sumant Moolgaokar into the discussion. I had the privilege of being mentored by him for 25 years.

He used to tell us, the team building the factory in PUNE, “Gentlemen, remembering you are not making a truck. You are building an industry”.

He also passed on to me the statement. “Of all the resources an economy needs, those that take the longest to build are a stand of timber and a body of trained men”. Therefore, the first two things planted in the barren land in Pune were thousands of trees before the factory buildings came up. And a training school for skilled craftsmen.

It is not widely remembered, if known, that Lee Kuan Yew asked JRD Tata and Sumant Moolgaokar for help in the late 1960s, to kick start the industrialisation of Singapore by starting a training school for skilled craftsmen, and a precision tool room to service the high tech industries that the Singapore plan envisaged. I was deputed to assist.

Development is a process of societal learning, not just resource allocation.

The Monopolies Commission said to Moolgaokar that TELCO would not be given a licence to set up a new factory in Pune, unless he agreed to revive HEC and the Jubbulpore truck factory. ‘Capital’ was locked up, Dr. Paranjpe, the economist on the panel, said to Moolgaokar.

Moolgaokar, a man of few words, said, “Gentlemen, to produce something you have not done before, you need managers, not just capital. And managers don’t grow on trees”. And, with that, he excused himself and walked out of the meeting!

The government came around.

Indian industry will not grow merely by open trade. The first to take advantage of open trade will be “commercialists”. They will take the easy route to import as much as possible

and sell in the local market. They are not motivated to build depth in the industry the hard way, as Moolgaokar was. And Jamsetji Tata. Building it even when the government does not cooperate.

Arun Maira

Former Member of Planning Commission

April 17, 2020

I would like to observe that it will reconcile the ‘resource allocation’ model of planning and the ‘capability building’ approach to development.

Capabilities are resources too. However, they can be created and improved where they do not exist whereas, material, energy, and ‘location’ resources are given in their locations (e.g. countries).

Institutional capabilities, management capabilities, and the like are not givens. They can be developed. Indeed, they can change the capability of the system to use resources more effectively and produce outcomes with very limited resources (Think Japan, Korea, Singapore).

Therefore, the ‘planning’ of ‘development’ must include a plan to develop capabilities. Inspired by Majumdar’s reference to Sumant Moolgaokar, my comments illustrated the vital necessity of plans to develop capability. And the capability to develop capabilities as the key to producing faster outcomes.

The ‘capabilities’ required for a dynamic process of development must be endogenous within the model. And since the development of capabilities will create new equations with resources within the model, input-output models that include capabilities are non-linear. Therefore, the system should be modelled as a ‘learning’ system and a ‘complex, self-adaptive, learning system’. Indeed, planners of such systems sit within the system too. As they learn more about how the system learns and improve their learning capabilities, they can facilitate the system to be a faster learner.

Deng’s famous statement, “Crossing the stream while feeling the stones underfoot”, is a good expression about how planning should feel in a dynamic world. It requires a great tolerance for working with ‘known unknowns’ and being conscious of the existence of ‘unknown unknowns’. And therefore, creating a system that will be resilient amidst such unknowns.

"The only competitive advantage a country, or organisation, can have in a world with uncertainty, is the ability to learn, and change faster than any potential competition", is a good statement of the core capability required.

Paradigms of industrial development and planning had been examined afresh, as part of the exercise of rethinking planning for India in the 21st century. Dani Rodrik, Charles

Sable, Ha Joon-Chang, and others, who were considered on the fringe of mainstream economics then were engaged with. Their ideas are now becoming more acceptable, it seems.

Mainstream economics is realising the need for a new paradigm. John Kay and Mervyn King's new book, 'Radical Uncertainty', is worth exploring. It affirms what we had already learned in our explorations out of the mainstream.

K M Chandrasekhar

Chairman, Centre for Development Studies

April 17, 2020

I agree both with Dr. Karamchetty and with Shri Arun Maira. An institution that does only conceptual planning without a strong monitoring and reporting mechanism will gradually deteriorate into a bureaucracy that is happy with incremental budgeting and process rather than outcome controls.

The New Management System, introduced by Thatcher in the UK and followed up with enthusiasm by New Zealand and Australia, and the PEMANDU system in Malaysia are reasonably successful performance management examples. Any institution to be built in the future must have a strong bias towards performance management.

Ratnakar Gedam

Former Adviser Transport

Planning Commission

April 18, 2020

Chandrasekhar,

This is about your views on the need for a strong mechanism for monitoring and reporting.

Your views are nice, but please reconsider the power to be delegated to the planners because it has implications for creating another new despot. Often the doctrine of separation of power is invoked to avoid concentration of power of legislation, executive and judiciary with public administration. We cannot delegate both powers to police officers, i.e., to catch lawbreakers and immediately punish them, because the latter part is a function of courts.

Though police officers could be best suited to both jobs in the interest of a speedy justice system, similarly, if planners say, let us distribute free ration to all poor but if we say then that planner should go and distribute is not correct. Because identification of the poor based on criteria to be decided in separate exercise, collection of food-grain from FCI warehouses, other activity etc. Planner is a conceptual exercise and relies on certain data as collected by the different organisations. We cannot ask planners to go collect data, etc.

In short, separation of functions duties etc. is the essence of planning. Further decentralisation of planning was advocated by many, none wanted too much powerful Planning Commission. It was considered as a repository of knowledge and think tanks. The Finance Ministry has a role in managing both Revenue and Expenditure. Planning was meant only not exceeding 12 percent of Expenditure that too often budgetary support in the form of equity alone.

Ajit Pai

Officer on Special Duty, NITI Aayog

April 19, 2020

There are two last concepts that I would like to propose as relevant for consideration to drive current and future planning in India.

While considering both the bottom-up and/or top-down models, there are other factors. These are the concept of critical mass and that of appropriate sequence.

With limited resources, when we allocate them too thinly, we fall further behind than if the same resources were allocated in a more focused manner, and also the same quantum of expenditure/investment in the inappropriate sequence would also lead to less than optimal results.

With a limited number of bricks, if we start too many small projects, we may run out of bricks while the foundations of 100 projects are laid, but none are close to completion. However, if we finish 30 projects completely with the same number of bricks and then embark on the next round of projects if we find other sources of bricks, the production is 30 percent of that envisaged rather than zero. We still can go further with hopefully greater capacity.

Similarly, if we focus on manufacturing products for the world before we have the enabling logistics, infrastructure or ecosystem at least on a path to being in place, the investment or expenditure would be suboptimal. With the Bhakra Nangal dam, the choices were straightforward – in electronics or modern-day apparel or even in agriculture or horticulture exports, the planning choices are far more complex. The plans don't have to be more elaborate. Still, they must go through some simple tests while checking the use of capital relative to other priorities of the PRI, ULB, State or other national priorities.

I see hundreds of proposals that in themselves appear to be helpful to a particular segment or constituency and may have an overall positive return considering the quadruple balance sheets (financial, economic, social, and environmental), but are not the best prioritised use of capital for a country that still has scant resources.

The critical mass required to manufacture and compete effectively internationally with a commercial airliner like Boeing or Airbus would require a fairly significant concentration

of capital at the right sequence of industry evolution for a country. Despite getting a decent share in a smaller sub-segment of commercial aviation, Brazil, Canada, and Japan came close but didn't quite get there.

I am willing to wager that China will be a material player in this space within the next decade – but it chose its timing by prioritizing its resources on other priorities to build national capacity faster and more efficiently. Singapore and South Korea prioritised and sequenced their resources for far greater bang for the buck over the past 80 years.

How then do we prioritise proposals that emanate from different sectors with completely separate priorities and allocations relative to each other? Is this a challenge that can be systematised in the digital era to simplify certain processing while not increasing the compliance or regulatory burden?

I realise that these sound fairly simplistic, but to me appear as the greatest missing factors in both bottom-up or top-down approaches taken since the 1960s by governments and planners at every level of government in India.

There has also been some commentary on this platform on the shortsighted nature of the Indian businessman – the focus on a trade (making a quick buck) relative to building a sustainable business that delivers greatly over time. I would not disagree with the current diagnosis but would encourage this forum to consider this the symptom rather than the disease. With policy flip flops, judicial overreach, regulatory overreach, price controls set after investment, state-sponsored distortions in a competitive landscape, and a license/permit culture that is still cumbersome and frequently irrational, it should come as no surprise that the business person that has already made clear that the priority is to provide a return to shareholders that will finance him or her, is overly cautious about the long term in India. It is not just the Indian businessperson – it is the policymakers overseas of many of our trade partners. Only China and our direct competitors are laughing their way to the bank.

Yes, India may be the 5th or 6th largest economy in 2020 or 2021, but even after adjusting for PPP, a dismal below 120th in the world amongst countries on per capita GDP. Substantially lower when not adjusting for PPP. That is the true report card for our country.

India's overall economy has crossed critical mass in terms of size for it to matter today in the world more than it has in modern history. It now has the heft and even capacity in small pockets. I may even submit that we now have the resources to channelise suitably (if we prioritise and sequence appropriately) to emerge as the 3rd most economically powerful nation in a decade. These resources to channelise can still be minimal in percentage terms but large in absolute because of our recent rise in the overall economy curve.

We should be prudent in our selection of opportunities to allocate these resources to ensure bang for buck attaining critical mass for local, domestic, and global

competitiveness, and ensure that the majority is not lost in entitlements, frittered away in a myriad of subscale custom programmes, or inappropriately sequenced for suboptimal outcomes.

Meleveetil Damodaran

Chairperson, The Damodaran Group

April 19, 2020

Allow me the liberty of sharing some personal experiences while interacting with the Planning Commission.

1. In 1976, while I was discussing the Tribal Welfare Department plan schemes (every scheme had to get approved), a junior officer rejected them without any reason. My then-boss, married to a tribal, asked the Planning Commission official how many tribals the latter had seen. In a few minutes, all the schemes were cleared.
2. My Chief Minister, Nripen Chakraborty (CPM), walked out of the meeting with SB Chavan, then Deputy Chairman, Planning Commission, after starting the meeting like a headmaster dealing with a schoolboy. The then Secretary, Planning Commission, came to our Bhavan and told me to tell the CM that whatever allocation he wanted could be considered. The CM told him to send a postcard with the final numbers.
3. Next year, ND Tiwari, Deputy Chairman, started the meeting thus: "I know what happened last year. You cannot walk out of my meeting. We went to jail together during India's freedom struggle. Tell me what you want and I will clear it, and I will make a token reduction so that my officers are not unhappy".

I have always wondered whether planning should be resource-based, or requirement-based, but more importantly, whether allocations (handouts) should be relationship-based.

Debate 3: Role of Bureaucracy in the 21st Century

'Bureaucracy slows down reforms approved by PM'

Surojit Gupta

Times of India, March 15, 2020

India's bureaucracy often suffers from a socialist overhang that leads it to slow down, even block reforms that the top leadership has sought to implement, former NITI Aayog vice-chairman Arvind Panagariya has said in his latest book.

He cites the government's attempts to privatise many public sector enterprises, which have remained stalled despite Prime Minister Narendra Modi's push to get cabinet approval for the list of companies drawn up by the NITI Aayog.

"But once the matter went to the Department of Investment and Public Asset Management (DIPAM), it remained stuck there," Panagariya says in his book — 'India Unlimited, Reclaiming the Lost Glory', adding that labour law reforms offered another example of how the bureaucracy blocked efforts of the political executive.

<https://timesofindia.indiatimes.com/business/india-business/bureaucracy-slows-down-reforms-approved-by-pm/articleshow/74633205.cms>

Chandan Saha

Industry & Management Expert

March 20, 2020

It may appear correct, but one shouldn't compare the Indian economy with any developed country's economy. He might be feeling everything different in India after spending a long time in the USA and continuing as he knows that country's economy is better than India. But it's true, Indian PSUs were built and nurtured with a strong vision and government investment and hard work were involved in bringing it up.

The Government of India has been compelled to adopt several sick units (owned by private) since the late 70's to early 90's and it was almost a phenomenon once any enterprise got sick, the government had to take over rejuvenate. Perhaps he is not very sure of such a story. The government had to invest and rebuild and make it function well through the participation of the workforce of the enterprise.

The government is still receiving a huge dividend from such PSUs, maybe all are not paying, but it has enabled the government to control the market economy whenever needed. Some PSUs got sick for many reasons, but those were not sick. I am not against disinvestment or privatisation, but it should be done judiciously and indeed not at the cost of common people and social development.

I had not read the book fully, but I read his good number of articles published in leading newspapers. He had spent a few years with the Government of India and he could stay for more time to push his thought instead of moving to the US, citing various reasons and now writing on such issues. He should also make a self-assessment of his contribution during his tenure. I hope I will be able to share more once needed. But I strongly believe the Privatisation of PSUs and government institutions will never be a good proposition to build a good economy as we have been experiencing the present trend in the last couple of years.

The government decision is not totally out of the way. No doubt, the government should have a liberal attitude and flexible mindset to improve work culture and operational efficiency. That's no way impossible.

Anwarul Hoda

Chair Professor, Trade Policy and WTO Research Programme
ICRIER

March 23, 2020

In my opinion, the observation that the bureaucracy slows down reforms shows the author's bias against civil servants. What is needed for disinvestment, for instance, is political will. It is easy in profitable undertakings but difficult in losing enterprises like Air India. The political executive must show strong resolve, courage and perseverance for disinvestment in such enterprises.

Vijay Mathur

Former Chairman, International Airport Authority of India

March 27, 2020

As a former PSU CEO, I point out how politicians force bad decisions on the units under their Ministries for short-term personal gain. I could cite many examples from personal experience from the Railways, AI, and IA. I am sure my friends from the PSU banks could add to this in extensor! My point is- is it OK for crooked politicians to manipulate PSUs but prosecute only the private sector?

The Left passionately defends the PSUs, but refuses to even raise in Parliament clear evidence of blatant corruption (as in AI) even when specific cases are brought before them? On the other hand, they push for and accept upgrades, hospitality abroad, and multiple free tickets from AI & IA without the slightest qualms.

Prodipto Ghosh

Distinguished Fellow, Earth Science and Climate Change, TERI

March 29, 2020

Panagariya is too steeped in the neo-liberal "Washington Consensus" line of thought, which has by now been given up by their authors, the World Bank and the IMF. The logic for certain units to remain in the public sector are as salient as they always were: to take up social responsibilities that won't be addressed by the private corporates (e.g. evacuation of Indian citizens from Wuhan, Italy, Iran...Kuwait by Air India; the opening of petrol/diesel depots in interior Arunachal Pradesh by Indian Oil; to stymie the formation of cartels by the private sector as in telecom).

There is a history of loss-making by several (by no means all) PSUs, which are attributable to unrecompensed social obligations (e.g. Air India's services to the North East), or to specific situations (e.g. grounding of AI's new Airbus aircraft for years by political whim following an air crash due to pilot error. But considering the spectacular malfeasance demonstrated by the private sector, e.g. Kingfisher, Jet Air, IL&FS, ICICI Bank, YES Bank...the PSU "losses" in comparison deserve but slight remonstrance.

On labour laws, the bureaucracy has hardly anything to do when the political battle is between two concepts of reform: as "hire and fire", versus the creation of social safety nets, involving two different and powerful, political constituencies.

Geeta Gouri

Former Member, Competition Commission of India

March 29, 2020

The point is, what is your framework of reference. This needs a carefully detailed understanding of the economy and the market.

The attempt to combine in policies nationalist with globalisation lends to dysfunctional policies. Design for new instruments and policies and the acceptance that change in our country has to be gradual.

Debates of this sort are positive steps for fresh thinking.

Ratnakar Gedam

Former Adviser, Planning Commission

March 31, 2020

I served in the Planning Commission, where Development Plans were crafted after deliberation in National Development Council. But when Arvind Panagariya (AP) joined NITI Aayog, everyone in NITI Aayog had their ideas to be imposed on the nation without knowing ground realities.

His desire to transform India by imitating US policies based on personal ideas in the name of PM's programme seems to be far from the truth. AP was not suitable for the job he was assigned. Teaching undergraduates based on an approved syllabus is different from delivering results for improving the performance capita income of 106 crore people.

Selling of PSUs in the name of privatisation is not an end of policies for job creation and economic growth but a means to ensure efficiency, competitiveness and technological modernisation. Missing of latter part means nonstarters of policy prescription of privatisation. So were numerous flaws in AP's own policy agenda, not an agenda approved by elected representatives or delegated by the people.

PM is continuing to implement with the support of bureaucracy over 100s of flagship programmes since 2014. Why AP is blaming bureaucracy is not understood and is out of context. Deliberation on this topic is uncalled for.

Prodipto Ghosh

Distinguished Fellow, Earth Science and Climate Change, TERI

April 02, 2020

Of course, we must prosecute wrongdoers, wherever they are! But I fail to see that it is a valid argument for privatising PSUs fulfilling their social roles to corporates with no notion of responsibility except to their shareholders and top management.

Prasanna Srinivasan

April 02, 2020

It is possible to have governance and efficiency. The public sector is often conflated with "owning/operations of services" rather than ensuring better public benefits. As a system, the government sector is low on accountability or efficiency. For example, the shift in Telecom licensing from mandatory rural services roll out by licensees to the contribution to the Universal Services Obligation Fund. When I checked last, well of Rs 50,000 Cr of USO funds were lying unutilised and gaining at the rate of about Rs 6-7,000 crores a year.

For daily civic services offered by local city governments, too often, there is no accountability to the citizens it serves in any direct manner. In my neighbourhood in Bengaluru, about 5 to 10 kms of inner colony roads have been broken and relaid about 4 times in the past six years. Currently, half of the roads resemble a war zone. I don't want to think about the public waste that could have been spent in supporting better schools/health care or even supplying water to informal settlements.

People who work in government and in the private sector are all a general reflection of who we are. There are good motivated people and ones with dubious sincerity to their work. We can anecdotally cite several real instances of good and bad. In services delivery,

the public sector owned/managed system is less responsive and often almost abusive because you can't touch the officers. Inefficiency is not really identified or clamped down. In fact, in most instances, there are no reasonable efficiency benchmarks.

Meanwhile, the private sector will do its best to squeeze efficiency and quality for profits (as a general system). If the government sees its role as ensuring better efficiency (thereby directing limited resources for more needs) and ensuring quality (through governance), we may have better public outcomes. The profit greed of private businesses is tempered by better governance for desired public benefit.

When we discuss the private sector, we often ignore a large community of NGOs and other such organisations. They also range from good to bad. Many are driven by deep philosophies and a sense of social commitment, but efficiency isn't their hallmark. However, working in sync with other institutions frequently ensures better outcomes. Micro-finance institutions present a good example of how it can work well (and again anecdotally, how it can be disastrous).

So I am more inclined to think about how we can make a system work better for general public benefit and deal with citizens with greater responsiveness and a sense of dignity I must add the last point, as it is one aspect that's sorely lacking in public sector/citizen interface. In my fleeting work interactions, Ghosh himself has always demonstrated how it's possible to discharge one's public responsibilities while treating people with dignity, as I've met many in govt. But as a system it's quite terrible and the summation of my life's experiences over decades on this count supports the view.

The ingredients will include government, profit-making institutions, and committed community organisations as appropriate to the context. If we cited "bad" results, then each of those ingredients (govt, corporate, CBOs) is a failure and we'd be left wondering how to manage it all! Better to keep trying to get the system better, so we have better results than poorer ones.

Vijay Mathur

Former Chairman, International Airport Authority of India

April 03, 2020

What fundamentally drives politicians, and therefrom, policymaking, are objectives and intentions. You get great success wherever the genuine public objective and the political one coalesce. The present crisis will show this. Policymaking, and quick implementation is already happening and will certainly continue.

What is needed in the future is to happen without a crisis. I am optimistic that we have seen a reset of political thinking that will progressively bring this about!

V Rangnathan

Retired Professor, IIM-B, Former Member, TRAI

April 03, 2020

Surendra Singh, I agree with you. I also enjoy the shade of 'Yes Minister' in your saying 'bureaucrats don't have an ideology-based hangups'; which reminds me of 'which side he is on?', 'on the winning side'!

On politicians' fear of being criticised 'being pro-business', why do these people still go by 'strategic investor' route, prone to being blamed as favouring the winning party; why not adopt the UK model of selling the shares in the stock market, where no one can accuse politicians of 'favouring' one over other? Even auctions are prone to failure, if not done properly, and avoiding collusion in auctions is a complicated task.

On Ghosh's views:

The country has paid a huge price for the social objectives of PSUs; the government may direct/pay any private airline to bring stranded Indians. On PSU losses deserving 'slight' remonstrance compared to private sector losses, the point is except for ICICI, all others closed down, while PSUs and PSBs—add SEBs to the list—have not closed down.

Also, let him see the cumulative losses over the past few years, between those of the public and private sector, he will no more be talking in the air. In criticising Panagaria with Washington's consensus, he sets up a straw man and shoots him down.

Sebastian Morris

Indian Institute of Management Ahmedabad

April 03, 2020

Dear all,

Arvind Panagariya's perspective is certainly one-sided. Yet, there is more than a grain of truth to the same. Interpreting Pangaryia's position more broadly than its core is that the "politician or the so-called political class on whose doorstep we middle-class people tend to blame all our evils" is vacuous. The aspect of the Indian administration as an important element in the failure of India needs recognition.

Recognise that as individuals, the IAS is among the best -even those who have a historical background. However, their effectiveness is zilch. Why is this so? [I have taught more IAS officers than most academics and have had an opportunity to see them open their hearts, which they would not normally do].

Possible reasons could be:

1. They have constitutional immunity when no administrators elsewhere in the world in democracies have anything like the same.
 2. Their ethos is one of "great persons", they abhor systems, create "mechanisms" that are person dependent; have no understanding of organisations and the learning aspect of organisations. This is because they have been placed in "organisations" that have no functionality of purpose or processes.
 3. When "great civil servants" go above the call of duty to create good they are lauded. However, there is no patience with a more cerebral civil servant who tries to change the game's rules. So when the "rambo civil" servant, the model for all civil servants, leaves, whatever good he has created collapses like a house of cards. – remember Keshav Varma of Ahmedabad, Rao of Surat, etc.
 4. Yet all positive developments in India we owe to civil servants who have created systems -DV Kapur (not IAS but that is not the issue) who created NTPC, and laid India's automobile policy, Sagar - Delhi electricity privatisations to name just a few.
 5. They are brought up and trained to indulge in micro-management. So they never grant autonomy to "autonomous" institutions or even their departments. As a result, the autonomous organisations/ PSUs function poorly, and then the poor performance justifies this dysfunctional interference that micro-management is.
- So with all the power in the world the typical IAS officers do not command systems that are task-oriented - only process-constrained hierarchies. And the entire potential of PSUs is dead! A few exceptions prove the rule NTPC, Earlier BHEL, ISRO, perhaps IIMA, NDDB, all of which had to "fight" for autonomy.
6. Ask the government why they keep transferring IAS and other officers (IRS, IAAS) all over the place. "The answer is they would otherwise develop vested interests". So what is implicitly being admitted is that government systems are so bad that there is no organisational control possible!
 7. "Casteism" is rampant within the civil service. Only the IAS are "brahmins". All others are..... The IPS may be pandering to the politician's illegitimate demands, sometimes scores over the honest IAS. In any case, they are a pure monopoly since no real lateral entry is possible (Break this and you can have the beginnings of change. The first response from the politician, though, may be to misuse this option).
 8. Most IAS officers are honest. The rules and processes are so dysfunctional that, therefore, only those bold enough to circumvent/ break these can create public and social value!
 9. And that brings us to IAS officers as crisis managers. In a crisis, systems cannot be relied upon. So in floods, earthquakes, calamities, etc., I have seen IAS officers in the field

in control rooms etc., working round the clock to contain and mitigate its effects. Have a case study on the same if anyone is interested.

10. For an early write up you may like to see the box "Knights in Shining Armour" of the piece: <http://iima.ac.in/~morris/research-details.php?id=73>

Poor effectiveness of the state is a much larger problem overcoming which involves correction of which would require changes in law and core policies.

Prodipto Ghosh

Distinguished Fellow, Earth Science and Climate Change, TERI

April 04, 2020

True. The 4 Cs will minutely scrutinise any process for disinvestment in case it seems in any way biased in favour of one or more specific parties and does not provide a transparently level playing field. The bureaucrat is careful to see that such an apprehension does not arise in the 4 Cs' minds and conducts necessary due diligence to ensure that this is the case as far as possible, which takes time and requires wide consultation/concurrence.

Perhaps Panagariya mistakes this caution for reluctance arising from an ideological orientation of bureaucrats.

M Govinda Rao

Member, Fourteenth Finance Commission,
Former Director, National Institute of Public Finance and Policy

April 04, 2020

The case for government intervention arises when there is market failure. Surely, the government has to intervene when the market fails to deliver. The assumption that governments are always benevolent is not borne by experience.

The capacity of the governments is limited and therefore, they should focus on areas where markets fail to deliver efficient results. Furthermore, the type of government intervention depends on market failure.

We have seen that social cause justification for nationalisation of banks has led to enormous misuse of the system and heavy burden on the taxpayers to save the depositor. Similarly, to ensure air connectivity to the northeast, it is not necessary to have a government-owned airline company.

This can be done by regulation and subsidisation. Many private airlines also provided connectivity through regulation/cross subsidisation (requiring them to fly to the northeast when other routes are given). Even when many stranded people abroad have to be brought home for social reasons, private airlines can be chartered.

A comparison with the cost of travel shown that Air India is more expensive and the cost to the taxpayers to keep it going has been heavy. Certainly, the government has to pursue social causes through appropriate interventions. But ownership and operation is not the best way to intervene in terms of the costs and benefits. There is no ideology in this.

U K Chaudhary

April 05, 2020

We may not generally agree with the views expressed, but time has come to do away with Central Services Selection for top government jobs as they are not based on specialisation. We must adopt the American way of appointing a top government, PSUs and autonomous institutional heads based on specialised job requirements. The best way is to select the best for the job and not based on seniority in the government-selected services cadre.

The question is, do we have the courage and determination to move away from an imperialistic way of selection for top jobs? If we cannot do this, then better we keep shut.

V S Ailawadi, IAS (Retd.)

Former Chairman, Electricity Regulatory Commission, Haryana

April 05, 2020

My experience as a civil servant shows that it would be wrong to say that all PSUs are bad in functioning and open to the undue influence of the political class. For example, there are several good PSUs, NTPC, which Shri D V Kapur led.

While working with political classes, he showed his ability to work with them and built one of the most efficient and profitable PSUs.

A civil servant or technocrat has to set its example of being transparent, objective, and self-confident to plan & execute policies.

