

Growth, Development and Carbon Containment: India in the Next Decade

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ABSTRACT

Growth, development and sustainment are the key concerns for every emerging market economy (EME) like India. While many analysts highlight the trickledown effect of high growth, the development economists bemoan the lack of concern for Human Development Indicators (HDI) which hinge on Infant Mortality Rate (IMR), Maternal Mortality Rate (MMR), quality education and affordable health care. A recent book of T.N. Ninan comprehensively addresses these twin concerns besides underlining the importance of low carbon growth in India. This paper brings out the major pathways for India in the next decade which should include market orientation in pricing of public utilities, 'scale economics' in manufacturing, abdication of government involvement in education and health care and strengthening the regulatory mechanism. Underscoring the need for 'distributed centres of gravity', the challenges for India in the next decade achieving both inclusive growth and carbon containment would hinge upon **capacity enhancement, real learning, new Public Management (NPM) adequate allocation for low carbon emission and providing satisfactory employment opportunities.**

KEYWORDS: EME, IMR, MMR, HDI, NPM

INTRODUCTION

Ruchir Sharma's "Breakout Nations" (2012) inked the contours of a resurgent India- post 2000. Jagdish Bhagwati's "India's Tryst with Destiny" (2012) and Amartya Sen's "An Uncertain Glory" (2013) brought to the centre stage the dilemma of Growth Vs. Development. With such contrasting perspectives T. N. Ninan's maiden book "The Turn of the Tortoise" (2015) is a refreshing change. It tries to chart a recipe of hope for India for the next decade. The book starts delectably by stating "**those who talk of growth and those who talk of rights go to different conference and the result is the dialogue of the deaf. The politicians go to neither and do what they think will win the votes**". This is indeed a remarkable insight for an inveterate China-acolyte and unalloyed votary of market economics, Ninan's mantras in this book can be summed up as under:

- (a) Abdicate anti market mindset and usher an open and competitive markets which are as much a public good as clean water and unpolluted air.
- (b) There is a need to change in the scale of business in different sectors. As noticed in the transformation of the telecom sector, the car market is a potential frontrunner along with housing construction, retailing and financial services for economy of scale.
- (c) The State should retreat in critical social sectors like **education and health**. In view the **increasing graph of school children going to private schools (43%)** despite free State schooling and 60% opting for hospital beds in the private sector.
- (d) Banking would witness a possible shift from the current trend of public private ownership of 70:30 to 50:50 by 2019.
- (e) The key to superior outcomes would be to recognize that the **state's capacity to deliver is limited**. They should play the role of a 'regulator' and "quality certifier".
- (f) Need for creating "**distributed centres of gravity**" instead of New Delhi.
- (g) Eschew the present trend of "**less than liberal democracy**" as evidenced in **banning of uncomfortable books**, restricting diet and encouraging vandalism.
- (h) Inclusive growth can be attained only through **capacity enhancement, real learning & by providing satisfactory employment for those joining workforce every year.**

This indeed is a grand sweep. But the chapters that need to be savoured are: **manufacturing** (Chapter-6) and **what works (and what does now work in India)** (Chapter-7), **Patch work Experiments and Dealing with the world** (Chapter-17).

I wish to highlight four aspects viz. (a) **Importance of low carbon growth**, (b) **Reorienting our approach to manufacturing and services** and (c) **Reinvigorating present delivery mechanism** (d) **Building Socio-Economic Sector Synergy.**

(a) IMPORTANCE OF LOW CARBON GROWTH

Climate Action Tracker says that there is a 66% probability that the global temperature will increase by 3%; by end of this century, the implication being that the sea level will rise up to 4 feet because of polar ice caps melting. Two issues causing discord are; responsibility and commitment of resources for carbon emission cuts as the following table would show.

Table-1 : Promised Carbon Emission Cuts Vs. Actual Share

Country	Actual Share	Pledge %
US	9382	22
Europe	7589	21
Japan	2176	10
China	4138	100
India	353	79

Source: Fair Shares: A Civil Society Review, October, 2015

It may be recalled that in Kyoto Protocol (1997), it was estimated that of global emission excess during 1990, 62% was contributed by rich countries, which 34% was by EMEs. However, by 2012, there was a compositional shift; with 58% of extra emission contributed by EMEs; (China accounting for 50% of it). To put things into perspective, the global average per person is 5 tons, while it's 15 tons for US, 1.7 tons in India and 7.4 tons in China (at par with Europe).

