PARLIAMENTS

FORTY SIXTH ANNUAL CONFERENCE OF MEMBERS OF THE IIPA

(OCTOBER 26, 2002)

A DECADE OF 'REFORMS' : THE UNFINISHED AGENDA

INDIAN INSTITUTE OF PUBLIC ADMINISTRATION
INDRAPRASTHA ESTATE RING ROAD, NEW DELHI-110002

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INTRODUCTION

The Forty-sixth Annual Conference of the members of the Indian Institute of Public Administration was held on October 26, 2002. The theme of the conference was "A Decade of 'Reforms': The Unfinished Agenda".

As is our standard practice, a faculty member is requested to write the theme paper. This paper is discussed in prelude conferences which are organised by IIPA's regional and local branches spread through the length and breadth of the country. Then, finally, the theme paper is discussed at the Annual Conference at the time of Annual General Meeting of the IIPA.

The theme paper, *viz.*, "A Decade of 'Reforms': The Unfinished Agenda", was written by Prof. K.N. Kabra, who is a colleague in the faculty. The paper was discussed in prelude conferences held by 28 Local and Regional branches. The outcome and conclusion of these conferences were presented in the Annual Conference by the office bearers of the respective branches. The Annual Conference sessions were Chaired by Shri B.C. Mathur, Hony. Treasurer, IIPA, Dr. K. Malaisamy and Prof. Noorjahan Bava, Members, Executive Council, IIPA.

The theme paper written by Prof. Kabra, is a masterly presentation, which has been thoroughly discussed in various Local and Regional Branches.

Prof. Kabra has very well put it that any reform has to be located in the political and social system and situation. No reforms are possible unless we have a broader periphery in which all other systems are located. Therefore, reforms do not mean only economic and social opportunities. The reform canvas is much wider and must be addressed wholistically in the convergence mode. It is within the broader political and social domains that policies, laws and programmes are situated though the external aspects that policies, laws and programmes

are situated though the external aspects would need to be addressed.

Since the pace of globalization is faster and irresistible, we need to adjust our pace and meet the challenge. The response time available is less than it was in the past. The reforms have to be accompanied essentially by equity and social justice, so that all sections of the society receive attention, specially the poor and the weak. But while saying so, let us not exclude the wealth producers, who must be encouraged to produce. Without that the nation cannot go ahead and we will end up distributing only poverty.

Presenting the theme paper, Prof. K.N. Kabra mentioned that we may not go into the mitty quitties of what happened in the name of the reforms in this country which began in 1991 for the first time. The roots were present right from the late '50s. The kind of statistic development models with which India started was subjected to a number of strains and difficulties, some were anticipated but most of them were unanticipated, and corrections were made. All these processes took place, not in a vacuum but in the thick of difficulties. From the very beginning there were powerful forces which by '50s, adopted statistic model but had reservations also.

According to Prof. Kabra, Globalisation is a new-fanged term which is basically an old wine in new bottle. This process is going on for the last 500 years in a very big, systematic and regular manner and the present attempt is to give it's a particular shape and direction, according to the interest of G-7 and their transnational corporations.

Prof. K.N. Kabra pointed out if we draw a curve of the policy incrementally leading to gradual liberalisation, we will see a very sharp departure in 1991 where it was a kind of large-scale openly declared liberalisation. The earlier liberalisations were hidden episodes which have now become a process, an openly declared or espoused policy. According to Prof. Kabra, the wave of liberalisation is at two levels. At the policy making level, where there is an absence or lack of discussion on alternatives, has borrowed a readymade recipe and imposed on the country. Among the intelligentsia and intellectuals, whether they are civil servants, academics, social workers or people in other walks of life, everywhere there is a very deep understanding and resentment, which he thought was the strength of our democracy.

I express my sincere thanks to Prof. K.N. Kabra who did a commendable task in preparing a comprehensive paper. I am also thankful to the members of the Institute who contributed papers and participated in the discussion. I wish to thanks all those who offered remarks as well as to those who actively participated in the discussion.

Lastly and most importantly, my gratitude is due to the chairpersons of the technical sessions, members of the Executive Council and Chairman & members of the Standing Committee for their guidance, and enriching suggestions during the deliberations of the conference.



(P.L. Sanjeev Reddy)
Director
INDIAN INSTITUTE OF
PUBLIC ADMINISTRATION

Theme Paper

A DECADE OF 'REFORMS' : THE UNFINISHED AGENDA

Kamal Nayan Kabra*

INTRODUCTION

The purpose of the present exercise is to identify some major elements of the unfinished agenda of the Indian economy in the light of the experience of the decade long process of major policy and institutional changes which began with redoubled vigor, virtually as a "reform storm", during 1990-91. A review of the performance of the set of policy measures which its proponents prefer to call 'reforms' (implying a positive pre-judgement) involves an examination of the circumstances and forces which led to this policy-switch, their content or substance, objectives, some aspects of the process of their initiation, along with an assessment of the outcome of the policy reorientation in terms of the agenda, both adopted and implicit in the Indian situation. One may possibly speculate about the roots, forms and content of the agenda, its compatibility with `reforms' and prospects in the time ahead. The above exercise may enable us to zero in on some elements of the unfinished agenda and the challenges posed by it. Evidently, it is a daunting exercise and there are inevitably methodological and analytical, subjective and objective traps leading to many controversies. This predicament is a particularly sharp feature of the liberalisation debate which has come to dominate current discourse in the poor economies.

In the following, we first examine the nature, extent, manifestation and the real character of the crisis which is supposed to have forced the public authorities in India to abandon the main element of the development and macro-economic management model and openly embrace in a big and bold way the neo-liberal, market and open unregulated economy model. In this process we devote particular attention to the policies and performance during the 1980s as the experience of this decade has a sharp and pointed bearing on the events and policy course which followed during the 1990s. In part II, we take up an appraisal of the objectives of the `reforms' and briefly refer to the main elements of the `reform' package and try to see the assumed extent and mechanism by which the crisis was supposed to be

*I wish to acknowledge and thank Professor Pramod K. Chaubey, Priya Raghavan, Pratyush Roy and Anjali Jain for their help with the statistical exercises and Seema Girdhar. Dharam Singh Bisht and Satish Kumar for secretarial assistance. The IIPA Library staff also made a valuable contribution and deserves thanks.

addressed. It would be tempting to devote some space to the theoretical underpinnings of the rejection of dirigisme, the adoption of the structural adjustment programme and the persumed proces by means of which the open-economy market model of the neo-libeal paradigm is likely to address both the short-run stabilisation and long-term growth agenda of the two-thirds world including India. These exerises to be attempted very briefly in part III may help clarify the prospects of accomplishment of the agenda of liberalisation at a priori level. Then, in the following part IV, an appraisal of the Indian experience during the decade 1990-2000 is attempted. Then, in part V we endeavor to explore why the reform agenda remained highly partisan, and failed to operate as a development policy. We go on to examine the stated direct and indirect involutionary agenda of neo-liberal policy package (`reforms') vis-à-vis the wider, broad-based agenda inherent in the prevailing socio-economic context of India. Following from this, the last section VI presents the basic elements of and approach to the unfinished agenda.

I

THE CRISIS OF 1990-91

It is claimed that the Structural Adjustment Programme (SAP) based reforms were adopted in response to a severe, unprecedented crisis in the Indian economy. It was considered basically an external payments crisis. The crisis was reflected in the loss of international investor-financier confidence as India was put on credit watch by several rating agencies, drying up of commercial loans as "it became more difficult to borrow in the international markets", Economic Survey (ES 1990-91,3). There was a sharp decline in the foreign exchange reserves, which despite sizeable borrowing from the IMF and World Bank, touched a low of Rs. 3414 crore in 1991-92 (ES, 1991-92,6) which was barely equal to the import bill for less than a fortnight. The drying up of commercial loans in 1990-91 was accompanied by a net outflow of NRI deposits which began in October 1990 and was reversed only in January 1992" (Idem). Various dimension of the external payments crisis were captured in the Moody's report on India.[1] It was officially recognized

[1] These dimensions of the external crisis, according to Moody's were: 1. Rise in debt-service ratio, 2. Higher level of external commercial borrowing (ECB) and corresponding interest liabilities, 3. Increase in debt to export ratio, 4. The Gulf War's negative impact on, export earnings and remittances, 5. Large budget deficit domestic public debt and corresponding interest component of public spending generated inflationary pressures, 6. Adverse international economic environment as a result of recession in the OECD economies (Sen. S. 1994. 80)

that this crisis "was not however, due simply to a deterioration in the trade account; it was accompanied by other adverse developments on the capital account reflecting "the loss of confidence in the Governments' ability to manage the situation". (ES, 1991-92,6 emphasis added)

As a result of large-scale withdrawal of NRI deposits and fall in remittances, the reduced surplus on the invisible account was no longer able to meet India's huge, trade deficit. The outflow of Foreign Currency Non-Resident (FCNR) deposits increased from $ 59 million a month in October-December 1990 to $ 76 million in January-March, 1991 to $310 million in April-June, 1991 (ES, 1991-92, 10) The Indian exporters were delaying the bringing in of their receipts in expectation of a devaluation. As much as 30 to 40 per cent of India's export earnings during the 1980s had to be earmarked for debt-servicing[2], while India's exports were able to pay for just a little over 65 per cent of the import bill during 1985-90. In such a situation, as fresh borrowing had dried up, India seemed to be hurtling "for the first time in our history" towards default on debt servicing in June 1991. This was considered at the government level, an unmitigated disaster as it was believed that "its ramifications are never confined to debt" alone, leading to "a breakdown in credit availability", "severe trade disruption" and "severe and prolonged import compression" which "results in shortages, industrial dislocation, in very high inflation." (ES, 1991-92, 10-11). Clearly, efforts and methods of avoiding the dreaded default received a high priority on account of the deep-seated criticality for Indian economic management of continued borrowing from the rest of the world.

Related to the BOP crisis, India faced a huge fiscal deficit, including a large and growing component of deficit on the revenue account. It disturbed the macro economic balance and crippled state capability to lead and manage the economy. This trend became stronger during mid-1980s and continued unabated as the liberalised, debt-financed growth processes were continued[4]. By 1990-91, the combined fiscal deficit of the Union and States became 10.1 per cent of GDP and the level of the former was 8.2 per cent (See Table I). Under these

[2] Often export earnings as the proportion of the import bill are taken to represent the extent to which a country is able to pay its way in international trade. This normally sound procedure becomes non-applicable in the case of an indebted net borrower country like India as net debt-service obligations are evidently the first charge on the current receipts on a country. Aggregative approach to debt-servicing ratio conceals moreover, the cross-transfers involved as the recipients of the loans and their beneficiaries on the one hand. and contributors to debt-service payments on the other are disparate groups.

[3] See, ES 1991-92. p.23

[4] Cf.Mozoomdar A (1991)

conditions, price stability was seriously undermined and while the wholesale price index increased by 12.1 per cent in 1990-91, the consumer price increased at an even faster rate of 13.6 per cent. The price situation, eroding people's purchasing power, was putting pressure on the macro-economic stability, public finance and external balance as also posing a political threat to the regime.

Faced with this three-pronged crisis, the government went in for frequent borrowing, accommodation and drawals from the IMF, aggregating during July-September 1990 and March 1992 to US $ 4366 million or Rs. 9423 crore. These borrowings involved the acceptance by the Indian government of the IMF conditionalities, which have broadly been defined as "the idea that international public resources should be used to induce policy reform". (Pender, John, 2001,400).[5] It is implied that under this kind of policy-lending, the international /multilateral institution have the "ownership" of policies. They make the crisis or default-facing countries dependent on continued, growing borrowing to accept these policies. In any case, two major lendings by the IMF to India during the 1980s had already made India "dependent on high conditionality borrowing"[6]. (Sen, S., 1994, 308)

It may be clarified at this point that the source from which the 'reforms' policy package originates (its intellectual ownership) is different from the forces and processes on account of which a country

[5] This quote is taken by Pender from P.Collier ("Condition, Dependence and Co-ordination: Three Current Debates in Aid Policy" in Kilber, C. and Viner. The world Bank structure And Policies ,Cambridge, C.U.P., 2000 p.291. It is elaborated that "Conditionality was implemented through the introduction of structural adjustment. During the 1980s and into the 1990s loans from the World Bank, IMF and regional development banks, aid from bilateral donors and even private finance (of course, external-KNK) became effectively conditional on the agreement by the recipient government to implement often far-reaching economic policy reform, along the lines of the World Bank model". Pender, John (2001, 399)

[6] As John Pender, (op.cit) points out, the World Bank proposed conditionality in 1979 to "encourage economic growth and development by linking financial assistance to the adoption of a particular set of policies recommended by the World Bank". (399) Elaborating it further, Williamson, J. is quoted as maintaining that Washington has " a number of other concerns besides furthering economic wellbeing," like democracy, human rights, drug control, population control, preservation of environment". However, "for better or worse " these broader objectives play little role in determining Washington's altitude towards the economic policies it urges...." (from "What Washington means by Policy Reform" in J.Williamson (ed.) Latin American Adjustment. How Much Has Happened ?" Washington, D.C. Institute for International Economics. 1990. A large number of writings deal with Washington Consensus. Mention may be made of Gore, C. (2000), Toye, T. (1995). Vyas V.S. (1993). and Stiglitz, J. (1998), Reddy, D.N. (2002), Bienefeld. M. (2000). etc.

adopts or is made to adopt a particular policy or institutional course. The LPG package has its intellectual roots in the whole liberal and neo-liberal paradigm of economics, which was resurrected around 1980 under the rubric of Washington Consensus.[7] It was lapped up by the World Bank and the IMF, who made all the countries of the two-thirds world adopt this policy package as a pre-condition for granting them bailout accommodation of massive magnitude. The above two sources of a policy package are distinctly different from the origins and emergence of a policy regime by means of a comprehensive and systematic analysis of the prevalent situation in the country, in all its complexity along with its historical and institutional background. This last source is, of course, free to learn from the experience of others as much as from its own past.[8] Surely such indigenous, systematic, analytical origins of a policy contribute towards its autonomous, internally-oriented character.