But policies are in the domain of the political class and it is here that the bureaucrat role comes in. it would be wrong to say that he only is responsible for delays or red tape.

The problems are in the processes that have remained ingrained in the mindset of suspicion left as the legacy of the colonial empire.

Ajay Chhibber

Chief Economic Advisor, Federation of Indian Chambers of Commerce & Industry
(FICCI)

April 06, 2020

This discussion has now morphed from bureaucracy to the merits and demerits of privatisation (disinvestment).

A few years ago, I did a very detailed study on India's PSU's at National Institute of Public Finance and Policy (NIPFP):: the summary monograph is attached here. We need to take an objective look at the role and functioning of PSU's and it cannot be a blanket issue - they are good or bad.

The study recommends India keeps its Mahartanas - the seven biggest PSUs but take a hard look at privatising many others, including Air India (not easy to do now, of course). The study also finds that partial privatisation (share sales) helps performance as the listing improves.

There are many papers from that study if anyone is interested in the econometric analysis - some on NIPFP websites. The study took two years to complete as getting the data cleaned up for over 250 enterprises from 1991 - 2016.

I attach the summary monograph jointly published by NIPFP and FICCI and launched by Shri Arun Jaitley in December 2018.

V Ranganathan

Retired Professor, IIM-B, Former Member, TRAI

April 06, 2020

Therein lies the paradox. In a crisis, faced with a common enemy, we are good. Public interest dominates. But in its absence, only self-interest dominates. I will give an example from hilly areas in north India, e.g. Himachal.

Roads are not good and often two vehicles cannot cross each other. Here drivers are most considerate for the vehicle coming opposite. Much before its approach driver will stop and wait for other vehicles to pass or even reverse. Who should reverse is decided by what is easier or feasible. But on ordinary roads this good behaviour is absent, extreme cases are in front of a railway crossing. What is said in-game theory prisoner's dilemma is exhibited.

Another paradox is communism is founded on lofty principles of equality, from each according to her ability and to each according to her need etc. But it has failed. Capitalism is based on the vulgar premise that each acts as per her self-interest. By and large, it has delivered.

Govt. introduced price caps on essential masks etc. Result: they vanished from the shelves! Govt. introduced demonetisation hoping black notes would cease to be having power. But they all returned bleached. Going against the market is like King Canute asking the waves to return.

Pramod Deo

Former Chairman, Central Electricity Regulatory Commission (CERC)

April 06, 2020

The Telecom revolution happened because of the entry of the private sector and technological leapfrogging from physical networks to mobile towers. The aviation sector took off when private airlines started competing. The electricity sector frustrates all planners due to government monopoly (both Central and State).

Generally, a competing market environment and enlightened regulatory framework are the two pillars to enrich the consumers. I couldn't resist joining the debate because of my experience in the telecom and power sectors.

Vijay Mathur

Former Chairman, International Airport Authority of India

April 07, 2020

Ranganathan,

Let me begin by pointing out that we discuss a complex and wide-ranging issue that has evolved over 70 years. To find answers, we need to trace the underlying driver of this process- the profound rooted changes in our society that we have witnessed over this period. The consequent impact upon our politics and our social mores have brought us to our current situation.

Over the first two decades from 1947, our political space was essentially populated by the idealists who won us our freedom. Therefore, political corruption was relatively low. Moreover, Government credibility was higher, and so was acceptance of official authority. However, the subsequent decades saw a progressive deterioration in political values due to widespread 'democratisation' as vote banks and short-term populism (exploding reservations being a case in point) ensured winnability.

This resulted in a slow but steady deterioration of the quality of our bureaucracy as Ministers increasingly promoted 'yes-men' who would do their bidding even if this was wrong and side-lined those unwilling to compromise their values. Shri Surendra Singh has already alluded to this phenomenon and its negative impact.

When I first came to the Ministry of Industry in March 1973, I was struck by the caliber and integrity of my Minister, TA Pai, as well as by the clarity of thought & integrity of

many top bureaucrats, e.g. Mantosh Sondhi, LK Jha, KB Lal, BD Pandey, Naresh Chandra, AN Verma, SK Misra, and many others, who were effective as well.

A host of equally competent PSU chiefs like Prakash Tandon, V Krishnamurthy, SVS Raghavan, and others were also there. They were not afraid to challenge their Ministers or even disagree with the bureaucracy if they felt it necessary. This was not seen as aggressive, rooted in mutual respect.

It was quite a different story by the early 2000s, but I am optimistic that now the wheel is turning back, and we will see a gradual return to integrity and efficiency.

Coming to Dr. Panagariya's comment on the bureaucracy, it is unfair to paint the entire bureaucracy with a single brushstroke. There have always been brilliant and influential bureaucrats and inefficient, bigoted, and arrogant ones- statistically, there will always be a standard distribution in any such group. However, what does vary is the percentage of outstanding performers at the upper levels, and political interference and agendas have skewed this adversely.

What has been missed in this discussion are the many systemic flaws that we often do not address, primarily because they are more difficult to rectify and need more political involvement and consistent support. With a vocal media baying loudly for immediate results daily, the temptation to go for sound bites and seemingly quick fixes becomes overwhelming, hence the tendency to immediately announce a CBI or Judicial inquiry and then push to identify individuals who can then be punished.

This is vividly illustrated when there is a railway or aviation accident with a loss of life. Once some poor scapegoat has been found and damned, the need for immediate systemic reforms is forgotten!

G C Mathur

Convenor-Trustee Treasurer, Binty

April 07, 2020

I do not entirely agree that all top posts in PSUs should be specialists only. It may be possible in Healthcare Services where the top position should go to the Medical Professional. But, whether that medical professional from the surgery stream or Medicine or Orthopedics.....?

An IAS with a civil engineering degree would do better as Secretary/Minister of the public works department covering Public Health Services and Power Distribution. The Public Health Services Head or the Head of the Power Distribution may claim the top position. The top specialist must come with thorough knowledge and practical experience in Administration and Management. A specialist can be better only when one is an additionally qualified Business Management man.

Prodipto Ghosh

Distinguished Fellow, Earth Science and Climate Change
TERI

April 07, 2020

Dear Rao,

Surely you know of public goods and not just market failure! The question is whether private corporates can be relied upon to provide certain types of public goods, for example, where there is large, unknown risk involved, such as extrication of Indian citizens from Wuhan or Kuwait?

You also pose the question of Buchanan government failure. Against this is the also well-known Galbriathian corporate failure. Do you find the malfeasance in PNB more unpalatable than that of ICICI or YES Bank? Take your pick! AI is tasked to fly to the North-East precisely on the same argument as that involved in the creation of the postal department - of course, there are private couriers (always have been), but worldwide, history has shown that for reaching deep into the interior, the public post office is necessary.

I think the proper way of looking at the public sector's role is to provide joint products in certain circumstances, one a private good (such as petrol in New Delhi), and the other a public good (such as petrol in ZIRO). It is more efficient (in the usual economic sense) to produce them jointly and pay for the public good through the public purse. Also, conventional regulation may have to be supplemented by public provision (Buchanan again!). Think of public universities, hospitals before condemning Indian Oil.

Sebastian Morris

Indian Institute of Management Ahmedabad

April 08, 2020

I thought the discussion was of the nature of the bureaucracy? Not on when, why and how governments should interfere. That as Govinda Rao has brought out, depends on market failure.

So all governments intervene by way of regulation, market creation, and state production (even in the US, there is much state production in education, public health, infrastructure, etc.).

In India, the point is that given in part the nature of the bureaucracy, when the state intervenes, the quality of that intervention is poor for the reasons I elaborated earlier. This brings about state failure in delivering public services and strategic decision-making, which is not the case in South Korea, Taiwan, China, Vietnam, Thailand, etc.

This does not mean that the Indian state is failed. It could if today's crises lead it to a mobocracy.

S K Pachauri, IAS (Retd.)

Former Secretary to Government of India

April 08, 2020

The question of the contribution of Generalist vs Specialist in Public Administration is a matter of deep concern. The erstwhile Planning Commission and its successor NITI Aayog are conceived in the popular imagination as Specialists.

Who is the Generalist? Most of the time, the nation's life has been run by Generalists. However, the Cutting Edge of administration lies deep below run by the IAS.

It is now time to decide who is on top and who is on tap. The Specialist or the Generalist will dominate the Top and who is to be on Tap.

V Ranganathan

Retired Professor, IIM-B, Former Member, TRAI

April 08, 2020

“Yet all positive developments in India we owe to civil servants who have created systems - DV Kapur (not IAS but that is not the issue) who created NTPC, and laid India's automobile policy, Sagar - Delhi electricity privatisations to name just a few.”

Oh, ho, ho! What an encomium to a class that has bottled up the march of India. Well, DV Kapur was not an IAS and that is the point. And Sagar was, after all, heading the Delhi Vidyut Board during the privatisation; was it that he cooperated with the demise of DVB that was his signal contribution? Prof. come with some more names, you will find how difficult it is!

Mrinal Dutta Choudhury chronicles in comparing India and (South) Korea that Indian per capita GDP was a bit higher than that of S.Korea at India's independence. But after a decade or two, the difference is stark. (South Korea's is 16 times that of India, in 2018).

Major difference: Export lead growth, administration by industrialists or chieftains of chaebols for S Korea; Import substitution and administration by civil servants. Others may counter by saying S. Korea was a dictatorship while India was a democracy. Go and tell any individual public member who has worked at a Government office regarding some grievance redressal.

From my interactions with good IAS officers and others, some patterns emerge:

1. Though they have nothing but contempt for Professors, they are as risk-averse as academics.
2. The non-corrupt of them value probity over performance. Jokingly it is said that the only thing worse than a dishonest officer is an honest officer because s/he will ensure nothing is done.
3. They value conformity over enterprise; as a group, they shun stars; if the world praises an Alphons, they will poopoo such praise.
4. As a class, they are reasonably clean.
5. In governance, they have outperformed technocrats; e.g. IAS chairman of SEBs have done better than engineer Chairmen. Colonial distancing seems to help here.
6. They have a supreme contempt of all others, especially the legislature and judiciary, which has actually scored over them in public perception with carefully selected judicial outreach that has won public support. This insulates them from any chance of learning.

Like many in the Public Sector and even in Government schools, IAS are originally good people, but the system of unlimited power, job security, and sometimes the rigidity of the system makes them bad.

As most know, civil services, as a cadre, have been dispensed within the UK. Prof. Alagh was tasked with suggesting reforms in UPSC and civil services, but nothing came out of it.

I have merely three suggestions: 1. Open the service to winds of competition and lateral recruitment. 2. Remove job security. The present FM made the first attempt. 3. Increase their pay significantly to incentivise better people to join. IAS appeals only to people from backward States, whereas forwarding States go for IT and management.

Arun Maira

Former Member of Planning Commission

April 08, 2020

The starting point for determining whether an organisation is fulfilling its purpose is defining and not losing sight of that purpose. And then, all measurements of its performance must be with respect to its purpose.

Limited liability companies in the private sector, are set up expressly to produce returns for investors. And, thus, by extension, their CEOs and staff. To whom they are accountable, and to whom their boards are accountable too.

They are called 'public' and not 'private companies only because the public is invited to invest in them. They are tightly controlled by 'stock market' rules, accounting,

transparency, etc. If their boards or CEOs take decisions in the wider public interest, adversely affecting investors, they will be legally liable for not fulfilling their fiduciary responsibilities. 'The business of business must be the only business'.

What if the country needs an institution that will use the professional capabilities of managers, accountants, etc., but is charged with fulfilling a public purpose? Delivering services to segments of the people who cannot afford to pay as much as others can. Private companies will not, because their purpose is not to fulfil these needs. Genuine 'public' institutions must. Because their purpose is to fulfil the country's need for equity.

I have consulted with dozens of 'public sector' companies in India, and many more 'private sector' companies in India and abroad. I can say, without hesitation, that the calibre of professionals in the public sector is no less. Maybe it is higher, because they have to perform with greater constraints to fulfil even broader purposes than private sector organisations.

One should not compare apples and oranges with the same yard-sticks. I find it troubling when our business press compares public sector and private sector banks, for example, their stock prices and the 'shareholder value' they have created over many years. What if, instead, we were to compare all banks by the social/public value they have created over the years?

Private sector companies are facing an increasing trust deficit worldwide because they are seen to maximise private interests at the cost of public interests. There has been a movement around to make corporations voluntarily report their performance on broader score-cards. However, it has not had much effect.

I think the COVID-19 crisis will make all of us ask again, what is the purpose of business corporations? Corporations expect to get some form of 'bail-out' with public money. Are people already asking the social contract between private corporations and the public? What, indeed, is their larger purpose?

If a private company cannot profit in a crisis, why should it be supported? Why should it not be allowed to fold up?

This conversation has veered from the narrower question of the bureaucracy slowing down the PM's reforms to a much broader question. We must pursue this.

The Global Solutions Initiative (based in Berlin), which serves the Think-20 and G-20, had begun an initiative amongst thought leaders last year, on 'Repurposing the Business Corporation'. We are going to need lots of new thinking about many things. The post-COVID-19 world must not be run with the same ideologies that have driven public policies and institutions so far.

N K Goyal

Chairman Emeritus, Telecom Equipment Manufacturers Association

President, CMAI Association of India

April 09, 2020

I think no bureaucracy or officer is in a position to disobey a superior or Minister. It depends on the Minister if he is convinced of his decision being taken on merit and without any whip of correction. The Minister always has power and authority to overrule the staff. But the Minister has to be true and honest.

I am quoting a real example, but names are hidden and some figures change. In one of Govt. orders, the lowest bidder was at Rs 6 lakhs against the existing purchase price of Rs 17 lakhs and the highest price in the tender of Rs 24 lakhs.

The lowest bidder wanted an extension of one month to submit his product for trial. It was too and nail opposed by all officers and file went to the Minister for rejection. The usual grounds were delay in project implementation and urgency.

Minister wrote on file that one month delay cannot be ground to take equipment at more than double the cost. One-month delay should be covered in expediting approval and later installation and granted the extension. After the case went to the Supreme Court, it stood the legal scrutiny.

Prodipto Ghosh

Distinguished Fellow, Earth Science and Climate Change

TERI

April 09, 2020

Dear Chugh,

Of course, each organisation must live up to its stated purpose - profits with environmental and social responsibility in the case of the private sector, and a more complex amalgam of objectives in the case of the PSUs. "Bureaucracy" has not imposed a "cloak" of public goods on the PSUs - this is a matter of higher policy formulated by the elected executive, dictated by the simple economic fact that in many cases, the public good (think: breaking a potential steel cartel) is a joint product with private goods (making steel).

Unfortunately, it is not easy in most cases to place a monetary value on the public goods produced, which would enable a like-to-like comparison with their private sector counterparts, besides direct financial payments by the government for the public goods produced. (Prajapati Trivedi, a US-based academic, tried to do so some years ago - my impression is that he found it too difficult).

Certainly, not all PSUs are fulfilling their public purpose, and accordingly, should be closed down or privatised. Neither are many for-profit private corporates....for every maligned AI, there is Kingfisher, Jet Air, Sahara, even Indigo.

Pritam Banerjee, Ph.D

Logistics Sector Specialist, Consultant - Asian Development Bank

April 09, 2020

While I broadly agree with Shri Vijay Mathur on his observation that Indian bureaucracy, like any other collection of human beings, is subject to a normal distribution to merit and ethics (a few good men, a few bad men, and lots of mediocrities bunched in between), I do not agree with the conclusions he draws.

The proof of the pie of any institution is in its overall ability to deliver. In that context, the persistence of high transaction costs of doing business, poor implementation of policy on the ground, huge leakages in social welfare delivery to India's poor and underprivileged, and endemic petty corruption underlines the collective failure of the system to deliver.

If even the basics of day-to-day governance, for example, lodging an FIR, requires the intervention of the SSP with the SHO, that is an abject failure. Taking the cumulative value of bribes/speed money paid to Indian bureaucrats every day adds up to a huge amount.

My back of the envelope calculation that appeared sometime back in an article in HBL (link below) shows the sheer impact of such petty corruption on the body politic: Assume if there are a million transactions that businesses and people had with the government every day that requires a small payment to get things done, and each such activity requires an average bribe of 1,000, that results in total bribe paid of 1,000 crores per day, and 3 lakh crores a year — assuming 300 working days.

The article link: <https://www.thehindubusinessline.com/opinion/petty-corruption-is-not-small-change/article24645765.ece>

However, the senior management of a positive outlier they might be is at the end of the day senior management for a reason. They are accountable for the performance of the institutions and lower rungs that they manage. If these institutions fail to deliver, sometimes even on the basics, the failure must lie as much at their door.

The other challenge is that cadre-based lobbies have emerged over time with the sole motivation to ensure that the cushiest and most important senior bureaucratic postings are, in essence, reserved for their cadre. Thus, the IAS, IRS, and IFS have ensured that even those with merit in the so-called lower services such as ITS, IES, Rail, Postal and other technical services do not get to rise to deserved senior positions, even when domain knowledge and experience demands that they AND NOT an IAS officer gets the job.

The mess around dual jurisdiction over GST and its enforcement is essentially the outcome of an IRS vs. IAS tussle. Prime Minister Modi is trying to address this problem, bringing in more diversity at the Joint-Secretary level, and reducing the percentage of IAS and other senior cadres dominance of positions of JS and above. But much more would need to be done.

The other much pending reform is addressing the skill-sets and appropriately rewarding and empowering the lower bureaucracy responsible for much of the day-to-day governance. Be mindful of the considerable gap in prestige between, say a Joint Secretary and Under-Secretaries and below, and the gap between State Civil Service cadres and Central ones. Please understand that we have perpetuated the feudal Imperial system where the *burra sahib* (ICS officer, most likely a Britisher) is assisted by glorified peons and havildars, consisting of the lower bureaucracy (class II class III officers).

The lower bureaucracy is mostly responsible for implementation on the ground. By not investing in their prestige and self-worth, and in turn, a career path that can take them close to the apex if merit and ethics are demonstrated, we have compromised the quality of the bureaucracy that people and businesses interact with daily basis. The SHO, the Tehsildar, the assessing officer of customs or GST, the labour officer, the departmental head clerk in the municipal office are the real face of bureaucracy, not the JS, the DM, or the SSP.

We must ask ourselves, why can't an SHO at 27 aspire to realistically become a IG by when he is 45, if he demonstrates hard work and ethics? Or an assessing officer aspires to become a Commissioner of Customs or GST?

Or take the screening process itself. Why are the results of an outdated exam, which rewards learning by rote and supports a rote-learning industry worth more than 1500 crores per year, so important that it creates a virtual caste system? A few marks more, and you end up several rungs higher by the time you retire compared to a colleague who got a few marks less-a a lifetime worth of experience and performance being rendered to nothingness.

Dr. Panagariya's overall observations need to be taken into this context. His critic is not directed at individual officers, many of whom we know from personal experience to be upright, hard-working, and humane. His critic is of the overall system, its outdated hierarchies, its archaic screening and selection processes, and its sheer lack of accountability.

Last but not least, its failure to reward merit and focusing on form instead of substance. Let us not blame the politician for that. After all, high-level political corruption related to government procurement or approvals are not unique to India. We all know that a DGP, a Chief Commissioner, and Secretaries of State and Central Governments wield enormous influence. They are responsible for the micro-decisions that reward merit and ethical behavior.

I will not wade into the complicated waters of later merit induction, which deserves a more nuanced debate.

V Ranganathan

Retired Professor, IIM-B, Former Member, TRAI

April 10, 2020

Well said, Pramod. Technology broke the natural monopoly in telecom with the advent of mobile, but with Jio and fiber optics, data and 5G, it may go back to natural monopoly again.

I am puzzled why a similar thing is not happening in Western countries. There seems no alternative to natural monopoly in the transmission and distribution of electricity. Yet marginal improvements are possible with discom privatisation and a good regulator.

M Govinda Rao

Member, Fourteenth Finance Commission,
Former Director, National Institute of Public Finance and Policy

April 10, 2020

Dear Dr. Ghosh,

Many thanks for posing the questions. In these times of lockdown, it helps to reflect on these profound issues.

I have been following the discussion and often felt that I need to relearn my basic public finance. Since you have directly addressed the issue to me, let me express what I have learnt from James Buchanan and from Richard Musgrave, which was always sympathetic to the expanded role of the government. Incidentally, there is a fascinating account of the discussion between the two in a week-long symposium held at the University of Munich in 1997 published as a book: James Buchanan and Richard Musgrave, *Public Finance and Public Choice: Two Contrasting View of the State*.

There can be various types of market failure and governments have to intervene to correct them. The type of intervention depends on the type of market failure. The provision of public goods and redistribution will have to be provided for through direct budgetary intervention. When you have asymmetric information or when you need to ensure fair competition, you need to have strong regulations to ensure.

Provision of services with externalities/merit goods may require a combination of regulation and subsidy and, in some cases like education and healthcare, public provision with appropriate incentives and accountability structure. The public provision decision must be made after examining the costs and benefits.

You cite the cases of private banks like ICICI and Yes bank going sore. Isn't that due to lax regulation? The previous Governor of RBI (Dr. Urjit Patel) forced Rana Kapoor to step down eight months ago. Thereafter, Patel went away; why was no effective action taken for eight long months to set matters right? Is it not the failure of the regulation that IL&FS mismanaged for several years? Rather than working on strengthening the regulation, should the government go about taking over the companies? In fact, not having effective private sector regulation is another case of government failure.

I am not convinced that you need to own and operate Air India for lifting the people stuck in other countries. It is possible to charter private airlines to get them. Air Asia lifted 113 people stuck in Kuala Lumpur even in the present crisis. Over employment, the inefficient operation has been a bane. Even the government's non-competitive practice of forcing the employees to travel only in Air India could not prevent bailing out the airline with thousands of crores of taxpayers' money.

If you see the airline map of India, it is Indigo which has connected most parts of the country. The government runs a travel agency Balmer and Lawrie and invariably, the fares charged by Air India have always been much higher, bloating the government expenditure which the taxpayers have to finance. Indeed, most bureaucrats and politicians are happy because Air India has a companion free travel, but if the cost of the ticket charged is seen it is more than double the market rate!

Let me finally state that the government's capacity is limited and its focus should be to govern. There was a time when government's participation in production might have been required, but when you have a private sector that has the capability and willingness to produce and provide, the focus should be to ensure competitive practices through effective regulation. Perhaps, there is much that needs to be done here.

Prodipto Ghosh

Distinguished Fellow, Earth Science and Climate Change, TERI

April 10, 2020

Dear Dr. Chhibber,

Thank you for making available the monograph prepared by you on India's PSUs disseminated by FICCI. I hope the underlying research papers prepared by NIPFP have been submitted to peer-reviewed journals. Possibly there is still time for that.

My comments on the excellent monograph are on two lines. First, that you seem to be comparing profitably across PSUs and the private corporate sector, which is hardly appropriate for reasons that PSUs have to actually support a range of policy objectives. Nevertheless, to quote your monograph:

"In fact, the larger CPSE's appear to be doing even better than private companies of similar size, based on their reported data. For example, the return-on-assets and return-on-

capital in the largest 7 PSEs - Maharatna's appears to be better than firms in the private sector and FDI-based companies of similar size (Figure 6a & 6b) though the value of assets, especially land, needs scrutiny. Independent audits are required to assess their performance.

But in the case of the next category of PSE's -the 17 Navratna's, the performance of the private firms of similar size is much better (Figure 7a & 7b), except for the better performance of the Navratna's over their private sector comparators during the period of high growth from 2003-4 to around 2008-9. It is also interesting that the returns on both assets and capital for the Navratnas went up during the period of rapid growth and has declined quite sharply since the global economic crisis."

This passage hardly corroborates the overall thesis that PSUs, in some manner, are net wasters of resources. (However, I cannot help to note your aside on the CAG which audits PSUs - somehow, you seem to imply that the CAG is less "independent" than PWC, E&Y...).

Second, while discussing "Other Objectives" (the title of this section is curious, inasmuch the reason for the PSU system are precisely these objectives and others that you do not discuss), you broadly concede that in fact these objectives have been largely met. For example, when speaking of "Export Orientation", you say:

"Both Maharatnas and Navratnas have played an important role in this export push."

"Navratnas were not significant exporters at all until 2002, but since then their export/sales ratio has risen steadily to around 30-35 percent in the last four years. Maharatna's were early into the export business and saw a sharp rise in their export/sales ratio to almost 40 percent by 1996-97 and has since fluctuated significantly, but was still around 30 percent in 2014-15 (Figure 11). This shift is important as the drive to export improves their competitiveness and benchmarks their performance in international markets.

Exports have been seeing a slump in the last few years since 2014 and have increased the demand for special incentives for exports. But one principal reason for the slump is the appreciation of the Indian Rupee. The Rupee has appreciated almost 20 percent against a basket of 36 currencies in the last decade and this has hurt all exports – including exports from CPSE's. Commodity exports have also slumped due to declining demand from China as the Chinese economy has slowed down."

In respect of Employment and Labour Policy you say:

"A major objective in setting up PSE's was to increase employment and this objective was pursued vigorously. Between 1970 and 1990 employment in PSE's almost doubled from 11 lakhs in 1970 to almost 20 lakhs in 1990 (around 10 percent of the organised labour force). The objective was not only to create more jobs but also to improve the skills base of the labor force. This was to be done by a focus on skills development, training and HRD. At the same time, PSE's were also told to give special

preference to Scheduled Class (SC) and Scheduled Tribes (ST). Further, the PSE's have also provided contract employment and the contract employees happen to be one-third of the regular workforce."

And:

"One of the objectives of employment policy in the public sector was to use affirmative action for selected categories of citizens – such as scheduled caste (SC) and scheduled tribes (ST). They were given reserved employment even in CPSE's."

But, you continue:

"It is questionable whether PSE's should have been subjected to the affirmative action policy of having quotas for SC/ST categories of workers as their competitors in the private sector are not subject to similar employment quotas." (!!!!)

You seem not to recognise that PSUs ARE intended as public policy instruments!

Further:

"Considerable emphasis has also been placed on Human Resource Development (HRD) in PSE's: to improve productivity and create stronger motivation among the workforce.....In a detailed study Jain (2012) of two major CPSE's using surveys of managers in separate plants shows that on the whole, the top management has a strong perception about the importance of its human resources that the organisation cannot grow without the development of the people working in it and therefore, it is committed to invest its resources for their development. Secondly, in these organisations "good" HRD climate exists although the scope for improvement exists."

Coming to the question of Balanced Regional development:

"One of the objectives of setting up public sector companies as stated in the 1956 industrial policy resolution was to encourage more balanced regional development. PSE's were set up in parts of the country which had experienced very limited industrialisation. Tax incentives were utilised to encourage private investment to more backward states and remote areas. But this was not enough and in the case of PSE's more direct decisions-not just incentives-could be used to locate their capacity.