The Kirit Parikh committee has evolved a low carbon growth strategy for India as per which if we do not take appropriate measures, it will grow to 3.6 tons by 2030. However, if we want to contain it around 2.6 tons, an additional investment of \$834 billion would be required. Some of the areas that need prime attention would be solar and wind energy. In solar energy, the strategy should be to increase from 2.6 GW to 100GW and in wind energy to 60 GW. **These should be identified as transformational sectors, so that our future growth trajectory is not at the cost of sustainment.**

(b) REORIENTING OUR APPROACH TO MANUFACTURING AND SERVICES

Ninan brings out how the Indian workers are productive but not as productive as the workers of China and Korea. Further, though India is low cost it not as low as in Bangladesh and Cambodia. The following tables bring out India's growth story, productivity and impact of wage and efficiency on exports in the area of garment export where India, China and Bangladesh during (2005-2012) presently contrasting stories.

Table-2: Investment, ICOR and Growth Trends

Parameter	1955	1990-91	2000-2015
Investment to GDP	12.8	26	31
ICOR	4	5	4.4
Growth	3.2	5.2	7

Table-3: Wage, Efficiency and Export of Garments

Country	Minimum Monthly Wage	Factor Efficiency	Cost Effectiveness	Garment Export (\$=B)		
				2005	2012	%↑
India	\$166	1	1	8.6	14.4	67%
Bangladesh	\$113	0.9	0.612	6.9	20	189%
China	\$327	3	0.656	74	154	108%

Reform of factor market and improvement in governance standards would be central to long terms growth. Ninan puts enormous emphasis on ramping up scale of production, as they bring in contemporary production systems and best global work practices. However, manufacturing is not an end in itself and would have to work hand in hand with jobs in associated areas. The ratio of non factory to factory jobs is 7:1. This is true for domestic manufacturing but not in export oriented production, where downstream service sector activities is minimal. **This is an interesting insight, as it fits in what Rajan has been recommending that manufacturing should bolster 'Make For India' & not merely export promotion.** Ninan brings up how diamond cutting and polishing has been a big money spinner in export which provides employment to one million and generates \$25B in export. Its due to its low cost and expertise that the workers have with latest tools with a value addition of 60%. Same is the story with hand knotted carpet weaving.

The National Manufacturing Zone Policy (2011) has envisaged **creation of 10 million additional jobs every year in the manufacturing segment. However, a lack of synergy between the centre and state, absence of proper skilling, tardy land acquisition have combined to generate only 5 lakh additional jobs during 2014-2015.** All types of manufacturing, power service support and skilling should be encouraged to generate adequate quality employment in India.

(c) REINVIGORATING PRESENT DELIVERY MECHANISM

The Civil Services, a legacy of the British legacy, is expected to deliver most of the economic & social services to the people at large. Resting on Weberian ideology, it **adheres to rules, and is extremely hierarchical and impersonal. Of late, it is becoming highly politically aligned and respond mostly to the powerful and those willing to bribe.** Acemoglu and Robinson have brought out in their seminal book “Why Nations Fail” that growth of a country must have “**strong and accountable institutions**”. Mrs. Margaret Thatcher in 1990’s had brought up a New Public Management strategy **which brought in massive privatization and the job of the government was “to steer rather than row”.** Ninan is clearly predisposed to such Thatcherite doctrine of **delegation, and accountability, working in mission mode rather than merely complying rule.**

(d) BUILDING SOCIO- ECONOMIC SECTOR SYNERGY

While manufacturing and services have become the twin mantras for growth, it is a pity that inadequate attention is being paid to social sector concerns like **affordable health care, quality education, infant mortality rate and maternal health.** Public commitment in terms of allocation also play a very critical role in improving a country’s Human Development Index as the following table will demonstrate.

