

**RAHUL BAJAJ**  
**TAKING INDIA FORWARD**  
**SHRI LAL BAHADUR SHASTRI MEMORIAL LECTURE – DELHI : JAN 10, 2006**

At the outset please accept my greetings for the New Year.

It is an honour indeed to be associated with anything to do with Shastriji. I am thankful to Shri Anill Shastri for this privilege.

Most of us remember Shastriji for how much new direction he gave the country in the short time that he was at its helm. The seeds of the Green and White revolution were sown by him. He did what is the most important role of a leader. To identify the key issues, which need to be addressed, seek outstanding men to deal with them and then give them a free hand to deliver. His cajoling C. Subramaniam to be the Agriculture Minister and giving Dr Kurien the task of taking the Amul experiment national, was the start of a process whose fruits we enjoy to this day.

The Confucian description of a big man, " is easygoing and kindly, respectful in manner, frugal and polite", may well have been written for Shastriji.

The relations between the Bajaj family and Shastriji were very old. As a member of the AICC, he was a frequent visitor to my hometown, Wardha, in pre-independence days. When he died, my father, Kamalnayanji, who was then a member of the Lok Sabha, wrote an obituary entitled "Lal Bahadurji is unforgettable". In it he rightly called Shastriji "Ajatshatru", one who has no enemies.

We will continue to remember him, especially the idea of "samanvayvad". His life expressed the idea, and the idea expresses his life. Samanvayvad is not a concept for the weak. It does not mean accepting mediocrity or the lowest common factor or papering over differences. It is a quiet search for truth and a position that is in the larger interest of society, which steadily becomes the consensus view. It is eminently suited to a society as heterogeneous as ours. If we choose to heighten our differences we risk destroying everything.

I have chosen to speak on the theme "Taking India Forward" because that is what all of us want to happen, and are engaged in.

What should be our vision of taking India forward? First, we need to have a strong and growing economy. This is essential for redressing poverty and for our prosperity and development. This will also mean greater employment and rising per capita incomes.

Also, every Indian, whatever is his income, should have an opportunity to realise his potential. This of course requires every Indian to have gainful employment and also access to good quality education and health care facilities.

Of course, progress should not be limited to economic development. We should also move forward in the fields of education, health, other human condition indicators, culture, sports and science.

We have to dream of progress, but deal with the challenge of our realities. Our public space is usually occupied by those who only see opportunities and are oblivious of realities, and others who only perceive threats and ignore the opportunities. I belong, like most of you, to the positive realism school, conscious and driven by opportunities but mindful of ground realities.

The issues of efficiency and equity are what a nation constantly grapples with. Their dynamic balance and trade off decide the direction and pace of its movement. In my view it is efficiency that we need most today, and in it also lies the key to ensuring equity. I am conscious of the fact that ignoring equity is not an acceptable option. Markets function in a social envelope. Russia is a good example. Under Communism they focussed on equity, which undermined efficiency and hence the whole system imploded. Then, they ignored equity and the result was for all to see.

A dilemma is being played between economic and social reform today. I believe that economic reform needs support and encouragement. Because, in the final analysis, it facilitates social reform.

In other words, we face a dilemma between focussing on facilitating the strong so that they pull everyone up or mainly taking care of the weak. History tells us that the former works and the latter does not, because it is not a financially self-sustaining model. Of course the strong need to have a sense of obligation towards the weak and there should be mechanisms to recycle funds from the strong to strengthen the weak. But the horse should be in front; else we'll hobble everyone.

Let me complete my introductory remarks with spelling out my position on globalisation. I believe that on the whole globalisation presents an opportunity for India. However, I believe that we have to protect our interests as we engage with it. Mindless globalisation is not in our interest. The situation of our agriculture, industry and service sectors; and within them of sub-sectors, varies tremendously and we have to modulate our engagement sectorally.

We have certainly entered a phase of heady growth. During 2000-05 our economic growth was second only to China. We used to think 5% growth was good. Now we are achieving 7% without much effort and under continuing constraints to growth, like poor infrastructure, especially power, continuing corruption and red tape and inflexible labor markets.

This is largely happening now despite the government. The reforms of the early 90s have freed the spirits of entrepreneurs, in both manufacturing and service sectors. Our lower manpower costs, quality of our people, large domestic market and our demographic profile are facilitating this process. Global and domestic players are catering to global markets and developing domestic markets for an astounding variety of products and services. Domestic companies now have the scale, and more importantly the confidence to compete globally and they are buying units abroad to increase their share of global markets.

