

The Hindu Centre for Politics and Public Policy

Annual Lecture by Mr. P. Chidambaram

WILL INDIA SCRIPT AN UNINTERRUPTED GROWTH STORY?

Welcome and Introductory Remarks

By N. Ravi

I have pleasure in welcoming Mr. Chidambaram and all of you to this annual lecture of The Hindu Centre for Politics and Public Policy. The Hindu Centre which is a division of Kasturi and Sons, publishers of The Hindu, was launched by President Pranab Mukherjee on January 31, 2013, to promote research, dialogue and discussion on key issues in order to strengthen parliamentary democracy and pluralism and enable informed decisions on social, political and economic issues current in the public discourse.

In its four years of existence, the Centre has supported 24 short term public policy scholars who have focussed their research on parliamentary democracy, freedom of expression, financial inclusion, rural broadband connectivity, content of school textbooks, voting preferences, among others. It has also organised consultations and public discussions on key issues of national importance such as the creation of the Telengana State, Right to Education Act, violence against women and pre-election opinion polls. It has in addition organised a series of three lectures on climate change.

In this first of the annual lectures of the Centre to be delivered by distinguished personalities, Mr. Chidambaram will join the India growth debate in a lecture marked by deep reflection and stepping back from the immediate problems of the day to address the underlying long term trends. This debate on India's growth that has been largely confined to academic economists will be enriched with the entry of a public figure who has been involved in the shaping of national economic policy since the beginning of liberalisation in 1991. As Finance Minister who has presented no less than eight budgets and as Minister for Commerce, he has had a vital role to play in influencing India's growth trajectory.

Among persons in public life, Mr. Chidambaram stands out as erudite and reflective, qualities that are seen in abundance in the weekly columns he writes under the title *Across the Aisle*, and in the three books with the collection of the columns, the latest being *Fearless in Opposition*. These are based on research and solid reasoning and are objective, that is, as objective as a parliamentarian in opposition can be. An example of his objective analysis is his latest column on the outcome of the Uttar Pradesh elections, in which he says, “The man of the moment is Mr Narendra Modi. He has convincingly demonstrated that his appeal is pan-Indian. It extends from Gujarat and Goa to Assam and Manipur.” He goes on to add though, “The sab in ‘Sabka Saath, Sabka Vikas’ has been subtly altered to include certain sections of the people and exclude others” and points out that after the Bihar defeat the BJP had in UP pressed on with its agenda of hyper-nationalism.

The India growth story begins with what the economist Raj Krishna christened the Hindu rate of growth, namely the persistent low growth of around 3 or 3.5 per cent that marked the first three decades of independence in contrast to the far more rapid growth of the East Asian economies. The move to a higher growth trajectory happened in the 1980s, with a decisive jump to higher rates of growth happening with the budget presented by Dr. Manmohan Singh and the industrial policy decisions of July 1991 that brought in the era of liberalisation. After that landmark budget, the budget that had the maximum impact on the animal spirits of the stock market was Mr. Chidambaram’s budget of 1997. While that was marked by steep tax cuts and reforms and was described as a dream budget for taxpayers, Mr. Chidambaram’s subsequent budgets have seen increased allocations aiming at what the UPA government described as inclusive growth, with substantial allocations for such areas as the farm loan write off, the national rural employment programme and an expanded school meals programme.

In the current scenario, what are the prospects for sustaining growth in the 7 per cent range and what are the policies necessary to move to the 8 to 10 per cent dream? The internal challenges are well known and include the weaknesses in the financial sector marked by large non-performing assets of the banking sector and over-indebtedness of infrastructure companies; the challenge of containing the fiscal deficit to 3 per cent of the GDP; funding infrastructure projects and increasing allocations for education and health. Some of these

areas are in need of changes in policy and in laws as well, and how to bring about reforms remains a key challenge. What is the role of the government and of the opposition in bringing in changes, is the social and communal situation in the country conducive to bringing about a consensual approach? Is a shock like demonetisation just a minor pause or would it result in a serious loss of momentum?

There are then the external challenges, with nationalist and inward looking tendencies manifesting in several countries and with what the latest Economic Survey terms the world's political carrying capacity of globalisation diminishing. The potential closing of some markets, hardening of oil prices and the tapering off of foreign direct investment and inward remittances may present problems.

There are in addition very important questions over the consequences, how the growth in GDP will translate into increased employment, reduction of poverty and improvement in the overall quality of life.

Most critically, how does the government of the day handle challenges in the areas vital for economic progress? Specifically, how does the scorecard of the NDA government under Mr. Narendra Modi compare with the performance of the UPA of Dr. Manmohan Singh?

On the near term as well as the longer-term issues, we all look forward to hearing Mr Chidambaram whom I have great pleasure in welcoming once again to deliver The Hindu Centre's annual lecture.