[7] A great deal has been written in favour of and against Washington consensus and its later avatars. The works of "the Western policy prescribing elites" too.have received attention (Bienefeld, 2000,) The World Bank, it is claimed, has moved away from the Washington Consensus "as a response to the negative experience of the failure of its own policy prescription", towards a "Comprehensive Development Framework (CDF), which attempts to relativise economic growth, include some elements of social agenda, partnership with the aid recipients for good policy environment, etc. Does the World Bank really move away from its coercive conditionality, growth supremacy and, towards promoting democratic national policies, in the spirit freedom which is the essence of development ? In so far as the World Bank views itself as a "knowledge Bank" and continues kibitzing on development policy, "the scope for ownership in the CDF approach seems to be severely constrained, if we understand ownership in this regard to mean the freedom of a government to formulate and implement its own economic development policy." (John Pender, ibid, 409)

[8] However, such learning has to be distinguishes from high voltage publisising of some historical antecedents as examples worth emulation. For instance almost every proponent of liberalisation extols the East Asian experience of successful late-industrialisation, leading to their rise to the status of middle income countries. It has often been presented as an example of successes achieved by market mechanism and open economy. Bienefeld, M. (2000) brings out the contradiction concerning the East Asian countries when he argue that "in the wake of the Asian crisis, the very same countries that had so long been (wrongly) extolled as models of neoliberal success suddenly became cesspools of statise meddling misallocating resources on massive scale because crony capitalism is incompatible with economic rationality or efficiency." (op.cit.570) As John Pender showed that as far as the East Asian economics are concerned "their success had little to do with World Bank policy. Indeed, the World Bank significantly modified its views of the states role in development as a consequence." (op.cit. 400) The reference seems to be to the World Bank study. The East Asian Miracle. (1993) which argues a case for " effective but carefully delimited government activism." (Ibid) Bhagwati. J. and Srinivasan, T.N. (1993) refer frequently to world-wide experience of opening up. liberalisation. privatisation. etc.

There were some other attendant developments in early 1990s, which exacerbated the crisis syndrome. One is the political instability at the Union Government level. There was a short-lived minority government, which was followed by a hung Parliament leading to another minority government, in which both the Prime Minister and the Finance Minister were elected to Parliament after assuming office. Then, the imports of petroleum products (POL) increased from an average of Rs. 499 crore per month in June-August 1990 to Rs. 1221 crore per month during the rest of 1990. This was in part owing to a sharp rise in world oil prices following the Gulf crisis, ceasing of remittance from Kuwait and Iraq, stoppage of exports to these two countries, which is estimated to have cost a loss of exports worth about Rs. 500 crore. Meanwhile, the Soviet collapse removed both a sizeable export market and an ideological prop of the Indian variant of statism. With a sharp fall in the foreign exchange reserves, "emergency action" was mounted to prevent default. The government sold in May 1991, 20 tonnes of gold abroad with an option to repurchase it after six months. In July 47 tonnes of gold was shipped to Bank of England in order to raise $ 600 million (ES, 1991-92,11). In view of this type of factors, along with poor prospects of the growth of India's exports, and adverse global economic circumstances facing India, Moody's Investor Services lowered India's credit-rating to BA2 in December 1991 and did not change it even upto 1994. (Sen, Sunanda; 1994,808) The external imbalance and crisis have to be seen in the context of the continuous rise in both trade deficit and current account deficit after 1988-89, the disappearance of the cushion of net invisible earnings, increasing the role of external borrowing. But the composition and terms and condition of external borrowings also contributed to intensification of the external liquidity crisis. The proportion of short-run loans to long-term loans has reached a very high level during the 1980s, especially in the latter half it ranged between about 54 per cent to over 27 per cent. Similarly the ratio of undisbursed private debt to disbursed private debt during the period 1985-86 to 1989-90 ranged between 326.08 per cent to 382.46 per cent (Sen. 1994, 809). Clearly, the beginning of 1990s was to see the chickens come home to roost. In addition, interest chargeable from India went up following her downgrading by the credit rating agencies. So much so that India borrowed abroad on variable rates of interest as well. Then, a good deal of borrowing was done without regard to the impact of this borrowing on the borrower's capacity to repay. As Bimal Jalan brings out, "External commercial borrowing were permitted liberally to meet foreign exchange requirements of capital intensive investment.

commercial borrowings became a substitute for domestic savings to finance low productivity investments, with no export potential, in public and private sectors;" (Jalan, B. 1991). Clearly, export, earnings inadequate to finance imports can hardly provide any means for debt-servicing and necessitate further borrowings. Thus India clearly entered a debt-trap.

Another facet of the evolving external account situation may well be highlighted for its contribution to the crisis syndrome. The 80s saw a big spurt in debt-financed imports, especially related to 12 per cent annual growth rate of consumer durables and 30 per cent a year increase in entertainment electronics sector during the 1980s (Mozoomdar, 1991,19). Thus faced with the deteriorating, external account situation, a number of measures of import compression were initiated in the latter half of 1990-91 and some modest gains too were noted. But "the adverse impact of import compression" by means of a set of contractionary monetary and credit policy steps in terms of a decline in the index of industrial production during 1991-92 restrained the government from persisting in this matter. (ES, 1991-92,8). What seems to be implied is that the option of restricting imports involved an unacceptable trade-off and hence was discarded as it was taken to verge on economic chaos. (ES, 1991-92,8). Rating agencies, like Moody's did not see much scope for the growth of India's exports (Sen, Sunanda; 1994, 808) The NRI remittances were negative. Hence the search for other policy directions in the context of what was played up as a first rate crisis. It was a crisis, which was portrayed as involving national interest in terms of the dire consequences of default by India on her external liabilities.

These indeed were some really daunting difficulties. The need for continued borrowing was so intense that default would have made the perennially foreign exchange deficient Indian economy face large scale dislocation. More or less inelastic import demand for energy, raw materials, components, equipment, technology, tied and untied concessional borrowing (called "aid" by 'donor' countries), etc., limited the options available to India, especially in view of the recent trends in industrial production and market demand. Thus re-opening the blocked channels of borrowing and re-establishing the ability to borrow became the major concern of the government. It may be noted that default is as much a matter of concern to the borrowers as it is to lenders. It is perhaps not inappropriate to say that the borrower's trap becomes the lenders' noose, in the sense that the contagion of default spreads and disrupts both financial and real economy in the latter countries as

well. Thus, as the recent experience of Russia, Indonesia, Argentina, etc., discloses, the lenders too rush in to avoid/reduce default by rescheduling or fresh large lending, with or without conditionality. The question basically boils down to on what terms and who is able to extract what price for the mutually beneficial act of avoiding large-scale disruption of international financial markets. The Indian authorities seem to have overlooked the concern and anxiety of the lenders in the process of devising their response to what seemed to them as cul-de-sac, facing India. Nor were the long-run structural roots embedded in the production, consumption, technology structures built up over the preceding decades called in question.

Little wonder, in the process of playing up the crisis part of the story (in its triple BOP, fiscal deficit and inflation aspects), some other critical features of the real economy as also an analysis of the experience of the 'lost decade' of the 1980s were downplayed. In fact, it is doubtful whether the crisis syndrome was not sought to be used for pushing ahead with the policy changes, called new economic policy, initiated during the 1980s but which seemed to have been stalled and lost both direction and speed during the later part of the 1980s.[9] During 1990-91, the GDP growth rate was near five per cent, close to the average for the 1980s and far above the average for the preceding period as a whole. Similarly industrial production increased by 8.5 per cent and agriculture's rate of growth at 2.5 per cent was not too much below that seen during many normal, non-crisis years. Even the rate of inflation was not unprecedented though it jumped up above the average for the decade (at 7.5) True, by June, 1991, the BOP crisis made the new government go in for import compression. But in agriculture, the decline in foodgrains output was offset by increase in the output of cash crops and the real economy though not in the pink of health, was surely not in a stagnant and declining phase as the saving and investment rates continued to improve and were 23.6 per cent and 27 per cent respectively of the GDP (see Table I) in 1990-91. Any turn around in the economic situation can be better appreciated by taking

[9] Mukherji, J. (2002,61) quotes S.A. Ayer, saying "Politicians have moved towards the market more in confused sorrow than ideological triumph." Bhagwati, J. and Srinivasan, T.N. (1993,9) also aver "Conditionality played a role, for sure, in strengthening our will to embarm on the reforms.: It is often mentioned that but for the crisis, the big, bold, far-going 'reforms' could hardly have been introduced, and that the 'crisis' was played up, and second, the 'reforms' went far beyond the response needed strictly for the early 1990s crisis. As Ahluwalia, I.J. Observes," The opportunity was seized for instituting wide-ranging economic reforms." (20002, 9)" The BOP crisis of 1990-91 proved to be a major turing point for economic policy-making in India "

a relatively longer-term view than going by just one year's indicators. Let us take a broad overview of the economy over the period of three years, *viz.* 1988-89 to 1990-91. (See Table I) which also gives a triennial average for the end of the decade of 1990s. Clearly most of the indicators in the supposed year of the crisis (1990-91) were close to the triennial averages, especially their rate of change was in step with what has broadly been the observed behaviour. The point is: there was a limited crisis confined to certain spheres like BOP, fiscal management, etc., but it was not an entire economy-wide crisis in the sense of various variables turning in performance which is out of sync with the generally observed behaviour, especially when viewed not just in the context of one specific year but at least a medium term perspective of say, the preceding three years this is especially relevant given the usual volatility of the Indian economy and policy-induced contractions. Even at the official level the accumulated BOP crisis and related fiscal and price situation were treated mainly as "reflecting the loss of confidence in the Government's ability to manage the situation". (ES, 1991-92,6). The BOP and fiscal problems became very acute owing to the policies pursued over a long period and did not crop up suddenly. In fact, given persistent CAD deficit and increasing external borrowing and patterns of investment, production and consumption with growing external influence and component on the one hand and the inability to raise taxes, particularly direct tax revenue, curb black economy, improve public sector savings, especially from administrative departments by curbing wasteful spending in public sector as also in private corporate sector and among the better off sections, on the other, the crisis of liquidity and payments had been in the making for a long time, some events like the Gulf war only hastened it's advent.[10]

THE 1980s BACKGROUND

At this point it may be worthwhile to take a brief critical look at the economy during the 1980s when both the Sixth and Seventh plan growth targets were met and the decade ended with an annual growth rate of 5.6 per cent, which was well above the preceding trend. Even industry and agriculture, at 7.1 and 3.2 per cent annual growth rates respectively grew at rates not seen during 1950-80. However during the 1980s, "economic liberalism led to fiscal irresponsibility." (Mozoomdar, 1991, 19). Similarly, there was large scale liberal external borrowing, particularly because as a result of the liberalised, growth-

[10] This account of the economic situation draws on the information provided in the Economic Survey for the first three years of the 1990s

centric policies of increasing public sector salaries, low and unchanged rates of direct and indirect taxes (and, or course, the inability to collect tax revenue by plugging evasion) and rising food, fertilizer and export subsidies, (a result of 'soft' policies) household, cooperate and public sector savings virtually stagnated during the 1980s (*Ibid*). The extravagant expansionary policies including large and growing fiscal deficit put pressure on the general price level. It was sought to be controlled by means of liberal debt-financed imports, particularly of edible oils, sugar, petroleum products, part finished electronic and consumer goods and automobiles for assembly in India, etc. Little wonder, much of the industrial growth, confined to durable consumer good sub-sector (at 12 %) was accounted for by colour TVs, refrigerators, washing machines, air-conditioners, etc. The entertainment electronics had set a dazzling growth record of 30 per cent per year. The demand for these goods was pushed up by heavy deficit-financed public spending and super speed growth of the black incomes as graft, kickbacks and commissions (symbolised by the Bofors pay-off case), etc., as collection of rent of authority continued to flourish. As exports could not keep pace with the speedy growth of debt-financed imports, trade deficit during the Sixth plan (1980-85) was of the order of Rs. 6613.98 crore (*i.e.,* 3.73 % of GDP) As a result of surplus on the invisible account, the current account deficit was lower at Rs. 2904.24 crore (1.62 % of GDP) These figures jumped to Rs. 10841 crore (3.16 % of GDP) and Rs. 7663.72 crore (2.19 % of GDP) for the Seventh Plan (1985-90) period. It has been shown that a move towards import liberalisation, initiated in India since mid-1980s can explain these surges in imports.