I believe that this momentum is likely to continue. The sensible thing would be to facilitate it. Even if that does not happen, we will grow at 6%+ per annum. If we have the necessary wisdom & will in the political and administrative system, it can be easily 8% and be even

stretched to 10%. It is important however, that the growth is inclusive, i.e. spread geographically and across sectors and income groups.

As the economy and society are moving forward, our political system seems to be moving in reverse gear. In the 90s there was positive energy emanating, even if coming from a sense of crisis. A spirit of reform was in the air. But in the last 2 years especially certainly that spark is missing. The Congress, despite having a phalanx of economic reformers, is reverting to its 70s mindset of government control and redistributing poverty, which is another word for wasting public money. The BJP, though reformist, seems caught in a time warp and is pulling levers that are unlikely to work. They are thinking in terms of Ram, Lakshman and Hanuman, forgetting that what is going on in their Parivar is Mahabharat!

I do not subscribe to the view that economic reforms are anti-people and do not ensure re-election. What we need are reforms that facilitate economic and human development based on a good understanding of what is required; not some World Bank or IMF prescription. Even the voters of Bihar have recently voted for development. We need to reflect on the meaning of the 2004 election results at the centre and in Andhra and Karnataka. But let us also remember MP and Rajasthan. I believe voters punish non-performance, not reform per-se.

Casteism and vote bank politics are economic dead ends; howsoever effective they may appear to be for re-election for a while.

Some, maybe well intentioned, but incorrect, principles have come to be the corner stones of our public discourse. Essentially, they represent a belief that political expediency is more important than economic logic. Key amongst these are:

1. Merit is not important in deciding about people
2. There are free lunches available
3. Dogmas are more important than results and
4. One can have rights without responsibilities

One can see that these will lead to disaster because they are contrary to common sense. But they are the prevailing principles of our governance.

The task of overturning these principles is not easy. Large groups now have vested interest in keeping them going. But continuing an unsatisfactory arrangement is coming in the way of our nation's progress.

To take India forward, both political and economic reforms are necessary. Let me sketch the outlines of some key reforms that I believe are essential. I will start with political reforms because that is usually not much talked about.

I believe that unless either of the two major political parties has at least 200 plus seats and the coalition government has a majority in the Lok Sabha, the political system will continue to neglect the economy. Short term political expediency and crisis management would absorb most of the energies of the government.

The funding of elections has been one of the causes and feeders of black money and corruption.

Hence, I believe the government should provide for state funding of elections to at least reduce the evil of election funding by black money which is one of the major causes of corruption of our political system. I am glad that finally Indrajit Gupta's report of 1998 is being dusted off and considered for this purpose and that the Election Commission is holding a meeting of all political parties to discuss this next month.

It is also necessary to change the law (if required, the constitution) to ensure that the Parliament and the Assembly elections always take place simultaneously and only at 5 year intervals.

Also, like Germany, we should amend the law so that a no-confidence motion against a Prime Minister/Chief Minister is accompanied by a motion, which supports a new Prime Minister/Chief Minister.

These changes will ensure that elections to the Parliament and the Assemblies take place at the same time and only at 5-year intervals as used to be the case from 1952 for almost 20 years. This will also save money and permit the Central and the State governments to concentrate on governance rather than prepare to fight elections almost every second year. Resorting to political expediency, if at all, will take place only once in 5 years.

There is no alternative to probity in public life. I know that it is difficult, but we must not grow cynical about this. I don't think any of us will grudge money and effort spent on making the political system cleaner. We must severely punish those that transgress. The exemplary punishment meted out recently to MPs in the cash for questions issue bodes well.

Before I move off the subject of politics I would like to touch upon the phenomenon of regional parties, because that is related to the issue of stability at the centre. I think they have come to stay. They have essentially arisen due to the Congress Party turning imperious after Shastriji's time and not allowing natural regional leadership to flower. Pre-independence there were stalwarts from each state. People like Pant, Chavan, Kamraj, Atulya Ghosh, Biju Patnaik etc. What we are now seeing are pre-poll alliances between national and regional parties. This can deliver stability, provided the national party is strong enough on its own. I believe national parties would do well to allow natural, strong leadership at the state level if they want to stop their own decline. We need a strong centre and strong states. We can not progress with a strong centre and weak states or with strong states and a weak centre.

On economic reform I believe the critical ones are three:

1. Provision of infrastructure
2. Reduction of wasteful expenditure by governments
3. Labor laws reform

For industry, agriculture or service sectors to function efficiently, good infrastructure is essential. The physical infrastructure in terms of power, roads, ports etc. and social infrastructure in terms of an educated, healthy people.

