

# STARGAZING FOR INDIAN ECONOMY

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It indeed, gives me great pleasure to come here and address you all. I feel very humble, to see the list of eminent personalities who have delivered the previous lectures at JIMS. They are all indeed men of great eminence in public life. I am sure JIMS is also happy to receive an academician like me, it makes me feel happy not only for myself, but also for the academic community.

Today the onus of the future of India is on you, as you are the future of India. The late academician Prof. Samuelson, when he was offered the position as the chief advisor to US President John. F. Kennedy, remarked “I am more interested in shaping the minds of future advisors than becoming advisor myself, so that I can belong to that category of persons who have trained, lectured, and interacted with those people who have today taken a prominent position in the country.”

I believe that majority of you who are listening to me today, are the young management students. You have a long journey to go spanning in next several decades, so I thought of choosing a subject that is broader than pure economics, let's talk about the future of the country.

In this age of globalization, as soon as I talk about how a country is invariably faring, there is a comparison. You must be seeing in the newspaper reports that India's global rank is not so good, this is because global standards are frequently changing. Our corruption index has worsened, but as an economic superpower, we are fast approaching to be one of the biggest economies in the world.

When I was young like many of my contemporaries here, if you were asked-when you will graduate, what will be the future of the country? My favourite expression is, every time you feel too pessimistic—go abroad, come back regenerated, because today India is rated much higher abroad. In the whole world there is a “buzz” about India becoming a big power, young Indians are becoming dynamic entrepreneurs, highly skilled, highly professional, and highly globalised. Back home here, you read the newspapers-one more scam, some more poverty, some more crime and you get swayed—what is the reality? You start deviating in thoughts. Since, I have mentioned that I am not in politics, politicians don't doubt and debate, they seem to have a very clear mind, at least when they speak in public they are very

confident. I know some of them personally, who are not that confident and privately they will share their agonies with you, but being an intellectual, I don't have that laxity.

One of the country's topmost politicians, told me the other day "Prof. you still have the luxury of being an intellectual." I pointed out to him "Sir, there is so much of corruption, don't you think you should do something?" He said "what can I do?" So, you see even those who hold top level positions in the country feel helpless. Where do we stand today? First, let me say at the outset, in my academic life I have been a specialist for forecasting. I have been asked to build lots of models not only for the Planning Commission and Reserve Bank of India but also for the World Bank. Curiously, I was also asked to evaluate the model which was built by the American Government to evaluate the consequences of the Afghanistan war. My counterparts made similar models when they did work for Iraq. So, I am a forecaster, but being a true forecaster, I know the pitfalls of forecasting. The society is changing very fast, technology is changing, how many of you would have predicted 10 yrs ago, that every one of you would be having a mobile phone in your pocket? How many of us could have predicted that iphone will be the buzz word in India?

The technologies keep coming every now-and-then but very few are able to make the mark. We predict the future of the nation by combining

human behaviour of a large number of people, economy, society, global environment, all put together. In Jawaharlal Nehru University, one of the new schools which I have created is called Integrated System Sciences, where economics, social science, physics, environment and biology are put together, youngsters appointed are equipped with super computers to start predicting, which I call “playing the role of God”. If I know my future then I am God, only God can predict future. As human beings, we are all fully able in our knowledge. Astrologers claim to be the substitute for God by making predictions and telling you, “I know your future 20 years from now”. But, how many can really predict? Very few can make predictions correctly.

As intellectuals, we can study the patterns and trends of the society, of the economy, of a country, the behavior, ecology and start predicting the direction of change that can occur. Using all this knowledge that we look at today, we say India is going to be one of the major economic powers, as well as a super power in 21<sup>st</sup> Century. President Obama, during his visit to India in Nov. 2010 said that India is not emerging, India has actually emerged as a big nation, so he considered India should be made a permanent member of the UN Security Council, which we are not at the moment. Germany reluctantly agreed and said ‘yes’ as the time has come for India to have its place of pride in the world. China of course will be opposing us;

Pakistan naturally, will not like India to go high. Is it an empty power? Critics should argue that when this country is simultaneously impoverished and backward, is it an empty claim to say that we are a Superpower?

If we look at the history of the world, at least the recorded history; you see from time to time, one or two nations dominated others; we had the mighty Roman Emperors, then they collapsed; Genghis Khan ruled over almost half the world; Alexander the great conquered but he did not rule, he died young; the great Mughals, great Hun dynasty, then came the northern European nations, British, French, German, Italians, Spanish. Among all of them, only Britain lasted the longest. It was said that the sun never sets on the British Empire. But, where is Britain today? So everything has a time and a dimension.