Thus it is import or external liberalistion, without prior export growth, competitiveness, and generation of exportable supplies, which forced India to go in for debt-financed surge of imports. Clearly, this was a major factor, which contributed to the BOP crisis of 1990-91. One can see how the BOP situation became increasingly precarious and dependent on perennial and rising net inflow of external finance of various maturities, in various forms and from various sources. Any disturbance in the international scenario, in the speculative booms and busts, in the real, financial, speculative or geo-political spheres was enough to upset the applicart of India's economy, her growth, public finance, reasonable price stability and external viability. Continued capacity to borrow abroad or the willingness of the lender countries to lend became an inescapable structural necessity of the Indian economy. The official articulation of the crisis too highlighted the critically of

external credit worthiness. The degree of vulnerability of the economy really reached a high point not known before. The criticality of the volatile flows of Indian migrant workers incomes into India and the hyper growth of resulting interest liabilities increased pari pasu with the increasing current account deficit as also the compulsion to increase our export earnings at any cost factor which fall short of booming imports which were critical to high rate of growth or industries.

All these policy twists and turns and ostrich-like neglect of the long-term vulnerability were justified for the sake of succeeding in terms of the supreme goal of GDP growth which was supposed to dissolve, by the by, all the difficulties and contradictions including our massive and sticky poverty. As an analyst closely connected with economic policies at the top level has maintained : "Raising the growth rate was the principal objective pursued by the Ministry of Finance as well as the Prime Minister's office in the 1980s and after some initial skepticism the Planning Commission also joined in the growth numbers game". (Mozoomdar, 1991, 19)

The narrative of the external account myopic growth-at-all cost policies of the 1980s leaning excessively on borrowing need to be supplemented by the fiscal profligacy seen during the same period. When and how the slide down in India's public finances began during the 1980s with the Centre's balance from current revenue declining steadily until it turned negative by mid-1980s was documented initially in the Finance Ministry's document entitled "Long Term Fiscal Policy" (GOI, MOF., 1985,8-9) It has happened because tax and non-tax current revenue has stagnated around 10,5 percent of GDP since the mid-1970s, while non-plan revenue expenditure, especially on defense, interest payments, food and fertilizer subsidies emoluments of government employees and expenditure on internal security, etc. have been galloping. This is something related to be basic character and processes of Indian state, society and economy interface.

During the Sixth Five Year Plan, revenue deficit rose to Rs. 5800 crore, and shot up by almost nine times during the Seventh Plan period. (Indian Public Finance statistics, 1997, 42). The policy of low and stable tax rates, a la supply side economics and the expectation of lower tax evasion at lower tax rates did not fructify. The tax law and administration remained evasion-friendly. Thus centre's tax revenue as a proportion of GDP stagnated around a narrow-band of 10 to 11 per cent of GDP without any supply-side, better tax compliance dividend despite historically the highest rate of growth of GDP recorded during the 1980s. To put the matter differently. while the Centre's net tax revenue

increased from 6.9 per cent of GDP in 1980-81 to 8.5 per cent in 1989-90, or total current revenue increased over the same period from 9.4 per cent to 12 per cent, the centre's total current expenditure for the same period rose from 10.9 per cent to 14.6 per cent. Thus capital receipts were used by the centre to finance its current expenditure by as much as 1.5 per cent of GDP in 1980-81 and rose to 2.5 per cent of the GDP and remained around that level throughout the 1980s. Cumulatively, a huge draft on capital account was made in order to finance current expenditure with its adverse implications for savings. Little wonder by the end of 1980s interest on the centre's public borrowing became nearly 4 per cent of GDP and the rising level of fiscal deficit symbolised the growing incapacity of the state to manage and direct the economy.[11] Among various components of state capacity a critical role belongs to the state's capacity of financial extraction as has been maintained by two Chinese scholars, Wang Shaoguang and the Hu Angang, "Strengthening State capacity is to strengthen the state's ability to mobilise the resources of society. (1999,9). It can be inferred that the state in India showed poor and weak capacity to raise resources even for its routine house-keeping operations let alone in order to manage a high growth rate, with social objectives.

The pursuit of growth through a liberalised policy regime during the 1980s adopted two important policy courses. One import-liberalisation was pushed up irrespective of the immediate and long-run capacity building to sustain it by one's own foreign earnings. The liberal, profligate public spending, mainly for current consumption, by means of running huge fiscal deficit helped increase the growth rate, particularly of the non-goods producing tertiary sector, which contributed 46.3 per cent of the growth during 1980-81-1990-91 (Acharya, S. 2002, 1517).

It is clear that the twin deficits reached explosive proportions and the pursuit of growth on these two flimsy bases ran into deep trouble. The whole 'crisis' was also portrayed as a consequence of unforeseen global political and economic factors, like the Gulf War, collapse of Soviet Union, spurt in oil prices, which exacerbated the BOP difficulties, increased fiscal deficit (which it was reasoned, further accentuates the BOP difficulties) and, given domestic political instability. The rating agencies made things reach an impasses by downgrading India's credit rating, the speculative elements withheld their export earnings outside India and a kind of exodus of the NRI funds parked in India began. The initial response by way of import compression spread the contagion

[11] For a Detailed account. Kabra Kamla Nayan (1992)

to the real sectors" "its adverse impact...was already being felt in terms of a decline in the index of industrial production during 1991-92. (ES, 1991-92; 8). As far as the policy of large-scale borrowing to finance trade and current account deficit goes, it started becoming bothersome when the cost of external commercial borrowing went up and, worse, it started drying up. Given the legacy of staunch opposition to the statist growth model, the need to avoid defaults and to access the IMF-World Bank bailout packages the `crisis' was used not just for fiscal stabilisation and tiding over current payment difficulties, but for accepting the entire range of conditionalities derived from the Washington Consensus.

As stated by a person connected directly and closely with the policy processes during this period, "the reforms were not introduced against the background of a prolonged economic crisis or system collapse of the type which would have created a widespread desire for, and willingness of accept, radical restructuring. The reform was introduced in June 1991 in the wake of a BOP crisis, which was certainly severe. However, it was not a prolonged crisis with a long period of non-performance. On the contrary, "the crisis erupted suddenly at the end of a period of apparently healthy growth in the 1980s when the Indian economy grew at about 5.5 per cent per year on average" (Ahluwalia, M. 1995, 14, emphasis added). It is clear that just the fiscal deficit and BOP difficulties may not require an "evolutionary transition"..."very different from the incremental approach to reform of the 1980s" in the form of a policy package of liberalistion, privatisation and globalisation (LPG) which is in any case sharp and stated a break from the past. But using the channel of conditionalities and extreme weakening of the state (unable to raise resources even for housekeeping), the IMF-World Bank supported policy advisers and econocrats in decisive vantage positions, played up the crisis and in a silent coup introduced, in June 1991 "a series of measures to bring

[12] The Finance Minister "quickly assembled half a dozen or so top officials in the ministry of Finance (MOF) and RBI for shouldering the day-today responsibilities of economic management" during the 1990s. The core group, claimed to be an "unusually talented and cohesive" "provided exceptional continuity to economic management in the nineties" held similar views and was respected by "international economic and financial circles". (Acharya, S., 2002, 1536) The model implemented "unusually talented" experts was, of course, the Washington Consensus model. Joseph stiglitz maintained that the "success as an intellectual doctrine of the Washington Consensus rested on its simplicity; its policy recommendations could be administered by economists using little more than simple accounting frameworks look at a few economic indicators and form a picture of the economy and a set or recommendations" Quoted by Bienefeld Op.cit.574-575

the situation under control".[12] This is the essential narrative of the genesis of the 'economic reforms' of the 1990s, which is currently treated as the first generation `reforms and is supposed to necessitate or pave the way for the second generation `reforms'.

II

THE OBJECTIVES OF THE 'REFORMS'

Apparently, avoiding default, restoring India's credit worthiness in international financial markets, curbing fiscal deficit and applying brakes on the inflationary spiral were the immediate tasks facing Indian policy-makers. Since these problems arose despite a decade of "a process of evolutionary reforms" which are claimed to have yielded "apparently healthy growth", it was maintained that the time seemed ripe for a reforms programme to bring about "system changes affecting several sectors of the economy" which "though gradualist in its approach" may nevertheless be "different from the incremental approach to reforms of the 1980s". (Ahluwalia, M., 1995, 14-15).

As the ES, 1990-91 maintained, "the short-term correctives have to be viewed in a medium term setting. Credible structural reforms, designed to improve the efficiency and productivity of resources use are an inescapable necessity, if the unavoidable fiscal adjustment is not to lead to stagflation but become an occasion to impart a new element of dynamism to the growth process " (14-15, emphasis added). Evidently, the crisis was sought to be used to introduce fargoing changes to accelerate the growth process by adopting measures to improve efficiency and productivity. A new minority government assumed office in the midst of the `crisis', which took upon itself the task of introducing "a series of corrective measures to bring the situation under control. These included short-term measures aimed at crisis management as well as longer term measures of structural reform, aimed at improving efficiency and productivity and putting the economy back on the path of sustainable growth with equity and social justice." (ES, 1991-92,1; emphasis added)

It could be seen that the occasion of the crisis was used for ushering in many far-reaching policy changes, *i.e.*, system to economic management by public agencies away from the dirigiste development regime to an efficiency and productivity enhancing policy regime, which

moves away from a host of state regulations, bureaucratic obstacles to private enterprise and inward-oriented pollicies and plans.[13] As an observer puts it, "The fact that the `reform' has been driven by bankruptcy more than ideology has consequences." (Ayer, S. A. quoted by Mukherji, 2002, 61) An examination of the ex cathedra statements about the objectives of the changes in policy regime shows two distinct strands: one, which identifies some policy instruments (instrumental policy variables) as the objectives of structural adjustment programme (SAP) and, two, some objectives which refer to policy outcomes. It is also seen that some statements about the objectives refer to certain processes and institutions as well. In any case, given the nature of economic phenomenon, a clear, unambiguous dividing line between outcome and instrumental variables and institutions and processes is not always sustainable in a consistent manner. For instance, increasing the growth rate of the economy may be treated as an outcome, obtained by raising efficiency and productivity, may be by increasing competitiveness, domestically by freer entry/exit, or internationally by freer imports/ exports and factor nobility based on unregulated market prices and unrestrained entrepreneurial decision. But one can also come across instances when accelerated growth was "regarded as an instrumental variable, a policy outcome that would in turn reduce poverty, which constituted the true objective of our efforts." (Bhagwati, J., 1998, 25; second emphasis added). The interchangeability of instruments and outcomes in the above statement is apparent.

A number of proponents of the SAP have emphasised the changed, or revamped instrumental choices as the main thrust and agenda of the policy redesign attempted in the wake of the putative

[13] A system change concerns the basic operational model of the economy and even a thorough- going policy change, leaving untouched the basic institution and their modus operandi intact, save interface with public agencies and external sector, cannot be equated with the former. Though many reform enthusiasts seemed to have gone overbourd by their dream reforms, serious, scientific analyses did not ignore this point. Increased marketisation and opening-up did not change the essential, inherited market economy character and long standing participation in the global economy. Contrasting the Indian economic system vis-à-vis the former centrally planned economies, a World Bank report on India assests that "India already had an ubiquitous private sector, all the institutions of a free market economy, and a relatively well-developed financial sector." (India: Five Years of Stabilisation and Reform and the Challenges Ahead, 1996) Evidently, the 1990s policy changes did not have system transforming sweep and depth. It was, as we see elsewhere, `more of the same', concentrated temporally, sectorally and concerned many policy variables, either simultaneously or in a sequence spread over a few years.

economic crisis. It was to act through those instrument variables which, according to this kind of analysis, contribute to accelerated and sustainable growth. It has been maintained that the new policies "aim at reducing the extent of government controls over various aspects of the domestic economy, increasing the role of the private sector, redirecting scarce public sector resources to areas where the private sector in unlikely to enter, and opening up the economy to trade and foreign investment." (Ahluwalia, 1995,13, emphasis added) In short, the introduction of the LPG package seemed to have been either the main agenda by itself as a part of the Washington Consensus enforced by means of the conditionalities of the Brettonwoods institutions or, as the only effective and sustainable means to high rate of growth of the economy. It is further clarified that "the objectives of the current reforms are based on a clear recognition of the need to integrate with the world economy through trade, investment and technology flows and to create conditions which would give Indian entrepreneurs an environment broadly comparable to that is other developing countries and to do that within the space of four to five years." (Ibid, 15) In other words, globalisation seems to have been elevated as an end of public policy. It was realised in course of time that the "reform' was going to be a comprehensive package consisting of positive and negative measures in such a manner that the domestic capital is as `free' is capital from other unspecified comparable countries. It is an indicator of the primacy of the external factors that even for the domestic `reforms', the rationale is seen in external competitiveness.