Over time almost all the states have some CPSE presence. Table 2 provides a picture of the distribution of CPSE assets in each state. CPSE assets are also located in small union territories like Damn and Diu, Chandigarh and Andaman and Nicobar, and in north-eastern states of Arunachal, Mizoram, Tripura Manipur and Nagaland. In contrast, the shares of some states- such as Maharashtra- have declined as the assets in these states which were earlier earmarked to the state as the HQ of the PSE was in Mumbai, were reallocated to states where the operating plants were located."

However, surprising for a development professional, you seem to be sceptical of the very rationale of promoting balanced regional development as public policy:

"Whether this policy of balanced regional development has led to real benefits to the remote areas and whether it has hurt productivity in these CPSE's is an open question."

Finally, on CSR:

"One of the key objectives of PSE's was that they would help not only in economic development but also help on the social and sustainable objectives. CSR was initially introduced in PSE's working in the mining sector in remote tribal areas. It was then expanded to all PSE's but was not mandatory. After the 1991 liberalisation CPSE's complained that they faced unfair competition from the private sector who were not burdened by CSR responsibilities. This led to a clamor for the Ministry of Corporate Affairs to pass a law to extend the CSR mandate to all companies that come under the Companies Act...."

You are, of course aware, that extension of CSR to the private sector has led to a major outcry, and its denunciation as "Chatterjee Tax" (after the then Secretary Corporate Affairs who was responsible for the legislation)!

And certainly, PSUs are accountable for lapses in CSR implementation:

"PSE's are all involved in more or less the same kind of CSR activities as they follow the guidelines issued by Department of Public Enterprise which streamlines CSR activities of CPSEs....Coal India, which accounts for over 80 percent of the domestic coal production, is in the news for not spending its earmarked money for corporate social responsibility. It could spend merely 15percent of the funds. A Parliamentary panel has recommended that officials responsible for it must be made accountable."

For about eight years, from 2007 to 2015, I Chaired a Committee of the Petroleum Industry Association (then called "Petrofed"), selecting companies, both PSUs and private sector, engaged in various petroleum sector activities their annual awards. The yardsticks were identical and no allowance was made for the public goods responsibilities of the PSUs. The criteria included profitability, growth rates of activities (and assets), HRD policies, energy efficiency, environmental and labour standards, and so on....The awards were at the plant, as well as the corporate level. Sad to say, over these years, the PSUs dominated the awards.

Som Karamchetty

Potomac, Maryland, USA

April 11, 2020

In general, it appears that the Public Service, e.g. post office, delivers mail to a remote village while a private courier does not; and Air India brings stranded Indians home and a private airline does not. But, if we look at the costs and prices, the results might be different.

Several decades back, it was said that nobody would go and work in the bauxite mine and aluminum refinery at Gove in Northern Territory, Australia. But the private company paid very high wages and salaries and many workers migrated there and worked in the hot climate.

In public sector units, jobs are guaranteed and pensions after retirement. They are expected to do as required. On the other hand, in the private sector, jobs are not guaranteed (union shops are an exception, they are as secure as government jobs!), but the pay is excellent.

When people take risks or go hungry, most people choose the risk. (Yes, it is also a cultural matter that, unfortunately, some people would rather beg than take risks.) Cricket players are an example as they are willing to face a hard ball thrown at them at nearly 100 miles per hour as they expect several crores of rupees compensation for a few years.

In defense of the managing directors in the Public Sector, they work for a relatively small compensation while their counterparts in the private sector get compensation running into crores of rupees and other perks. Of course, the demands and risks go with the compensation.

Not everybody would choose risky jobs but provided the return is attractive, people will be willing to choose those jobs and perform accordingly. Hence, we cannot merely attribute the willingness of workers and the ability of enterprises to undertake risky (but essential for the welfare of the nation, especially in emergencies) tasks to the sector.

Prodipto Ghosh

Distinguished Fellow, Earth Science and Climate Change, TERI

April 11, 2020

Dear Pramod,

Of course, you are right. However, it is not a binary world, private corporates or PSUs. Of course, PSUs cannot perform a useful role in certain sectors, e.g. FMCGs. However, even on the final consumption goods side, PSUs may have a role, e.g. pharmas.

PSUs are public policy instruments, as are several other instruments, e.g. regulation, fiscal policy, departmental (non-corporate) organisations (e.g. post, railways), regulation. I think

their corporate institutional form confuses people into thinking that they must necessarily be the same as single objective entities (as in Econ 101), as the private sector supposedly is.

Sorabh Bansal

CA

April 12, 2020

I think the years of redundancy have led the Indian Bureaucracy to respond to challenges in the new vision and development.

Though they do not disobey, they have their ways to disregard their orders.

The system fixes their honesty and commitment and duties and responsibilities and follows accountabilities so that they always get away whenever they commit mistakes – purposely or intentionally or unintentionally.

I remember a few years back when the Election Commission of India requested the government to link Aadhaar Cards with Election Cards. The bureaucratic network stopped them from demanding the government to conclusively ask to stop any election cards as Aadhaar cards were conclusive proof of identity.

I remember having dealt with the officers of the Election Commission of India. Why don't they ask the government to implement a policy where the votes can be cast only after proper biometric attendance in person.

The idea of these intelligent people should have been to check and re-authenticate from time to time one single card, which was Aadhaar card for all identification-related processes.

But the great Indian bureaucracy, including the Supreme Court, should have used the wisdom and asked the government to remove multiple identity cards and use one identity with all proofs and backups.

Now see how bureaucracy killed a great initiative of conclusively stopping issues of fresh voter cards as they are redundant in the present days and stopping the issuance of PAN cards as the returns of income tax and other returns should also be filed through Aadhaar cards only.

This could have stopped the issuance of multiple cards and the wastage of resources to issue so many cards.

It was the duty of every officer of the Indian Union to stop wastages, and wastages happening for verification of Aadhaar cards and Voter cards is a shameful event. The

government and every government officer are accountable for lapses in the system. We are not bringing in responsibilities and accountabilities.

The Bureaucracy is failing miserably as it is not reforming itself, bureaucracy is failing as it is not performing itself and it is failing as it is not using its intelligence.

At last, I would add that it should be the duty and responsibility of the bureaucracy to nail wrong policies on public platforms. They use the platforms for their achievements but do not air their ideas to safeguard the national interest.

Vijay Mathur

Former Chairman, International Airport Authority of India

April 12, 2020

We are oversimplifying the terms 'generalist' and 'specialist'. If a graduate degree in medicine makes one a 'specialist', does a degree in history make one a historian? What makes anyone a 'specialist' is the domain knowledge and working experience over a decade in a specific profession?

In fact, to my mind, anyone with a medical degree but with long experience in civil administration at several levels is as much a specialist in public administration as one with only a graduate degree in engineering, but extended work experience in the financial world!

An engineering education teaches one quantitative analysis, just as an Arts degree gives one better communication skills and a deeper understanding of the world and how the people in it work!

Let us not confuse academic qualifications with intelligence, focus, people skills, integrity, application, and efficiency.

S Srinivasan, IAS (Retd.)

Former Secretary to Govt. of India

Member (Finance), Department of Space/Atomic Energy/Earth Sciences

April 12, 2020

I retired from the IAS after serving as Secretary and Member Finance. The mails are alternating between PSU as an entity, and the civil service who flit in and out, and governance in general.

I recently read Arun Maira's "An Upstart in Government". It gives his travails in transforming the Planning Commission into a strategic planner and thinker instead of a mere dispenser of resources. His struggles make amusing readings amidst very serious

objectives in bringing the TAS culture into governance, at least, like a spoon of sugar in kheer.

I would certainly recommend reading the same to get a flavour of working in government, apart from being in a PSU. The insights given are terrific and would bear study by future administrators.

OF COURSE, the IAS officers and other central service personnel selected through the arduous UPSC are in no way inferior to any other in society in terms of intellect, approach, quality, purpose, and integrity. Sadly, after a few years, they realise that it is a losing battle to keep the system running without keeling over.

Just to keep it on track or status quo is itself a tremendous effort. As one mellows, one realises that it is important to keep oneself and the immediate surroundings unpolluted and pristine, hoping that it will somehow radiate candlelight around for others to see the way.

Over the years since 1950, the executive has gradually given way to the politician to (mis)rule over and to the judiciary to be a shoulder to park the burdens on and conveniently implement whatever they say, however illogical or infructuous it may be. Primarily, the public sectors perform a tremendous service in areas with no returns. Still, where governance must be visible, whatever the cost may be. So it is in many administrative posts.

For example, in tackling the current COVID 19 crisis, just see the young IAS, Police, paramedical, municipal officers and officials rising to the occasion without fear of any retribution to themselves or their safety. It is another matter that politicians sacrifice the medium and long-term economic implications for short-term publicity and visibility.

The abrupt shift of the collector Ghaziabad is a case in view. If the executive can be made cohesive in parts, to begin with, to adhere together in terms of crisis, the public will support them and welcome their actions.

Public sectors cannot be wished away. I am very puzzled why is the government trying to sell away Air India over the past so many years but has not succeeded. The financial burden is paltry compared to the NPA load that the government coffers have filled up with so-called "recapitalisation". Air India has been doing an incomparable service.

Even now, if their balance sheet is analysed, there are huge dues from the government for aircrafts used for relief operations, emergencies, ferrying VIPs, etc. Open up the market as much as you wish. Still, at the end of the day, the service dichotomies required in society have to be addressed, and the private sector (for whom, rightly so, the shareholder ROI is primary) can never substitute. How to run the PSUs better without becoming many Kamadhenus is to be rectified.

Some random thoughts in front of the many luminaries, who may be reading this.

S N Tripathi, IAS (Retd.)

Director, Indian Institute of Public Administration

April 12, 2020

Dear all,

Very animated discussion on the role of “permanent bureaucracy” in the time of crisis. I don’t understand why this extra bias against IAS as a group. Only 5k IAS and 6k MP/MLA are blamed for sunset to sunrise.

If we accept the logic “why not a SHO becomes an IG because of hard work, then why not a primary school teacher ever head ADB and WHO and VC of JNU. There has to be a reason and rationality behind an argument.

We have seen the virtue of failing state in a profit-minded, market-driven, liberal democratic world where now people want accountability and a “bigger state”. First, you dismantle the health sector and then cry on cost and efficiency and lack of logistic services.

It’s no body’s case that retail or wholesale corruption is equal to bad state and state administration.

Bureaucracy Mass Index (BMI) is neither a fabulous state of Affairs nor desirable but outsourcing public administration and policing like health and education will have unintended consequences.

Need of the time is to reform them to perform nor through the baby with the bath water - in any case, they are neither baby nor can be thrown like that.

Hope for constructive debate and hope the more intelligent mind will ignore my biases and prejudices.

Ajay Chhibber

Chief Economic Advisor, FICCI

April 13, 2020

Thank you Ghosh.

Many thanks for going through the monograph.

We objectively approached the issue: not with any priors and have presented the facts as they came out. Two papers have been published in the International Journal of Public Sector Management - a peer-reviewed and widely respected international journal. Anyway, if you are interested, the NIPFP working paper series carries two papers with all

the econometric work laid out in detail. Just go to their website and put in my name and they come up.

We have looked at financial return and a second paper at productivity in these enterprises. We have not taken any swipe at CAG - in fact, we have supported their findings on state-level enterprises. We have found that the management contracts (despite all the efforts to improve them over the years) are quite useless - even partial disinvestment (share sales) have a bigger impact on their performance.

In the end, we support keeping the Maharatnas in public hands (based on our findings), but many other PSU's - especially where adequate private sector companies can provide these same services must be privatised - especially Air India and the telecom companies and many others. The evidence is quite clear that "the business of government is not business".

I agree with Govinda Rao - and may add that the vested interests in keeping these PSU's in public hands are many - politicians also like it as these companies give out lucrative service contracts e.g. Air India - catering, cleaning, leasing of aircraft and maintenance equipment; in many companies politicians can get their supporters jobs etc. and appoint people to boards and top management positions.

Anyway, all this is on hold until we get over this crisis.

Sumit Majumdar

Professor of Technology Strategy, University of Texas at Dallas

April 13, 2020

Ranganathan,

What is happening in India?

Collusion

Regulatory capture

No reason for natural monopoly at all in India

Requirement # 1: Well-designed interconnection agreements

Requirement # 2: Independent and effective regulators

Outcome #1: A competitive market landscape can be mimicked

Outcome #2: Welfare for all stakeholders and not the 'few'

S Srinivasan, IAS (Retd.)

Former Secretary to Govt. of India

Member (Finance), Department of Space/Atomic Energy/Earth Sciences

April 13, 2020

Sorabh Bansal's lament is very pertinent and a targeted comment. I remember, many years ago, when I was in the Election Commission in the State, which was under the ECI, I had wondered why waste of time to have so many ID cards - PAN, Passport, EPIC, Driver's License, Ration card, etc.

Why can't there be a single linking number to identify an individual? The best would have been Aadhar since it was biometric-based and one-to-one to an individual. I had sent an elaborate proposal to the ECI, but obviously, you cannot change your underwear when you are swimming in a river from one bank to another.

The political class was in vehement opposition, as it would mean that their bogus voters would come out into the open. They thwarted it at all levels. The ECI, even recently, has proposed to the GoI that Aadhar should be linked to the EPIC to streamline the process.

Ultimately, one must understand that Parliament is the ultimate policy-making body and even the ECI has not got the powers to make such laws.

Let us see if there are silver linings in the future.

K V Damodharan

Managing Partner and CEO, Pursuitex Advisory Services LLP

April 14, 2020

As per the discussion, even when the Prime Minister makes some decisions, Bureaucracy raises objections, making stumbling blocks for its timely and effective implementation. It is a sad state of affairs of governance in the country.

We need to examine how this country has landed into such a pathetic situation. Undoubtedly, the bureaucracy in India consists of good, efficient and knowledgeable administrators, but the role and responsibility is from Policy making to implementation, auditing, vigilance, Banking and whatnot. They are burdened with multiple tasks.

It is no secret that some bold and upright and honest officers are punished even after their retirements, alleging corruption and nepotism, which creates a seed of fear in their minds in making the right decisions at the right time. So the safest way is to raise objections and delay implementing decisions.

India will continue to suffer this problem unless the present system is completely transformed. We also need to think about whether such an archaic bureaucratic system is more relevant in today's competitive global economic and open market environment.

Sumit Majumdar

Professor of Technology Strategy, University of Texas at Dallas

April 15, 2020

If I may add a perspective, though I truly do not know much about the ground realities of India, every person may want to belong to a Group A Central Service, or an All-India Service (IAS; IFS; IPS) with the possibilities of coming into the Central Staffing Scheme (CSS), and being a part of panels for appointment as Joint, Additional and Secretaries to the Government of India. That is the holy grail.

IAS, ISS (Salt), ITS (Trade), IP&TA&FS, IRPS, IC&CES, doesn't matter; or one of the engineering services, such as CWES or T&TS. Central ministry positions are the epitome of achievement.

I recollect an IA&AS man who was a Financial Adviser and Additional Secretary in Udyog and Krishi Bhavans, who could go no further and had to revert to his parent IA&AD as an Additional Deputy CAG of India (same pay; same grade; same house), who had a nervous breakdown at this insult.

Then there was the gentleman who was the Executive Engineer in charge of the Coopers Telephone Exchange, who I had to see because of a standard golmal with our landline number, who bitterly complained that he and his colleagues did not want to be a part of MTNL, which had just been created, though they got 40 to 50 percent more 'deputation' pay in those days, and just wanted to go back to the 'Department.' Thus, he would rather be posted to the Thana telephone exchange which was a part of the 'Department.'

In our psyche, we want to belong to a Service, be part of a 'Department,' and then want Central Ministry posts. Perhaps, that is our strength. In 'Department' there is identity. Just as for an infantry officer (bulk of the cadre) it matters if he is a 'Garhwal', or 'Naga' or whatever. Later on, he may aspire to be COAS.

Maybe, that is why atomic energy research works. It is part of a 'Department,' in which scientists are encadred, as is DRDO, and why CSIR labs have failed miserably because their scientists are neither encadred nor part of a 'Department.'

I understand that the department (DST/DSIR) exists for parliamentary/budgetary, and not technical/administrative matters. Same with ICAR/DARE issues. I may be wrong about this, so do correct me.

But, this is digressing into differences between atomic and defence research versus agricultural and industrial research in India.

Vijay Chugh

Consultant - Payment Systems, Regulation and Oversight

April 15, 2020

Dear Ajay,

Your views and those of others are interesting. Of course, we are all concerned with the strength of the structure and it is independence to fine-tune and balance between playing by the rules and need to override or rewrite them with changing times, but not to accommodate individuals/vested interests.

Came across this interesting message. Sharing with you:

Amidst all the chaos and panic all around, did we realise?

The same Indian police, which was thought to be corrupt and inefficient, is 24*7 on the roads maintaining the system and distributing food to anyone and everyone.

The same Indian government hospitals, which were always thought to be negligent and lazy, are now working round the clock in full capacity but with limited resources without crying around.

The same bureaucracy, which was believed to be sitting on files for months, passes orders day and night with updates every minute.

The same Indian Railways, infamous for its dirty coaches and late schedules, is preparing sanitised isolation centres and running the supply chain smoothly.

The same Indian schools, which only came into light for inhabitable buildings and insects in mid-day meals, are quarantine centres and feeding lakhs of hungry migrants daily.

The same Indian Government, which was supposed to be the most useless, is now the most responsible and active.

The same public sector banks, which have always been blamed for being corrupt and inefficient, are busy distributing money to the needy in crisis and helping set up the country's industries (although waiting for salary revision due for the last 2.5 years).

And the same Indian people, who were busy applauding the western world, their high living standards, excellent infrastructure, and advanced medical facilities, are the happiest staying in their not-so-lavish Indian homes.

Maybe the crisis has brought out the BEST in us or just made us realise the same.

Yes. We were never too bad, just too ignorant to realise the same.

Yes. But do we only get an opportunity to show our worth when there's a severe crisis and the political setup is too concerned about saving his seat rather than making hay while the sun shines?

V K Sharma

FCA, LLB

April 16, 2020

I have worked in India's Public, Private and Cooperative Sector. I have experienced that people are the same everywhere. In certain circumstances, the same person performs and in the other, he doesn't. The most brilliant stuff of the world has failed Lehman Brothers and innumerable best institutions in India as well.

What can you do with Air India, which was supposed to be the best Airline? Privatisation means compromise, and government undertaking means milk-producing cow. Unless and until this thinking is changed, we can not change any organisation. When government-controlled organisations produce the best results for China even without bureaucrats, IAS-run institutions are failing in India.

We will have to have a thorough study on this subject. Why our politics is changing a man's character when a productive man is becoming a bagging man. What do we want? Where are we going? We will have first to set our national goal then only we can win the situation. The bureaucracy is not to be blamed always. India needs a big think tank, free from all bias, to set out the goals of our economy.

Vijay Mathur

Former Chairman, International Airport Authority of India

April 16, 2020

It has been very educative and interesting to have participated in the wide-ranging and erudite commentary that this forum has evoked. There have been several comments on the functioning of PSUs in this forum, so may I add some personal experiences and views that may provide a perspective on PSU management.

PSUs like IOC, ONGC, HP, STC, MMTC, FCI, NTPC cover very disparate areas of the economy, all of which are also very different from industrial PSUs like BHEL, HMT, Maruti (when it was still a PSU) or AI, AAI that I have been familiar with. Therefore my comments are limited in their context.

Banerji's comments imply that PSU managements are relatively free to pursue the organisations' optimal business objectives. This is true where political agendas and business objectives coalesce, e.g. the Delhi Metro and Maruti. However, between the 1980s and 2010, political interference grew significantly and impacted the functioning of

PSUs economically and in terms of morale. While one could cite many examples, the two cases below will illustrate my point.

1. In 1990, the erstwhile International Airports Authority of India (IAAI) ran the five major and international Indian airports, handled 85 percent of the passenger air traffic, and around 90 percent of the air freight. Consequently, it was profitable and had around Rs.1500 crores of cash reserves.

The National Airports Authority (NAA) was responsible for the remaining 15 percent Of air traffic. This was handled by 90 minor airports and airstrips responsible for operating. Of these, only 56 were in limited/occasional use and only 11 regional airports were just about breaking even. Unsurprisingly, it was deeply in the red and sustained only by the taxpayer.

For various non-aeronautical reasons (Ministerial ego being one) Aviation Ministers and State CMs wanted major investments to be made by the NAA at airports of their choice but were hamstrung by a serious lack of funds. An extreme example of such whimsy - a Parliament question demanded to know why Sangrur in Punjab did not have an airport, and how soon could a new one set up there be expanded to an international one!

In 1993, my minister called in and asked to work out a merger of the IAAI & the NAA in the interests of better efficiency. I was simultaneously offered the carrot of being named the Chairman of the newly unified AAI. When I pointed that if efficiency were the key objective, we would have to axe at least 4000 jobs to eliminate a lot of the consequential organisational duplication and overlap, I was told that such a step was not politically possible.

I then also pointed out that a merger, as suggested, would be an organisational disaster for the new entity for a variety of other reasons. Highlighting these issues and continuing reluctance to move on this proposal hastened my departure from IAAI and speeded up the merger. AAI is yet to fully recover from the considerable personnel and consequential financial crises it then faced. A retired High Court judge was tasked with finding a solution to the predicted complex personnel issues the merger precipitated, which led to much industrial unrest. Still, he threw in the towel after two years, with no solution in sight!

2. The AI & IA merger was similarly touted to bring in unified synergy in operations and much greater efficiency. Apart from fulfilling the Minister's immediate objective of ordering 100 aircraft, the merger brought AI to its knees, with none of the stated objectives being achieved. Jitender Bhargava has detailed all this in his book, but has anyone from the powers that be listened?

My point:

Under the existing structure, PSUs with a Government shareholding above 50 percent have their losses automatically funded from the Consolidated Fund. This allows politicians

to overspend on unviable projects and force bad investment decisions on the PSU with no real restriction, apart from the occasional uncomfortable Parliament questions. Hence, in the interests of expediency, many PSUs (e.g. MAMC, HEC, now MTNL) continue incurring regular losses long after they should have been wound up.

On the other hand, getting the public financial institutions and the capital market to bring in 51 percent equity would ensure more fiscal rectitude, facilitate sound managers' induction, and reduce bullying and seduction! I bounced this idea off a top Left Politician when the Left was fighting tooth and nail to oppose any PSU privatisation. To his credit, he promptly offered the full political support of the Left, which he said would be unified on this specific issue, but with a twinkle in his eye, added that no Ministry would accept it!

I am optimistic that we are now moving in the right direction and much improvement is imminent. What is needed is to reorient and restructure the relevant PSUs to adapt to the rapidly evolving business environment- the current pandemic will certainly give such rethinking a push.

G C Mathur

Convenor-Trustee, Binty

April 17, 2020

I am in 100 percent agreement with Damodharan.

I have a strong feeling that it is also for the senior and bold Bureaucracy from all the streams of All Indian Foreign, Revenue, Forests, and other Administrative Service to tell the Political Leadership, the time has come to change the system of Political Governance (of the Political Parties) to simple democracy of the people, for the people, and by the people.

I have been talking about it a lot. It is very much possible if the cadres of Indian Administrative Services could join hands with intelligentsia among civilians from could be taken along as independents committed to central common aims and objects under oath.

I can give a workable design of the proposed Democratic Government of the people, for the people, and by the people. Under the leadership of a person like Damodharan, we should collect a gathering/group of non-commercial, non-religious, and non-political persons.

Views and comments are invited, if CUTS agrees, under the banner of CCIER.

Sebastian Morris

Indian Institute of Management, Ahmedabad

April 17, 2020

Just to add. I have done part of the Foundation Course for the IAS, where young people were doing it for the second time and even the third time. Earlier as IPS etc. Similarly, entire batches of IES, IAAS, could easily be preparing for the IAS while on their induction.

There is much that is wanting in the unsaid cues/ethos of the Foundation course. Putting together a clutch of lectures by famous experts (no doubt) as a course destroys the value since there is no build-up. (e.g. from econ1, macro1, to public econ, policy, regulation etc.) Much the same can be said about other "disciplines".

I once had to engage young and very bright IAS probationers in the foundation course on "infrastructure and regulation" before they were exposed to econ basics!

Consider this. Many years back at the LBSNAA I had to engage a Foundation Course batch. The cues given to them by the academy was that "they need worry only about the broad picture. Anything that demanded deeper understanding could be demanded from the specialist." (This is not a dysfunctional position as a manager/senior administrator, but quite so when in practice during the learning process, and especially when extended to complex domains such as financial regulation, macroeconomic management, design of law, etc.).

After some shyness, I was quickly able to get the involvement of the students, entrap their natural curiosity and brightness.

However, on the last day (with three sessions still left), I found just five of them in the class. Soon enough, I could see them all in formal attire, the women with flowers, waiting to welcome the US Ambassador. I was pissed, of course, but imagine a learning institution that puts protocol and form above substance and learning!

R C Bhargava

Chairman, Maruti Suzuki India Limited

April 17, 2020

While there can be no doubt about Chappie Misra's contribution to development, my views are very different about the bureaucracy's contribution to the industrialisation and development of India. After Independence, the political desire was for industrial activity to grow rapidly, create wealth, and move to an equitable society. These objectives have remained both unchanged and unachieved in the last 70 years.

The bureaucracy and the economists, especially in the earlier years, were almost totally responsible for framing the strategies, policies, rules and regulations. They monitored

progress and implementation results. When the desired objectives were not being achieved they should have advised corrections after doing a root cause analysis as to the causes of the shortfalls.

The reasons for the system's failures, to my mind, are that the bureaucracy, while being highly intelligent and well trained in administration and crisis management, was never trained for economic development and how to bring about competitive manufacturing. That is largely true even now.

Competitiveness is very rarely understood. The rules and regulations have always been inconsistent with efficient development work. The belief that generalists can do all work, including making India an industrially developed country with a just and equitable society, is not true, as evident from the results of 70 years.

From: CUTS International

April 17, 2020

Dilli ka Babu: Behind the scenes, babus take the lead against C-virus

The Asian Age, April 16, 2020

By Dilip Cherian

Alongside doctors and health professionals, the nation's babus have emerged as the principal force of resistance against the coronavirus pandemic. They are not in the news but working behind the scenes to tackle the unprecedented public health crisis.

