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## Running On Empty

The recently released GDP data has finally confirmed what should have been quite obvious to everyone having an eye on the health of the Indian economy. Indeed, the only reason to be surprised is that we are actually surprised with these numbers. In hindsight, it is now abundantly clear that the India's economic growth story of the last 20 years was a fortuitous combination of a number of factors that led most in India and many outside India that its tryst with (economic) destiny was finally happening. We took undue pride in statistics relating to GDP growth rate, increase in number of billionaires and millionaires, the stratospheric rise in real estate prices in the major cities, the steady increase in the size of India's contingent to international power shindigs at Davos and elsewhere, and the rise in Sensex and the Nifty while completely ignoring that the successive governments of the last 20 years did little structural changes in the way India planned for its future.

As it turns out, even the many shining examples of Indian's extraordinary entrepreneurial abilities that propelled many from obscurity or small-time businesses to the ranks of promoters of billion dollar scale enterprises seem more the cases of crony capitalism where they successfully managed to manipulate the "liberalized" environment to walk away with mind boggling quantum of national resources for a pittance. As it seems, the calls for reforms by some of these industry "captains" in the last 20 years seem more like pressure tactics on the government to further cede control on natural resources and public assets through highly one-sided PPP models which are turning out more like giving away of "Public Property for Private gains".

While India was gloating over these few shining economic indicators, and in the process, putting one particular class of professionals (economists) on a pedestal, the real reforms took a completely back seat since they seemingly did not immediately benefit either the political class or the new-generation entrepreneurs. Hence, India did nothing in these last 20 years to reform the agriculture sector and improve the farm to the kitchen supply chain even while an additional 300 million mouths were added in these 20 years. India did almost nothing to reform the educational infrastructure especially relating to vocational training and in high-quality higher education (other than setting up a few new bodies, and allocating some additional funds). India did nothing to come up with pragmatic reforms in land acquisition so that there was an equitable balance between various conflicting needs (agriculture, industry, housing, educational institutes, hospitals, shopping, roads and airports, public parks, sports arenas etc. etc. etc.). India did not do enough to have a holistic vision for its energy needs if it were to grow at 8% or more year on year, and instead, allowed ideological distortions increase further. And finally, while real reforms were put on a back burner for most of these last 20 years, the recent governments further compounded India's structural weaknesses by letting go of any semblance of fiscal prudence and give away hundreds of billions of dollars equivalent of resources on completely harebrained and almost entirely politically expedient giveaways pushed to the gullible masses as "social sector" spending.

What can be the way out from the mess India finds itself in at this time? While there is a clamour from these very economists, planners, industrialists, and stock market pundits for a reduction in bank lending rates and further financial give-aways through subsidies and tax breaks in an attempt to stimulate the moribund economy, at best such measures could give a short term fillip to the stock market indices and provide for some optimistic sound bites and quotes in the financial media. At worst, these measures could further exacerbate the structural weakness of India's economy. Hence, a good start would be to accept that in the near term i.e. next 2-3 years, India can - at best - strive for a GDP growth of around 5%. Once these internal and external expectations have been reset, howsoever disappointing it may be, the Government must take complete control of the task of governing India. If it wishes to do so, it still has enough internal talent (including the bureaucracy) to come up with the appropriate reforms and a policy framework addressing the most fundamental areas that include agriculture, internal trade and distribution (and applicable fiscal policy), education, healthcare, housing and urban development, energy, and roads and other transport including rail and air to start with. External inputs could be sought but not from self-serving or non-accountable advisory groups and consultants. All of this has to be done with a sense of urgency rather than limping from one parliamentary session to another with little to show by way of actual policy making.

Indian economy seems to be running on an empty fuel tank, and unless urgent measures are taken to top it up once again, the country could come to a sputtering halt and face social, civic, and law & order crises of unprecedented magnitude.

**Arvind Singhal**

[Arvind.singhal@technopak.com](mailto:Arvind.singhal@technopak.com)