In course of time, as the attacks and counter-attacks on the SAP intensified, it was clarified that "Reform's is or should be designed not only to be good for growth, but also to be good for labour-intensive growth, and increasing the demand for relatively unskilled labour is the only way to reduce the massive widespread poverty that still prevails in India today. (Ahluwaia, I. J. and Little I.M.D., 1988, 13, emphasis added.) The interchange between, 'is' and 'should', clearly indicates a merger of the positive and the normative aspects, as also recognition of the actual fate of the labour-intensive bias. This view seems to reduce growth from the ultimate goal to an intermediate goal, which is taken to be the only and sure means for reaching the ultimate goal of poverty reduction. The emphases also appear to be on a set of liberal, market-oriented and external policy instruments as being goals in themselves. It is an indicator of the mindset, value-premises and unfailing commitment to the establishment of the liberal market economy, free-trade perspective. It is not too difficult to identify the interests associated

with and served by an open-door external-oriented, market-friendly policy regime for accelerated growth especially its inherent capital intensive and imitative product-mix bias. One can easily see that the above policy's incompatibility with any specific, effective and decisive labour-using bias. This is because the reliance on market signals derived from unregulated market prices, existing income distribution, free flow of foreign goods, services, capital and technology, etc., build a strong tendency for capital and import-intensive production. Countervailing state and social action are precluded or marginalised by the neo-liberal policy mix.

Thus, one can see that both instrument-centric and outcome centric approaches to objectives of reforms are at the substantive level no different. Both opt for the neo-liberal market instrument and intend to work for high economic growth as the panacea. The analytical wise up seems mainly to show that the objectives and agenda represent basically the perspective of India's growing elites which is supposed to help the general masses in various ways as a fallout. (By end 1980s, these elements found themselves bereft of credible/workable options, which permit them to stick to the same old objectives. Access to fresh and plentiful credit lines from the global financial centres appeared to be necessary for the purpose. This became contingent on adopting the "reforms by storm" of 1990s, which required giving up policies tainted by the traces of dirigisme. Thus, the objectives were related intimately with a view that they have no option but to take the royal road to neo-liberal reforms. The objectives of moving towards full employment and enhancing equity form no part of the new economic order and yet the hope is expressed that it would reduce, if not eliminate, poverty.

TINA COMPLEX

A policy response to a given situation can ideally be arrived at by examining a number of alternative schemes of intervention. It certainly involves a critical examination of the presently operating policy regime, its assumptions, pre-conditions, institutional and administrative arrangements, and its performance along with its social support/beneficiary base. It is true that right from the 1950s, the state-led growth primacy model of India in the framework of medium-term public investment planning in India's celebrated mixed economy model, (Kabra, Kamal Nayan, 1997, chapters 4 and 5) has remained under constant fire both from the right and left. But for all practical purposes there has been a broad national consensus over this model (Mozoomdar, A. 1994). Moreover, this model was implemented in a

rather flexible manner and there have been a series of periodic change of course. There have been frequent adhoc adjustments and redefinition with respect to specific sectoral policies or regarding the use of policy instruments, both under domestic and international compulsions (Dagli Committee Report, 1979). These incremental changes neither were meant to, nor were consciously converted into a wholesale redesign of the policy regime prior to 1990-91' This was so despite some instances of change of Central Government in which a different set of political parties acquired power. (Paranjape, H.K. 1985 and 88) But there is little evidence that any alternatives were examined in a systematic, openly debated manner in order the zero in on the LPG model.

Take, for instance, the case of fiscal deficit. The LPG proponents seem to have attributed it basically to low returns on public sector investment. The facts regarding tax evasion were well-known, some of the policy advisers themselves officially studied and estimated the black economy including massive illegal capital flight in early 1980s. (NIPFP, 1982) But there is no evidence of any attempt to bridge the revenue gap by increasing tax-GDP ratio to levels comparable with other similarly placed countries[14] or cracking down on tax evaders and the black economy. Then, using simple national income identity, the CAD was attributed to fiscal deficit and overheating. It has been shown (Arun Kumar, 1999) that without taking into account massive illegal capital flight from India, the structure of imports and its most rapidly growing segments under the impact of import liberalisation of 1980s, and the different aspects of the black economy, such a conclusion becomes vitiated. The fact of the matter is that India had during the 1980s already imbibed quite a few of the IMF-World Bank conditionalities led policy measures. These "same-size fits all" measures of the Fund Bank duo were part of the more basic phenomenon of neo-liberal resurgence. Following the collapse of the Soviet Union and the structural changes and changed needs of the OECD countries via-a-vis the two-thirds world, the ideology of market and open economy acquired new stridency and clout vis-à-vis the highly indebted countries with structural dependence on continued external borrowing. This situation certainly suited the countries whose globalised, corpulent financial sector required growing and safe markets for lending their investible funds. The days of statism, the NIEO and national self-reliance were treated as over. Hence import

[14] Prospects for increased resource mobilisation through tax measures was not considered promising by some of the reformers. It was maintained that, "There should be little expectation of increased revenues, say 1 percent of GDP, since desirable rises in direct taxation should be largely offset by desirable reduction in indirect taxation." (Ahluwalia and Little 1998 11)

compression by combining import-substitution and export promotion, curbing ostentatious consumption and energy use levels which contributed to massively to trade deficit, imposition of reciprocal responsibility on liberally-assisted corporates and exporters, increasing tax-GDP ratio, improving public enterprises performance, say, by abstaining from political meddling in their management, etc., were among the possible short and medium-run alternatives which failed to figure in the thinking of the SAP enthusiasts. The agenda of overcoming the crisis boiled down to immediate re-establishment of India's eroded credit worthiness in world financial markets by falling in line with the conditionalities-derived SAP, the so-called reforms. This meant instead of rescheduling debt-servicing or re-negotiating debt for writing off at least a part of the huge debt-burden, or giving better and more equitable access to Indian exports by OECD countries, India was given huge loans to acquire the capacity to repay and service the debts. *i.e.*, new and enlarged lending to finance old, non-serviceable loans. The price of this accommodation was the adoption of market and open economy reforms in order to make this situation durable. The need to correct the underlying factors does not seem to have been examined.

III

THE 'REFORM' PACKAGE: SYNOPTIC OVERVIEW, ELEMENTS OF THE PROCESS, RATIONALE, AND STATE CAPACITY

THE PACKAGE

The initial deflationary policies adopted for macro-economic balance were both accompanied and followed by a set of comprehensive measures of liberalisation. Their scope and extent, were unprecedented both in dismantling various components of the prevalent policy regime as also in introducing a breath-taking diversity of far going measures, some-simultaneously and some in a sequence. One unstated purpose was to win the approval of the lenders, who established systematic, on-going mechanism for monitoring the Indian economy and the spread, speed, sequence and operational style and mechanism of the LPG package. Many comprehensive itemised and detailed accounts of the unfolding reform storm have become available. We present a highly stylised picture of the SAP in two dendrites on the following pages (Chart I dealing with domestic sector reforms and Chart II with globalisation measures: these measures include both introduced and

[15] An account of these 'reforms' can be gathered from the issues of the Economic Survey (GOI Ministry of Finance) for the years of the 1990s. For a brief overview, see. Jha. R. 2000 7-14

intended ones which are comprehensive but surely not exhaustive[15]). Of course, the caveats, conditions, sequence, operational mechanism and quantitative aspects like the rate of reduction in tariffs, excise, interest rates, direct tax rates, fiscal deficit, etc., of the reform took a specific Indian flavour, notwithstanding efforts to introduce mimetic elements.

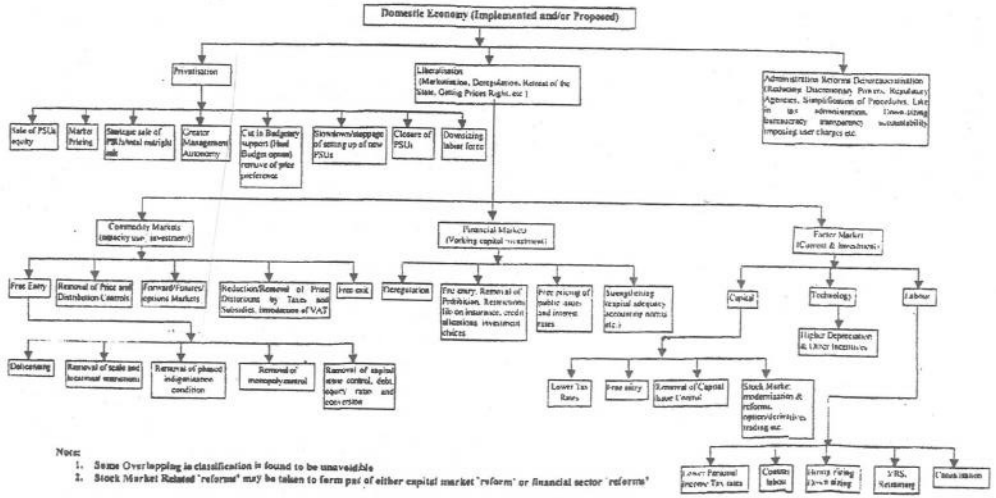
True, the immediate concerns of economic management, the short-run agenda of the reforms, *viz.*, resumption of credit flows and honoring of debt-service commitments was met. As for the medium and long-term, the LPG was introduced, as argued by some, as the development policy by way of what has been called the counter-revolution in development theory. The agenda was growth to be achieved through higher productivity and efficiency obtained by means of fetters-free pursuit of profit by the unshackled organised large business (as there is hardly anything in the market reforms a la the SAP, both domestic and external, which helps the largest, market segment, the informal, unorganised markets; it was directed to and for the organised, largely domestic and external (corporate) sector and faithfully remains so to this day).[16]

It seems to follow from the overview account of the stated objectives of the SAP that the new policy direction basically reiterated the supremacy of the growth objective of economic policies without any path-breaking new goals which could respond to the accumulated backlog of many failed promises of the last four decades. In fact, nothing new, exciting and positively responsive was included in the stated objectives of the SAP, which could ignite the imagination of the masses and invoke their instantaneous, enthusian for these objectives of more of the same variety. However, lately the basic social goal of poverty eradication at a faster pace, with more liberally-funded "pull-up" programmes of poverty-alleviation, has been ascribed to reforms.[17]

[16] As Mukherji, J. (2002,7) point out," The informal sector is often quite dynamic, but its growth is constrained by policies and institutions geared towards the formal sector."

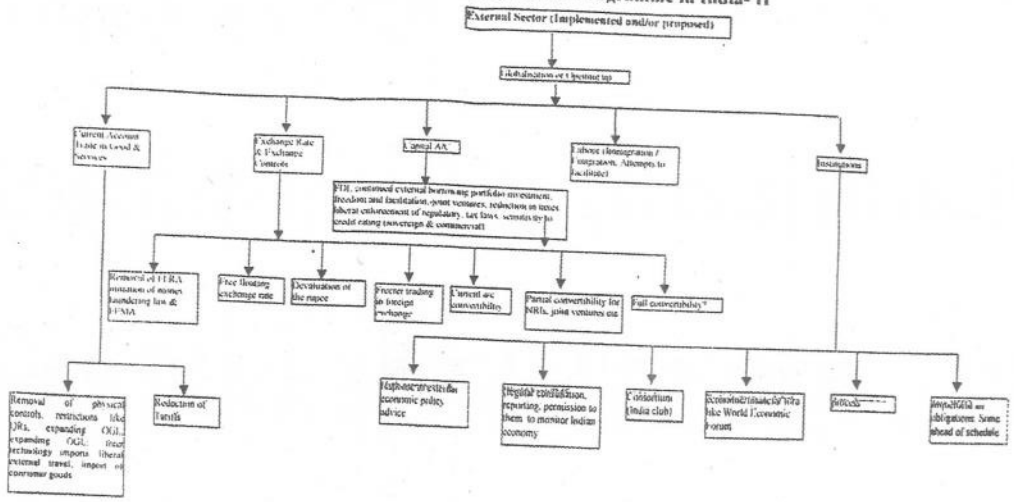
[17] John Pender (op.cit.) World Bank's own recognition of "the negative experience of the failure of its own policy prescription", (397) particularly as shown in the World Development Report 1999-2000 ("Some countries followed policies of liberalisation, stabilisation and privatisation but failed to grow as expected". P.16) and the consequent articulation of Comprehensive Development Framework (CDF), which apparently attempts to reconcile anti-poverty programmes and social services, with continued adherence to the supremacy and priority of growth-centric search for efficiency as "society-wide development goals" remain unprivileged, under the SAP.

