



USUALSUSPECTS
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Indian economy in exciting transition

In the penultimate day of the all-too-brief Winter Session of Parliament, there was a brief but interesting discussion on the economy in the Rajya Sabha. Anyone who heard that debate, including Finance Minister Arun Jaitley's very erudite reply, would have been struck by the two very different accounts of where India stands today.

On the one hand, there were the speakers from the Opposition who insisted that it was the worst of times. India, they claimed, was in a state of acute distress with mounting joblessness, rural distress, macro-economic confusion, the GST muddle and policy inertia. On the other hand, the Government side insisted that India had turned the corner and that the structural reforms introduced by a Government with great political will, were now beginning to show results despite the absence of galloping GDP growth. They pointed to the astonishing rise in FDI, the buoyancy of the stock markets, the benign rates of inflation and the commendable work on upgrading infrastructure done by the Government.

This mismatch of perceptions was also evident in the Prime Minister's meeting with the country's top economists last week. It would be accurate to say that the big tribe of economists — and India has an over-supply in this department — feels a little miffed these days. First, they are yet to get over their collective bewilderment over the demonetisation of November 2016. As of now, very few of the top economists of the world have endorsed demonetisation because they have been unable to fathom the logic of disruption in a functioning economy. Secondly, economists as a profession are extremely disappointed that the Government has downgraded their elevated status and pay greater heed to managers and those who implement programmes rather than those who proffer macro-economic advice. The sullenness of the economists as a tribe loosely corresponds to the anger among the professional intellectuals who feel unwanted by the Narendra Modi regime.

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Then, with objections that are a little different from economists, are the civil liberties and NGO activists who entertain deep misgivings over the widening scope of Aadhaar. The objections are two-fold.

First, there are concerns over privacy and the possibility that the minefield of data, including biometric records of individuals, may be prone to hacking by a determined band of internet pirates who have made life very tense for the world economy. The concerns over privacy may well be partially justified since India has a poor record of keeping data confidential. Greater awareness of privacy and the enactment of tough data protection laws are imperative, although it does not need a fugitive Snowden to lecture us on the subject.

Secondly, there are the objections from the NGOs. These are a little more difficult to fathom. The activist NGOs, particularly those working in rural areas and ostensibly to improve the quality of life for the poor, have long complained of the leakage of development funds and the dysfunctional public distribution system. Many of those complaints are legitimate. In the past there have been documented cases of bogus MNREGA rolls and rations that are diverted to the open market. One of the great advantages of Aadhaar is that facilitates direct transfer of funds to beneficiaries and keeps a tab of actual beneficiaries of the PDS. It is undeniable that the use of Aadhaar has brought down the organised loot of Government funds exponentially. So why are NGOs so resolute in their opposition to it?

Part of the reason could lie in the political sub-agendas of NGOs. Despite the pretence of being non-political, most of the NGO activists are intensely political and harbour a deep hostility towards the BJP in general and Modi in particular. The Government has fuelled their hatred by cracking down on the misuse of foreign funding for political ends. In many case, foreign contributions have dried up entirely, sometimes affecting the personal livelihood of individuals.

Then there is the larger question of the celebration of poverty. In an ideal world, the role of NGOs should be transient. Having identified a problem and working towards its ultimate solution, NGOs should have their own redundancy as their ultimate objective. Unfortunately, the reality is a little more awkward. NGOs have developed a vested interest in both the continuation of poverty and the ineffectiveness of Government poverty-alleviation schemes. Aadhaar actually posits a real solution to the problems the NGOs have been highlighting for decades. It should have been promoted by the NGOs and where necessary they should have taken up individual problems — and there are individual problems — with the concerned authorities. Instead, they have been promoting a form of negativism that prompts the inescapable conclusion that the continuation of poverty and even destitution is something that feeds the NGOs. This may be a cynical view but is painfully close to reality.

The Modi Government, it would seem, has embarked on systems-based approach to create an architecture of growth and prosperity. This has involved taking tough decisions to ensure greater tax compliance, effective utilisation of official funds, removal of discretionary powers of officials and the simplification of rules and procedures. All these measures affect sections of the old economy adversely since they have developed an expertise in 'managing' the environment to their own advantage. Evasion of taxes, for example, have added to the competitive edge of individual enterprises. Likewise, the absence of cross-verification that both Aadhaar and GST allow possible transactions that have hitherto stayed below the radar. And the aggressive promotion of electronic transactions through banking channels have hit at the cash economy.

India is in a stage of exciting transition. It is inevitable that there will be resistance and opposition. What is being attempted is the dismantling of an old structure and its replacement by a new modern economic structure.