Besides taking salary cuts, babus across the country are also taking other steps in the efforts to fight the novel coronavirus. Leading from the front, civil servants' associations have formed an initiative called Civil Associations Reach to Support Natural Disasters (CARUNA), a collaborative effort to support the government's efforts. Besides IAS and IPS officers, the platform is represented by IT professionals, industry leaders, and NGOs.

To read more, please click: <https://bit.ly/2ROssXw>

Athar Shahab

CEO, Nabha Power Limited

April 18, 2020

Glowing tributes to Air India, bureaucracy, police and other functionaries in this forum remind me of those guys in the private sector. They only work in the crisis and expect all their underperformance to be overlooked in view of their exceptional contribution during the crisis!

I think we need to be much more dispassionate in our assessment.

By the way, within the ambit of my limited experience - the ability to perform exceptionally well during a crisis is no indicator of working well during less exciting times.

Working silently without expecting any pat on the back, building strong systems, building real capabilities within the team/department, thinking through and planning for the long term is not everyone's cup of tea.

Governments and PSUs - very much like the private sector organisations, need more of the latter.

Prasanna Srinivasan

Senior Consultant and Infrastructure Expert (PPP) and Senior Advisor, CIRC

April 18, 2020

I would like to add a couple of observations to the lively debate on the range of issues raised around bureaucracy, political leadership, government and private sector.

1. Bureaucracy slowing down reforms announced.

Several details of some initiatives, such as "privatise" x or y corporation, need to be fleshed out, sufficient to enable a robust contract of sale. It is quite well known that the government accounting for its assets is completely divergent from the needs of a commercial transaction when the whole enterprise is involved. Air India may present a simpler exercise, but it is a nightmare when its water supply/sewerage systems and/or electricity distribution. When such an exercise is complete and often may take a few months, there may be issues evaluating liabilities/contingent liabilities and even timing.

Say a six-month deferral may improve price realisation by 20-30 percent. If single disinvestment for privatisation effort takes about three years, it's not always a "delay" as deliberate delays or sloppiness. Similarly, given the plethora of government schemes - my experience suggests that frequently even government officers aren't abreast of what's going around, and laws and regulations (yet again one encounters those meteors on the way that can wreck an entire programme), these are things that need checking.

Take another example, the Swachh Bharat initiative. Building toilets in "informal settlements" aka slums is not so straightforward. In places like Mumbai, there is no space within the house. (most slums may have the same problem in any city). Residents in a slum don't have title deeds or rights. These issues have to be addressed and are being addressed for a large part. These issues will cause delays. It's not undermining the PM's announcement (or CM's or anyone else) when it does.

The real delays, in my view, occur on serious process reforms. This is nothing unique to large government, it occurs in large private sector organisations as well. Some of the

distinguished members of the forum here will have several examples of problematic and disastrous Enterprise Resource Planning or SAP kind of projects that require organisation wide change of work practices for the programme to be effective and for best outcomes. An experience with a large Indian private sector bank is also illustrated. The Bank has won several awards for its savvy digital/IT platforms.

When I had a change of address that required various updating, I discovered that the process for changing my primary bank account details and my credit card details (something simple like address, since I can't change my age) couldn't be done out of the same form as "diff departments are handling it, sir"! Since I had to hand write each form, the chances of data entry errors at the bank's end are much higher (the same bank suggested my date of birth was wrong on a telephonic verification process on another occasion).

2. The presumption of virtue or vice by organisation type.

Being a government-owned or private organisation is not an automatic award of virtue or vice in philosophy or practice. Likewise, virtuous organisations can be inefficient, and inefficiency or wasteful ways is not to be conflated with "corrupt", in my view. Weak process orientation frequently sustains wasteful ways.

Also, a private company/listed public company is not just in the business of making profits. Some would like to have profitable businesses based on transportation or steel. Else all companies will only be investment managers. Presuming greedy private sector or benevolent government sector is unfair.

Yaduvendra Mathur, IAS (Retd.)
Former Special Secretary, NITI Aayog
April 18, 2020

Dear Pradeep ji,

Thanks for sharing this article with me.

I genuinely believe crisis management and elections conduct ultimately justify the continuity of permanent civil service.

The convening power of 'babus' recruited transparently can be replaced - by a federal executive model like the US or a district-level model like Pakistan. Both disastrous.

India appears to be drifting to the US model. Going forward, we will see appointments being made directly by the Cabinet Committee on Appointments to new institutions, say like NITI Aayog.

The US President appoints 20,000 officials to top positions, including to the Supreme Court. I shudder to think of entire teams being appointed to replace the batches of IAS. The abhorred IAS babus can have a worse manifestation!

This is a good time for a systems study of crisis governance and more data analytics around public administration. The Plan21 e-discussion Group is building up the background stack.

E M Sudarsana Natchiappan

Senior Lawyer Supreme Court of India

Former Union Minister of State for Commerce and Industry

April 19, 2020

Having seven years served as Chairman, Department related Parliamentary standing committee for Personnel, Public Grievance, Pension and Law & Justice and some years Union Minister for Commerce and Industries and almost seven years as a member of Parliamentary committees almost 12 and half years, I was fortunate as Lok sabha and Rajya sabha Member to have closest knowledge of Bureaucrats.

My conclusions are:

1. Best machinery to carry on the mandate of the Constitution of India. 2. Almost 80 percent of direct UPSC selected and State recommended for National cadre are best administration persons. 3. The Bureaucracy is trained to maintain an appetite for new ideas and implement them wherever it is possible. 4. They apply the Modern Management knowledge according to the rule of law and hence they are felt conservative. 5. Heavy blow of the system ethically and morally is given by 80 percent of self-serving politicians changing every five years could corrupt 20 percent of bureaucracy only. 6. This is high time, to discuss as put forward by CUTS, to bring structural changes from 19th century DNA to the 21st century.

It is very much called for a case for National emergency to save the constitutional body and enhance the need for present and future centuries.

S Chakravarthy

Former Member, MRTP Commission

April 19, 2020

The position taken by RC Bhargava is correct and cannot be gainsaid. True, generalists may not have the domain knowledge required in a specialism-centric job. What India needs is a competition-driven market paradigm. Unleashing the animal spirits of the entrepreneurs and industrialists is paramount.

There are many exceptions. Some generalists like RCB have paved the way for how businesses and manufacturing industries are run. Likewise, it may not be correct to generalise and posit that all specialists could run any business/industry no matter what specialism is needed or domain knowledge in a particular job. A civil engineer may not fit an IT firm job.

Ergo, what is needed is a blend of generalists and specialists. There should be a framework for an appropriate recruitment algorithm for manning PSUs and for policymaking in myriad specialism-centric fields.

I am reminded of what Apple's Steve Jobs said in the context of the debate on generalist vs specialist, concluding that the driver at the wheel should be a professional, which has its parameters defining one:

"You cannot connect the dots looking forward. You can only connect them looking backward. So you have to trust that the dots will somehow connect in your future. You have to trust in something - your gut, destiny, life, karma, whatever."

In his view, 'dots looking forward' were continuing what one has been doing (read 'generalists' in the Indian context). His call for dots 'looking backward' is to review the practices hitherto followed and designed new paradigms to suit modern-day requirements (letting professionals handle management - generalists and specialists who are professionals). If I am not immodest, my Ph.D thesis in IIT, New Delhi, was on the professionalisation of management. I had discussed in detail therein as to who would constitute a professional. It is too wide a subject to be dealt with here.

RCB has rightly stressed on 'competitiveness'. Many synonymously refer to competition and competitiveness. We do need a competition-driven market, but the players therein must be competitive. Competitiveness is imperative for the ultimate goal of consumer welfare. A reform needed for subserving this objective is to encourage innovation, unleash animal spirits and regulation with a difference.

The Regulator should aim at striking a balance between competitiveness and anti-competition practices. Neither over-regulation nor under regulation. Reforms need to reckon this balance. Bureaucracy must shed its mindset and encourage reforms inhering the said balance. They should also develop an actionable vision. Steve emphasised the following, though it is not his quote:

Developing and deploying an inspiring and actionable vision is a skill that can be learned. Beyond that, it can be driven into the cultures of even the most hidebound organisations, reigniting their entrepreneurial fires and infusing them with a renewed sense of purpose and direction.

Bureaucracy should be glove with policymakers (political executives and officials) supporting reforms and regulations with a difference.

Ravi Chaudhry

Chairman, CeNext Consulting

April 20, 2020

It has been a very comprehensive dialogue on all facets of issues that could impact the functioning and the effectiveness or failure of bureaucracy in India.

Perhaps there may not be much left to say on the subject. But as is also implied, that is neither solace nor an excuse to accept status-quo, which is widely attributed to the legacy of history, and recurrent failures of successive administrations to reverse the process.

It is not unusual, in such circumstances, to give up hope, and at best, propose incremental changes to systems that give an illusion of progress. In contrast, the ground realities do not fundamentally change.

In this scenario, I thought I would risk raising seven questions – which may provide a basis for reviewing our views on the subject and provide clues to the way forward – depending, of course, on where we want to get to.

- 1) Who appoints the key bureaucrats in every State and at the Centre?
(Important to recall that none of these appointments are tenured appointments.)
- 2) What are the three most important criteria while making these appointments?
(Do these include merit, integrity, and a track record of service to the nation?)
- 3) Do bureaucrats have to share the political leaders' vision of growth and progress, or can they perform well even when they are not fully aligned with that vision?
- 4) What determines a bureaucrat's future after his retirement?
- 5) What is a bureaucrat's level of confidence in the fairness and impartiality of law-abiding agencies and the Judiciary at each level, if a difference of perception arises at any time, during or even after his tenure?
- 6) Are the selection and the training systems, at entry-level as well as at mid-level/ senior-level direct-entry positions, designed to bring out the best of the good attributes of every bureaucrat? And
- 7) What is typically the working relationship between the bureaucrats and the executive positions to whom they report - is it one that brings out the best of both – with both learning from each other's beliefs and compulsions?

Irrespective of one's answers, I believe NOW is the right time and the best time to seek and secure the transformation we seek. That would be good for the political class, the

Executive, and the bureaucrats – paving the way for a new trajectory of the Future we all deserve.

Som Karamchetty

Potomac, Maryland, USA

April 20, 2020

It is unfair for any group of positions or professionals to paint them all with the same brush. There will be some great bureaucrats and some inferior ones. It is like a nice crop with a few weeds or a weed-infested field with a few Tulasi plants.

The criterion for entry and sustenance in the All India Administrative Services (IAS) is success in one entrance examination. Many others may gain knowledge, skills, and abilities in management, administration, and leadership, but the doors and gates are closed on them into the ranks of Administrative services.

It is like the plants that come out live from a nursery are the only ones that will be allowed to reign in the farms, fields, and on stages, according to their seniority, no matter their subsequent health, infestation, or delinquencies.

For comparison, senior executives are selected into the Senior Executive Service (SES) mostly from the US's General Schedule (GS) employees. Other people with qualifications and experience in the private sector are also eligible to be selected. The important criteria are the Executive Core Qualifications (ECQ).

The ECQ's are: 1. Leading Change, 2. Leading People, 3. Results Driven, 4. Business Acumen, and 5. Building Coalitions. In addition to these, there is usually a specialised qualification in the subject matter required for a specific job is a requirement for selection into the SES. Owing to such requirements, the US Senior Executives are mostly good leaders. (The qualification, "mostly" is added because favoritism and nepotism are not easily eliminated from the system.)

Most high-level positions in the US public service are Presidential appointees. Most of them come from the private sector and are likely to have excelled in some fields but may not have any public sector experience. Their objectives are to affect the President's mission, vision, and commitments President made to the electorate. Hence, the important role of the Senior Executives (who work with the Presidential Appointees) in ensuring the president's mission cannot be overemphasised especially when the successive presidents come from different political parties.

One can see that as people move into executive positions in the modern world, programmes, projects, and tasks cannot be accomplished merely with power, authority, brute force, and threats. The Core qualifications are necessary for success.

In a country like India, where the Public Sector is predominant in economic development (unlike in the US), the top leaders should be highly endowed with ECQs while being sufficiently capable in the fields (subject matter) that their departments or programmes deal with.

Considering that the IAS officers come from among the toppers in their class (when they were young), they can acquire the ECQ's provided they are given the opportunity and the necessity continually as they rise in ranks. The right to move up the ranks based on biological aging (i.e. seniority) despite the ECQ's may be the bane of the Indian Public Services.

Pitiably, the highly competent leaders are also tarred with the same brush, much to their displeasure.

Sebastian Morris

Indian Institute of Management Ahmedabad

April 21, 2020

Yes, indeed, what Athar Shahab has said is the real reason for the failure of public systems. Doing everything young people come together to set up a Durga puja pandal. But if one had to build and take down the same every week, then the altogether different (formal) approaches of organisations, systems, processes and incentive compatibility are key.

That our "knights in shining armour" shun. Their ethos is of "rambo" civil servants who get things done, stand on street corners with mobiles, set up control rooms as in the Asian Games, which our knights rescued. It is probably a more general phenomenon and even private enterprises may have elements of the same ethos through declining rapidly.

Narendra Kumar Bishnoi

Chairman, Department of Economics, GJUST, Hisar

April 22, 2020

It is a privilege to be part of such an insightful discussion on Indian bureaucracy by eminent experts.

I think there is a broad agreement regarding what needs to be done, but unfortunately, a sense of helplessness is visible as ultimately it is the politicians who can bring about the desired change, but they are not interested.

In my opinion, the root of the problem/solution lies somewhere else!

Politicians would do what the public appreciates and endorses.

What appeals to the public is determined by the collective learning from our schools, colleges and universities.

Recently I got an opportunity to look at class 6th to 12th by NCERT books. It is single-dimensional and nowhere indicates alternative options about poverty alleviation, user charges of public services. Surprisingly, it puts an onus on the government to provide all basic facilities without regard to the availability of resources.

The book recommends that all be provided drinking water and sewerage as a matter of right free of cost but does not discuss that it requires a massive amount of money that is not available with the government!! The same theme continues for education, health regulation of business activities and of course, import substitution.

No surprise, when the government propped up ailing Air India, the general public, including media and intelligentsia, never discussed the opportunity cost of money involved. Similarly, we never believe that private airlines would have done the evacuation of Indian struck abroad if asked to shoulder the responsibility.

In 1974, two eminent economists shared the Nobel Prize, namely Gunnar Myrdal and Friedrich Hayek. Myrdal is a household name in India and his gospel that policymakers are “moral intellectual elite” is proudly taught in classes. Still, the theory of Hayek that “policymakers can never have the relevant knowledge” (knowledge of dynamically changing tastes and preferences of consumers) is conspicuous by its absence.

It means, the politicians being pragmatic practitioners of their high-risk high-cost game, are not in a position to disturb the status quo until the public demands it or at least supports it. Public opinion-makers themselves are not exposed to different viewpoints except the government-managed system. Therefore, let us wait until the stranglehold of UGC and NCERT is weakened under new education policy.

I think we are destined to grow at a new Hindu rate of growth between 5 to 7 percent. It is not bad as such but way below our potential of above 10 percent.

Meleveetil Damodaran

Chairperson, Excellence Enablers Pvt. Ltd.

April 22, 2020

The questions posed by Ravi Chaudhry are critical to an understanding of how the bureaucracy functions or does not function.

Before getting to his first question, "Who appoints bureaucrats ---", it is necessary to consider some disturbing facts.

Firstly, many candidates that make it to the civil services are 'programmed' persons that come out of coaching centres. Their spontaneity vanishes, by the time they appear for the interview.

Secondly, and more importantly, what is the quality of the interview panels? Have the members, constituting the panels, been told that assessment of suitability, at this stage, is not done by asking questions to ascertain knowledge of subjects? Selecting the right persons for the panel and briefing them thoroughly is an important requirement.

Thirdly, the number of attempts that a candidate can avail of is far too many for or anyone's comfort (barring, of course, the candidate's).

Fourthly, the large number of qualified engineers bring a quantitative approach to decision making, which has advantages, but adversely impacts the significant qualities of heart that are required. I am not for a moment suggesting that engineers don't have a human side to them, but aspects such as empathy seem to reside more in social science students.

With that elaborate prefatory statement, let me respond to the first question. There are systems and procedures in place, but final decisions emerge from the PM's office. This is not a new phenomenon. Your state of origin, your cadre, and whether you have well-wishers, who are well-placed, are critical, though mercifully not conclusive.

What are the criteria involved? Merit is important, but it is useful to remember that merit, like beauty, might lie in the eyes of the beholder. As for track record, what is that? Look at the track records of those that did not cut at the time of empanelment and those that made it, and the answer will be obvious.

Bureaucrats must subscribe to national goals and objectives. It is not necessary to subscribe to the Minister's opinions on every matter. A bureaucrat must state her/his views and with a sense of conviction. If a Minister overrules her/him, and the reasons stated do not pass muster, one can resubmit the papers pointing out the problems that could arise. If the Minister sticks to his position, that is policy, and it is final.

The bureaucrat is a policy advisor and not a policymaker. Problems arise when bureaucrats anticipate the Minister's wishes and tailor their opinions accordingly. Telling the Minister what he likes to hear rather than what he ought to know is at the root of the problem.

This response being very long, I am not attempting responses to the other questions.

Permit me to end on a personal note and pardon what might seem boastful. In my first attempt, I qualified for the IAS without a postgraduate degree and without going to a coaching centre. I travelled by overnight train from Vijayawada to Madras 3 times to appear for the three sets of papers. I had no senior civil servant known to me and was allotted to the Manipur Tripura cadre when everyone from the UT cadre got to Delhi or other good locations. I survived in service without being affiliated with any politician or any political party. And contrary to what some people believe, I did not get a post-superannuation assignment. My term in SEBI was in the last three years of my service in the IAS.

Thank you for indulging me patiently.

Ratnakar Gedam

Former Adviser Planning Commission

April 23, 2020

1. Does Bureaucracy slow down reforms approved by the PM? I am of the view that it does not. The basis for the arrival at the conclusion that Bureaucracy does not slow down reforms is as explained below. Often CEO of NITI repeats outdated phrases that “government has no business to be in business”. There is no single government globally that does not have business entities like PSEs or SOEs. The government runs all municipalities, the government runs health schemes, etc. PM says from “Disinvestment to Investment,” which means we will disinvest some CPSEs and invest in other CPSEs. Privatisation is not a panacea for all ailments of the economy.

2. Since 15 March 2020, over 65 senior personalities have participated as discussants that indicate the time and energy they devoted to issues that do not deserve merit at all. Because disinvestment, which is the main contention point, began in 2009 well before either AP or NITI arrived on the scene, and it is going like “business as usual” till to date in 2020. Cabinet assigns targets to DIPAM each year for disinvestment of CPSEs using different methods. Some of the disinvestment targets are met, while some are not met, but the disinvestment process goes on. The focus of comments ought to have been delays of disinvestment by the bureaucrats in DIPAM.

3. It seems all the discussants have digressed or drifted away from the main focus of the topic on which comments were invited. So the attempt is being made voluntarily by me to place discussion in the Right Perspective. Though I do not intend to defend bureaucrats,

nor intend to offend Arvind Panagariya; but truth could be bitter so it may certainly look critical of the distortion of facts by AP.

4. India was under the threat of deaths of people due to the pandemic of COVID-19. But on March 15, 2020, the TOI interviewed former VC of NITI Aayog. Several people were questioning the wisdom of Arvind Panagariya on both – the timing of his interview and the issue he was addressing to. Arvind Panagariya (AP) preferred to seek attention to his new book to promote the sale of books by assigning blame to bureaucracy for delaying the implementation of decisions taken by the PM. In reality, there was no proof about bureaucrats delaying the decision taken by the PM. So making a controversy out of nothing. Perhaps Arvind Panagariya feels he is more accountable to the Indian parliament than 100s of bureaucrats working and living in India, perhaps by his NRI status, sources of income, the motive to earn out of information he had access to etc., does not matter much to decide his credibility.

5. For the brevity, alleged delays in disinvestment by the bureaucrats in DIPAM as recorded by CAG based on material supplied by the Ministry of Finance, the facts are summarised here. In 2017-18 out of 60 CPSEs taken for Divestment through various methods, including Strategic Disinvestment, DIPAM had successfully made divestment in 36 CPSEs. Due to incomplete paperwork, there was a delay in disinvestment of balance 24 CPSEs and fulfilling targets before the closure of the financial year. Progress in disinvestment of balance 24 CPSEs was at different stages before March 31, 2018. This shortfall in target attributed to progress at various stages, has been falsely blown upon out of proportion to seek cheap publicity.

What is ignored was the highlight of achievement in disinvestment in 2017-18. AP left NITI in August 2017. DIPAM had realised in the 2017-18 the highest ever the proceeds of disinvestment of Rs. 1,00,000/- crores from disinvestment of 36 CPSEs. The strategic divestment of 24 CPSEs was still going on without being held up or creating sabotage by none. What has been reported in writing by the DIPAM to CAG for audit, documented or recorded by CAG in its report of 2018 has also been used by Arvind Panagariya to take credit for himself by assigning himself blame to the bureaucracy.

Isn't it a cheap way to create self-publicity and create controversy to increase sales of books? The interview of Arvind Panagariya (AP) published in TOI dated 15 March 2020, is nothing more than. AP had served only 31 months in India out of 73 years since Independence, but it seems he claims to be more loyal to India than bureaucrats who devoted entire time, energy, talent, brilliancy to serve the nation for over 31 years since their appointment. Between AP and bureaucrats, it is for discussants to decide who could be more loyal to India and who could be opportunists or job hoppers?

6. Ideally, comments invited were on whether the bureaucracy at DIPAM is blameworthy of delaying privatisation? Whether AP brought with him all US-based investors who were willing to buy all the PSUs of India? Whether he had reliable knowledge that the team of retail and financial investors of US, MNCs searching M&A of CPSEs were in touch with him? Or delay of a few days in the privatisation process was causing losses to US

investors in touch with AP and also causing inconvenience to Vice Chairman NITI. The sale of shares of CPSEs cannot be oversimplified, given the laws already passed by the government.

Therefore, one could ponder over the creditworthiness of observations of AP as the author of a book he intended to promote in the Indian market? Is or isn't AP being author biased against bureaucracy, given the AP seems to be obsessed with the sell of PSUs and the whole nation branding it to be sick and inefficient like a sick company. This is what proves that each one comes to India to pursue their agenda.

7. Writing books and publishing is a commercial activity. The author receives a royalty. To increase sales of books (which in turn would increase royalty), authors create controversies. Take an example of an old story created by CAG in 2013-14 about "presumptive notional losses" in the allocation of mines and flaws in procedures adapted in 2-G spectrum license, to put forward a point that there was corruption in the UPA government. CAG, who created phrase of "presumptive notional losses" in mines allocation and licenses of 2-G spectrum allocation helped CAG get royalty on book and post-retirement job in NDA government, though not a single penny was recovered till to date from alleged beneficiaries in mining and spectrum allocation publicised scandals.

8. Books are written with some motive and at least with four purposes. Firstly, to put forward a private view in the public domain that they consider contrary to the official position one had an obligation to take. Secondly, to contribute to ongoing debate for and against an issue of public importance involving rights and duties of citizens versus the role of government. Third, a new interpretation of old academic theories differs from orthodox or customary views, literature, or normally accepted meaning or accepted interpretation. Fourthly, new findings are arrived at during academic research or interpretation of results of analysis of data or proposing a new theory for acceptance by the intelligentsia. But none of the four above purposes could be seen in AP's book. The only commercial purpose for a gain of royalties.

Because neither privatisation is a new subject, nor bureaucratic hurdles are new topics, nor writing books is new to Indian society. Therefore, controversies are created to increase the sale of books. AP may not be writing himself any books published in his names, but those could probably be assignments or course work or project work or dissertations of students who were writing for him based on his whimsical ideas so that students studying under AP could get a degree certificate. If CAG (a constitutional body to audit actual transaction of government accounts) could get publicity for his whimsical ideas of "presumptive losses in the procedure of licensing" to publicity and post-retirement top job; so could do ex-VC of NITI Aayog for publicity when he knows that there are a large number of students are at his disposal who are seeking a degree.

9. Best way to judge Indian bureaucracy is handling the present Crisis of COVID-19 and programmes approved by the PM to enforce lock-down of the whole nation. No delays were found anywhere. Complete lockdown, daily briefing, monitoring of all districts in all states and UTs. To comment on professionals loyal to and devoted to the nation cannot be

judged by an opportunistic or job hopper whose stay was 31 months. AP has no sympathy for the poor but wants to serve only the rich and the capitalist. His obsession for the prosperity of the rich by selling PSUs at through-away prices is clear.

AP has never devoted his energy to serving or designing schemes for the welfare of poor, destitute, deprived lot or rural, rustic, nomads, slum dwellers, eradicating chronic diseases from India etc. AP is not a better person qualified to comment on Indian bureaucracy for obsession with selling PSUs without understanding the whole procedure, stages, methods of sales, etc. Is there any team of capitalists known to AP willing to buy all of about 339 CPSEs with a total investment of Rs. 16,40,628 crores, even though an image of PSUs been spoiled by AP himself branding PSUs as inefficient, outdated technology, loss-making entity? How long is the delay in privatisation – 6 month or 1 year? In fact DIPAM is doing an excellent job in disinvestment and investment.

10. Duty of identifying PSUs for disinvestment rest with DIPAM. NITI Aayog may, in consultation with administrative ministries could identify CPSEs for strategic disinvestment and suggest methods of disinvestment. But it is understood NITI prepared (without consulting administrative ministries) a list of 50 PSUs and sent it to DIPAM for disinvestment. Department of Investment and Public Asset Management (DIPAM) has a bigger role in identifying CPSEs in consultation with respective administrative Ministries and submitting a proposal to the Government in cases requiring Offer for Sale of Government equity. Securities Contracts (Regulation) (Amendment) Rules 2010, envisaged (June 2010) minimum Public Shareholding of 10 percent (25 percent since August 2014) in listed CPSEs. Unlisted CPSEs with no accumulated losses and earned net profit in three preceding consecutive years are listed.

NITI Aayog at their own started to identify CPSEs for strategic disinvestment and made unsolicited advise on the mode of sale, percentage of shares to be sold and method for valuation of the CPSE. Follow-on public offers would be considered taking into consideration the needs for capital investment of CPSE, on a case by case basis, and the Government could simultaneously or independently offer a portion of its equity shareholding. The Core Group of Secretaries on Disinvestment (CGD) to consider the recommendations of NITI Aayog to facilitate a decision by the Cabinet Committee on Economic Affairs (CCEA) on strategic disinvestment and to supervise/monitor the process of implementation.