STRUCTURAL ADJUSTMENT PROGRAMME ('REFORMS') IN INDIA-I



Notes:
1. Some Overlapping in classification is found to be unavoidable
2. Stock Market Related 'reforms' may be taken to form part of either capital market 'reform' or financial sector 'reforms'

Structural Adjustment Programme in India- II



Some unfounded claims regarding mass enthusiams for the reforms have also been seen. (Bhagwati, J., 1998,38) These claims run counter to electoral verdict and detailed empirical analyses of policy processes connected with reforms (Jenkins, 1999, in passim, Mukherji, J. 2002, 61-62)

Some important features of the LPG policy process and its content too deserve attention. The LPG package has clear ideological and theoretical roots, along with its powerful advocacy and support by the global hegemonic powers, the international financial institutions and a domestic constituency, which was ill-at-ease with the controls regime. However, a recipe of the SAP variety designed for and sold to dozens of countries is unlikely to have a clear, well-defined blue-print when it comes to application in a multi-party democracy in a highly differentiated poor country like India. In any case, from the manner in which the LPG agenda unfolded itself it is clear that it did not start off with a well-defined given set of elements, their numerical value (*e.g.,* regarding cuts in various taxes like customs, excise, etc.) and the time-phasing of various elements. It seems a single shot implementation of the entire package could have been considered too unsettling, economically, politically and administratively. In fact, its open-ended character has been widely recognized (Jenkins, R. 1999,).[18] This feature imparted to the reforms a certain measure of flexibility. However, the flexibility was circumscribed by the market-friendly tendenz in general and its supply-side variant in particular. Thus the unidirectional flexibility was seen in detail, sequence, coverage, quantitative value, etc., but directionally it was to replace state's discretionary decision-making and active role by market-led decision-making and at attempt to make the state beat a retreat (a minimalist state).

PROCESS AND RATIONALE

We have referred to the assiduous propagation of the TINA complex by the proponents of liberalisation. As a corollary there was hardly any consideration of alternative policies to get out of the BOP, fiscal deficit, low lender confidence crisis. Since inflation was not too serious, attempts to contain it by deflationary policies appeared to be

[18] Mukherji, J. (2002,61) makes the point that slow pace of reforms reflects genuine disagreement within the country and complexion of changing policies within a vibrantly democratic federal polity. He also refers to weak political impulse behind the reforms. (63). Furthermore, unlike China lack of success "prevented a formidable political constituency for reforms." (62)

directed mainly at fiscal and external account balancing/stabilisation. The inevitability of the reforms argument, later on combined with frequent claims regarding their irreversibility, was supported by reiterating the standard equilibrating, allocative distortions removing, efficiency and growth fostering role of the market by means of its inherent system of incentives and sound information base.[19] To buttress this line of reasoning the `success' stories of the East Asian `miracle economies' were liberally and loudly invoked. Thus the whole case for the LPG package was built-up, it appears in retrospect, on the premise of the existence and operation of the ideal, text-book model of market mechanism. The inference was that certain countries who followed this path are the role models to be emulated and certain countries like Soviet Union, Eastern Europe and India, which did not follow this path, ended up in fiasco of varying magnitudes and hence have to be shunned.[20]

At times, liberalisation is supported by the new political economy school on the theories of rational choice, government failure and information-incentive accountability questions for doing away with rent-seeking behaviour and encouraging growth.[21] Without devoting space to restating these well-known positions, one aspect may be highlighted. It attributes rent-seeking behaviour and connected distortions and dysfunctionalities to the discretionary space available to the political and administrative executives, (Krueger A., 1974) while ignoring the supply side of rent-paying behaviour and competition among the market operators to gain at the cost of each other by bribing their way to favourable decisions. As we see below, the open-ended, gradual nature of the `reforms' and their political-administration mechanism do not

[19] Almost everyone of the proponents of market-led, open-economy growth model has over time come to qualify the "extreme and dogmatic commitment to the belief that markets can handle everything. " (quoted by John Peder, op.cit, 409) Bhagwati, J. too agrees that" nature of growth matters as much as growth itself." (quoted by Bhattarjia, A. 1994) After bringing out some limitations of the neoliberal policy model, Bhagwati, stresses the need for supplemental policies. (2001, 845) The critique of Washington Consensus based World Bank Policies by Paul Krugman and J. Stiglitz too are popular (Bienefeld, 2000, 571-576) Despite receding number of advocates, one can see reiteration of the market model in the writings of Little, IMD; Cassen, R., Joshi, V. Ahluwalia, M.etc. Earlier critiques of the dirigiste policies like Bhagwati, J. and Desai, P. (1970) too seem to repose great faith in the eficiency causing open-economy market model.

[20] See, Bhagwati, J. (1993)

[21] For a recent overview of the new political economy school, see, Reddy, D.N.(2002).

seem to reduce scope for arbitrary, discretionary decision-making with possibility of rent-paying and rent- seeking in a mutually reinforcing relationship.[22]

As against the above theoretical, a priori arguments, based on some empirical assumptions about the world as it exists, it can hardly be contested that the ground reality with respect to the existence and operation of the markets, all their institutions and pre-conditions for idealised, friction-free operation differs across different countries, regions and sectors as over different periods and have varying degrees of approximation to and divergence from the idealised, optimising model. After all, markets are not ubiquitous, uniform and all-powerful everywhere and are rooted in a historical and current conjuncture. Hence, a case for liberalisation in a given country over a specific period has to be made on the basis not of abstract, a priori, logical models, howsoever rigorous and elegant, but on the basis of really-existing markets, howsoever rough, unwieldy and untidy, especially when the divergence is substantial, qualitative and sticky. Similarly the view that historical analogies of the failures and successes of some other countries too can be considered as holding mechanically and in toto valid and fully replicable lessons for some other inevitably differently placed and constituted countries is either naïve or a political propagandist ploy. In any case, such histories too do not have any single, common, universally accepted interpretation, as is the case with East Asia, the really-existing (former) socialist countries, etc.[23] The short point is: to this day there has not emerged any analysis of India's really-existing markets along with its entire appurtenances on the basis of which one can argue the suitability and effectiveness of liberalisation. Various specific and plentiful examples of divergence between the intention of control and regulatory measures and their actual outcome are instances

[22] A thorough empirically substantiated account of these processes in the course of Indian reforms can be seen in Jenkins, R. (1999). Recently the Indian Minister dealing with disinvestment went on record on a TV channel that corporate rivalries are buffetting government economic policy decisions and derailing economic reforms. (Star TV, 31 August 2002)

[23] For the potential of the replicability of Japanese experience, see, Sinha, Radha, (1993) and Kabra, K.N. (1995) for Japan and Korea.

of specific failures and distortions.[24] Much more rigorous historical and empirical wider studies are called for to conclude the inevitability of universal failure of dirigisme than provided by such episodic, partial evidence. The policy process introducing the LPG package in its sui generis Indian version thus seems to have involved on an intellectual plane a big leap of faith, based on excessive certainty of existing knowledge.[25] In this way the governing elites of India basing themselves on limited, partial and non-conclusive views of some technocrats, both Indian and expatriate seem to have hoped for short-run relief and long-term salvation.

We do not intend to go at length into the socio-political factors, which facilitated the early 1990s transition to galloping liberalisation. But on the basis of some perceptive studies a few broad features of the interplay of the political and social forces and processes concerning this period's national economic policies may be delineated. These features seem able to clarify some elements of the character of the liberalised policy regimes in which the political elite, the bureaucratic-technocratic elements in various advisory and executive capacities, itinerant international consultants and protagonists (including the international, non-accountable, self-serving self-perpetuating bureaucracy) played a critical role in the framework of India's democratic polity.

The liberalisation policy, like its predecessor policy regime, has been a top-down exercise in which technocratic-bureaucratic initiative seem to have been a reckonable factor, especially owing to their common academic background and shared loyalty to and patronage of

[24] Many official and non-official studies have shown the failures and limitations of controls, regulations, planning and public sector, along with the role of market and money power. See Report of the Industrial Licensing policy Inquiry Committee, (1966) Report of the Monopolies Inquiry Commission (1966) Report of the study Team on Economic Administration of the Administrative Reforms Commission (1969) Report of the Committee on Controls and Subsidies.(Dagli Committee) (1979) Background Papers of the Committee to Examine Principles of a Possible shift from Physical to Financial Controls. (1985) Report of the Committee on Steel Control. (1963) Fourth Five Year Plan; Marathe, S. (1986) Mohan, R. and Aggarwal. (1990), Paranjape, (1985 and 1988), Gadgil D.R. (1967), Dutt, R.C. (1987), Patel, I.G. (2002) etc.

[25] For example, Bhagwati, J. (1998,39) contrasting the difficulties of agreeing on methods of social engineering for enhancing returns from social expenditure and economic reforms asserts that for the latter "we do know what needs to be done". Bienefeld has maintained that in such complicated matters one has to be "really honest about the limits of their, and our, knowledge". op.cit. 574.

the IMF and World Bank. As boasted by one of the players in this policy game in no uncertain terms, when he refers to the four strong points of the `policy team' managing the economy during the 1990s including "similar views on the paradigm and priorities of Indian economic policy" (which dims the prospects of considering alternative policies) and that they "commanded substantial credibility and respect as professionals both at home and in international economic and financial circles." (Acharya, S. 2002, 1536)

The political class showed and continues to show a broad consensus on the agenda of liberalisation especially while holding office and giving vent to varied types of opposition when out of office.[26] They adopted a complex set of devices and strategies to carry out the agenda to manage the completion of the transition to the new policy regime. This is also reflected in the pursuit of what still remains an elusive and on-going process of second generation reforms. This task become particularly onerous owing to lack of popular enthusiasm for and even awareness of the reforms,(Mukherjee,2002,62) especially in the absence of any worthwhile, let alone spectacular gains for the common citizen and, on the contrary, actual and perceived losses, threats and dangers resulting from some specific effects of the LPG package, especially as a result of wide opening up of trade and investment channels and closure, and/or privatisation of public sector enterprises, fairly persistent demand recession in industries and jobless growth. Even among the business and industrial classes, certain misgivings, conflicts of perception and interests, shades of both differences and agreements over specific elements of `reforms' like their relative priority, sequence, regional and sectoral extension and

[26] Take, for instance, the case of disinvestment, which, according to the disinvestment Commission was viewed as a tool for bringing down the budgetary deficits. A study by the working Group on Disinvestment Issues showed that the disinvestment proceeds of 39 PSUs most of them profit- making, could have saved Rs. 94643 crore by way of interest payments if used for reducing fiscal deficit. On the other land, according to data on net profit after tax given in the Public Enterprise Survey, 1996-97, the transfer of equity to private parties, meant a sacrifice of Rs. 1,78,391 crore by way of foregone share of net profits. Thus disinvestment implied a loss of Rs. 3,74 crore, which could have been used for anti-poverty programmes. (Disinvestment by KNK in Alternative Economic Survey, 1998-200 p.55) Bramhanand, P.R. (2002, 1002) clearly spells out the anti-poor consequences when the argues , "But, alas, if the crores of producers in agriculture and small industry have to globalise themselves, the prices of their commodities will have to fall so steeply as to drive them out of subsistence."

application, specific numerical values chosen for tax cuts, inclusion of items in open general licence, some institutional restructuring, etc., were witnessed. The way in which policy autonomy of the Indian state was compromised owing to the urge and/or temptation to take a `soft' way out of the blind alley on BOP and fiscal fronts by increasingly falling back upon external finance was reflected in the adoption of a drastic change of course in policies without succeeding in garnering a commensurate strong support and mobilisation of any popular domestic constituency. The inability of political moves and counter-moves over liberalisation to assume primacy was in a way a reflection of the salience of fractured, divisive identity and communal politics during the 1990s (Mooij, J., 2000).