Twenty years ago, not any one of us could have predicted that Soviet Union will disappear like a pack of cards. They had the strongest army in the world, stronger than even USA, but it has just vanished. So, what happened? One thing that we observe after studying carefully, is that all these nations of the world, starting from the early days, only become strong when they become economically, militarily, politically, diplomatically strong, then they follow, not precede. This first lesson therefore is contrary to the popular opinion in India where, for everything we blame politicians and assume that they have the super

powers. That is not historically true; politicians ultimately derive power from economics. The most important political scientist of the 20<sup>th</sup> Century Samuel Huntington, famous for his book *The Clash of Civilization*, predicted that in the 21<sup>st</sup> Century seven powers will clash for supremacy and he named India as one of them, China obviously is named as another. He remarked “politics is the most concentrated form of economics;” so, it is ultimately the economic strength that will decide the destiny of a country. This is written by many historians now. Eventually, if you become economically strong, you gain political strength, military strength and nations which try to be politically and militarily strong don’t last long.

In terms of Military Power, Science, Technology and Engineering, Soviet Union was far ahead of most nations in the world. It did not last long, it did not have good economics nor had good business managers, it did not know how to run economic management, it did not like them, so did not allow teaching of economics other than Karl Marx. There was no concept of business school because they did not allow any private initiative, as a result Soviet Union collapsed. So with this started the new line of thinking ability to predict future and to study which are the nations which are going to become economically stronger. Late Rodney Don Bush of Harvard University wrote a famous paper that in the 21<sup>st</sup> Century, nations which will challenge United States for supremacy

in the Globe are going to be Brazil, Russia, India and China, BRICS Nations. Yester-years powers like Britain, Germany, France and even Japan, will gradually become weaker because their economics are stagnating. The rising economics of Brazil, Russia, India, China, will become stronger economically.

The world has considered only two countries more important and these are China and India. China is already becoming a big super-power, India is expected to be an economic super power, the difference between India and China is, China ever since they started their economic liberalization in 1978, they have been progressing at a rate unknown in the history of mankind. China's economic standard was similar to that of India in 1950s, today on an average it is about 3 times higher than that of India because of the Chinese population of 1.3 billion people and thus becoming the world's 2nd largest economy and purchasing power.

You are all business school products; you will understand the value of market. China has about 700 million middle class buyers, roughly half the Chinese population are in the middle class, so if you are going to start a factory to produce cars and TV, you know where to go; if there are 700 million buyers then a strong market is China, so you will go to China, and therefore all the foreign capital is going to China.

The chinese have the worst human rights in the world, businessmen don't care. European nations

and America keep on telling that China's human rights are very poor. China doesn't care, business men don't care. It is a sad state, therefore the human rights are not thought important? People are questioning of course, can China continue in this manner; suppressing people with not only command economy but command politics also. 20 years ago, Chinese students wanted to protest in the campus of Beijing University, army came with tanks and killed more than 3000 students. Imagine a similar thing happening in India, even police firing in the campus will be very rare, at the most they do some lathi-charge and try to disperse the students, but they will not kill anybody in India. China because being a strong economic power, being the market place of the world, being the buyers of the world, 700 million buyers which is bigger than America, which is also 300 million bigger than any European nation, almost as big as the whole of Europe as a buyer together and the modern Chinese economy is still growing. It is strong on purchasing power which enables a country to adapt to modern technologies.

Shanghai has the world's fastest train from Shanghai airport, 80 Kms. to Shanghai city center, you reach there in just 25 minutes. Even in European Nations, Germany which produced the technology, no German airport could afford it. Shanghai could afford it because Shanghai has dazzling business so, whichever nation shines in economic growth, can buy technology, you can



buy arms, you can buy manpower. China can be the potential challenger to the USA. The question is, when will China become equal to USA and when will it cross USA? Where does India fit into this?

India has the world's second largest population presently estimated to be around 1.2 billion, which is second, after China. 1.2 billion Indians on the face of it is a large number, which is a burden because in terms of geographical area India is 1/3 of America. China's geographical area is 2.5 times that of India, India has the fastest growing population. 2011 Census will only tell us whether the growth rate has actually declined and how significant has been the decline? The Planning Commission is estimating that the growth rate of population should be something like 1.5 children per family. Some of us believe that it won't be as low as that, it should be about 1.7 to 1.8 children. China on the other hand has brought down the population growth rate to just around 1%. So by this behavior, by 2040 India is projected as the most populous nation of the world.