That is, the core group of secretaries have first to approve the recommendations of NITI Aayog. If the VC of NITI considers himself as the final authority, none can help because the final authority is the Cabinet headed by the PM. The Cabinet Secretary monitors the decisions taken by the Cabinet. To call the decision of the VC is final or it is of PM is wrong. All cases of disinvestment are to be decided on a case-by-case basis and not to be sold in the block by weight in kilo on hand cart type vegetable.

Ignorance of procedure, assuming the power not vested by the delegated legislation, has been the main reason for AP being considered as a misfit. It takes a long time to understand the intricacies of the procedure in the GOI. If privatisation is the only way out,

why were the shares of Railway PSEs like IRCTC, IRFC and IRCON listed in stock exchanges; or knowing fact that all are to be sold to private capitalist, why Indian government is still going deliberately in integrated way for consolidation, mergers and acquisitions, the CPSEs across the value chain of an industry. Suppose the VC of NITI is attending duties with a biased mind to sell all CPSEs indiscriminately. In that case, he may find faults with even genuine delay or procedural changes as an act of sabotage of the privatisation.

11. When the BJP government assumed power in 2014-15, it announced the policy in a slogan or jumla of “Disinvestment” to ‘Investment. The Department of Disinvestment was set up as a separate Department on December 10, 1999 and was later renamed as Ministry of Disinvestment from September 06, 2001. From May 27, 2004, the Department of Disinvestment was one of the Departments under the Ministry of Finance. The Department of Disinvestment has been renamed as Department of Investment and Public Asset Management (DIPAM) from April 14, 2016.

12. In other words, privatisation was not invented by Arvind Panagariya or NITI Aayog, but it existed in the world from the time Thatcher was PM of the UK, and in India, it was introduced in 1999. Presently an approach followed is different from the previous regime. The thrust of the Government is presently directed towards efficient management of GoI's investment in CPSEs, with the overall focus on higher economic growth through consistent long-term policies and efficient and effective allocation of resources. The progress made in disinvestment is shown below.

Progress in Disinvestment of CPSEs Rs. Crore				
Year	Budget Estimates	Revised Estimates	Realisation	No. of CPSE
2009-10	NA	NA	23552.94	5
2010-11	NA	NA	22144.23	6
2011-12	NA	NA	13894.05	2
2012-13	NA	NA	23956.81	7
2013-14	40000	16027	15819	13
2014-15	43425	26353	24349	8
2015-16	41000	25313	23997	9
2016-17	56500	45500	46274	24
2017-18	72500	10000	100057	36
2018-19	NA	80000	84972	28
2019-20	NA	NA	48417.43	13
	Total		427433.46	151
	(source: Own compilation)			

13. This indicates that disinvestment was going on well before the present government came to power before NITI Aayog was brought into existence. So far, the government has received Rs. 4,27,433 crores as proceeds out of 151 cases /CPSEs sell of stake. Proceed realised Rs. 2830.69 crores per CPSEs. As of May 2014, 47 CPSEs were listed. The

number of listed CPSEs (including the two public sector insurance companies) increased to 59 in May, 2019. National Stock Exchange shows that the overall market capitalisation of 39 CPSEs listed on May 01, 2014 and on May 06, 2019, has improved from Rs.11,10,458.25 crores to Rs. 12,82,918.94 crores indicating an increase of 15.53 percent. The various modes of disinvestment in the year 2017-18 (when Arvind Panagariya left NITI Aayog) followed by GOI are as follows:

No	Modes of Disinvestment in 2017-18 for 36 CPSEs	Cos	Rs. Crore
1	Initial Public Offer (IPO/Piggy back)	6	24039.85
2	Offer for Sale	7	13395.65
3	Employees OFS	6	415.21
4	Buyback of shares	13	5337.55
5	New Fund Offer	1	14500.00
6	Strategic Disinvestment :		
6 (a)	Off Market (HPCL-ONGC deal)	1	36915.00
6(b)	Disinvestment of strategic Holding in UTI	1	4153.65
6©	Income from management of UTI	1	1400.00
	Grand Total of Disinvestment proceeds	36	100056.91

GOI is even resorting to the buyback of shares. Buyback of shares of CPSEs is considered a successful mode of disinvestment. In 2018-19, GOI resorted to buying back shares of 11 CPSEs shares:

Proceed of Buyback in CPSEs in 2018-19		
No	Name of CPSEs	Rs. Cr
1	KOICL	205
2	NALCO	260
3	NCL	990
4	Cochin Shipyard	137
5	BHEL	992
6	NHPC	398
7	Indian Oil	2647
8	ONGC	2510
9	NMDC	769
10	Oil India	721
11	Coal India	1040
	Total	10669
	Rs. 969.90 crore / CPSE	

14. Some facts need to be mentioned here about the CAG report of 2017-18. What AP said in the interview of Times of India dated 15 March 2020 is nothing new but revealed by the Ministry of Finance itself. Usually, the government makes Budget Estimates but either those are not met or the target assigned cannot be met due to delays on the part of officers

or inability to finish procedural requirements in specified time due to numerous holidays, unexpected events, etc. and targets are slipped, so it makes Revised Estimates.

Genuine delays need not be construed as unwillingness to implement decisions. To construe that delays were meant to sabotage decisions of the cabinet is pervert thinking. Revised Estimates are nothing new. BE and RE have been part of the budget exercise and targets fulfilment in government since 1950. REs are made available to public and government agencies too. It is a cheap way to create controversy out of BE/RE targets and shortfall in achievement of targets in respect of disinvestment; or use BE/RE targets to project that NITI Aayog or AP was more intelligent or they have more concern than Secretary of Department of Disinvestment or Finance Minister.

15. CAG Report No. 18 of 2019 for Union Government (Commercial) General Purpose Financial Reports of Central Public Sector Enterprises (Compliance Audit) has a mention of delay in completion of the divestment of 24 CPSEs (though DIPAM was divested other 36 CPSEs out of 60 CPSEs) as follows:

“Audit noticed that out of 24 CPSEs as approved by the CCEA for strategic disinvestment, only one HPCL-ONGC deal was finalised during 2017-18. As per the information provided by DIPAM, the strategic disinvestment of the remaining 23 CPSEs was still under implementation even though the same was to be completed within one year from the date of CCEA approval. Thus, strategic disinvestment in 23 CPSEs could not be conducted within the time frame specified in CCEA approval. DIPAM replied (26 March 2019) that the time required for Strategic Disinvestment depended on the complexities involved in the transaction and the extent of interest from potential bidders.

For example, no Expression of Interest (EOI) was received in the case of Air India, HFL, HNL, PHL and B&R; the financial bid was rejected in the case of PDIL and EPIL; no financial bid was received in the case of HAL. Therefore, the process had to be initiated again. DIPAM added that during 2018-19, strategic disinvestment of HSCC, DCIL, REC and NPCC had already been completed. The subsequent reply (July 2019) of DIPAM provided the current status of the cases of strategic disinvestment. However, no other case was finalised apart from the four cases of disinvestment (HSCC, DCIL, REC and NPCC).

The reply of DIPAM indicated that out of the 24 CPSEs approved for strategic disinvestment, only four CPSEs had been divested up to 2018-19. It was evident from the reply that REC, subject to strategic disinvestment during 2018-19, was not included in the list of 24 CPSEs approved for strategic disinvestment during 2017-18. The target of 24 CPSEs was not even closely achieved. Further efforts on the part of DIPAM and the concerned Administrative Ministries as well as effective coordination between them, to complete the strategic disinvestment of the remaining CPSEs, were required.”

16. In the year 2017-18, DIPAM has made divested in 36 nos. CPSEs and collected proceeds of Rs. 100056.91, which was the highest in any year. Delay in 24 CPSEs has helped successful divestment in 36 PSEs. Total 60 CPSEs were taken up for divestment, but 36 were completed and delayed in 24 CPSEs divestment occurred. But does it mean

that bureaucracy is sabotaging the decisions of the Cabinet? No. It is a normal process. If professionals, advisors and consultants engaged in this job were unable to complete the paperwork in time delay of a few months or one year should be construed as sabotaging or delaying the decisions of the Cabinet. It shows what kind of pervert mentality for creating controversies for cheap popularity.

17. Delay in implementing strategic disinvestment is not to be meant as blameworthy bureaucratic attitude of socialist mindset but the perverted mind set of Arvind Panagariya (AP) to seek cheap popularity. The status of the disinvestment process in 24 CPSEs (i. e. out of 60 CPSE, successful disinvestment was made in 36 CPSEs in the same year) through Strategic disinvestment mode, as per the information provided by DIPAM (September 2018) was stated to be as under:

CPSE	Name	Status as on Sep 2018
1	HPCL (Hindustan Petroleum Corporation Limited)	Transaction completed in (2017-18) and an amount of Rs.36915 crore has been realised from disinvestment
2	(1) Scooters India Limited, (2) Bridge & Roof Company India Limited, (3) Projects & Development India Limited, (4) Pawan Hans Limited, (5) Bharat Pumps & Compressors Limited, (6) Central Electronics Limited (7) Hindustan Prefab Limited, (8) BEML Limited, (9) Hindustan Newsprint Limited, (10) Ferro Scrap Nigam Limited, (11) Hindustan Fluorocarbons Limited, (12) Cement Corporation of India Limited, (13) NMDC Limited (Nagarnar Unit), (14) Steel Authority of India Limited (Durgapur, Salem, and Bhadravati Steel Plant), (15) HSCC (India) Limited, (16) National Projects Construction Corporation Limited, (17) Engineering Projects (India) Limited, (18) Dredging Corporation of India Limited, (19) Kamarajar Port Limited, (20) HLL Lifecare Limited, (21) Indian Medicines and Pharmaceuticals Corporation Limited, (22) Karnataka Antibiotics and Pharmaceuticals Limited, and (23) Air India Limited and five of its subsidiaries	Strategic Disinvestment was at different stages of implementation. That is it was at an advanced stage of disinvestment. Not because bureaucrats wanted to hold up or not to differ disinvestment. There was no proof that DIPAM Secretary or Group of Secretaries wanted to hold up disinvestment or permanently differ the planned disinvestment.

For the sake of keeping updated to readers, see the table below which shows progress in disinvestment made in 2019-20 with proceeds of Rs.48,418 crore from 9 CPSEs.

Disinvestment progress in 2019-20					
No	Name of CPSEs	% GOI equity Divested	Divestment Method	Divestment Amount Rs. Cr	GOI Balance Equity %
1	Rail Vikas Nigal Ltd	12.12	IPO	475.89	87.88
2	CPSE-ETF	-	FFO-V	10000.39	-
3	IR Catering & Tourism Corp	12.6	IPO	637.97	87.4
4	Bharat 22 ETF	-	FFO 2	4368.80	-
5	RITES (Nov. 2019)	10.01	OFS	730.33	77.39
6	RITES (Feb 2020)	5.37	OFS	399.25	72.02
7	MOIL	-	Buy Back	250.47	53.84
8	CPSE-ETF	-	FFO6	16500.00	-
9	MDL	-	Buyback	277.88	100.0
10	NEEPCO	100	Strategic Div	4000.00	0
11	Kamarajar Port Ltd	66.67	Strategic Div	2383	0
12	Remittance from SU UTI	-	Other	600	-
13	SPMCIL	-	Buyback	293.45	100
	Total Amount			48,417.43	

18. To conclude, disinvestment is “business as usual” activity unaffected by the incoming or outgoing of VC NITI Aayog. Therefore, delay in disinvestment cannot be said to be a slowdown by bureaucrats. The target assigned by the Cabinet may or may not be fulfilled in the same financial year, though the whole government machinery is bound to implement decisions of GOI in a time-bound manner. Also, Budget Estimates (BE) and Revised Estimates (RE) are meant to adjust the pace of activities based on genuine hurdles and obstacles. The delay in disinvestment is not a lost opportunity.

Often delayed sell of shares fetches better prices than sell in distress or haste. Moreover, SEBI rules and regulations have too much paperwork, due diligence, etc. This leads to delays that need not be construed as sabotage or working against national interest or not implementing decisions of the Cabinet. Moreover, the closure of one financial year leading to spillover of activities to the next financial year is common practice in GOI.

Therefore, which glory was lost, when was lost, by who was lost, and when was found, and where (in US or Colombia University) was found and by whom (Arvind Panagariya or NITI Aayog when he was VC) was found is not clear. Most of the discussants have not read the ‘India Unlimited, Reclaiming the Lost Glory’ book written by Panagariya. In his interview, AP did not clarify the meaning of the title of his book.

With the passing of the COVID-19 lockdown period from India, it is sure India will have to restart its economy. Arvind Panagariya will now use his 31 month's experience in NITI Aayog and the knowledge he acquired in the US to help make "India Unlimited and Reclaiming Glory". Instead of teaching at Colombia University, he will open hundreds of such universities in India where no bureaucracy will slow down his efforts to reclaim glory using his experience and wisdom, which he may be undoubtedly capable of doing so.

When the economy was booming, everyone wanted to take credit for it. But the real test is to regain 8 percent per annum GDP growth, post COVID-19 period, which will begin soon after the close lockdown period.

For the facts stated above, it could be safe to conclude that it is a myth that bureaucracy slows down reforms approved by the PM. Bureaucracy is an enabler and not the hurdle to implement government programmes as could be noticed from 24x7 hours working of bureaucracy all over India during Coronavirus pandemic period from March 01, 2020 to May 03, 2020 to make lockdown a success as well as to stop the spread of pandemic to different parts of the country. Delays in implementation, closure of year-end and spillover of the implementation process to next financial year etc. are a normal part of working and such delays need not be inferred as slow down

Som Karamchetty

Potomac, Maryland, USA

April 24, 2020

A few days back, while contributing to this discussion, I extolled ECQ's virtues in the US government leadership. Here is an HBR article by leaders who excelled in the US private and public sectors criticizing the ECQ's as inadequate for the current and emerging US system. They are suggesting a new method, Public Service Leadership Model.

There are several links in the article referenced below here, which provide more details. The writers suggest implementing the method and training public service executives to get promoted or selected to the Senior Executive Service. Incidentally, they also suggest the new method and training for the political appointees.

It may be noted that the political appointees in the US system are at various levels of the government. In contrast, in India, only the ministers of various ranks in the Indian system are the political appointees (mostly).

It may be worthwhile for Indian think tanks to deliberate on the ECQ's and the Public Service Leadership Model and develop and suggest a method suitable for India considering the characteristics and needs of the nation.

https://hbr.org/2020/04/a-nonpartisan-model-for-developing-public-service-leadership?utm_medium=email&utm_source=newsletter_daily&utm_campaign=dailyalert_not_activesubs&referral=00563&deliveryName=DM77322

Ravi Chaudhry

Chairman, CeNext Consulting

April 27, 2020

I firmly believe that to get the right answers, we must continue to question the questions – till the questions have been meticulously distilled and incisively sharpened. Then – the answers and the solutions become glaringly obvious.

Thank you, Damodaran, for supporting this approach and highlighting new questions that must be posed. Your words carry credence and influence because you are among those who epitomise the three traits mentioned below.

Based on your inputs, I am tempted to re-prioritise and re-state eight questions – now:

1) Does the selection process for civil services attract the best talent, choose the most suitable persons, and train each of them to become a great ‘civil servant’?

(Review syllabus, quality of assessment and training curriculum)

2) Can generalists be trusted to head specialised jobs – or should more experts be brought via the lateral entry for positions such as managing cities, health services, technologies, R&D, etc.?

(Recalling Charles Darwin that “Ignorance more frequently begets confidence than does knowledge”)

3) Who appoints the key bureaucrats in every State and at the Centre?

(Important to reiterate that the appointments are not tenured appointments)

4) What are the three most important criteria for senior-level appointments?

(Do these include merit, integrity, and a track record of service to the nation?)

5) What determines a bureaucrat’s future after his retirement?

6) What is a bureaucrat’s level of confidence in the fairness and impartiality of law-abiding agencies and the Judiciary at each level, if a difference of perception about his performance arises at any time, during or even after his tenure?

7) What is typically the working relationship between the senior bureaucrats and the executive positions they report - is it one that brings out the best of both – with both learning from each other’s beliefs and compulsions?

8) While bureaucrats must implement national policies and government directives, it is also their duty to ensure constitutional propriety in how decisions are implemented. What is the reality of the latter?

Let us refine, add, and let the answers naturally emerge. And then ACT, pretty soon.

Ashok Jhunjhunwala

Institute Professor, IIT Madras

April 28, 2020

Thank you, Gedam, for a detailed write-up on what has happened with DIPAM in India.

I thought that one could have made the arguments without any direct denigration of an individual. Maybe the article from former VC of NITI Aayog triggered the debate. But the debate is bigger than an individual.

Vijay Mathur

Former Chairman, International Airport Authority of India

April 28, 2020

I think we are missing something here. The use of broad-brush terms like generalist or specialist can be misleading. The key to qualification for any senior appointment is domain expertise and experience. For example, take the job of Director General of Aviation- this needs considerable hands-on domain experience and strong personal links evolved through actually working together with counterparts worldwide.

Thus any bright spark who has come up in this area is qualified- whether he has economics, engineering, or MBA degree is immaterial. We need to remember that in the interconnected world we live in, constant interaction is central to keeping updated and in harmony in a competitive and changing environment. An outsider coming in suddenly would not tap into this system in a hurry.

That brings me to my second point- all top positions cannot become parking spots. This becomes glaringly obvious if you look at appointments at senior levels across the Government and the PSUs! There must be a reasonable and stable tenure; changes every year or two are neither fair to the incoming incumbent nor the organisation!

For example, Civil Aviation is today a complex and technical area. Over the last five years, we have had multiple short-term DGCA's, AAI CEOs, & AI CEOs, all from the IAS, and all from completely disparate areas of previous work experience! If you were an ambitious and bright youngster working in these organisations would you stay on? Consequently, the need for promotion to the top from within must be a priority.

The hollowing out of these organisations is glaringly obvious, and has been strongly pointed out by Shri Naresh Chandra when he chaired a Committee to suggest improvements in this area. His report, of course, has been ignored/shelved/archived with little action on any of his recommendations.

I agree with Chaudhry's and the other comments with this aspect.

K V Damodharan

Managing Partner and CEO, Pursuitex Advisory Services LLP

April 29, 2020

We have had a very interesting discussion on “Bureaucracy slows down reforms approved by the PM.” In the talks, experts debated on issues and concerns specific to individuals and few discussed the structural changes required. All of us will agree that there are brilliant people in the bureaucracy, yet, at the same time, there are dead woods too.

The experience with the present system is mixed and not entirely in the desired way. Political leadership is instrumental for all the reforms we see today, even though largely bureaucrats have facilitated these reforms, some may have put hurdles. We need to think whether continuing this present system is sufficient for sustainable economic development for a new India or reform in the present bureaucratic system is inevitable.

The important questions are whether today’s bureaucratic system, which was started in the country's colonial-era based on the requirement of the prevailing political situation and with a mindset of the then rulers, is any more relevant in today’s new India? Civil service induction, cadre structure, powers, duties & responsibilities, etc. are static in their character and have not changed with the times.

What are the ways to achieve this? Whether certain cosmetic changes with the present bureaucracy are enough to get the required professionalism to meet the new challenges? Or whether it is time to look at ways to entirely replace it with a new breed of dynamic managers who are keen to perform with accountability and can become agents of change?

Meleveetil Damodaran

Chairperson, Excellence Enablers Pvt. Ltd.

May 02, 2020

I have, on some occasions, pondered over the meaning of the words "professional" (noun) and professional (adjective). I did not give this much importance till in 2001, a Joint Committee of Parliament observed in its report that a particularly beleaguered organisation should have a professional chairman and professional fund managers. As for the fund managers, there was no doubt. It was an unwarranted comment, considering that they had "professional qualifications" that the industry recognised were more than adequate.

The incumbent Chairman had to resort to introspection. Was he an amateur? No. He was being paid for his work, even though the payment was a pittance. Did it mean that he had to make 'Chairmanship' his profession? Just occupy the chair, get paid and do nothing else. That surely could not have been the intention.

Separately in the course of a press interaction, the question came up about the professionalism of the Chairman. It had to be pointed out to the excitable young journalist that professionalism meant conducting oneself professionally, and it did not derive from

being a professional, whatever that meant. That day, he was also administered a short lesson on the difference between non-professional and unprofessional.

Sometimes, while resorting to the national pastime of treating the bureaucracy as a punching bag, some of us fall into the trap of confusing professionalism with domain expertise.

Ashok Jhunjhunwala
Institute Professor, IIT Madras
May 03, 2020

I agree with Dr. Damodharan that Bureaucracy has several brilliant people and some are deadwood.

In my work with the Government, my biggest concerns were as follows:

1. Some often think they know everything about the subject. They often forget that their brilliant education was long back and they may not always have kept up to date. When I tried to bring in new knowledge, they would feel offended that I talked down.
2. Many of them do not want to take risks. Instead, they would follow what has been done (especially what has been done in the West). Anything innovative is too risky. I think the government rules penalise them heavily if they do something off the usual line and fail (not recognising failure is part of life). They would keep asking where else this has been done.
3. I also found that if they are convinced, their ability to make anything successful is very high. But when they are not convinced, they can become a big blocker. It does not matter if the Minister supports it.

I also felt that they (say at Secretary/Additional Secretary level) are doing too many things. They do not always have great support staff.

Som Karamchetty
Potomac, Maryland, USA
May 03, 2020

Chairperson Meleveetil Damodaran raised an important point about using the term 'Professional.'

Here is a good article on the topic of 'Professional.'
<https://www.somegreymatter.com/professional.htm>

Everyone will practice a profession without training, certification, charter, and association. The work of these professionals is likely to influence on the safety of people and property. That leads to standards of conduct.

In the US, anyone can do engineering, but only a professional engineer can do certain jobs.

A professional may not do all jobs. That is why the phrases engineering professional or professional engineer are used. If a job performed by an engineer is below certain standards or if the conduct of the job is not up to the standards prescribed for that profession, he is rated as unprofessional.

I am not sure if IAS is defined or declared a profession. But, it is seen as a profession. It has the characteristics of a profession (my opinion). On the other hand, bureaucracy is not a profession. Perhaps, that is why people call an IAS officer a bureaucrat when they do not like what he does or how he does. It is also not uncommon for people to tar all IAS officers with the same brush by calling the whole of them as bureaucracy; that is unfortunate. It appears that the IAS does not have an association that lays down standards of doing their business and conduct. They may have an Association that is more like a club or a (trade) union.

I was a Chartered Engineer in Australia for a certain period and a Professional Engineer (PE) in three states of the USA for a different period. I lost the PE certification when not taking the required continuing education. I still do engineering (occasionally) but may not do or certify jobs that require a professional engineering certification.

If no specified qualifications, certification, membership of the professional association, and swearing to code of conduct are required to assume a position, such a position is not a professional one. Some high-level jobs in the public sector undertakings fall into that category.

If we continue this argument, one might be tempted to suggest make every job a profession by merely specifying strict standards. Such professions merely become unionised.

The best course is perhaps to have some standards for administrative and management jobs and mechanisms to monitor their performance and methods to weed out those who are unfitted or misfits.

Ashok Jhunjhunwala

Institute Professor, IIT Madras

May 04, 2020

There were a lot of discussions about the public sector vs private sector people on this forum. I am speaking from my experience on many boards in both kinds of companies, and I was fortunate to be part of both.

1. I have seen public sector independent directors are not always independent. This hurts the company. They do not question the management adequately. I often found that many board members are there for just some perks. So this is a reform that is needed. The independent board members must be competent and independent.

2. I often found the Minister having too much of a say. I saw the Minister calling CMD to their office left and right and giving them instructions. The Minister's involvement should be limited to AGM or maybe twice a year. The Minister should not give directions to the company. If it is given, it should be in writing, discussed on board and then only action must be taken.

3. Again, the public sector CEO (CMD, MD) is afraid to take risk. The action against them if things fail is too hard. They must be really empowered. They should be appointed for a minimum of 5 years – and if required, they should be able to go to 65 years. The only answerability should be company performance. They should have a leeway to take action against the employees who are not performing.

4. Performance measurement should be sharpened. It should have a major component dependent on the performance of the division/department. Senior management's goal has to be to improve the performance of their division – and not that “I have done everything within rules.”

5. The hierarchy needs to be reduced. The CEO/CMD is always the final decision maker, but it has to be collective management. This is not doable by having three to four management persons being part of the board, where each feels that they can block everything. Only the CEO should be part of the board. Others can be invitees to the board, but not board members. Also, the chairman should be not part of management but an independent senior person (not politically appointed).

I have seen both the public sector as well as the private sector. I have seen great and not-so-great (I will dare say poor) people at the near top level in the public and private sectors. I have seen dishonesty in both at times. It is a strong independent board (independent of promoters) that makes a difference.

If Mahindra Companies (just for example) independent board members can not differ and question Anand Mahindra (chairman) in a board meeting, the company would not do well (the name that I mention is just as an example – I have been on boards of Tata companies, Mahindra companies and many other companies with very strong proprietors). The board

in either company should ask for a change of CEO if the performance is not good. I have seen poor independent members in both the public as well as the private sector.

Overall, I am more for fewer public-sector companies, especially where there is enough investment from the private sector. Also, as was mentioned earlier by Damodaran Sir (I think) that having a strong and independent regulator (not influenced by Government) helps a lot.

By the way, I am very concerned that board members' independence and that of regulators are being increasingly compromised.

I will end by saying that if I have something wrong, my apologies. I do not wish to offend anyone. But after reading a large number of emails, I could not keep quiet.

Thomas P Thomas
C.E.O., Zyware Technologies
May 06, 2020

I thought the following extract from a speech by Dr. Verghese Kurien is relevant in the exchange on professionalism. He combines the issue of administrative capability and domain expertise into the concept of professionalism. This is from a speech he made at Railway Training College in Baroda at a Graduation Function.

1. First and foremost, the professional must be true to his “science” and committed to the unending pursuit of a mastery of his subject. *This is the ethic of the professional.*
2. Second, the professional has in his hands the instruments of change, the essential tools that society has to command if it is to achieve the change it requires. Even though he commands these tools, the professional must use them not for himself but on behalf of society at large. In other words, it is about managing on behalf of others. *This is the professional focus of the professional.*
3. Third, the professional has to perceive - and even anticipate - the needs and aspirations of his constituency, gathering their diverse threads together and resolving any conflicts in them. The professional accepts the needs and aspirations of his constituency as the spur which drives him on, continuously seeking to improve his own performance. He develops an internalised vision of his constituency’s world that lies outside himself. *This is the motivation of the professional.*
4. Fourth, the professional must be aware of the bureaucracy that he and his colleagues are forever building, allegedly serving others, but always with the tendency to be self-serving. When he finds that he has erected his bureaucracy, he must tear it down and reform it. He has to learn to reject the old and expose himself to what is new. *This is the revolutionary role of the professional.*

5. Finally, and in summary, the professional has to keep in mind the difference between what he wants the world to be and what the world is, remembering that large endeavours are only the sum of many small parts.

