

# Growth and the challenge of compensating the losers

By Chaitanya Kalbag

INDIA'S ECONOMY is barrelling along at a growth rate of over 9 per cent, savings rates are up, investments are up, more jobs are being created, and inflation appears to be under control. So have we hit our stride? Have we chanced upon the right development model for the huge, tumultuous democracy that we are?

Ashok Lahiri, who lays down office on Friday as the Chief Economic Adviser to the Finance Ministry after five years that straddled two coalition governments, says it would be wrong to decide that little more needs to be done.

"We choose a path and decide how far and fast we are going to move and here as a technocrat I may wish we could have moved faster, but any change hurts. There will be some collateral damage. In a caring democracy you have to find ways of compensating the losers," he told the Hindustan Times in an exclusive interview.

Lahiri was speaking in his North Block office as aides packed his books away. He is on his way to Manila, where he will take over as India's executive director on the board of the Asian Development Bank.

"I am saying, perhaps with a little bit of modification here and there this growth can be sustained with more or less these policies but with a twist here, a turn there and so on," Lahiri said. "Please do not misunderstand that I am saying that this is the very best and nothing needs to be done. What I am saying is how much the status quo can be stabilised, that is a political judgement and that political judge-

ment has been made, and as a technocrat I need to have due respect for that."

Lahiri said India's economy is by no means on autopilot. "The macroeconomic stability that has been maintained in the last decade and a half, post reform, should not lull us into complacency, that we can go back to our merry days of high fiscal deficit, and spending more."

Meeting the challenges of infrastructure, education and health will mean instilling the discipline of re-prioritising public expenditure away from items like subsidies and insisting on outcomes and value formation, he said.

Second-generation reform will consist in large part of better public-service delivery, said Lahiri. "I am hopeful on that. I am hopeful on that for three reasons: increasing literacy so people will want to know what is happening with their money. Secondly the IT revolution, whereby you can track a rupee fairly easily, and third, the media will be asking questions."

Lahiri said the different figures being cited as necessary for urgent infrastructure investment — \$320-380 billion — really did not amount to too much. "In a trillion-dollar economy it is 6 per cent of GDP, which is not too much, particularly since

the investment rate is somewhere around 35 per cent of GDP." So what will it take to entice the private sector, and for the public sector to pump in more money?

Indians had confounded sceptics who thought building toll roads and bridges was a mistake, but it was another matter getting the private sector to invest in core sectors like electricity and water.

Continued on Page 21



ASHOK LAHIRI



**PERHAPS WITH A  
LITTLE BIT OF  
MODIFICATION  
HERE AND THERE  
THIS GROWTH CAN  
BE SUSTAINED WITH  
MORE OR LESS  
THESE POLICIES**

— Ashok Lahiri,  
Chief economic adviser, Finance Ministry