In terms of sheer manpower, soon we shall be the biggest nation in the world. Unfortunately, not all in India have good purchasing power and because they do not have the economic power, they do not also have other forms of powers. Economists have different opinions, about 300 million Indians are in middle class, roughly, 1 in 8 Indians have any purchasing power. The official estimations by

the Planning Commission show that the poverty ratio is as high as 26% recently revised to 37%, various estimates by the Planning Commission also put it to 41% or even 48%. In the informal sector, Commission of the Government of India, Gupta Commission recently submitted that 79% of the people do not spend even 20 rupees a day, which puts it close to 80% of the Indians. So one thing is very clear, that the number of people who are potential buyers, they are smaller compared to China. About 150 million Indians, even if we take the lower side of it, is bigger than any European Nation-in other words, if you take 150 million people of India, create a separate country, it will be one of the most richest and educated countries of the world, bigger than any nation of Europe. If you are new to a country as popular as USA these 150 million people are called India.

You know that the Constitution of India says-India has two names “India that is Bharat” and it goes on to the rest of the pages of the Constitution. We now say that the two countries as merging out of one country called India. India is the middle class, English educated professionals, who are globalized and everywhere in the world, they are also highly educated. In terms of professional skills, they are well educated, hardworking, and productive and are shining all over the world. As opposed to this, others who live in villages, in urban slums, they are uneducated, poor, backward, and suffer from number of diseases and deformities that is called

BHARAT. With the 10% or 9% growth that occurs is unfortunately not benefiting. In Mumbai, you may have probably the world's richest industrial town, Mukesh Ambani's 27 storey house, his younger brother is now constructing a 30 storey house, but within half a kilometer radius of their house you will find hundreds of people sleeping on the roads. This kind of situation you don't find in other parts of the world. China has millionaires, we have billionaires, means those who have done well in India, have done expectantly well in business, but only few have done well. So is the case with professional education, those of you are there in this hall, I don't know how many of you know that you belong to the top 5% strata of society in terms of your income, your purchasing power, your ability to spend. You may call yourself poor, but you actually belong to top 5% of this data.

I also chair the National Sample Survey Organization. In India, we are a democracy but among the developing countries poor/rural India is the shiniest example of the democratic country, there is utmost heterogeneity, which is not seen in any other nation of the world. No other country of the world has such diverse people, so much variation in terms of religion, language, caste, race and all living together. It is the best example. In the world today, Indian democracy is surviving amidst all the poverty and backwardness. This is the best thing that has happened, China has no semblance of democracy, Chinese entrepreneurs make their

labour work for anything between 12 to 16 hours a day, even going to the toilet is monitored by biometrics-on an average in a day men are allowed in the SEZ (Special Economic Zone) factories to use the toilet for 15 minutes in 12 hour shift, women 20 minutes, pregnant women 5 minutes extra, for extra time your wage is cut. No trade unions are allowed in China, no bargaining for wages, no stopping of work, else you face severe punishment. So if China is flooding the market with cheap toys, you know how they make it so cheap? Labour is very cheap, they are made to be very productive—12 to 16 hours a day of hard labour, no gossiping, no leniency and inefficiency, which is ruthless in terms of efficiency and marketing. You cannot even have a woman as Medha Patker or Arundhati Roy, they would not last even 5 minutes there.

My friend, a Professor in China wrote that he was sent to study the economic model of a textile factory in Inner Mongolia, because he wrote an article which mildly criticized government's economic policy. He was stripped of his professorship. This kind of a situation is not an exception in China, they are doing it regularly. Even today, Internet in China is not free, if you are in China and when you open the internet every now-and-then you will get a black page or even within the page-blank paras or lines.

If India's growth rate improves, India will overtake China, then how is it that India in spite of this is not getting there but still growing? This

is because, India's only top 10% workforce is very productive, very efficient, even within the government there are 10% of people extremely efficient, honest, efficient, hardworking and because of them, system is working, otherwise you have chaos like African Nations.

In India, there is also an inner dynamics- on the one hand, you see newspapers full of corruption cases and on the other, you will see there are millions quietly doing their work honestly and efficiently. Media does not report that we have so much violence in the country. The fastest growing government jobs in the country today are security jobs, government is regularly creating more and more security forces, to keep up with the growing violence. The foreign insurgency, terrorism, the internal regional insurgency in Nagaland, Manipur and finally now economic insurgency by Maoists as Naxalite and all that, requires more security personnel or army to stop this violence. Former Ambassador to China, who I used to know well, he was one day asking me "why you people call them Maoist, we finished Maos much earlier, why are you still retaining them, tell us we will bring the Chinese army and finish your entire Maoists in one day." But in India we cannot do that.