6. The professional deals with a kaleidoscope of policies, administrative practices, work cultures, techniques and technologies. Through this kaleidoscope, the professional has to keep clear in his mind his perception of the social and economic impacts of the technologies which he commands. Only then can the professional give purpose to the majority's awareness of what constitutes desirable change: The professional has to develop a perception of the mind that is neither romantic nor pessimistic. *This is clarity of mind - which is the basis of professionalism.*

S Srinivasan

Former Secretary to Government of India

Member (Finance), Dept. of Space/Atomic Energy/Earth Sciences

May 06, 2020

Damodaran says it nicely. Professionalism and domain expertise are two disjoint sets, and at best, they overlap in a small sliver. Nowadays, domain expertise has little meaning with the blistering pace technology is changing the landscape.

This comes with a caveat, of course. The onion-like layers of experience accumulated over the years eventually constitute the domain expertise. I have known many so-called "generalist" administrators deliver much better and have a better appreciation of the long-term implications of strategic decisions.

The administrator should not toe the line of the political executive and be fiercely independent, objective, and can stick on and not look for the pot at the end of the rainbow. But alas, this is seen more as an exception than the rule, as there are too many temptations thrown at you along the path.

This is certainly not meant to denigrate the value of real professionals. As one goes up the hierarchy, the principal requirement is to have what in management jargon terms as "helicopter view". Sometimes die-hard "professionals" lose sight of this view from the top. The 'generalists' because of their the other ailment of "generalist" administrators is this peculiar and phyrrie predilection to willy-nilly undo the good work built up by their predecessor and attempt to dismantle the system and foist their "own" view on the organisation.

I have seen this happen in many cases where the professional approach is to carry on with the best the previous regime has built up and nurture it to take the organisation ahead. But, alas, their short tenures do not allow this 'luxury'.

There is so much to do that one life is not enough. As one of my wise bosses told me, "if you knew at the beginning what you know now (at the end of the career), how much difference could you make?" but then, that is the essence of life.

Thanks to all the experienced people discussing such diverse views from their rich experiences.

Vinay K Nangia

Retired from IIT Roorkee

May 07, 2020

Taking it from K V Damodharan.

"The important questions are whether today's bureaucratic system, which was started in the country's colonial-era based on the requirement of the then prevailing political situation and with a mindset of the then rulers, is any more relevant in today's new India? Civil service induction, cadre structure, powers, duties & responsibilities, etc. are static and have not changed with the times."

My experience of associating with UPSC as an adviser for almost 13 years to select Civil Services officers is very disappointing. Over a long period, I have seen a continuous decline in the quality and caliber of candidates and even those on the Selection Panels. Intermittently some Chairmen of UPSC did bring about marginal improvements for short periods.

There is a dire need to revamp the services, but who will bell the cat? District Magistrate/Collector was and is the only institution within the bureaucratic system that works most effectively. The condition of the state-level bureaucratic system in states formed in the year 2000 or later is quite poor.

Meleveetil Damodaran

Chairperson, Excellence Enablers Pvt. Ltd.

May 07, 2020

Karamchetty, thank you for your most useful comments. I am better informed or at least less confused, as a result.

In the autumn of my sojourn on earth, I shall continue to wrestle with these existentially non-essential questions.

The mother question that refuses to go away is whether a person who is part of, or belongs to, a Service, provides service, is trained for two years at the induction stage, and thereafter in mid-career programmes conducted by IIMs etc. and through courses overseas, can be called a professional.

V Ranganathan

Retired Professor, IIM-B, Former Member, TRAI

May 08, 2020

Apropos Ashok Jhunjhunwala's exhortations:

I would like to reply, point by point:

1. I have seen public sector independent directors are not always independent. This hurts the company. They do not question the management adequately. I often found that many board members are there for just some perks. So this is a reform that is needed. The independent board members must be really competent and independent.

The observation is rather inane. Every competent one has an opportunity cost, and why would he come if there are no perks or any incentive? Perks in the public sector are quite modest, compared to the private sector. Then his demand for competent and independent directors: now, if you are incompetent, you cannot have the luxury of being independent; you may not even understand the issue to take an independent stance! People want competent and seemingly independent people, i.e. project an air of independence on all 'c' category items and play ball on crucial matters!

Seemingly independent but competent people are much in demand. I would like to be enlightened by him on how many crucial matters he has exercised his independence and justified to his conscience.

There was a situation where a regulator fixed the price of a section of activity of the company and asked the firm to refund the excess. The company went to court and won the case, saying the regulator had no jurisdiction to fix the price. As an academic with some knowledge about the purpose of the regulation, viz. to mimic competition, I thought the judgement was wrong and that the regulator did not defend his stand properly. But as an independent director of that company, I could only congratulate the top management in hiring a good lawyer! Now all you people, tell me what should I have done?! I felt bad, no doubt, that is all.

2. I often found the Minister having too much of say. I saw the Minister calling CMD to his/her office left and right and giving them instructions. In fact the Minister's involvement should be limited to AGM or may be twice a year. The Minister should not give directions to the company. If it is given, it should be in writing, discussed on board and then only action must be taken.

This pious-looking comment shows a profound ignorance of the very *raison d'être* of the public sector, in the way politicians use the public sector. The literature on State-owned Enterprises says that politicians use SoEs to maximise the chances of winning elections.

So they will use it; no point grumbling about it. If you don't like it, then don't have a public sector.

Now I have to do an unpleasant job that I myself proscribed, teach. But that is the easy part. There are 2 things in economics; normative economics and positive economics. Normative economics is the grumbling about saying right things should happen and wrong things should not. Positive economics is analysing why and how wrong things happen and then suggesting remedies that will ensure they will not happen. E.g. "Minister should not give directions to the company". – normative economics.

Setting up structures whereby the CMD need not heed the minister if he thinks fit – is positive economics. PL Tandon was Chairman of STC, after servicing HLL. He operationalised the concept of public accountability, published quarterly profit and loss and balance sheets in newspapers. He told the minister "don't interfere, I will make profit and then you can do whatever you want with the profit". Within months, the entire star-studded board consisting of, among others, PJ Fernandez, Sarin, NCB Nath were shunted out.

3. Again, the public sector CEO (CMD, MD) is afraid to take risk. The action against them if things fail is too hard. They must be really empowered. They should be appointed for a minimum of 5 years – and if required, they should be able to go to 65 years. The only answerability should be company performance. They should have a leeway to take action against the employees who are not performing.

This is by and large happening. Performance is one way of securing managerial discretion and autonomy. Good CMDs do five years Corporate Plan and get it approved by the ministry, and this is a way of securing managerial discretion.

4. Performance measurement should be sharpened. In fact it should have a major component dependent on performance of the division / department. Senior management's goal has to be to improve performance of their division – and not that "I have done everything within rules."

Don't be too naive to assume that CMD's don't know this. Everyone knows that profit making is the legitimate performance goal. But they will cite multiple goals and social objectives as an alibi for non-performance.

5. The hierarchy needs to be reduced. The CEO/CMD is always the final decision maker, but it has to be collective management. This is not doable by having three to four management persons being part of the board, where each feels that they can block everything. Only the CEO should be part of the board. Others can be invitees to the board, but not board members. Also, the chairman should be not part of management but an independent senior person (not politically appointed).

You are out of your depth in making this suggestion. E.g. In ONGC, CMD may be an engineer, an exploration man; but Director finance must be a CA or similar finance professional. How can CMD alone be on board?

I have seen both the public sector as well as the private sector. I have seen great and not so great (I will dare say poor) people at near top level in the public sector as well as the private sector. I have seen dishonesty in both at times. It is a strong independent board (independent of promoters) that makes a difference.

Were you in it? Some examples may help!

If Mahindra Companies (just for example) independent board members can not differ and question Anand Mahindra (chairman) in a board meeting, the company would not do well (the name that I mention is just as an example – I have been on boards of Tata companies, Mahindra companies and many other companies with very strong proprietors). The board in either company should ask for a change of CEO, if the performance is not good. I have seen poor independent members in both the public and the private sector.

This is the problem in our country. If you are good in telecom technology, they assume you are good in everything, including Corporate Governance. Sadly it is not true.

There is a pyramid at the bottom of which there is a technical skill; in the middle, there is a human skill; at the top, there is a conceptual and conciliatory skill.

Even Steve Jobs needed a wozniak for technical skills. Bill Gates was mainly technical and hired people with organisational skills. Even Larry Page and Sergey Brin, Google founders, have taken the backseat and left it to a Wharton Management man Sundar Pichai. The art of being successful lies in knowing one's limitations and realizing when the bottle's head becomes its bottleneck.

Sumit Majumdar

Professor of Technology Strategy

University of Texas at Dallas

May 09, 2020

I have been following this fascinating conversation and have not yet provided a little input. Still, I may be permitted to make a tiny intervention based on some historical facts that would be great.

It is clear that structural reforms are sorely needed in administrative processes in India, but of what type? India's administrative cadres (IAS; IPS; IForS; and some Group A central services like IA&AS) are old and venerable. Let us keep Indian history in mind while thinking through feasibilities.

The IAS predecessor, the ICS, which had both European and Indian members (those interested in the ICS will have to wait for my detailed history of the Indian ICS officers which is in process as I have material for at least 1,000 pages of stuff!), was a revenue extraction service, and discipline and peace maintenance service, as the term Collector and District Magistrate (the most common post in the cadre) implies. Similar hang-ups may still prevail.

Every ICS officer was at least once in career a Collector (or Deputy Commissioner in some provinces like Assam; CP & Berar and Punjab), and he was helped by an IP man who kept the peace (while handling the danga and maar-pit done by the badmashes), so that rents could be collected.

When the clamour for independence and betterment of conditions among Indians got too great after 1905 and the birth of the Swadeshi movement, efforts to develop India started. These steps were uncoordinated and did not yield outcomes, as the administrative structure and processes to do so were ad-hoc. Only after the three Round Table Conferences of the 1930s were formal steps initiated.

A formal "Finance and Commerce Pool" (F&CP) was set up in the late 1930s. F H Puckle, ICS, then Chief Secretary of Punjab, came as OSD to GOI's Home Dept., toured India to figure out which of the provincial ICS men were capable of GOI posts, in general on a tenure basis, and for F&CP membership. He then became the first Establishment Officer to the GOI.

F&CP men were to occupy key junior scale, senior scale and apex posts, culminating in the cadre post of Auditor General of India. These were economic administration posts in the Finance and Commerce departments of GOI, and their agencies such as Customs, Income Tax, Trade Commissions of India overseas, and Import and Export Control.

Key characteristic: A person from ANY service could be selected and not just ICS men. There were 55 recruits (I have the full list of these I dug out from IOLR, London) and ALL gave up their service and cadre affiliations.

There were 41 Indians and 14 British (all ICS) in the F&CP. Of the 41 Indians, 17 were ICS and 24 were from Customs, Income tax, Military Accounts, and Accounts and Audit departments. They were all past 30 in age and had 7 to 10, some cases more, experience in their cadres before F&CP selection.

There was absolutely no such thing as ICS superiority. Once in F&CP, they ALL stayed in F&CP till retirement. The senior-most was a Military Accounts man, K R K Menon, who became Finance Secretary in 1948. The prior Finance Secretary, V Narahari Rao, was an IA&AS man, who became Finance Secretary in 1946 and CAG in 1948. The second senior-most man, K K Chettur, IA&AS, went into the IFS in 1947 and was Ambassador to Japan. The junior-most F&CP man was a British ICS officer who stayed in India until the mid-1950s.

This was a group of men of the BEST possible TALENTS, irrespective of parent service. This was crème-de-la-crème of abilities, and F&CP men were Secys. to GOI by their late 40s.

Stars: H M Patel, ICS, Finance Minister of India; Muhammad Ali, IA&AS, Prime Minister of Pakistan; P C Bhattacharya, IA&AS, Secretary, Min. of Production, then Chairman, SBI, and then Governor, RBI. A K Roy, IA&AS, Finance Secretary for ages and then CAG. L K Jha, Secy to GOI at age 44, and then economic policy superstar till death in 1988 when he was 75. The late S. Ranganathan, ICS, has a similar story.

Need of the hour: similar cadres (call it pool or group or whatever) for functionalities making ‘Mera Bharat Mahan:’ [a] fiscal and trade, [b] social development, [c] infrastructure development and [d] human capital development sectors.

Recruit the best from among all government employees, everywhere, for each pool. People chosen at 35, for a ten-year stint. Afterward, they can go back to parent cadres if they are unwanted or not keen on the pool. If not, their lien is suspended, and they remain permanently in their respective pools till 60.

Recruitment: utterly and draconian, along the lines of IAF/IN/Army officers’ selection around the age of 30 to attend DSSC (Wellington), assuring staff training and operational command abilities, and selection later in life, at around the age of 50, to attend NDC (New Delhi), to be the strategic leaders. The point here is if you are not DSSC and NDC trained, you do not become an Army Commander or COAS, or now CDS.

Rationales: behavioural: fulfils an Indian’s need for BELONGING. The innate desire is ‘Sarkari Naukri.’ Preferably in a ‘Service,’ with its own ‘Department,’ and its own ‘Cadre,’ and its own ‘Civil List.’

Administrative and political: creates a pipeline of talent for the foreseeable future, utilizing India’s already existing processes to do so. Helps Bharat Sarkar create a Maha Bharat!

Subrata Chakraborty

Former Dean & Director-in-Charge, Indian Institute of Management, Lucknow, India

Former Director, Jaipuria Institute of Management, Lucknow, India

May 14, 2020

My experience is somewhat similar to that of Nangia. I had the opportunity of looking at the candidates at the interview stage but did not find the calibre of candidates high. Many candidates I met went through coaching at one or more of the coaching centres near IIT, Delhi.

I had a comparative reference point with CAT qualifiers seeking entry into the IIMs. Sorry to say there was a considerable difference between the two groups regarding the ability to

comprehend things. That said, I believe there is no dearth of good minds in the country. Seemingly, civil services are no longer one of their top choices.

Also, having had exposure to working with many senior IAS Officers, I came away with the impression that a large majority of them remained departmental employees, lacking a holistic approach to things. This often caused gaps in programme implementation.

Som Karamchetty

Potomac, MD USA

May 15, 2020

In a private company, there is a Chairman of the Board and a Chief Executive Officer (CEO). The Chairman represents the owners or stockholders via the Directors. Essentially, they are elected by the owners and there are certain general leadership qualities required of this person. On the other hand, the CEO runs the business through their executives. These people have subject matter expertise.

In the government's case, the PM and Ministers are like the chairmen and the Department Secretaries are like the CEOs.

In the case of PSUs, the top person is appointed by the government and should be knowledgeable about the owner's (people represented by the Government) interests. That top person should have the help of other executives who (like CEOs) oversee the various functions, and they all should have greater subject matter expertise, especially as one is at the lower ranks in the hierarchy.

From: CUTS International

May 28, 2020

Those convoluted govt circulars show what's wrong with Indian babudom

The Economic Times, May 24, 2020

By Chetan Bhagat

Recently, in a lighter vein, I tweeted this about the complicated MHA circulars: "If you can understand MHA circulars, you can crack the Data Analysis and Comprehension of CAT or any entrance exam in the world easily." Most people laughed, but not all were amused. A young IAS officer replied: "Civil Services Exams are among the toughest in the world. With patience, orders/circulars can easily be understood. Read calmly because each word written in such orders matters." Alright then. I had been reminded of my place. I forgot superior beings wrote these orders. Hence, if I found the orders confusing, something was wrong with me.

This one example reflects the broader superior, arrogant and unwilling-to-change attitude among many of our civil servants. And yet, one fails to understand this: if they are so amazing, why are India's bureaucrats seen as a part of India's problem? Why does the common man fear them? Why are they cited as the main reason behind the difficulty of doing business in India?

To read more, please click: <https://bit.ly/3gxy9nt>

Part III: Some Relevant Writings of Scholars

Preserving the core of the economy

Amit Kapur

Joint Managing Partner, J Sagar Associates

The Financial Express, April 07, 2020

In the novel coronavirus pandemic, we are battling the most daunting challenge faced by human civilisation. We have no precedents or playbook to go by. The authorities, businesses, and civil society are engaged in a battle to survive an unprecedented lockdown where the Disaster Management Act, 2005 has been invoked, and a nation-wide curfew imposed. At the end of this tunnel, our struggle to revive will begin. Aspects of how we live and transact business and trade and commerce are bound to change irretrievably.

Yet, during this phase, we must preserve the “core” of our economy to be able to stabilise, rehabilitate, and revive later. This core, amongst other things, comprises the global and national web of contracts that is fast coming unstuck, risking ruinous destruction of the rule of law and commercial and social relationships.

Preserving the economy and contracts is not purely commercial. We often do not notice the silent omnipresence of contractual relationships underlying the mundane elements of our daily lives, until one of them comes unstuck or requires our attention! Contracts underpin many things we take for granted—from the daily newspaper to marriage (for several), residence, basic amenities, food, education, healthcare, livelihood, et al. Imagine that the mutual promises underlying all these lose value, reliability, and predictability. Say, you cannot rely upon delivering any of these services/products, or the supplier cannot be sure that you will pay for what they have supplied. Consider a scenario when you cannot rely upon your employer to pay your promised wages, or there is a complete loss of job security.

Sadly, this is no longer a hypothetical scenario. Some public and private sector companies have started terminating contracts which they considered non-essential.

They refuse to honour committed expenses, like paying rents, salaries, and other dues to suppliers, claiming supervening impossibility, frustration of contract, or force majeure. The resultant stress is building up in unrest. It will culminate in widespread collapse of trade, commerce, and relationships. A deluge of conflicting claims and disputes will overwhelm the already burdened judicial system!

Where do we begin? Are we doing enough, devoting our collective consciousness and energies at this hour, to safeguard the core of our society to survive, and revive in the days ahead? Can we afford to first take care of the physical survival before addressing these seemingly mercantile concerns? These are some of the questions that face us.

It is imminently urgent and desirable that the governance mechanism, the business world, and civil society ensure the survival of these contracts during this period of unprecedented lockdown. We do not have the luxury to wait for better times before dealing with this issue. We need to confront the threat of irretrievable mutilation of the underlying web of contracts that will culminate in bankruptcies, and widespread unemployment. Today, faced with shortages and competing claims on limited resources, we are driven to knee-jerk reactions to preserve individual well-being and wealth at the cost of others—pushing shortages and risk to others.

This could perhaps be avoided if a legally binding transition period is established, preserving the contractual rights, with a promise to realise the dues/deferred entitlements over a defined period after the transition while ensuring that the minimum required to preserve the assets and properties.

Such a *status quo* will help parties accommodate without risking their property, legal rights, and claims.

During the transition, we are bound to demand public finances and facilities with limitations and private resources. We need a national consensus, built on a bipartisan basis, defining our transition path. Individually and institutionally, we must prioritise our consumption, conserving our resources by deferring non-essentials to meet the challenge during the crisis while securing a baseline of amenities for all to survive. A safe passage must be predicated on a rational and equitable national transition plan, built and implemented transparently and carry all stakeholders along.

Our institutions and politicians need to rise above partisan considerations and evolve and implement this national solution, keeping the citizen in focus. The task forces constituted by the central government must focus on this transition path immediately. The PMO and Niti Aayog need to take the lead here, engaging all chief ministers, chambers of commerce, and civil society representatives.

We need to evolve a new social contract for a resilient, robust, equitable, and flexible transition path—governed by salutary principles and a credible, trusted bipartisan institution. This path must establish a shared safety net for all citizens, sharing the shortages equitably and conserving resources for the future. Any hope of rebuilding a credible future must be based upon preserving the economic substratum, else revival will be predicated on an ugly bloodbath!

<https://www.financialexpress.com/opinion/preserving-the-core-of-the-economy/1920784/>

Recoupling the Economy with Society

Arun Maira

Former Member, Planning Commission

Global Solutions

The COVID-19 stress test has starkly revealed fundamental flaws in the design of the global economy. Global supply chains collapsed, shutting down entire industries and throwing millions out of work. In my own country, India, the precariousness of the incomes and lives of people outside the enclaves of rich globe-trotters, who were out of their sight and even out of their minds, could not be hidden any longer, when millions of internal migrant workers spilled out onto roads and highways, to walk to their homes in villages hundreds of kilometers away, seeking food and shelter, which was denied to them by a global system they had come to serve. These were India's used and discarded workers, who had been contributing to the growth of its GDP.

For many years before the pandemic, I struggled to unlearn ideas of economics and public policy that have dominated the official global discourse, which I was actively participating in, to learn other ideas I sensed were needed. It was not easy. I found myself challenging myself and having to challenge my own side in a debate about paradigms.

While everyone was locked in, I could connect more easily, surprisingly, with other like-minded people who have been questioning the prevalent paradigm of economic progress for some years. So far, they had been on the margins of the debates about economics. Now they needed to be heard from. I was inspired by the weeks' long Global Solutions Summit, which has just concluded, and the dozens of conversations it enabled amongst thoughtful people around the world on the urgent need for '[Recoupling the Economy with Society](#)'—its theme.

A conflict of paradigms of growth

Metaphorically speaking, the two sides were: the side of the World Economic Forum gathering on the mountaintop in Davos—the side I was seen to be on; and the side of the World Social Forum gathering on the ground by the sea at Porto Allegro. During the last thirty years, the distance between the two increased further; with the wealth of the people 'up there' soaring higher and higher above the wealth of the people 'down there'.

When I joined India's Planning Commission in 2009, I found the two sides in opposition within the country. On one side were economists and bureaucrats in the Planning Commission (PC), and on the other side were civil society organisations in the National Advisory Council (NAC) (which was sometimes referred to as a 'parallel planning commission'). When the UPA government fell in 2014, and both the NAC and the PC were disbanded too, the debate amongst economists continued publicly. On one side were Professors Jagdish Bhagwati and Arvind Panagariya, both advocates of free trade for growth. On the other were Professors Amartya Sen and Jean Dreze (the latter a prominent member of the NAC), both advocates of human development for growth.

Prof. Panagariya was appointed the head of the new National Institution for Transforming India (NITI Aayog), which replaced the Planning Commission. The new government was urged to step up reforms of the economy. ‘Reforms’ meant more openness of the Indian economy to international trade. And dilution of labor protection laws to make life easier for business investors. However, the weakness of India’s growth model, which had been producing high growth of GDP for some years (and which had enabled India to declare itself as the world’s ‘fastest-growing free-market democracy’) were becoming evident too. Employment was not growing enough, which was dangerous for a country with the largest numbers of young people globally—the source of the expected ‘demographic dividend’ to India’s economic growth. India had the lowest employment elasticity of growth globally—the number of jobs created with each unit of GDP growth.

The ‘other side’ of the policy debate became emboldened to say that India needed a good Industrial Policy to build domestic industries and create more employment within India, a concept that had almost become taboo with the Washington Consensus. According to this side, what India needed was universal social security for all citizens, much more than the relaxation of worker protection laws. However, they were sneered at by the other side as ‘socialists’ and ‘protectionists’ and relics of the past.

When the government was forced to declare a harsh lock-down in March to prevent the spread of the [COVID virus](#), the fragility of India’s growth model was revealed. Now the government is scrambling to provide ‘social security’ to hundreds of millions of workers who have lost their jobs and incomes. And, it is trying to build domestic industries rapidly, and to support small enterprises, which will employ more people in more secure jobs. India’s planners are being compelled to shift their priorities, to focus on the small and not the big; on rural villages rather than on urban metropolises; and on people first rather than on investors. Back to fundamentals; back to the roots.

A search has begun for a new paradigm, to replace the one that was neither resilient nor just which has dominated economic policies for the past thirty years.

Returning to the future

Sixty years ago, a prescient economist in the UK had predicted that, “the twin evils of unemployment and mass migration” would break out into a pandemic in developing countries unless the paradigm of ‘economic development’ was changed. He was E.F. Schumacher, who, in 1968, wrote in his essay, “The New Economics”:

“In the poor countries in particular there is no hope for the poor unless there is successful regional development, a development effort outside the capital city covering all the rural areas wherever people happen to be.

If this effort is not brought forth, their only choice is either to remain in their miserable condition where they are, or to migrate into the big city where their condition will be even

more miserable. It is a strange phenomenon indeed that the conventional wisdom of present-day economics can do nothing to help the poor.

As applied by present-day economics, the economic calculus forces the industrialist to eliminate the human factor because machines do not make mistakes while people do. Hence the enormous efforts at automation and the drive for ever-larger units. This means that those with nothing to sell but their labour remain in the weakest possible bargaining position. The conventional wisdom of what is now taught as economics bypasses the poor, the very people for whom development is needed.”

Schumacher warned of the deleterious consequences of industrialisation driven by a concept of ‘productivity’, fuelled by technology, eliminating human beings from the production process. Its effects are being felt today, even in the West. He wrote, in his essay on ‘Industrialisation through Intermediate Technology’:

“If we define the level of technology in terms of ‘equipment cost per work-place’, we can call the indigenous technology of a typical ‘developing’ country (symbolically speaking) a \$1-technology, while that of the modern West could be called a \$1000-technology. The current attempt of the modern West, supported by foreign aid (and investment), to infiltrate the \$1000-technology into their economies inevitably kills off the \$1-technology at an alarming rate, destroying traditional workplaces much faster than modern workplaces can be created and producing the ‘dual economy’ with its attendant evils of mass unemployment and mass migration”.

Schumacher was drawn towards non-Western concepts of economics. He applied principles of ‘Buddhist Economics’ to suggest new economics for the world. He was greatly drawn towards Mahatma Gandhi's ideas and economists around him, such as J.C. Kumurappa (sometimes referred to as Gandhi’s planning commission), which was applied in practice to create new institutions. They designed institutions for a ‘peoples’ capitalism’—institutions run by and owned by people in villages. They could create wealth for themselves rather than for remote capitalists in big cities and in other countries.

The 3% and the 97%

The COVID-19 global pandemic has turned out to be a global catastrophe. Millions of people everywhere have lost their sources of income and businesses have collapsed, and economists cannot even predict in what form the economy will emerge. Yet, Wall Street had its biggest 50-day rally in history amid the lockdown!

20 years ago, according to the government in power then, India was shining. R.K. Laxman, the cartoonist, had something to say on behalf of ‘the common man’. Amidst the booming stock market headlines, his cartoon showed two beggars at the bottom of the stairs to the Bombay Stock Exchange. Three stockbrokers are coming down the stairs, laughing. “Oh good. The stock market must have gone up. Now life will be good for us too”, says one beggar to the other. In another cartoon, the beggars are looking into a

newspaper whose headline says the GDP has gone up and they don't seem to know what to make of it.