Table-4: HDI, MYS, IMR, MMR & Public investment on Education and Health

Country	HDI	Mean Year of Schooling	Public Expenditure on Education	IMR	MMR	Public Expenditure on Health
USA	0.914	12.6	5.6	6	21	17.9
Germany	0.91	12.9	5.1	3	7	11.1
Japan	0.89	11.3	5.6	2	5	9.3
Korea	0.89	11.8	4.1	3	16	7.2
Brazil	0.74	7.2	5.8	13	56	8.9
Russia	0.778	11.7	5.9	9	34	6.2
China	0.79	7.5	3.7	12	37	5.2
India	0.586	4.4	3.3	44	200	3.9

Source: Human Development Report 2014

India’s growth story is clearly mired by its endemic poor quality of education, high absenteeism, unaffordable cost of health care in private hospitals and abysmal sanitation; particularly where there is a cluster household of poor people, both urban and rural.

THE DECADE AHEAD

For Ninan, the game changers for India in the decade ahead will be GST, replacement of subsidy with cash payments, wide spread use of technology, take over by private sector of activities which is till being done by unproductive government companies. Pricing of public utilities, like the power sector, which was one of the first to embrace liberalism by disentangling generation from distribution, is an major area of concern. While the country has enough capacity to generate all the power, the **distributive business is bankrupt because tariffs are too low.** Mr. Kelker, the Chairman of 12th Finance Commission, had specifically drawn attention to the contain losses of SEBs, high T&D losses and political freebies. Mr. Kejriwal in Delhi and Badal in Punjab are emblematic of this trend; the former to woo the poor and the latter to favour the rich farmers. **Public utilities must be free from the politics of pricing.**

FAULT LINES OF NINAN

The book is urban-centric as it espouses the cause of bolstering urban local bodies only. It’s a very myopic view as the SECC Report (2011) brings out how of 70% Indians who live in village, **50% are landless, 36% are illiterate &75% have income less than the minimum wage.** The rural land scope needs **agro industries, improvement in education, health care and sanitation & establishment of proper skilling centre & not migrate to cities to aggravate urban slumming.**

Ninan also pays scant attention to income inequality; a concern so eloquently brought out by Thomas Piketty in his book “Capital” where he has espoused imposition of global wealth tax and substantial increase in corporate taxation at higher income levels. It’s surprising that an astute columnist like Ninan has glossed over the

abysmally low **Tax/GDP collection in India (10%) which is far less than 16% in most EMEs. A growth story with indifference to contain rising inequality can be a social bombshell.**

Yet another concern viz. importance of proper regulation also does not get properly covered in this book. Three economists viz. Stiglitz, Krugman and Rodrick have brought out the perils of **unregulated capital movement, shadow banking and subprime loans that fostered a global financial crisis during 2007-2011.** **Though India's exposure to such toxic assets was minimal, India cannot be impervious to the dangers that a free floating rupee can bring in.**

CONCLUDING THOUGHTS

There is a Nehruvian nostalgia in Ninan's tryst with India's growth story. Just as Nehru had said in 1947 : "Now the time comes when we shall redeem the pledge, not wholly or in full measure but very substantially", Ninan ends his book with an optimistic note when he writes: "**The life of the new next generation will get better for the larger numbers; at acceptable speed not wholly but very substantially**". It's a delicious irony that an acolyte of Adam Smith has a Benthamian flavor to him. Bhagawati, an ardent fellow traveler, also believes that "**India's growth will be slower but surer**". While Ninan is an inveterate China convert, Bhagawati hurls the red flag when he writes; "**PC (Personal Computer) is incompatible with CP (communist party)**". **There lies the tale of India; the Digital India which will be better served by both Make in India and Make For India.**

Growth, Development & Sustainment have to be tripod of India's growth story in the next decade. Quite clearly, privatization of sectors like coal, banking, railways will hold the key to the real reform story. It would require enormous political will which puts a **premium on delivery, accountability and institutional autonomy.** Technology cannot transcend populism; neither will adherence to obscurantist ideas connect us to the myriad global opportunity. As Keynes rightly put it "**The difficulty does not lie in introducing new ideas but in replacing the old ideas**". **Half hearted reforms will neither pay hosannas to Adam Smith nor the welfare jingle of Keynes.**

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