A political scientist Rob Jenkins on the basis of a detailed field study of Indian politics over the reforms maintains that the broad consensus on `reforms' is marked by the absence both of a very strong identifiable internal lobbies which treats it as a question of its very survival and of those which are opposed to it tooth and nail. This is partly because at the Union and at the level of The States almost all the political parties have at one time or another shared power in varying measures during the 1990s and owing to exigencies of the fiscal situation, particularly owing to the inability of the political class as whole to evolve an alternative, either they all have implemented it (despite ideological and vocal opposition) or have adopted an open-ended opportunistic attitude towards it. Jenkins tried to show that the tactical stance of the governing elites towards implementing the LGP package was to carry it out by stealth, comprise, divide and rule tactics, outright sale and purchase of influence, *i.e.,* by continuing with and finding new avenues for profiting at the individual and party levels. Obviously the implications of such a kind of governance for a larger civil society and its future can be well imagined.

We cannot here give even a synoptic view of the detailed, well-documented analysis of the politics of these reforms.(Jenkins, 1999, chapter 1, 4 & 7). Our main purpose here is to highlight how the agenda of liberalisation fails to represent a cohesive social agenda, which emerges from people's struggles and grassroots mobilisation. On the contrary, it is a specific example of how Indian democracy over its entire life span co-exists with vast and growing socio-economic disparities and deprivation for most of the Indians. In the present case, it is manifested in the persistence of policy processes whose outcome has

little to do with the consensus and aspirations of the vast majority. Thus it represents at the policy level virtual disenfranchisement or disempowerment of the common man. The primary concerns of liberalisation with growth, external and fiscal imbalance and various neo-liberal, new political economy policy instruments may well be counted among the basic factors whose impact on the evolving socio-economic situation of India cannot be wished away.

In any case it is worth noting that the range, scope and intensity of the reform package is unprecedented. It includes elements like industrial delicensing, removal of monopoly control, quantitative restrictions on imports, strategic cheap and subsidised sale of public enterprises, drastic cut in customs duties, open arm welcome of 100 per cent FDI in so many critical industrial activities including in trade media services like insurance, accounting and audit, etc., deregulation of stock exchanges, futures trading in mass consumption good like sugar, private sector entry into defense production, scrapping of FERA, etc. which could not even have been imagined as possible in India. Many of them went against the immediate interests of many big market entities, including some large business houses (like abolition, of export subsidies) and did hurt some well-organised, numerically large groups like trade unions, modern small-scale industries, etc. And yet they were carried out, of course, by claiming that they promoted both general and specific long-run interests of the nation, and of course, of the poor. Certain events like the East Asian and Mexican economic crises made the liberalisation enthusiast rethink and made them put on hold measures like capital account convertibility. In fact, during late 1990s there were some who developed a feeling of déjà vu concerning the stalled `reforms' of late 1980s, while others adopted an aggressive combative stance against the critics of the LPG package (Bhagwati, J. 2001). This seems to have coincided with the arrival of the more difficult phase of the `reforms', like, *e.g.*, the revamping of the labour laws to permit free hiring and firing by the employers, or allowing both private and foreign capital entry in infrastructure with free user-charge based pricing under the supervision of independent regulatory agencies. Similarly, the difficulties faced by the reform process became intensified as both the rent-paying (for obtaining special, undue favour or treatment) and rent-seeking continued and in some areas and in some senses became more frequent and prominent as revealed by an unending series of scams and shenanigans which made the 1990s the `era of scams' and identified liberalisation with the ascendancy of crony capitalism. (Kabra, K.N. and Upadhyay. V.1999. 200-208) in which large chunks of Indian capital,

foreign portfolio investments and FDI companies, etc., all became major active players.[27]

STATE CAPACITY

Any drastic surgery of the existing policies and transplantation of a set of new ones requires a strong, no-nonsense government. Given the political instability, emergence of an era of multi-party coalition governments, dented image and elan of the political class, new depths reached by corruption, cronyism, assertion of divisive identity and communal politics, weakening of the Centre *vis-à-vis* the States, relatively greater economic social and administrative deterioration of the more populous larger states of the North *vis-à-vis* the Southern and Western States during the 1990s it is difficult to visualise the existence of a sufficiently strong developmental state with the capacities required for implementing a set of policies which rectify both the market and state failures. Any evaluation of the decade of reforms would be vacuous, sterile, misleading and full of wishful thinking without factoring in the steady erosion of state capacities in India, along with deteriorating social tranquility.

The question of state capacity and social tranquility and harmony is of critical value both for encouraging public as well as private investment. The license quota-permit Raj and corruption were considered anti-growth as they increased transactions cost of investment and reduced the social and self-esteem of the investors *vis-à-vis* the political-administrative strata. In this sense, deregulation and enthronement of the market processes were likely to privilege the investors and encourage investment. Some recent analyses have raised doubts regarding the validity of the above formulations. Pre-1990-91 period saw the emergence of quite a few large business conglomerates able to expand their empires by bending the state processes to their advantage and checkmating their rivals in the tracks.[28] Of course, they

[27] In addition to what the disinvestment Minister of the GOI said in August 2002 about the role of corporate rivalry in buffeting economic policies, Mukherji. J. (2002) also referred to the role of corruption in shaping policies and their implementation. It means it is both IMF World Bank conditionalities and corruption which have a hand in policy processes. The rot is so serious that Mukherji notes that corruption is firmly embedded in the private sector as well, even in its internal operations. Op.cit. p.83.

[28] For massive misuse and counter-productive results of licensing see, the Report of the Industrial Linensing Policy Inquiry Committee (GOI, 1966) and for an analysis of indsutrial regulation, Marathe, Sharad, (1986)

paid a price, had a higher transactions cost, but they found it all rewarding; their investment decisions were delayed, made costlier but were ultimately rarely deterred. When the politicians decided to withdraw themselves from their privileged positions of power and subjective exercise of discretion, they were not keen on hara-kiri or sanyas. They found, created and used new sources of power, patronage and privilege in league with actual and foreign direct and portfolio investors. Many recent instances, like for instance, the notorious case of massive misuse of the Mauritius route by the FIIs, Indian share market operators and FDI companies for avoiding tax liabilities in which the Ministry of Finance was found to be issuing illegal facilitating orders, (as shown by a recent judgement of the Delhi High Court) show that investors are hardly deterred by such pinpricks as they always find a way out of such situations. The issue seems to become one of competition and nature, pattern, source of investments, rather than the magnitude of investment as such. So long as decision-making powers are centralised, remain secretive, people's attention can be diverted, or their support won on the basis of peripheral issues and non-issues and there are economic agents endowed with large stocks of wealth and over-flowing channels of illegal incomes who like to prove themselves one-up *vis-à-vis* their actual and/or potential business rivals in contestable political, economic and financial markets, the scope for discretionary decision-making and continued centralisation of economic resources is likely to survive. Many fond hopes and promises entertained from a liberalised policy regime appear to be too simplistic and ignore the hard reality of business-politics interface in any given socio-political milieu. Any evaluation of the expected pay-off from the reformed policy regime of the 1990s would be seriously flawed without taking into account such detailed, non-reductionist, formal and informal process and forces.

IV

PILGRIM'S PROGRESS: BACK TO SQUARE ONE

By now, fairly detailed information, claims and counter-claims, eulogies and apologies invoking several distracting and facilitating factors, regarding the achievements and disappointments of the decade of structural adjustment reforms have become available. (See References and Bibliography) A policy redesign deriving its rationale to a large extent from the inadequacies and failures of the earlier policy regime has little choice but to show results to prove that this one is

something, which works and works better. The fact that a number of elements and stages of the `reforms' are awaiting implementation too necessitates sound and successful operation of whatever has been carried out especially because a decade is a long enough period to show the basic direction and at least some pick up in the speed of attaining the declared objectives. However, the success of the `reforms' have been taken by some to be contingent upon their comprehensiveness. This is because "complementarities increase the efficiency of one reforms if another is also undertaken", and thus make a case for "cascading reforms" . The experience during the early 1990s saw" a steady torrent" of reforms. However, the protagonist of reforms highlighted time-lags intervening in the attainment of results. (Bhagwati, J. and Srinivasan, T. N., 1993,). Now over a decade of the `reforms' has been completed and inspite of the recognition that the results have not been "sumptuous", a forceful plea is often encountered for a quick and large dose of second generation of reforms.

One initial-claim made on behalf of liberalisation was that it helped the country avoid the discomfiture of becoming a defaulter and thus salvaged the dented credit-rating of the national economy. Some simple indicators like the steady increase in the foreign exchange reserves of the country, reduction in debt-service ratio and the ability to replace the import compression measures by substantial import liberalistion have been cited with a view to substantiate the claim that an imminent crisis was successfully tackled.

Avoiding default was made possible by restoration of credit worthiness by accepting of loan conditionality which resulted in a sizeable increase in foreign exchange reserves (other than gold), which by early April 1994 rose to US $ 15.3 billion. This was treated as "an apparent sign of success", though has been qualified because "the increase to a sizeable extent is based on further accumulation of external liabilities (other than foreign direct investment, FDI) that are more expensive than commercial borrowing and also based on underlying external-sector-driven growth..." (EPW Research Foundation, 1994, 1449) The conditionality-driven character of the external sector orientation has been recognised even by some staunch advocates of economic reforms, who also acknowledge the macro economic crisis-bred acceptance of the SAP. (Bhagwati, J. and Sriniasan T.N. 1993, 9) Then the immediate `success' on the external account is in a way the very name of the game called reforms: adoption of these measures constituted the `reforms': the need is to go beyond their initiation and

show that they produced desirable and expected short and long-term stream of outcomes.

The pursuit of international creditworthiness by India went very well with the international financial markets deeply interested in safe, secure and growing lending, especially because it could be leveraged to decisively shape the policies of the borrowers and thus generate a steadily growing structurally-embedded market for external finance along with the assured ability to collect the debts.[29] It is for this reason that the SAP has been described as a debt-collection device popularised and sold as "development policy".[30] Even on the criterion of the virtuosity of a growth fostering policy, the myopia and counter-productive nature of the conditionality-driven-borrowing-happy management of the external account is evident from the fact that current account deficit is met by capital account borrowed resources obtained by means of NRI deposits, commercial borrowing, external assistance, portfolio investment, foreign direct investment, and by pushing up export earnings by successive rounds of devaluation (S.Sen, 2002,).[31] Clearly, the attainment of BOP manageability was a greater success for those nations and agencies who succeeded in imposing conditionality derived from their structural and long-run economic and political needs. It may be mentioned that the reduction in tariff,[32] removal of quantitative restrictions, trade account convertibility, a series of devaluations, and a slew of measures to open-up or introduce external orientation have also been treated as indicators of the success of the SAP (Mukherji, 2002, 57-58). Also the successful introduction of various instrumental variables to bring about a systemic change in India (Bhagwati J. and Srinivas, an, T.N.1993, 26 describe it) have been by themselves treated as indicators of success. We need not elaborate on this line of thinking in greater detail as the list of such successes could includes all the `reform' measures making the `reforms'

[29] The impact of such a policy course on national autonomy and sovereignty (a necessary but by no means a sufficient condition for policies addressing national concern in a democracy) has been serious. Looked at from the other side of the fence, the policies of the two-thirds world, mostly put firmly on the SAP path is treated by the G-7 countries as the triumph of international finance capital and its ideology of neo-liberalism.

[30] Bienefeld, M. (op.cit.) makes the point very cogently.

[31] What has been the achievement on the export front-from 0.5 percent of world exports in 1992, India's share in World exports increased to 0.6 percent after end 1990s.

[32] Import-weighed tariffs were brought down from 87 per cent in 1991 to 27 percent in 1996. (Ahluwalia and Little. P.4) later budgets continued the process and brought than down to between 10 to 40 percent.

by themselves another name for success. However, a specific ideological orientation is well reflected in the view that even if privatisation of the order advocated by the reforms has not come about it is no mean success that at least the setting up of new public enterprises has been prevented! (Cassen, R, & Joshi.1995, Pg. 8)

THE GROWTH RECORD AND CONTENTS

The most significant achievement of the SAP, "impressive when compared with its own past but still well below its potential" (Mukherji, J., 2002, 57) is that economic growth during the post-reform era has risen above the rate attained during the 1980s–a performance which was in itself until then unprecedented. It has been eulogised as " a golden decade (almost) of growth for India" (Acharya, S, 2002, 1515). The Tables (II to VI), on growth show how marginal the pick up in the growth rate was and how volatile, unbalanced, non-sustainable and devoid of social content, especially in the arena of employment and social welfare spending by the government growth saga has been. One need not spend any space discussing the naïve claim which repeats by now thoroughly an exploded myth which considers, "per capita GDP as a rough proxy for average living standards of India's population" (Acharya, S, 2002, 1515). Nothing could be farther from the truth, as we show by a disaggregated analysis of its sectoral composition, especially of the unorganised sector, the behaviour of factor shares, prices, employment, regional aspects, etc. Similarly, comparing growth performance internationally, disregarding initial conditions, economic structure and composition, size and diverse constraints facing different countries, distribution of income and wealth, share of social consumption in output and total consumption, etc., is simply misleading.