Noble Laureate economist Paul Krugman stresses that the stock market is not the economy. Stocks don't care about your feelings, says an article in the New York Times. Someone on TikTok says that stock prices graph people's feelings!

Less than 3 percent of Indian citizens have investments in the stock market. Stock markets, the judgements of rating agencies, and even GDP do not represent the realities of the lives of 97 percent of Indian citizens. In India, while the 3 percent were celebrating the growth of economies, watching the GDP and stock indices, the twin evils of unemployment and mass migration were growing outside the walls of their physically and mentally gated communities. When a lock-down was declared to prevent contagion from the virus, these evils in the economy could no longer be hidden.

I live in a 5-star apartment complex in India's National Capital Region, with a golf course, a swimming pool, and even a beauty salon on its premises. We are served here by hundreds of workers, inside the gated walls of our community and as domestic help in our homes. They live somewhere outside our walls; we do not know how they live, nor seem to care. When the pandemic broke, migrations began. Wealthy globe-trotters—'people like us'—flew back from wherever they were in the world for safety in gated condominiums in India. Meanwhile, those who served 'people like us' began their migrations to their villages, many starving and dying on the way, killed not by the virus but by the system's injustice.

People like us sometimes complained about these, the other Indians, who were not like us. They were 'not good enough for us' when we employed them in our factories and our homes—too unproductive and with shoddy habits. It was something about the 'Indian culture' we would lament—a culture that existed out there, beyond our walls, and not inside our homes. We were alright; they were not.

One morning I ventured, with my mask on, to the small grocery store within our complex, which had bravely continued to operate, supplying us unfailingly with our essentials. However, some complained that it once in a while had run out of their favorite brand of shampoo. There, while maintaining my social distance from the cashier and the domestic worker who had come down from his apartment to pick up cereals and shampoos for his employers, I overheard this conversation.

The cashier and the domestic worker compared notes. Both were from Bihar, where they had come with many others seeking a better future for themselves. They inquired about their acquaintances. How were they doing? How many had returned? What news about where they had reached? They exchanged stories of hardships. The domestic worker said his employer had just returned from abroad. "These people travel all over the world", he observed. "Now they have brought the virus to us. And we must leave to look for safety in our villages. No food on the way." Sadly, he seemed resigned to his fate.

While we, who are within the elite 3 percent, often complain that ‘these people are not good enough for us’, over-hearing the conversation amongst these two, who were well within the remaining 97 percent, I felt compelled to ask myself, “*Are we (and our ideas of economics) good for them—these, our people?*”

A new dawning

Perhaps the ideas of Gandhiji and his advisers, that were set aside all through the Nehruvian era, the post-1970s socialist era, and the post-1991 liberal era, should stimulate new thinking: not to take India back, but as an impetus for new thinking for India to go forward. The principles apply very well even in the 21st century. New technologies make it even easier now to create enterprises of the people, by the people, for the people than in Gandhiji’s times.

Whether migrants or not, all Indian citizens are entitled to what India’s Constitution promises—‘equality of status and opportunity;’ ‘fraternity assuring the dignity of the individual’; and ‘justice—political, social, and economic too’. The migrant crisis has revealed that the old economics—whether the pre-1991 socialist economics or the post-1991 liberal economics, could not deliver what the Indian Constitution had promised all India’s citizens. It is imperative that Indian leaders and economists, who are concerned about India’s future, set aside their ideological squabbles, and outline a ‘new economics’ for India to enable all Indians to live in dignity and with adequate economic security wherever they choose to live. Whether they are migrants from one state to another, migrants from villages to cities, or cities to villages as millions are now.

The Overton window (named after a political scientist Joseph P. Overton) is a model for understanding how ideas in society change over time and influence politics. The window opens when ideas that were on the fringe gain broader relevance. People who the virus has physically locked in are breaking out in conversations on the internet. Webinars have become another virus to avoid, some now complain! New ideas about a new, humanistic paradigm of progress are breaking out of the global financial paradigm whose sell-by date seems to have passed. Many of these conversations are amongst civil society organisations and gatherings of young people determined to build a better India. Such conversations are even beginning to appear, like shoots of green from beneath encrusted frost, amongst financial economists, business leaders, and market traders, who have been most benefitted by, and therefore most vested in, the old paradigm.

The Indian poet Sahir Ludhianvi had evoked the hope of better times in his poem, ‘The Dawning’. He said:

“From the horizon
In the awakening of dawn
The path comes to me
Strengthened in the dawning.
Frozen crust on the ground
Shimmers in growing light:
At my feet, beneath the frost, I see breaking shoots of green”

Paradigms change when new voices with new ideas enter the public discourse, like little shoots of green grass from beneath an encrusted frost. Through the end of the COVID tunnel, I can see the shape of a new economy more clearly with the Overton window opening wider. An economy must be more resilient and more just; more local than global; more community than the market. An economy in which humans are humbler about their place within the natural environment that nurtures them.

GDP, the economists' measure of the size of a nation's economy, must be replaced by more humanistic measures of the economy's health and citizen's well-being. Public policies must focus much more on the needs of the most vulnerable who want to live and earn with dignity, rather than focusing excessively on making it easier for investors to do business and increase their wealth, with the hope that enough of it will trickle down, and much faster too so that the people at the bottom are never shut out again.

The time has come to reinvent economics. And to recouple economics with society, to bring Davos down to the people on earth.

<https://www.global-solutions-initiative.org/press-news/recoupling-economy-society-arun-maira/>

Constant interaction between society, state and market through communities is key for progress

Suresh P Prabhu

Indian Politician and India's Sherpa to the G7 and G20

and Pradeep S Mehta

Secretary General, CUTS

Economic Times, July 03, 2020

Prime Minister Narendra Modi recently issued a clarion call for atmanirbharta, or self-reliance. The rationale, plausibility and possible ways of achieving it have been the subject of intense debate. But it means that it is time to redesign our economic governance, keeping in mind the interest of the poorest of the poor.

The prime minister is not calling for India to return to its earlier autarky days. Other than making a strong case for human-centric globalisation, Modi has also urged India's business community to take every step for India to become a hub for the global supply chain management.

Atmanirbharta is to be interpreted by understanding and analysing the term itself, and its origins and deeper implications. 'Atma', interpreted in popular jargon, means 'self-reliance'. However, 'atma' has another meaning: soul. This deeper meaning of atmanirbharta resonates the thinking and teachings of Dattopant Thengadi, founder of

Bharatiya Mazdoor Sangh (BMS), among many other organisations. He propounded his philosophy, the ‘Third Way’, in 1956.

Thengadi’s ‘Third Way’ calls for realising that the soul of India resides in its villages, millions of informal, micro, small and medium enterprises (MSMEs), women entrepreneurs, homemakers and workers. Making them atmanirbhar is a prerequisite to making India atmanirbhar.

This has started getting reflected in how rural India is bouncing back from the COVID-19-induced lockdown.

According to the latest Centre for Monitoring Indian Economy (CMIE) data, the rural unemployment rate has fallen below the pre-lockdown level. In the near future, considering a good monsoon, rural India will productively absorb more people.

In this context, critically, we need to distinguish progress from development. The noted Austrian-Mexican polymath and priest, Ivan Illich considered development a malignant myth whose pursuit threatened those he lived. In his 1973 book, *Tools for Conviviality*, Illich chronicled the adverse impact of development on the life of the poor in rural areas and slums — in terms of erosion of means of subsistence and traditional skills, loss of self-reliance, dignity and solidarity of communities.

Inspired by Illich, Thengadi also rejected the idea of modernisation being sine qua non of westernisation. He noted that the sole focus on economic growth was unsustainable without considering the influence of — and impact on — community and environment. He, therefore, viewed human welfare as a combination of economic and non-economic growth and capable of existing in complete harmony.

State as Enabler

While the former can be monetised, the latter is primarily experienced, like climate, environment, peace and security.

The role of the State is to take a comprehensive view of these goals and enable conditions for human welfare. To this end, education, ecology, economics and ethics, among other things, must be taken into consideration in an integrated manner.

This is Thengadi’s ‘Third Way’ — different from capitalism and communism — to achieve atmanirbharta and economic resilience.

Therefore, the transition towards such an atmanirbhar Bharat would require institutionalisation of nine key principles: The total value of the basket of goods and services, not just their market prices, constitutes national wealth.

Maximum production and equitable distribution are key to avoiding artificial scarcity and price rise and ensuring adequate market and return for producers.

- Basic needs of life such as food, healthcare and basic education must be available for every citizen. Nature is to be utilised, not killed. Ecological factors, the balance of nature and requirements of future generations should never be lost sight of. Greater stress should be laid on labour-intensive — rather than capital-intensive — industries, as it is necessary to reconcile efficiency with employment expansion. Instead of the factory, the home needs to be at the centre of production. This will require a focus on developing indigenous technology emphasising decentralisation of production processes.
- For the benefit of workers, technology should introduce reasonably adaptable changes in traditional production techniques without incurring the risk of increase in unemployment, wastage of available managerial and technical skills, and complete decapitalisation of existing means of production. Labour should be considered a form of capital in every industry. The labour of every worker should be evaluated in terms of share, and workers should be raised to the status of shareholders.
- Society is the third party to all industrial relations (along with industry and labour), and its interests should be considered on equal footing with the other two.

Vocal for Local

In short, it is now increasingly being realised that effective continuous interaction between individuals, markets, and the State, enabled and sustained through communities, is key for progress. It is no surprise that former Reserve Bank of India governor and current University of Chicago economist Raghuram Rajan, in his brilliant 2019 book, *The Third Pillar: How Markets and the State Leave the Community Behind*, recognises that all markets are embedded in a web of human relations, values and norms, and argues for a return to empowering local communities as an antidote to growing despair and unrest.

A dispassionate reader will find many common thoughts in Thengadi's and Rajan's ideas. Samaj, Sarkar and Bazar — society, State and market — have to work as per complementary needs of each other.

<https://economictimes.indiatimes.com/news/economy/policy/view-constant-interaction-between-society-state-and-market-through-communities-is-key-for-progress/articleshow/76777260.cms?from=mdr>

The great scramble of millions to board India's economic bus

Arun Maira

former Member, Planning Commission

Mint, July 23, 2021

The COVID-19 pandemic has highlighted the structural weaknesses of India's economic model. As the gross domestic product (GDP) grew, the bus was moving. The few people inside it were comfortable. But when the bus suddenly braked, the huddled people crammed on its roof and clinging to its sides (because there was little space inside) were thrown off onto the road. The moral tragedy was that those inside the bus did not know that so many people were travelling along so precariously. They were out of their sight and even out of mind.

Old debates among Indian economists have begun again—the debates of 1990, and even those of the 1970s and the 1950s. The most contentious debate among economists is one that has started again, recently, on global versus local. Global trade or domestic industries? Large scale or small enterprises? Industry or agriculture? Urban or rural development? Those economists who had pushed policymakers to make a bold break from the past and engage with the world after 1991 now fear the return of an old, pre-1991 kind of nationalism, which emphasised self-reliance, small industries and village enterprises. India must remain “vocal for global”, they urge.

Amid so much evidence that we cannot carry on the way we are, the defense of free global trade appears weak. Even economists admit that they are searching for a “new, more sustainable normal” since the financial crisis of 2008-09, which they failed to anticipate. They know their science is not adequate. Therefore, they must learn and change—for the academic purpose of making more accurate predictions and in response to an ethical imperative to devise policies that would include those who have tenuously been hanging on to the country's bus of GDP growth.

A bedrock principle of trade economics is the theory of competitive advantage. If all nations stick only to what they do best and buy from others what the latter can do better, the global economy will be larger because less efficient than others will waste resources. The theory does not explain how the citizens of all nations will get a fair share of the global pie. In fact, according to the theory of rational self-interest—another bedrock principle of mainstream economics—those who have a competitive advantage (and the power that comes with it) will fix the game's rules to preserve their edge.

Simplistic trade theory ignores that competitive advantages are neither God-given nor permanent. Nations can develop capabilities that they do not have and compete successfully. This is how nations have always developed their economies: Japan, South Korea and Taiwan after World War II; Germany and the US before it; and China recently. All of them have been accused of being “protectionist” at some stage, like the US was by its European rivals in the 19th century.

Good sports coaches do not throw trainees into the ring against champions right away. They spend energy outside the ring to build their trainees' capabilities. Aspirants enter competitions progressively, challenging tougher contestants as they improve. India's policymakers must devote much more attention to building India's internal capabilities if Indians are to benefit from participation in global trade.

Several economists—Dani Rodrik, Ricardo Hausmann, Ha Joon-Chang, and others—who have been advocating the need for sound industrial policies, to create more competitive enterprises and employment within countries, have so far been outside the mainstream because their ideas run counter to the dominant school of free trade economics. Enterprises learn, and policymakers must continue to learn too, they have argued, to create a “learning society” that can learn faster than all its potential competitors can.

Joseph Stiglitz and Bruce Greenwald expanded this idea in 2014 in their book, *Creating a Learning Society*. Disciplines of “organisational learning” have been developed and applied outside the discipline of economics for over half a century. Economists do not need to reinvent the wheel. They could humbly learn from others.

Economists everywhere are beginning to admit that they must go back to school to invent new economics. India needs a new economic model. It should be neither the model that existed before 1991 when growth was slow, nor the model since then, which has not delivered inclusive growth. Our economists must move on from the debate of whether pre-1990s socialism was better for India's masses or the post-1990s adoption of capitalism. Trade economists, labour economists, industrial economists and all other economists must step outside their specialisations, and see reality from many perspectives together. Moreover, they must listen to “non-economists” with other insights.

The shape of growth matters, not just its size. The pandemic has woken up economists. “Vocal for global” without much “vocal for local” will not create a resilient and just economy. Policymakers and economists at the bus's steering must listen to the voices of the millions who have been holding on to it for their dear lives and livelihoods. At the same time, those within were provided the comfort of cushioned seats and safety belts.

For India to grow inclusively and sustainably, new forums are required urgently, within formal institutions and outside, for participative development of solutions that take into account the real concerns of the country's population. Economists who formulate policies must engage people on the ground.

We need a new development model. This requires expertise, no doubt. But experts need the people of India to acquaint them with reality and suggest practical solutions.

<https://www.livemint.com/opinion/online-views/the-great-scramble-of-millions-to-board-india-s-economic-bus-11595515336176.html>

In India, nurturing the growth of local economic ecosystems

Arun Maira

former Member, Planning Commission

Mint, September 07, 2021

Scientists speculate that nature sends viruses to stop other things from growing too fast that threaten the health of the whole system while caring only for their health. Unbridled globalisation was threatening the well-being of societies and the natural environment. COVID-19 has stopped this from spreading any further. Physical lockdowns to contain the spread of the virus have broken up global supply chains. Businesses, as well as humans, are being compelled to find resources locally.

A “vocal for local” movement, growing even before COVID-19, was described as retrograde by the “vocal for global” lobby. Local has now become a necessity for business and human survival.

But even though there is clearer evidence now that the model of globalisation founded on more trade across borders is not sustainable, eminent economists continue to defend it. Economic history has disproved a foundational premise of the free trade theory. Nations have grown, through history, by learning to do what they could not do before and doing it better than others — Japan after the war; China in the 21st century; and the United States (US) in the 19th and 20th centuries. Unlike natural resource-rich nations, industrial nations are not born with competitive advantages; they develop them.

The simplistic free-trade theory must be supplemented with theories of how humans, businesses, and nations, learn new capabilities. And, since humans, businesses, and nations will compete, businesses and nations' only sustainable competitive advantage is their ability to learn faster than any potential competition. Therefore, an industrial policy focused on increasing the capabilities of people and businesses within the nation is imperative for the nation's survival and the well-being of its citizens. This is real *atmanirbharta*.

There is continuing conceptual confusion among some of India's policymakers. While they are beginning to recognise the need to be *atmanirbhar* (self-reliant; which is more urgent because of the China threat), they continue to propound the necessity for Indian businesses to be connected with global supply chains. There is nothing wrong with taking advantage of global supply chains.

However, they will hardly provide India and its businesses large channels for growth in the next two decades. India must grow local supply webs, radiating outwards as far as geopolitical boundaries and trade barriers will allow them to spread. As a recent UNIDO paper says, a shift in business and national economic strategies is required away from cost-efficiency, which global sourcing enabled, to increase market focus. “Europe for Europe, Asia for Asia”, they say. India for India, we may add.

India has the potential to be a large market. It will be a large market when more Indians earn higher incomes. For more people to earn higher incomes, they must produce something that someone else will buy. Markets will be more local, and production will also be more local. India needed an employment policy with an industrial policy ever since it embarked on its trade liberalisation path in the 1990s.

It is not enough for nations to become competitive to develop a few, large, world-class companies. Industrial ecosystems within countries, comprising webs of small and large, and formal and informal enterprises, must compete with ecosystems in other countries. Indeed, large companies cannot become competitive unless a competitive ecosystem sustains them.

Therefore, large companies must nurture small domestic companies, and all of them must nurture the people who work in them. Human beings are the only “appreciating assets” any enterprise can have because they can learn new capabilities if given opportunities. Fortunately, India is abundantly endowed with people. They will be India’s source of sustainable competitive advantage when India reorients its policies to nurture the growth of local economic ecosystems.

<https://www.hindustantimes.com/analysis/in-india-nurturing-the-growth-of-local-economic-ecosystems/story-A92pQx5V4SpfYGP38upfKK.html>

It would be wise for countries to maintain sufficient ‘economic distancing’ amongst themselves

Arun Maira
former Member, Planning Commission
Indian Express, March 26, 2020

The fragility of the global economy has been exposed twice within the last two decades. In 2008, the collapse of a financial services firm in the US triggered a global financial meltdown. In 2020, the emergence of a novel virus in a food market in Wuhan had done it again. From west to east, now from east to west, the whole system has been shaken. In chaotic systems, the flapping of a butterfly’s wings in the Amazon forest can cause a typhoon in Hong Kong. The global economy is exhibiting the properties of a chaotic system.

Systems theory says that systems take various forms. There are chaotic systems, engineered systems, and complex self-adaptive systems. As the weather in a storm, chaotic systems are unpredictable and uncontrollable. The global economy is behaving like a chaotic system. On the other hand, Engineered systems can be controlled quite tightly, like machines. However, they are dull. No surprises. A nuclear power plant is a well-engineered system. We would want it to do just what it is supposed to and not produce any surprises.

In contrast to these systems is the design of nature. It is a complex self-adaptive system. It produces myriad innovations. It evolves. Yet, its fundamental stability is very reassuring. The realisation that mankind's technologies and engineering marvels are disrupting nature's stability has raised alarms about global economic governance architecture.

Essential design principles form the architecture of complex self-adaptive systems. One is "permeable boundaries". The many parts of a complex self-adaptive system have permeable boundaries between themselves. Each part has its integrity. The parts exchange information and energy across their boundaries as required. The boundaries give the system resilience against shocks. Like the baffles inside a ship's hull, they slow down the sloshing inside when the hull is breached and stabilise the ship. When there are no boundaries within, or they are too weak, an accident at one end will soon sink the whole ship.

The drive for boundarylessness within the global financial system since the 1990s caused the sloshing around of contagion during the global financial crisis in 2008. Whereas global economic growth has undoubtedly been enabled by global supply chains, the vulnerability of economies everywhere to their disruption has become painfully evident with the COVID-19 pandemic.

Complex adaptive systems exhibit "fractal-like" shapes. Their parts are complex, combining the same diverse energies that permeate the whole. Social forces, economic forces, and environmental forces combine within all countries, and parts within countries, albeit in different ways. Though the parts are similar, they are not the same. Therefore, the same solutions will not fit all. An insight from systems theory is that global systemic problems such as climate change, persistent economic inequality, among others, will require local systems solutions.

Crises create stress tests for the health of systems. The financial crisis of 2008 exposed the fragility of an inter-connected and under-regulated financial system. The COVID-19 pandemic has exposed architectural weaknesses in the global economy. Instead of worrying too much about the reversal of globalisation, national leaders should now focus on the well-being of their citizens and the health of their economies. Six reforms are essential for reshaping the Indian economy.

First, focus on the provision of universal social security rather than on the misdirected demand for even more "flexibility" in labour laws. The 90 percent of Indians who are compelled to work in an overly flexible labour market need more fairness in their lives.

Second, respect the "informal" sector, which provides the majority of Indians with opportunities to earn incomes, and gives it more strength. It is also a great source for practical innovations and widespread entrepreneurship.

Third, change the economic paradigm from "trickle-down" to "build up". Build the internal engine of growth of India's economy by increasing incomes of India's citizens.

When they earn more, they will spend more, and expand India's internal market. This will attract more domestic and foreign investments.

Fourth, strengthen public health services. Medical tourism may put India's private hospitals on the global map. However, they are not the solution to India's huge health problems.

Fifth, reform and strengthen the public education system. It will contribute greatly to creating a level playing field for all children.

And sixth, strengthen local governance in India's towns and districts to develop and implement local systems solutions. The well-being of Indian citizens will be improved, and India's economy will be more resilient too.

All governments are asking their citizens to increase "social distancing" between themselves to prevent the spread of a health contagion. It would be wise for countries to maintain sufficient "economic distancing" amongst themselves too. They should mind the health of their economies, and thereby, they will improve the health of the global economy too.

I conclude with a "namaste". A gesture with folded hands, without any physical contact with another, to acknowledge another's divinity. The expression "social distancing" is unfortunate. Whereas medical experts ask citizens to maintain "physical" distances. The need of the hour is for more social solidarity amongst citizens. Within their localities, in their countries, and across national borders too.

<https://indianexpress.com/article/opinion/columns/coronavirus-pandemic-social-distancing-economic-health-6331748/>

NITI Aayog and the emperor's clothes

Pradeep S. Mehta
Secretary General, CUTS International
Mint, May 25, 2017

About 180 years ago, in 1837, popular Danish author Hans Christian Andersen wrote the famous short story, The Emperor's New Clothes. The story reminds us of the duties of advisers to the king, who are expected to present a clear picture to the king, and give fair and frank advice without fear or favour. It is pertinent to revisit the story when the Narendra Modi government celebrates three years in office.

One of the key decisions taken by the government on the assumption of office was to dismantle the Planning Commission and replace it with a new body, the National Institution for Transforming India (NITI) Aayog. NITI Aayog was expected to act as the

principal government think tank and adviser to the Prime Minister on key policy issues, transforming India.

Expectations unfulfilled

The Planning Commission was a non-legislative body with significant powers to allocate finances to states but marred by bureaucratic processes and devoid of fresh thinking. It failed to keep its ear to the ground and did not consider states' divergent demands and capacities. The creation of NITI Aayog was expected to be a game-changer, to infuse new vigour and rigour in the policy planning process, involve key stakeholders, and address the failures of the previous plan body. One anticipated that it would prioritise the challenges faced by the economy and hit the ground running to address them in a transformational manner.

During the last two-and-a-half years, NITI Aayog has worked on several agendas, such as promoting digital payments, agricultural reforms, education and railways, helping states undertake social sector reforms. While all these issues were important, and the suggestions made by NITI Aayog critical, it appears that the institution's agenda and priorities are being set by government diktat rather than an organic, independent thought process. Often, it risked acting as a government mouthpiece and failed to be the transformational catalyst that many, including Prime Minister Narendra Modi, wanted it to be. For instance, while recognising the importance of competition, it walked with the government on promoting digital payments through select entities and kept mum when government policies distorted competition.

NITI Aayog is yet to institutionalise a checks and balances mechanism to caution the government about its claims and apprise policymakers of the ground realities. While there have been a few exceptions, like Bibek Debroy's suggestion on taxing farmers' income, which challenged the government's stand on the issue, such instances have been rare.

Action(able) agenda?

NITI Aayog recently released a draft three-year action agenda, which is part of a 15-year vision and seven-year strategy document. Other documents have not been released in the public domain as yet. True to NITI Aayog's diffused working approach, the action agenda covers a wide range of issues, including the fiscal framework, agriculture, industry, services, transport, digital connectivity, public-private-partnership, energy, science, technology, governance, taxation, competition, environment, forests and water.

Such a wide-ranging approach is not what one would expect when dealing with imminent challenges. For example, while covering pertinent issues and providing important recommendations such as "Price Deficiency Payment" to remove distortions in the farm sector's existing minimum support price mechanism, there is limited clarity on how, by whom, and the timelines within which such suggestions would be implemented. The recommendations have no common binding theme, and there's an absence of prioritisation.

Rather than a document infusing fresh thinking, the action agenda appears more like a document collating several policy-related recommendations provided by experts and government-formulated committees over the years. It puts limited or negligible focus on implementation challenges, bureaucratic reforms and government-citizen interaction, which is core to several good ideas remaining on paper and being left unimplemented.

Focus on implementation

Rather than focusing on policy-level recommendations, NITI Aayog would have done better rather than focusing on policy-level recommendations if it had dealt with implementation-related challenges. A clear action agenda on how policies should be implemented, creating a feedback loop, taking into account changes on the ground, and fixing accountability of babus, would have been welcome. In addition, it should have focused on process reforms.

While many of its recommendations, such as creating coastal employment zones, are interesting, the costs of implementing such recommendations must be compared with expected benefits in the medium term. A comparison of the costs and benefits of different policy alternatives should be made mandatory before policy recommendations are made.

It is time NITI Aayog starts reminding the government where it is falling short and what needs to be done differently, or the government will meet a fate similar to the emperor in Andersen's story.

<https://www.livemint.com/Opinion/OUFR2iHl8fnis2Mw0w4RWI/NITI-Aayog-and-the-emperors-clothes.html>

Collaborative Strategic Planning at Panchayat Level is Essential to get to a Developed India

Uttarabhadra, January 2018

There is strong optimism that India will become a developed country in thirty to fifty years. Most of the descriptions about the developed country have been qualitative. In this article, I am attempting to project a potential goal state in quantitative terms to say that India has arrived as a developed country. It is necessary to set a target Gross Domestic Product (GDP) and project when that goal might be reached under a certain set of assumptions. This target will also allow us to measure how closer we are to the goal and how well we are doing schedule. But, there are more important features for a developed country beyond the GDP figure.

Social development should be a simultaneous goal of leaders. People at the bottom of the pyramid must be moved to the middle. Advanced technological developments of the twentieth century gave rise to the hope that development can reach the masses with enlightened leadership. The smart approach may lie in planning large-scale knowledge-

intensive businesses that create goods and services while generating employment opportunities for millions of people in India. Common citizens have the democratic power to choose wise leadership and give the latter a mandate to develop knowledge-based strategic development goals. This leadership consists of the Members of the Parliament, Members of the State Assemblies, and other elected leaders of local constituencies, such as the Panchayats.