Our physical infrastructure, especially power, is grossly inadequate. Essentially, because of policy paralysis and financial constraints created by the application of misguided principles that I mentioned earlier.

The state electricity boards are bankrupt because power to the agriculture sector is free or is heavily subsidised and is also being stolen on a very large scale, with the connivance of their staff. For the last 15 years we have been skirting the issue. As a consequence, in Maharashtra today we suffer 2-hour power cuts in urban areas and 8-hour power cuts in rural areas. Can there be any industrial activity in non-urban areas in such a scenario? Can industry plan expansion?

The least we need to do is to privatise distribution and provide the subsidy to farmers from the budget, so that profitable investment can be made in the sector by even NTPC, let alone the private sector. On paper the Electricity Act 2003 is supposed to do this, but we have yet to see movement on the ground. In Maharashtra the government is talking of adequate power by 2012. Till then what is everyone supposed to do?

We have to move quickly on the infrastructure front. Privatise, transparently, as much as possible, as far as it does not create monopolies, and make public investment where private sector investment is not forthcoming, but hand over operations of the facility to a private operator with a track record.

Secondly, the government has to reduce the fiscal deficit by disinvestment and privatisation, reducing non-merit subsidies and by downsizing of government. There are a large no. of government departments that add little value. The money so saved should be invested in physical and social infrastructure.

The third crucial economic reform required is of our labor policy.

In an uncertain and fast changing world, any business has to be flexible. If it is not and carries legacy costs, then it finds it hard, if not impossible to remain competitive. The global stampede to manufacture in China was facilitated by flexible labor laws in that communist country.

Water finds its own level. Our inflexible labor laws for the organised sector have only resulted in a disincentive to create relatively well paying jobs in good work environments and have created lower paying jobs in the unorganised sector.

In totality, our current labor laws are anti-employment generation and protect a small minority. Flexible labor laws would be pro-labor, with appropriate safeguards and reasonable compensation for retrenchment of course. Flexible labor policy is essential to create the much-needed employment. Else, our demographic dividend in the coming decades, can turn into a demographic nightmare!

There is drastic reform required in administration as well. Though generalists have their strengths, I am one of them, development administration requires far greater specialisation than exists today. When I watch Secretaries moving between Health, Finance,

Power or Agriculture, I am horrified. In no business organisation, despite job rotation, would such senior responsibility be entrusted to anyone who has no experience in that

area. Are we then to conclude that no real responsibility is entailed in these positions? God forbid! Greater specialisation, inducting experts for specialised roles and secondment to the private sector & vice-versa are some of the steps I recommend to improve the quality of our administration.

Till 1991 Industry was not allowed to expand within 25 kms of a large city and there were financial incentives to locate in backward areas. With the removal of these incentives, industrial development is getting even more concentrated, with attendant urban issues. I also believe that the key to increase in rural incomes is nearby demand from industrial employees. I do not support financial incentives for backward areas, but what should be provided proactively to attract industry is good infrastructure, which includes power, road/air/rail links, education, housing, health care facilities etc.

Civil society has to support the above changes. This means that all of us should vote and, while we vote for the party of our choice, we must vote for the right candidate. Middle class apathy to the political process should end. The performing elite of a society has to engage with their societies.

All of us, every Indian, have to work for furthering the reform process and ensure that the fruits of reform benefit all sections of our society. Entrepreneurs and the civil society especially have to coax the government into doing what is necessary even though it may not appear politically expedient to do so.

To any change there is resistance. Those that lose from the change are, unfortunately, organised and articulate, though in a minority. Those that benefit are an amorphous group – the silent majority. We should do what is in the larger national interest and should have the courage of our convictions to move ahead. I believe that the process of growth itself will create compulsions and constituencies for change.

To conclude, taking India forward is a necessary, doable and an exciting, never-ending process. In our own sphere, we can give expression to it. If more and more individuals decide to do this, economic and social change will follow. Though we have to work as a team, the individual is the centre of all change. As Shri Pandurang Shastri has said so eloquently, “you alone are the sculptor of your life”. Or, as Gandhiji said " You must be the change you wish to see in the world.”

To achieve our legitimate place of glory in the comity of nations, we need leaders, leaders of integrity. Not just a few but thousands of such leaders, in every field. And, we know that leadership is not just charisma, not public relations, not showmanship. Leadership is performance, consistent behaviour and trust-worthiness. Leadership means that there is no substitute for excellence, no tolerance of mediocrity and no compromise with integrity.

In one of his poems Gurudev Tagore lamented "Where is India?" I work and wait for the day when we can tell his spirit "Here is India".

Jai Hind

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