75 years of independence: What India needs to do to fulfill its tryst with destiny

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To become a developed country, India’s institutions need bolstering, so that collectively India can propel its individual genius and strength into countrywide progress and prosperity.
Synopsis: India’s political class must broaden their goals and create a new economic and social vision. Unshackling India from its interventionist state, allowing young, aspirational India’s innovativeness, flair and talent to be nurtured through better education and health systems, and building resilience with better preparedness for threats from climate change, natural disasters and pandemics, with robust social assistance and insurance systems must be the way forward.

On August 15, 1947, Jawaharlal Nehru declared India’s Independence with his ‘tryst with destiny’ speech. As India enters the 75th year as a free country, the question on everyone’s mind is, will India ever consummate that destiny?

In a somewhat haphazard manner India has of course made progress since the In a somewhat haphazard manner, India has, of course, made progress since the end of British rule, certainly far better than the previous 100 years of that colonisation. Most villages have been electrified. Most of our children are going to primary schools in villages and urban slums. Most people now use mobile phones, and road and highway construction, airports and ports have expanded to increase mobility across the country. Poverty, which had fallen by over 250 million, has risen again due to Covid-19 by over 200 million. But this reversal is hopefully temporary, as was the case during the global financial crisis.

India’s ranking in global GDP rose, on the back of the 1991 reforms, as its GDP grew more than five times since then, and a middle class of around 300 million emerged — about 25% of India’s population — but so did inequality. The share of income going to the top 1% doubled from just over 10% in 1990 to over 20% in 2019, and the Gini coefficient, which was around 0.32 in 2000, shot up to 0.48 in 2019, making India the second-most unequal country after Russia. And, once again, Covid-19 has increased inequality even further.

India has held together as a ramshackle, rambunctious democracy. But even that designation is under question by many inside and outside India, who feel it’s better termed an ‘electocracy’ — where elections are held but is not a genuine democracy. The Indian growth model had run out of steam, even before the pandemic. GDP growth had slumped back to what economist Raj Krishna wittily called the ‘Hindu growth rate’ of 4%. Over 77% of its workforce was in vulnerable employment — with no work benefits or social security — as was cruelly exposed during the pandemic. Its demographic dividend is beginning to look like a demographic disaster.

Some argue that India genuinely reforms only when it faces a crisis. The 1991 reforms, put off by at least a decade, were surely triggered by a massive balance of payments crisis. But the 2008-09 global financial crisis did not trigger reforms. Instead, India opened the fiscal and monetary spigots and spent its way out of that crisis. And that high fiscal spending and loose monetary policy generated massive inflation and the huge rise in bad loans in the banking sector — which India is still grappling with.

The Narendra Modi government’s recent reforms include an Insolvency and Bankruptcy Code (IBC), and a goods and services tax (GST). IBC is now frozen due to the pandemic. But it was struggling even before the pandemic, as resolutions were challenged in courts. GST remains bogged down with implementation issues, and the half-baked farm and labour laws are being strongly opposed. Rising protectionism from 2018 on is even reversing the 1991 reforms with India potentially cutting itself off from global value chains.
India’s political class must broaden their goals and create a new economic and social vision. Unshackling India from its interventionist state, allowing young, aspirational India’s innovativeness, flair and talent to be nurtured through better education and health systems, and building resilience with better preparedness for threats from climate change, natural disasters and pandemics, with robust social assistance and insurance systems must be the way forward.

But how to motivate the country to get all this done? Many countries have used external threats to spur reforms. Over 150 years ago, the US used the threat from Britain to spur reforms. Japan and Germany used the need to rebuild after suffering enormous devastation after World War 2. China used humiliation from western colonial powers as a unifying sentiment to sustain development. South Korea and Taiwan used existential threats from North Korea and China to modernise and develop.

What India needs is an aspirational goal. GDP targets — $5 trillion or even $10 trillion — do not inspire the broader citizenry. China is a huge threat. So, catching up with China could be one motivation. While China’s economy has done well, its social and political development hardly warrants emulation. For India, becoming a developed country by 2047, the 100th year of its Independence, could be such a goal. ‘Samriddh Bharat @100’ is a slogan all political parties could sign up to.

India Inc should aim to grow at home and abroad, instead of looking for tweaks in tariffs and regulations to serve very narrow short-term interests. To become a developed country, India’s institutions need bolstering, so that collectively India can propel its individual genius and strength into countrywide progress and prosperity.

Bending the arc of India’s trajectory over the next 25 years — when India will celebrate 100 years of Independence — will not only make India an economic power of the 21st century, but also a much happier country all Indians deserve. Let the pandemic wake up the country and make a resolute change for that much-needed metamorphosis if India is to consummate its destiny that started with a tryst on the ramparts of Red Fort on August 15, 1947.

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