Strategic planning is the key to assuring citizens that their elected leaders are working on a defined path. This calls for developing a series of congruent strategic plans from the national to state to the local level. These plans should dovetail at various levels and complement one another. Local planning gives ownership of the plan to local people, takes local inputs, tunes to the environment, allows close monitoring, responds to feedback, facilitates support, ensures sharing of sacrifices and results, and leads to success in plan execution.

When several thousand panchayats undertake planning, there is a need for an information technology tool that guides local planners by providing templates/formats and guidance on generating information and data for the plan. A format processor integrates the information and data in inappropriate ways to create plans for the district, state, and national levels in the next stage. Such a plan development project should be web-based for a successful national effort. An initial level format for the plan development tool is described in this paper.

The steel frame has become a cage. A \$10-trillion economy needs deep civil service reform

Manish Sabharwal

Chairman and Co-founder of Teamlease Services

Indian Express, October 09, 2019

In September 1984, J R D Tata responded to retired bureaucrat P N Haksar's letter taunting him that businessmen were not doing enough for India's development with "I began my 55-year-old career as an angry young man because I couldn't stomach foreign domination... I end it as angry old man... because it breaks my heart to see the continuing miserable fate of the vast majority of our people, for much of which I blame years of ill-conceived economic policies of our government. Instead of releasing energies and enterprises, the system of licences and controls imposed on the private sector, combined with confiscatory personal taxation, not only discouraged and penalised honest free enterprise but encouraged and brought success and wealth, to a new breed of bribers, tax evaders, and black marketeers".

Reforms over 35 years since J R D's letter — delicensing, deregulation, Aadhaar, UPI, inflation targeting, Bankruptcy, GST, lower corporate taxes, etc. — are India's strong foundations for a US\$5tn economy. But reaching a \$10-trillion economy and a per capita

income close to what China has today needs a new human capital regime for India's 20 million civil servants.

Let's imagine India's \$10-trillion economy. Eighty percent of our labour force works outside farms (the only way to help farmers is to have less of them). We have 200 cities with more than a million people (today we have 52). Our cities meet the Marchetti constant (people have 30-minute work commutes). Our government borrows at less than 4 percent. Our Aadhaar-linked land markets equalise rental yields and mortgage borrowing rates. PSU banks are governed by an independent holding company with no access to taxes.

Our credit to GDP ratio rises to 100 percent (from today's 50 percent) because our financial institutions know how to lend and recover money. Government school enrollment stops declining because learning outcomes improve (if anything should be free with quality, it should be schools).

We have attracted China factory refugees that are going to Vietnam and Malaysia today. The global capital glut of negative interest rates chasing growth underwrites our investment needs. Fiscal discipline delivers low inflation. Fifty percent of our college-going-age kids go to a diverse higher education system (today 25 percent are in a homogenous system). Policy encourages formal hiring (today's labour laws are like marriage without divorce). Our reformed social security system covers 60 percent of workers (today's cover only 20 percent because the Provident Fund and ESI provide poor value for money).

Prosperity needs productive firms and workers. But India's capital is handicapped without labour and labour is handicapped without capital because of our regulatory cholesterol universe for employers of 57,000 compliances, 3,100 filings and 4,000 changes a year (details verifiable at <http://www.teamleasecompliance.com> and Rulezbook App). This horrible hostility to private enterprises comes from toxic civil service thought-worlds like prohibited till permitted, know-it-all rather than learn-it-all, too small for big things but too big for small things, poor and jerky law drafting, contempt for execution complexity, immaculate conception over continuous improvement, stereotyping the private sector as big companies rather than MSMEs, only using punishment to enforce policy rather than design driven by domain specialisation, and not viewing wealth creators as national assets. Listed PSUs have destroyed \$150 billion in value over the last decade, consistent with the Gujarati saying "Jahan raja vyapaari, wahan praja bhikhari" (where the king is a businessperson, the population is a beggar). Cutting this regulatory cholesterol needs a climate change for civil servants.

A new human capital regime starts with two projects, each in six areas of structure, staffing, training, performance management, compensation, and culture. Structure Project 1 involves rationalisation: We don't need hundreds of PSUs and departments in 55 central ministries (Japan has nine, the US has 14, UK has 21). Structure Project 2 involves reverting the cylinder to a pyramid on the way to becoming an Eiffel Tower (250+ people in Delhi with Secretary rank).

Staffing Project 1 eliminates the sanctioned and actual strength gap because this is possible only with good people being overworked, non-urgent work neglected or squatting on unnecessary posts. Staffing Project 2 creates cognitive diversity and competition with 20 percent lateral entry. Training Project 1 involves restructuring how courses are chosen (demand rather than supply-driven), how course nominations choose people, how courses are evaluated, and how course results integrate with performance management. Training Project 2 involves making learning continuous rather than episodic.

Performance Management Project 1 involves a forced curve for appraisals of outstanding (20 percent), good (60 percent) and poor (20 percent) because 98 percent of people can't be outstanding. Performance Management Project 2 involves replicating army thresholds where people retire at 50 if not shortlisted for promotion. Compensation Project 1 involves moving to a cost-to-government number by monetising benefits. Compensation Project 2 involves freezing salaries at the bottom (we pay too much) and raising them at the top (we pay too little).

The two culture projects are the most difficult — tone around corruption and differentiation from the top. Too many civil service leaders overlook graft among subordinates or don't question the processes that breed corruption. And leaders punish good performers by writing performance appraisals that don't differentiate between gaddha (donkey) and ghoda (horse), giving top jobs by seniority, and allowing automatic promotions that create a pool of "promotable but not postable". Differentiation needs a fear of falling and hope of rising.

The current economic slowdown is short-term pain for long-term gain because of overdue medicine. This climate change for employers — ability and strategy only becomes valuable with competition and bankruptcy — needs replication for civil servants. Cutting-edge economics views development as a game of scrabble where vowels provided by the government enable the private sector to make more words and longer words. The current civil service fails to provide enough vowels; the steel frame has become a cage. For too long, the brain of the Indian state was not connected to its backbone. Since that has now changed, it's time to connect the backbone to its hands and legs.

<https://indianexpress.com/article/opinion/columns/economic-slowdown-civil-service-reform-6059630/>

If lateral entry of experts helps better governance, why not lateral exit too?

Pradeep S Mehta
Secretary General, CUTS
Asian Age, May 16, 2019

On April 12, 2019, the Union Public Service Commission (UPSC) announced nine candidates as lateral entrants to serve as joint secretaries in various ministries of the Government of India. This was a milestone event in the government's efforts to bring in administrative reforms. Many committees and also the 2nd Administrative Reforms Commission had recommended it but there was no momentum. But much more needs to be done and if we want better governance and performance, we need lateral entries at levels both higher and lower than joint secretary levels. This needs to be coupled with exits — weeding out of the deadwood in the system.

Appointing nine joint secretaries from the private and the public sectors was the first significant step by the Narendra Modi government to bring specialists and experts into the government from outside the system. But many may not be aware that many of the joint secretaries' current positions are held by officers from the IRS, IPS and so forth, who bring in a fresh perspective. The steel frame tolerated this because they were also civil servants and not outsiders.

However, appointing people from outside the system has raised the hackles of the entrenched bureaucracy for obvious reasons. One valid fear was that the government would bring people of their choice for these key posts. This is already happening, except that choices are restricted to civil services.

One bureaucrat in Haryana (not Ashok Khemka) alleged hoarsely that the move is an attempt to tear down the very fabric of democracy and that lateral entry can crush the steel frame of India. Likewise, many Opposition leaders termed this move as the government's attempt to fill the position with people of a similar ideology. Subsequently, in December 2018, to counter such fears, the task was handed over to the UPSC, the country's central recruiting agency, to make the process politically neutral.

To put it on record, lateral entry is not a brand new move and it has been tried and tested in the past when the government handpicked several experts from outside the steel frame such as Sam Pitroda, Vijay Kelkar, Montek Singh Ahluwalia and several others at the secretary level, or even Nandan Nilekani, who was given the rank of a Cabinet minister. Others included R.V. Shahi, the last lateral entry power secretary, who joined a select group of those who reached the top ranks of bureaucracy from the outside — Lavraj Kumar, Mantosh Sondhi and D.V. Kapoor. The present move of the government differs from the past in its attempt to institutionalise the way of recruiting civil servants parallel to the All India Civil Services Examination.

Not many may know that one major lateral entry experiment was done in 1957. To create a pool of highly qualified managers, 131 candidates were hired in 1959 under the “Industrial Management Pool (IMP)” initiative. They were hired from both the public and the private sectors to provide the bureaucracy with the much-needed fillip of quality at the senior levels. The scheme, however, did not last beyond one batch, ostensibly due to the opposition of vested interests. However, most of the 131 recruits went on to serve a full term.

Now, 60 years after the botched effort, the government is again seeking to infuse outside talent in the government and make use of their domain expertise. If indeed a level playing field can be created, the move can act as a catalyst to infuse competition in the system and holds the potential to transform the system. The move will also bolster the performance of permanent civil servants when they will face competition.

By the way, many existing permanent civil servants are brilliant but many have to suffer incompetent supervisors. They cannot annoy them because of the imperative of getting good appraisal reports, without which their promotions can be held back. In the event lateral entry happens in greater numbers, it will challenge the existing automatic promotion system and also create an exit avenue for non-performing babus.

In 2016, an experiment of institutionalising lateral entry at the special secretary level was initiated by the government of Jharkhand. Four individuals for the post of special secretary were recruited. As it stands today, only two of them, who already had enough experience of working with the bureaucracy, have managed to thrive. For the other two subject experts, the biggest challenge was their lack of experience in the functioning of the bureaucracy.

Similar to the Central government’s decision to handover the selection process to the UPSC, in Jharkhand, KPMG was hired, limiting the scope for political intervention. But they did not do the job well, because one of the recruits was a retired state civil servant whose domain knowledge was sound.

To keep the process controversy-free, the Central government has fixed the tenure of the joint secretaries for three years. In our opinion, the duration is inadequate to understand the job role and start performing. Moreover, the lack of a provision to extend the services of even the better performers can act as a deterrent for the candidates to invest their intellectual capital. Also, it is not wise to lose someone after imparting all the necessary on-job training. An option to extend their stay by another 5-10 years based on their performance could be considered, when permanent civil servants can work for 30-plus years without the fear of getting fired.

Although no amount of training can bring them at par with the career bureaucrats on administrative issues, a short training to understand the basics of government procedures at any reputed training centre such as Lal Bahadur Shastri National Academy of Administration could be useful. When bureaucrats with enough administrative experience fall short of their optimum performance due to a lack of subject expertise, it is imprudent

to expect a subject expert to perform without strong knowledge of how government works. A healthy mixture of subject expertise and administrative knowledge is the only way forward.

Developed countries such as the United States, Britain, Belgium, Australia and New Zealand are known to have lateral entrants as a standard practice. Even regular civil servants have to compete for any posting. The PM has made an important political intervention by making lateral entry a part of the system. It is high time for a reform process by opening up different ministries to more short-term consultants and experts and lateral entry can be the way forward. These nine new joint secretaries will account for less than three percent of over 340 joint secretaries in the Central government. Reforming the bureaucracy with a lateral entry is a welcome move, but lateral exit must be planned and implemented.

<https://www.asianage.com/opinion/oped/160519/if-lateral-entry-of-experts-helps-better-governance-why-not-lateral-exit-too.html>

Belabouring the bureaucracy won't help

Srivatsa Krishna

*IAS is Chief Executive Officer & Secretary,
Coffee Board of India, Government of India*

Financial Express, June 10, 2020

Everyone wants the state to step-up, bail out, yet not be intrusive. It is like saying: You want a top-notch Bharatanatyam performance without contouring the body in any way! When the government crafted the Rs 20 lakh crore stimulus (for which everyone wants the IAS), won't it take precautions while spending this public money (for which no one wants the IAS)? Everyone wants a langar, with no oversight! Indeed, should the bureaucracy, like many leading IT honchos have suggested, simply get out of the way, become a kind of 'reservist force'?

India's much-maligned bureaucracy has delivered the world's biggest lockdown fairly effectively, without any playbook to learn from, which gave India time to prepare better; our health systems have coped, not collapsed, and by and large, every single arm of the government has risen up to the occasion admirably—conceding fully that handling of the migrants could have been done much better, despite their unpredictable decision to go home in droves.

This well-implemented lockdown ensured India had one of the lowest fatality rates in the world (<3 percent) and good recovery rates (49 percent and rising). Those throwing stones at the IAS forget that officers in the Prime Minister's Office down to the last constable have worked round the clock, often risking their own lives, which people seem blind to.

Indeed, make bureaucracy more accountable and competitive, but don't bash it without context or comprehension.

Professional bureaucracy bashers forget the simple fact that a permanent executive is a tool that, as per the Constitution, is expected to carry out every lawful directive of the political executive. When a particular set of CMs want an extension of lockdown (or exemptions), why blame the bureaucracy which is only carrying out a lawful directive? Likewise, it doesn't escape notice that eminent economists of Indian origin abroad often speak with a forked tongue when it comes to monetisation of the deficit.

Tomorrow, if indeed there is some inflation or ratings downgrade, the very same economists will berate India's political and permanent leadership for having monetised too much too quickly.

Indeed, some overenthusiastic bureaucrats want to be more loyal than the king, and make some shocking regulations to cover their own backs! Adjusted gross revenue (AGR) is so utterly insane that it mandates spectrum charges on foreign exchange gains or losses too—but it covers backs, which can be exposed for caning even after two decades post-retirement!—after all, one can't be fired for being overcautious, but only maybe for super-performance. Thus, behaviour is as per incentives facing the civil servants.

Let's not forget that the nature of any rule is that it is always applied to the lowest common denominator, and the minute one tries to nuance regulation, bureaucracy is accused of becoming a 'clarifications ministry' or opens itself up to allegations of allowing unwanted discretion and abuse. Why can't the clarifications be seen as a responsive bureaucracy willing to learn from rapidly shifting ground realities and nuancing rules? If the corporate sector does the same, then it is lauded as 'agile' development. Just assume that if the bureaucracy had not responded on the fly, it would be called callous, red-taped, and unwilling to be responsive even in a crisis.

Likewise, many who haven't set eyes on an economics textbook their entire lives sprout wisdom on how the UK has given a 15-20 percent fiscal stimulus and how India should do the same—. In contrast, the UK's fiscal stimulus is only 4.8 percent. Every country has done a combination of fiscal plus deferrals of taxes plus other liquidity provisions/guarantees, which is what some of the best minds in India's civil service have also put together, but that is attacked, whereas the UK is lauded.

In fact, no country in the world, other than the US, the UK, Germany and the Netherlands, has given a pure fiscal stimulus greater than 2.5 percent (www.bruegel.org/publications/datasets/covid-national-dataset) and yet the illiterate cacophony to criticise the government on the stimulus continues, unabated—even by top industrialists masquerading as economists and political commentators as phony economists. Everyone wants to be anything but Atmanirbhar—only government-nirbhar. Shouldn't the government retain some dry powder if version 2.0 of the virus comes back later?

In this current fight against an invisible enemy, every government expects contact tracing and enhanced health infrastructure. New York, California and Massachusetts have started new employment generation for ‘contact tracers’ spending millions of dollars, as should India.

Every major corporate worth its salt in India today has a social media command centre, with granular clients’ data. Banks and hospitals have important citizens’ records, who don’t seem to mind them having it, so why should they mind their duly-elected government using it too, with some safeguards? How do you expect governments to identify, track and deliver food, cash, care without knowing some basic data of citizens? If Facebook were to offer the same service, wouldn’t citizens happily (or unhappily) share their data? When it comes to commercial activity, bureaucracy must get out of it, become a reservist force meant for emergencies only.

Suspension of labour laws by UP, Punjab and Gujarat are a good step forward, for much of these are enablers of extortion for most in the game. The Industrial Employment (Standing Orders) Act 1946 is the COVID of both industry and labour, making it impossible for either to thrive. Simple proof of this is if labour laws had been a thumping success, West Bengal or Bihar wouldn’t be in the economic state, with labour migrating in droves.

Coming to reforms in the IAS, lifetime contracts in employment are not found almost anywhere globally, and India should after, say, 15 years allow officers to continue only through 5-year performance contracts or let go with a golden handshake.

The government must open up 15 percent of joint secretary and above appointments by lateral entry, but only through the UPSC to ensure proper scrutiny and professionalism in intake. Competition is always good, and a revolving door in and out of government helps all sectors understand each other better—it shouldn’t be one way only. The key questions to ask are:

1. If we abolish bureaucracy, who will design and implement policy and advise democratically-elected leaders? Imagine the counterfactual—if we had a Kalmadi or a Mallya or a Bannerjee or a Togadia as cabinet secretary, would that be Pareto-optimal?
2. Corporates, consultants, comedians and media believe that the Bell Curve doesn’t apply to them and that there shall cometh a new race of Indians from Mars perhaps, who are all honest, superefficient, effective, yet not intrusive. Don’t we all come from the same stock of people with broadly similar frailties?
3. Capacity and competence in the government are extremely spotty—some outstanding who will be in the top 10 percent of any collection of individuals anywhere in the world, many mediocre and some rapaciously terrible, and some come in combo packs. What kind of incentives will work in this ecosystem when dismissing a corrupt employee takes 20 years while one’s tenure is two or less? For the first time in India’s history, this

government has shown the courage of conviction and sent home numerous officers for corruption and incompetence. Why isn't that lauded?

In summary, the best livelihood antidote for COVID-19 is a strong economy. And a control-freak bureaucracy, goaded by various masters, is more dangerous than the virus itself; however, some interventions will be intrusive—so be it in these unprecedented times. Don't throw out the baby, the bathtub and the bathwater, all together, in the quest for reforms.

Why doesn't India take a slightly more generous view of bureaucracy and, indeed, the government, which are working in a very tough ecosystem and yet delivering—even if they fall short sometimes? Why don't they try to understand the average officer's experiences and constraints no matter how inchoate they appear at first sight and thereafter nudge him to explore different, nay, better methods? The fault, sometimes, is in the stars too, eh Brutus?

<https://www.financialexpress.com/opinion/belabouring-the-bureaucracy-wont-help/1986622/>

Annexure I:

List of Participants in Debates

S.N.	Name	Coordinates
1.	Abhishek Kumar	Former Director, CUTS International
2.	Abhishek Sinha	Co-Founder and CEO, Eko India Financial Services
3.	Ajay Chhibber	Former Chief Economic Advisor, Federation of Indian Chambers of Commerce & Industry (FICCI)
4.	Ajay Shankar	Former Member Secretary, National Manufacturing Competitiveness Council
5.	Ajit Pai	Distinguished Expert, NITI Aayog
6.	Amit Kapur	Joint Managing Partner, J. Sagar Associates
7.	Amol Kulkarni	Director (Research), CUTS International
8.	Anand P Gupta	Former Professor of Economics, Indian Institute of Management, Ahmedabad
9.	Anu Aga	Former Member of Parliament, Rajya Sabha
10.	Anurag Mishra	Former Associate Fellow, CUTS International
11.	Anwarul Hoda	Chair Professor, Trade Policy and WTO Research Programme, Indian Council for Research on International Economic Relations (ICRIER)
12.	Arun Maira	Former Member, Planning Commission of India
13.	Ashima Goyal	Professor, Indira Gandhi Institute of Development Research
14.	Ashok Jhunjunwala	Institute Professor, IIT Madras
15.	Ashok Nag	Former Director, Center of Excellence in Analytics/Data Sciences, NMIMS University
16.	Athar Shahab	CEO, Nabha Power Limited
17.	Chandan Saha	Industry and Management Expert
18.	Cherian Thomas	CEO and National Director, World Vision India
19.	D P Chirania	Retired Chief Engineer, RVVPL
20.	Dhiraj Nayyar	Director - Economics and Policy, Vedanta Ltd.
21.	E M Sudarsana Natchiappan	Senior Lawyer, Supreme Court of India and Former Union Minister of State for Commerce and Industry

S.N.	Name	Coordinates
22.	G C Mathur	Convenor-Trustee Treasurer, Binty
23.	G Sundaram	
24.	Geeta Gouri	Former Member, Competition Commission of India
25.	Girdhar Bajoria	Managing Director, Bhavya Inductosteel Pvt. Ltd.
26.	Harish Damodaran	The Indian Express
27.	Indradeep Ghosh	Executive Director, Dvara Research
28.	Jaimini Bhagwati	Former Indian Ambassador to United Kingdom and Former RBI Chair Professor, Indian Council for Research on International Economic Relations (ICRIER)
29.	Jaithirth Rao	Founder, Value and Budget Housing Corporation
30.	Jamshed J Irani	Former Managing Director, Tata Steel Ltd.
31.	K M Chandrasekhar	Chairman, Centre for Development Studies
32.	K V Damodharan	Managing Partner and CEO, Pursuitex Advisory Services LLP
33.	Late Shakti Sinha	Former Director, Atal Bihari Vajpayee Institute of Policy Research and International Studies, MS University, Vadodara
34.	M Govinda Rao	Member, Fourteenth Finance Commission and Former Director, National Institute of Public Finance and Policy (NIPFP)
35.	Malti Jain	Consultant, World Bank
36.	Mani Shankar Aiyar	Former Union Minister, Government of India
37.	Meleveetil Damodaran	Chairperson, Excellence Enablers Pvt. Ltd.
38.	Mohandas Pai	Chairman, Manipal Global Education Services
39.	Montek Singh Ahluwalia	Former Deputy Chairman, Planning Commission of India
40.	N K Goyal	Chairman Emeritus, Telecom Equipment Manufacturers Association and President, CMAI Association of India
41.	Narendar Pani	Professor and Dean, School of Social Sciences, National Institute of Advanced Studies
42.	Narendra Kumar Bishnoi	Chairman, Department of Economics, GJUST, Hisar
43.	Naushad Forbes	Co-Chairman, Forbes Marshall Pvt. Ltd.
44.	Pawan Bakhshi	India Country Lead, Financial Services for the Poor, Bill & Melinda Gates Foundation

S.N.	Name	Coordinates
45.	Pradeep S Mehta	Secretary General, CUTS International
46.	Prakash Hebalkar	Senior Strategy and Public Policy Consultant
47.	Pramod Deo	Former Chairman, Central Electricity Regulatory Commission (CERC)
48.	Prasanna Srinivasan	
49.	Pritam Banerjee	Logistics Sector Specialist
50.	Prodipto Ghosh	Distinguished Fellow, Earth Science and Climate Change, The Energy and Resources Institute (TERI)
51.	R B Barman	Former Executive Director, RBI and Former Chairperson, National Statistical Commission
52.	R C Bhargava	Chairman, Maruti Suzuki India Limited
53.	R Gopalakrishnan	Author and Corporate Advisor and Distinguished Professor, IIT Kharagpur
54.	Raj Liberhan	Former Director, India Habitat Centre (IHC), New Delhi
55.	Rakesh Mohan	President and Distinguished Fellow, Centre for Social and Economic Progress (CSEP) and Distinguished Fellow, Brookings India
56.	Ramesh Chand	Member, NITI Aayog
57.	Ratnakar Gedam	Former Adviser - Transport, Planning Commission of India
58.	Ravi Chaudhry	Chairman, CeNext Consulting
59.	S Chakravarthy	Former Member, MRTP Commission
60.	S K Misra	Former Secretary - Agriculture, Government of India
61.	S K Pachauri	Former Secretary to Government of India
62.	S N Tripathi	Director, Indian Institute of Public Administration
63.	S Srinivasan	Former Secretary to Government of India and Member (Finance), Department of Space/Atomic Energy/Earth Sciences
64.	Sanjaya Baru	Distinguished Fellow, Institute for Defence Studies & Analyses and Former Media Advisor to the Prime Minister of India
65.	Santosh Mehrotra	Cambridge Professor of Economics and Chairperson, Centre for Labour Studies, Jawaharlal Nehru University
66.	Sebastian Morris	Indian Institute of Management Ahmedabad

S.N.	Name	Coordinates
67.	Shankar Acharya	Honorary Professor, Indian Council for Research on International Economic Relations (ICRIER) and Former Chief Economic Adviser, Government of India
68.	Sidharth Birla	Past President, Federation of Indian Chambers of Commerce & Industry (FICCI)
69.	Siraj Hussain	Visiting Senior Fellow, Indian Council for Research on International Economic Relations (ICRIER)
70.	Som Karamchetty	Retired Emeritus Business Mentor and Retired U.S. Government Research Manager
71.	Sorabh Bansal	Chartered Accountant
72.	Subrata Chakraborty	Former Dean & Director-in-Charge, Indian Institute of Management, Lucknow and Former Director, Jaipuria Institute of management, Lucknow
73.	Sudipto Mundle	Distinguished Fellow, National Council of Applied Economic Research
74.	Sumit Majumdar	Professor of Technology Strategy, University of Texas at Dallas
75.	Surendra Singh	Former Cabinet Secretary, Government of India
76.	T C A Srinivasa Raghavan	Columnist, Business Standard
77.	Thomas P Thomas	CEO, Zyware Technologies
78.	U K Chaudhary	
79.	Udai S Mehta	Former Deputy Executive Director, CUTS International
80.	V K Sharma	FCA, LLB
81.	V N Alok	Associate Professor, Indian Institute of Public Administration
82.	V Ranganathan	Retired Professor, Indian Institute of Management, Bangalore and Former Member, Telecom Regulatory Authority of India (TRAI)
83.	V S Ailawadi	Former Chairman, Electricity Regulatory Commission, Haryana
84.	Vijay Chugh	Consultant - Payment Systems, Regulation and Oversight
85.	Vijay Kelkar	Former Chairman, National Institute of Public Finance and Policy (NIPFP)
86.	Vijay Mathur	Former Chairman, International Airport Authority

S.N.	Name	Coordinates
		of India
87.	Vinay K Nangia	Retired from IIT Roorkee
88.	Yaduvendra Mathur	Former Special Secretary, NITI Aayog
89.	Yoginder K Alagh	Vice Chairman, Sardar Patel Institute of Economic and Social Research, Ahmedabad



D-217, Bhaskar Marg, Bani Park, Jaipur 302 016, India

Ph: 91.141.228 2821, Fax: 91.141.228 2485

Email: cuts@cuts.org, Website: www.cuts-international.org

Also at Delhi, Kolkata and Chittorgarh (India); Lusaka (Zambia); Nairobi (Kenya); Accra (Ghana); Hanoi (Vietnam); Geneva (Switzerland) and Washington DC (USA).