Since both at professional and popular level, much is made of the marginal improvement in the decade's growth record, in the following, we examine the available evidence comparing the decade's growth rate against the backdrop of long-term trends, sectoral shares and their respective growth contributions to growth, regional growth profile and some distributional and employment aspects. On the basis of such as exercise, it could be possible to verify the claim of success in term of growth acceleration.

It can be seen from the Tables (II to VI) that both the average annual and compound annual growth rates of GDP show negligible difference between 1980s and 1990s. The same is true for the growth of per capita real income. There is a marginal pick up compared to the long-term growth rate.

To argue that the time period allowed to the `reforms' is too short is but an ex-post apology. Some proponents of the reforms had maintained that "a transition period of about seven years would be sufficient to restructure industry without undue hardship and to avoid possible adverse consequences for government revenue and the distribution of income." (Cassen, R., Joshi, V. 1995; 4-5).

Even the meagre overall improvement in the average rate of growth over the decade has some important characteristics. For one, the volatility of a market - monsoon economy remained intact. A semi-log graph (I) showing the growth performance of the Indian economy over the period 1951-52 to 1999-2000 does not show any kink, though the growth curve has become somewhat steeper since 1980s and continues to maintain this feature. This is in broad conformity with the trend in the log of gross domestic capital formation. The point is: the sharp substantial and self-sustaining `systemic change' in policy regime is not accompanied by a corresponding sharp changes in growth performance suggesting any structural breaks. Then, the sectoral composition of GDP shows the weak real foundation of the non-too-noteworthy or dramatic growth performance as the contribution of the tertiary sectors (see Table II) was nearly 59 per cent of the incremental GDP by end 1990s. It became the largest component of the GDP compared to 47 per cent during the 1980s. This feature becomes a serious weakness of the growth seen during this period for a number of reasons. There has been a sharp fall in the relative contribution of both agriculture and industry. But the bulk of the family incomes are spent on goods (over 66 per cent of private final consumption expenditure) while many of the fast growing service are non-marketed public and community services and are such that nominal increase in their value on account of larger payments made for them (e.g., to government employees following the Pay Commission) increase their contribution to GDP as their output is computed on the basis of the income disbursement method. That is to say, the increase in the tertiary sector GDP is "half-illusory, half-real" as it gets consumed simultaneously with its production and is valued at the level of the payments made, irrespective of any real factor. More significantly, this change is not accompanied by a corresponding increased share even of the tertiary sector in the occupational structure: (Table IV) The sharp decline in the relative share of the primary sector in GDP has come about with practically unchanged labour absorption by it at about 64 per cent of the work force in 1990s, while the tertiary sector's labour

absorption increased from 21.2 per cent in 1993-94 to a mere 21.9 per cent in 1998. The above facts are indicative of the continued structural retrogression of the Indian economy as the disproportion between the sectoral shares in output and labour absorption has widened over time. What is particularly unwholesome is the continued stagnation in the share of industry in GDP at around 20 per cent during the entire decade. Liberalisation has been and remains basically concerned with industry and trade, especially it's organised component: it has hardly done anything directly for the unorganised sector. With so much freedom, support, facilitation and doing away with controls, restrictions and regulations, industry has simply failed to turn the corner. Except for some years of good performance, the rate of growth of industry as a whole and of the manufacturing sub-sector has been below certain short periods of the pre-liberalisation era. More particularly, instead of the expected buoyancy, what has gripped industry is a prolonged period of slow-down during the later half of the 1990s. No burst of entrepreneurial energies has been witnessed. More seriously, agricultural growth has plummeted to a level where lately growth of food production has not been able to keep ahead of rate of growth of population (Economic Survey, 2000-2002, 5) as the Ninth Plan growth rate of agriculture was just 2.1 per cent and despite an unprecedented run of 13 good monsoons; in recent years, agriculture had to register a negative rate of growth. It is a relatively faster growth in non-food crops, which has compensated for the decline in food sub sector's growth.

During this period, there occurred a substantial deterioration in the employment scene. Despite their well recognised limitation, Employment Exchange statistics (see Table VII) create a tragic tale: while registered unemployment has steadily increased during the 1990s (from 3.46 crore in 1990 to 4.03 crore in 2000), annual placement declined from 2.84 lakh in 1990 to 1.78 lakh in the year 2002. But in the context of GDP growth, the treatment of employment as an instrumental variable for contributing to poverty reduction and strong advocacy of labour-intensive growth, it may be mentioned that during the 1990s the share of organised sector employment in the workforce has come down from about 10 per cent to about seven per cent. It has not simply been jobless growth but anti-employment and anti-labour growth, especially in the context of the low interest rate regime, (causing income transfer from the net positive saving household sector to the net deficit investing sector) financial sector liberalisation, tax and export concessions to the corporates whose contribution to the GDP is

estimated around 12 percent[33] (so much for their leadership role in the economy!) and generally pro-market, pro-industry pro-corporate-sector character of economic policies. Despite a strong case accompanying the advocacy of `reforms', neither at the advocacy nor actual policy level does one come across policies for giving a fillip to labour-intensive growth technology, product-mix or locational pattern.

It may be noted that the share of organised sector NDP in the total NDP has increased from 36.9 per cent in 1993.94 to 39 per cent in 1998-99, with corresponding reduction in the share of the unorganised sector. Over the same period the share of compensation of employees (income of the workers) in the organised sector NDP has declined from 50.4 per cent to 46.1 per cent, while that of the non-working strata has increased from 49.6 per cent to 53.9 per cent. It is clear from the above, especially in the context of marked decline in the rate of growth of organised sector employment, and the resulting lower share of it in total employment that the processes unleashed by liberalisation have been accompanied by worsening of income distribution. This is also seen in the faster growth of operating surpluses and mixed incomes over the workers income, as seen in Table below.

TABLE VIII FACTOR INCOMES IN THE ORGANISED INDUSTRIAL SECTOR (RS. CRORE)

Compensation of Employees	53834	50.4	95204	46.1	76.8
operating surplus and mixed incomes	52890	49.6	111267	53.9	110.4

SOURCE : NAS (CSO), 2001.

The structure, speed and policy support for growth during the 1990's did not seem to have been constrained by their adverse consequences on income distribution. Despite paucity of data on distribution, in addition to factor shares data, unemployment trends, rising weight of consumer non-durable goods in manufacturing output, cereal price rise, share market growth and shenanigans, rising gold imports (about 9 % of total import bill for around 700 tonnes of gold annually) and expenditure on foreign travel (against as little as Rs 700 Crore in 1990-91 to over Rs 13000 Crore in 2000) movements in CPI for industrial and agricultural workers and slower increase in farm wages compared to GDP, (see Graphs II and III), high incremental contribution of services to GDP, *vis-a vis* agriculture's declining shares, increasing shares of cars, jeeps and landrowers etc. in the production of

[33] This estimate was made by Uma Datta-Roy Choudhary. (1988)

automobiles, vis-a-vis commercial vehicles (see Tables IX) etc. are some indirect indicators of worsening income distribution and social situation.

The facts on hunger starvation and growing food insecurity in the midst of large - stocks of cereals can be cited as further evidence of worsening disparities.[34] It is such facts which tax one's credulity regarding the meaning and implications of poverty data (see Table X) based on consumer expenditure data given by the NSSO, with inadequately justified changes in methodology. Especially, the sharp divergence between these data and those from NAS on private final consumption expenditure makes one keep ones fingers crossed on this issue. According to NAS data, per capita private final consumption expenditure at current prices was Rs 11.14 in 1989-90 and Rs 12.45 in 1990-1. It increased to Rs 34,6 in 1999-2000(see table XI). During the period, consumer price index for agricultural worker, continually each year by percent points ranging between six per cent points to 14 per cent points; comparable range for CPI industrial workers was 0.2 to 13.8 (see graphs II and III). Clearly the average level is less than half a US dollar in real terms. Given the vast inequalities with millions having private final consumption hundreds of times more than the national average, the condition of the worst groups would be far below the average, in fact, at a sub-human level.

A recent study of the UN university (Jha, R. '2000; 14-29) has concluded that inequalities worsened under the reforms. According to him, the growth during the 90's exacerbated rural inequality as Gini coefficient was forced to increase to 30.11 in 1997 compared to 27.71 in 1990-91. The urban Gini coefficient was found by him to be higher than the rural Gini as during 1990-1 to 1997; it went up by 2.17 points (Ibid. 29). If anyone believes that in an extremely iniquitous society further worsening of disparities is a blow for reforms, development etc, one should at the minimum undertake deep introspection about the meaning and purpose of development and also about that of ones scholarship.

THE UNORGANISED SECTOR AND THE RURAL ECONOMY

The unorganised sector employment growth itself is indicative of the state of welfare of the persons engaged in the unorganised

[34] In addition to reports on starvation death and poverty and indebtedness suicides in the media, reports appear about the poor eating wild roots, rats and various other things in a situation when nearly 6 crore tonnes of cereals are stacked up with the Food Corporation of India.

enterprises. According to the Economic Census data of the CSO for 1980, 1990 and 1998, overall annual growth rate of the workers engaged in unorganised sector activities, (excluding crop plantation and production) declined sharply from 2.84 percent during 1980 to 1990 to 1.71 per cent during 1990-98. During this period the reduction in the rate of growth of urban employment has been higher than in the rural areas, (Choudhary, B. 2002), despite the urban bias of the `reforms'. What further underlines the inability of the reforms to make a positive impact is the slow-down in the rate of growth of number of enterprises which came down from 3.04 per cent during 1980-1990 to 2.36 percent during 1990-1998 (Ibid)

Unorganised sector NDPS' annual average growth rate during the 1980s was 17.2 per cent (at current prices). This rate declined to 15.2 per cent during 1993.94 to 1998-99. Along with the decreased growth rate, the relative shares of unorganised sector agriculture and industry too moved up. (see Table XII)

TABLE XIII : UNORGANISED SECTOR NDP (CURRENT PRICES): GROWTH RATE AND SECTORAL SHARES

Sector	80-81	88-89	89-90	Average Annual percent change over the (80-90) decade	93-94	94-95	95-96	96-97	97-98	98-99	Average Annual percent change over 1993-99
Agriculture forestry, fishery	54.2	51.0	49.3	17.2	50.3	49.4	46.6	47.7	47.7	48	15.2
Mining, manufe-cturing electricity	15.0	15.6	16.7	23.3	13.5	16.2	17.8	12.8	14.6	14.9	20.1
Services	30.8	33.3	33.9	18.4	36.1	34.4	35.6	39.5	37.6	37	17.5
TOTAL				19.9							16.3

SOURCE : CSO, NAS (various issues); the sectoral shares may not be exactly 100 owing to rounding off.

It is evident that the condition of the unorganised sector which is the largest and relatively weaker sector of the economy deteriorated during the era of `reforms.' By bypassing the unorganised sector, the reforms seem to have worsened, the position of relatively weaker segment of the economy.

The asymmetric relationship between the growth rate of GDP and the people's living standard can be inferred from many factors. We have referred to inter-sectoral imbalances structural retrogression. adverse

employment effects, worsening of the growth and structure of unorganised sector, relative decline in the share of wages in GDP, consumer price movements, etc. These negative tendencies were further strengthened owing to growing regional disparities during this period. The populous states of North and East India continue to lag behind the Southern and Western States in terms of per capital income level and its growth rate. It can be seen (Table XIII) that Bihar, Orissa, Uttar Pradesh remained at the bottom throughout 1981-82, 1990-91 and 1989-99, while Madhya Pradesh and Rajasthan manage to move up a little. Panjab and Haryana had the highest per capita income up to 1990-91, but towards the end 1990s lost out to Maharashtra and Gujarat , while West Bengal and Kerala improved their relative position. (Srivastava, Ravi 2002) . It has been further shown that "the gap between the highest and the lowest per capita income in the States has steadily widened over the period from a multiple of 2.6 in 1980-83 to 3.46 in 1987-1990 (Idem) Then " at the State level, only a few states have experienced a higher rate of growth in the post-reform period These include Gujarat, Maharashtra, Karnataka, Tamilnadu, Kerala and West Bengal..... In all the other States, the rate of growth or NSDP (Net State Domestic Product) has declined in the post reform period." (Ibid)

A number of facts regarding the manpower scenario, particularly in rural India, can be seen to show a deterioration in the economic conditions of the people in large numbers during the 1990s (Singh, S.P., 2002, citing Census, and NSSO data)

- Decline in the share of main workers in total population
- Increase in the proportion of marginal workers from 3.40 per cent of total population in 1991 to 8.71 per cent in 2001.
- Steep increase in the share of agricultural labourers from 26.14 per cent of total main workers in 1991 to 34.31 per cent in 2001.
- Increase in the share of agricultural workers household in rural household from 30.34 in 1993-94 to 32.23 percent in 1999-2000; 41 per cent of agricultural workers' households had per capita monthly expenditure of less than Rs. 300. Even among cultivators, self-employed non-agricultural workers, wage employed non-agricultural workers and other workers, the proportion of households with less than Rs. 300 per capita monthly expenditure was 17.97, 19.97, 23.16 and 13.08 per cent respectively.
- The annual growth rate of real wages of agricultural workers during 1993-94 1999-2000 was only 2.80 per cent which is lower than

the rate of growth or per capita GDP, showing the relative worsening of the lot of the weakest strata. Some states like Andhra Pradesh, Assam, Bihar, Orissa, Panjab (which shows a reduction) saw even lower rates of growth of real wages, as against Karnataka , Kerala, Rajasthan, Gujarat, Tamilnadu, West Bengal which saw above average performance.

