

A REFORMER WHO HAD CONCERN FOR VULNERABLE GROUPS

Mint, December 28, 2024



IN MEMORIAM

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The passing away of Manmohan Singh creates a big void in India's intellectual scene. He was a man of vision and ideas. India's economy is what it is today because of the pioneering efforts of Singh in the early 1990s to reform the economy. The crisis of 1990 needed for its correction reforms of stability and structural change. The decision to devalue the rupee was the first step towards stability. In fact, what followed was even more important. These are structural reforms.

The break with the past came in three important directions. The first was to dismantle the complex regime of licences, permits and controls that dictated almost every facet of production and distribution. Barriers to entry and growth were dismantled. The second change in direction was to reverse the strong bias towards state ownership of means of production and proliferation of public sector enterprises in almost every sphere of economic activity. Areas once reserved exclusively for the state were thrown open to private enterprise.

The third change in direction was to abandon the inward-looking trade policy. By embracing international trade, India signalled that it was boldly abandoning its export pessimism and was accepting the challenge and opportunity of integrating with the world economy. This approach is very different from what we used to do

when faced with balance of payments problems earlier.

Improve efficiency

There is a common thread running through the various measures introduced since July 1991. The objective is simple: to improve the efficiency of the system. The regulatory mechanism involving multitudes of controls had fragmented capacity and reduced competition even in the private sector. The thrust of the new economic policy was towards creating a more competitive environment in the economy to improve the productivity and efficiency of the system. This was to be achieved by removing the barriers to entry as well as the restrictions on the growth of firms.

While the new industrial policy which dismantled licenses and controls seeks to bring about a greater competitive environment domestically, the trade policy seeks to improve international competitiveness, subject to the protection offered by tariffs which are themselves coming down. The private sector is being given a larger space to operate in, as some areas earlier reserved exclusively for the public sector are now also allowed to the private sector. In these areas, the public sector will have to compete with the private sector, even though the public sector may continue to play the dominant role.

What is sought to be achieved is an improvement in the functioning of the various entities, whether in the private sector or the public sector, by injecting an element of competition in them. There is, however, nothing in the new economic policy which takes away the role of the state or the public sector in the system. The New Economic Policy of India has not necessarily diminished the role of state; it has only redefined it, expanding it in some areas and reducing it in others. As has been said, somewhat paradoxically, more market does not mean 'less government' but only 'different government'.

Growing fast

The reforms witnessed in the early 1990s had a big impact when

Singh became prime minister. Between 2005-06 and 2007-08, India's real growth was more than 9%, a remarkable achievement. After 2011-12, the growth declined, but that was partly cyclical.

Singh in his earlier part of his career in government was a believer in planning and the importance of the role of state. Even at that time, he was however a strong advocate of export promotion. He did change his views. That is why we call the reforms a paradigm shift. In the final analysis, what is important is benefit to the country. His emphasis on efficiency did not take away his concern for the vulnerable groups.

The National Rural Employment Guarantee Scheme is one good

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example of how he tried to take care of the deprived. The National Food Security Act was another example. Given the production and procurement capabilities, he asked the committee that he set up under my chairmanship to formulate a scheme of entitlements to the vulnerable. We modified the scheme suggested by National Advisory Council, but kept in greater part the spirit of the recommendations. There is a mistaken impression that reforms ignored equity considerations. That is not true. Singh always regarded growth and equity as the two legs with which a nation must walk. In the execution of certain types of projects like roads, he also thought in terms of public-private participation.

India looks forward to becoming a developed country by 2047. Without doubt, the foundation for this was laid by Singh in the early 1990s and continued through the first decade of this century. The nation must be ever grateful.

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