The heartland of India—the Central India, rich in iron and coal belt is Naxalite infested, so if you want to industrialize, you need more steel. More steel requires more iron-ore energy, you need coal, but all the coal-areas are Naxal infested.

This disturbs the production process; it also raises the cost of production. So one disturbance is the naxal-violence, the other is lack of discipline and work culture. Most of the Indians become more efficient when they work abroad and here they become relaxed, it is a system that makes you relaxed in India, so productivity of an Indian rises much more when he or she works abroad; partly because infrastructure is good; you can give the best of your ability, you see in totality three things matter; intrinsic ability, your motivation, and the environment in which you work.

You all are products of a management school, I am sure you will know how to get the best out of you, you will have to make a combination of these three things. You choose a highly skilled person because of his intrinsic ability but the motivation is always the same. Some will be ultra-efficient, some will be very lazy, some will be obstructionist, some will be corrupt. This question is being raised from time to time and then comes politics. Last winter session of parliament was totally destructive, not even for a single day the parliament was able to function. We are talking about governments, government deficit, the states in which there are no proper legislature bodies, they do not function. There is no decision making system, transparency is important to make the system work. In spite of these, if we could make a 9% growth in a year, comparing to 6-7% growth in last two decades, imagine what would be India.

So all these things make India potentially a very great power because those who work in India they are very efficient. Those who don't work, I divide them in two categories. From my experience of running big organizations including JNU, majority are harmless they neither work nor do they disturb anybody. Then there is a segment of the workforce, they not only don't work, they find every excuse to disturb everybody else's work and create an atmosphere of negativism, which also results in low productivity.

In a popular book written by a British Journalist, who has a family connection to India says that inspite of Gods, the Strange Rise of Modern India means if you look at India, apparently you see everywhere there is corruption, inefficiency, wastage, pilferage, laziness, yet this nature is producing the second largest economic growth, so he calls it "In Spite of Gods; Strange Rise of Modern India" i.e. by the indicators of the development efficiency, India is still doing well. There is some inner-dynamics in the system of the country that is pushing it high. This 10% educated, skilled and 90% who are still uneducated even if they want to work they can't, because there is no environment. To use a computer you must at least be high school graduate, if you are not a high school graduate, you cannot run a computer and to run any factory or to run machines you must be at least a high school literate. Labour cannot run an automated machine factory, and these High Schools

constitute 7% of the population at the moment. According to 2007 statistics—7% of the workforce in India are high school graduates, 3% of Indians are formal graduates, this 7% works so well that they compensate for the loss of non-working. In international comparison, we say, the modern India is the young India, where productivity is the fastest in the world and they work without compulsion, they are not like Chinese. Here they are working, inspite of gossiping, watching cricket matches during office time, they are productive, inspite of all the differences, wasteful discussions & debates in the public forum, they are producing this fast growth, that's why the foreigners are amazed—they say that there is something in India. But what are the pitfalls? There are some dangers that should be guarded. You see the first and foremost should be the faith in the nation, if you lose the faith in the nation, most of the people will migrate and if every good brain migrates, you will be left with the leftovers, then the country will not progress. To have faith in the nation, we must therefore see there are still good people around: system is functioning honestly & sincerely. The faith can be disturbed by variety of factors.

The history of India is unfortunately very painful to read. In our recorded 2000 years of history, you don't see many periods when the country was united. Every now & then the country was disunited, we have had signs of divisions everywhere in the country from time to time, like



in Mumbai, a particular group of people say that only Mumbaikars will get the jobs, nobody else. Now, this is spreading to others parts of the country also, one of the Central Universities of North East refuses to have its Vice Chancellor from outside the state. They insist that he must belong to their own tribes.

You need to have faith in the Government and its systems. Survey after survey is showing that people's faith in the government is getting eroded because of corruption, incompetency, loose coalitions, incoherence, which is disturbing. Though the corporate sector is shining, it is not giving people the same kind of confidence. How many Bill Gates in India are producing a new product? Innovations and inventions are important for any country. It is time that, we as Indians feel the pulse of changes across the globe and adapt to them. Let us all contribute in making this great country shine once again in the world!

Thank you!