The number of employees per 1000 persons in rural India declined from 444 to 417 over 1993-94 to 1999-2000; over the same period the number of days worked per year declined from 331 days to 327 days.

It has been pointed out (Radhakrishna, R., 2002; 245-7) that of the 397 million persons in the labour force in 1999-2000, nine million (2.2 %) were reported unemployed during the greater part of the year. Organised sector employment growth was sluggish as it employed 28 million persons in 1999-2000 as against 24 million in 1983. Self employment declined from 62 per cent of workforce in 1977-8 to 56 per cent in 1999-2000.Jha (op.cit, 29) reports CSO data which show that compared to 0.3 per cent annual compounded growth rate in employment during 1980-91, the rate increased to 0.4 per cent during 1994-8. However there was lower growth rate in agriculture, mining and quarrying, electricity, gas and water supply, financial services, community social and personal services while there was negative growth in construction and decline in negative growth in transport, storage, etc. As a result overall growth rate of employment declined. from 4.6 per cent compound average growth 1980's to 0.4 per cent in 1994-8. A lot of other evidence is available to show increased casualisation of workers during this period (Choudhary, Bansari, 2002) Thus evidence regarding the most numerous and the most vulnerable sections show that in every conceivable sense, they have become worse off during the `reforms', notwithstanding the loud claims that the objectives of the reforms reaffirm the initial post-independence period poverty-alleviation goal of India's development efforts via pull-up programmes and increased labour intensity and are adopted and designed to reduce poverty, an objective not served by the pre-1990-91 policy design. (Bhagwati, J., 1998, 24-27)

INFLATION

Another area of success of the reforms is said to be in dousing the inflationary fires. Towards end 1990s, the rate of inflation in terms of the behaviour of the Wholesale Price Index (WPI) has came down

and moved around three to four percent. This may well be considered a significant factor, especially in comparison to what was experienced towards the early 1990s.

However, this development should be seen in the overall and sectoral context of the economy and, as we see below, in terms of a set of better, more real indicators of price behaviour. The entire period of 1990s had the unique distinction of enjoying the blessings of good to normal monsoon. This fortutous factor normally contributes to price stability. However, steadily increased minimum support price for major cereals did introduce an upward pressure on cereal prices.

Then, the later half of the 1990s has been a period of slow-down in manufacturing. It has been described as a period of demand recession and liquidity overhang in the banking sector. The second half of the 1990s also saw an overall slow down of the growth rate of GDP with more or less stagnant savings rate. The growth of money supply maintained its normal trajectory, though foreign exchange inflows under various heads tended to increase money supply. Then there was liberalisation of imports, which went on to include consumer goods. But with declining external value of Indian rupee, imports tended to become expensive A more important factor was the reduction in price and distribution controls and the general sense of freedom for business, including over pricing decisions. Given such factors, does the rate of change of WPI, over the corresponding previous period succeed in showing the true extent of pressure on the general price level.

This has to be seen in the light of what is sought to be depicted by the data on price behaviour. It is assumed that showing the real value of rupee, i.e. the purchasing power of the consumer's income, is a major purpose of the price statistics. The general price level, as captured by the index number of the prices of all commodities, over time has to be viewed cumulatively because the present real purchasing power depends, *inter alia*, on the previous level of the index number of the relevant prices. Its rate of change over the previous year can be shown either in terms of the number of per cent points by which it is higher or lower, or in term of percent changed over the corresponding week of the preceding year with changing base. The prevalent practice in India is the latter one. However, this procedure obscures the actual price behaviour and may well be misleading. This is for the reason that the same absolute change in price level at a higher base would yield a lower growth rate. But, in effect, the purchasing power erosion would be sharper. Moreover, absolute changes

in the index number of WPI and CPI (as % points) are far more direct, unambiguous and express the reality far more precisely. We can se the comparative amount of change in the index number of WPI and CPI for the 1980s and 1990s in the graphs II and III. It comes out clearly, that the increases in all the indices were far more pronounced during the 1990s (and invariably double digit change in the WPI index number both for average of weeks and on the last week and ranged between 14 and 26 percent points) than during the 1980s (rarely a double-digit increase for WPI, and ranged between 2.7 in 1982-83 and 14.3 percent points in 1987-88- a severe drought year). The CPI for industrial workers (both the measures) during the 1990s rose in a big way, ranging between 14 to 48 per cent points; for the agricultural workers during the 1990s, the increase over the previous year ranged between 1.2 per cent points to 33. Yes, the increase towards end 1990s was in double digits, but lower than that during early 1990s. The essential point, which comes out, is that the conventional method grossly under-represents the actual extent of uninterrupted erosion of the purchasing power of the Rupee. The actual erosion in double-digit points cannot be taken to be a tribute to the virtuosity of macro economic management. By its feedback impact on fiscal deficit (as inflation tends normally to increase public spending to a greater extent than public revenues), industrial cost structure and the competitiveness of Indian exports, tends to queer the pitch for macro economic management. What, in fact, is surprising is that for the stabilisation policy the objective of relative price stability does not seem to enter the horizon of the liberalisers. On the contrary, some noises against slow creeping general price level can also be heard.

Thus, one can see that the claims of success for accumulating huge reserves of foreign exchange, improved growth performance and slow-down of inflation are misplaced and non-sustainable. In fact, in the case of the GDP growth story and steady creep of WPI, the boot seems to be on the other leg. Without any worthwhile improvement in the growth rate of GDP, it has worsened in its composition, factor income and regional income distribution along with weakened sustainability and continued inflationary pressures. It seems to tell the story that while the GDP goes up the, Indian economy and most of the Indians go down!

EXTERNAL SECTOR

On the external account, it is certainly true that the policy changes have increased the openness of the Indian economy: foreign

trade as the proportion of GDP has increased to over 22 per cent of GDP. The increase in India's participation in world trade is not the same thing as enhanced integration of the Indian economy with the global economy, even if both trade and capital account transactions are taken into account. With chronic structural dependence on foreign exchange inflows on capital account to meet current account deficit, acceptance of conditionality-carrying external inflows, reliance on imports for strategic needs like energy sources, capital goods, technology, etc., low elasticity of demand for major Indian exports and acknowledged asymmetric nature of the WTO participation (in areas of TRIPs, agriculture, international labour mobility, trade in services, etc.), India's participation in global economic interaction is clearly asymmetrical. The Table XIV, gives a bird's eye view of India's external sector during the 1980s and 1990s. The simple fact, that the external value of the rupee *vis-à-vis* the US $ has gone down to such a big extent, from over Rs. 13 a dollar to nearly Rs. 46 in 2000-2001, shows how costly our export growth in real terms have been and how burdensome its implications for debt-servicing are!

Without analysing separately and in detail all the indicators of the external sector, and offsetting the forex reserves against the liabilities, the above thumb-nail sketch indicates India's asymmetric participation in and persistent vulnerability on the external economic front. True, the inflows from the FDI, are many times larger but instead of focusing on exports, they are focused on India's domestic market and also use up a good deal of Indian savings. Foreign capital and finance are treating India as a better host. But quite a large part of the FDI has come for mergers and acquisition (M & A) in India's emerging market for corporate control. Mauritius has been shown to be the largest country of origin both for FDI and portfolio investment by the foreign institutional investors (FIIs)! This shows the compulsive tax saving motivation of the investors, which does not seem to hesitate to step out of the bounds of legality. In any case, when we come to the performance of industry and infrastructure, it becomes obvious that no palpable, notable results have flowed from increased participation of foreign capital, except that net financial flow "finances, on a net basis, imports of goods and non-factor services which are of critical importance in sustaining as well as expanding the growth rate when there is a supply constrain" (Sen, Sunanda. 2002). For many years, the FDI companies were found to be net spenders of foreign exchange. According to a study (Goyal, S. K., Rao, Chalapati and others, ISID New Delhi. 1997). foreign exchange earnings of top 100 MNC's operating

in India in 1995-96 was negative at Rs 1586.97 Crores. Thus, they hardly contribute to external account viability. The industrial sector impact of the MNCs in FDI would form part of the discussion on the performance of Indian industries.

Opening up or the policy of globalisation has increased the share of external trade in India's GDP, along with larger volume of invisible transactions. But it has not increased the share of the import bill we are able to pay for by our export earnings. Through out the 1990s imports paid for by means of India's export earning moved in a narrow band around fifty percent (See Table XV): we have made the calculation, after deducting debt-service payments from export earnings as the former are contractual obligations, they are a prior charge on the latter. It follows that, about a half of our imports have to be paid for by our surplus on the invisible account and/or various types of capital inflows, or by drawing down of the reserves (again not built up on the basis of our own foreign exchange earning as India has chronic trade and current account deficit ranging between one to three per cent of GDP over a long period). As the process of buying imports on the basis of such transfers continues, debt-service and capital account outflows go up. Thus in the absence of notable increase in exports, the proportion of export earnings available for paying for imports declines. This would worsen the vulnerability and non-viability of India on the external account. Exports at all costs and increased imports at all costs and increased imports to produce for export markets and imports on suppliers credit for essential and rising imports by luring in aid and capital inflows of different types worsen India's bargaining power in the global markets. Liberalised, rising volume of imports, and FDI essentially oriented towards India's domestic markets give rise to externally-oriented domestic production and consumption structures. These build up rising pressures for liberal inflow of imports with domestic importers lobbies demanding lower tariff rates. Some such processes have been visible in India's external sector for long. The net result is increasing asymmetry, vulnerability and non-viability of India's external economic relations, particularly owing to the cumulative impact of such processes going on over long periods of time. Such processes came into being with the first foreign exchange crisis of late 1950s, have been strengthened over time and have been institutionalised under WTO membership and opening up policies. Thus, one finds that both during restricted and regulated trade and foreign capital policy regime and as a result of adopting globalisation, the vulnerability (particularly owing

to the large role played by hot money flows as portfolio investment by the FIIs for providing BOP support) and asymmetry of India's external sector has been exacerbated, at a relatively lower level of inflows earlier and at a larger, growing and institutionalised level now.[35] This tendency is further fortified owing to the inequitous character of the world financial and monetary system, costs and difficulties of late-late-late catching up industrialisation, huge might of the MNCs and world-wide disparities in general. As far as the benefits and gains from unrestricted participation in world economy are concerned, it is not only the level but the terms of participation are also of crucial significance.

INDUSTRY

The LPG reforms have been most extensive and deep for private Indian and foreign capital. In addition to the creation of congenial policy stance, shorn off controls and regulations, a number of positive measures, like continued liberal infusion of domestic finance into private corporate sector and the MNCs, were taken to accelerate industrial growth, improve competitiveness and increase employment. After over a decade of such liberalisation (which accelerated the process of investor-indsutrialist friendly policies going on since late 1950s in a series of episodes and during the `new economic policy' of the 1980s) it is reasonable to take stock of the performance of Indian industry in terms of various dimensions of growth of value-added, employment, labour intensity, regional pattern and competitiveness. A number of scholars have carried out careful analyses of the performance of Indian industries during the 1990s in a comparative perspective (Chaudhary, S., 2002, 155016 Nagraj, R. 2002, 13-26) In the following we present

[35] According to the RBI Annual Report 2001-2002. (as excepted in the Hindu, September 2, 2002, p.16) the need for capital flows to finance current account deficit (CAP) not only survives after the end of the decade but is likely to necessitate " a two-fold increase in the size of annual capital flows from the current levels" and "international investor confidence is critical to mobilise capital flows of this order." It goes on to spell out several condition for "limiting external vulnerability", rather than take a complacent view on account of the large volume of foreign exchange reserves. These include maintaining confidence in monetary and exchange rate policies, enhancing the capacity to intervene in foreign exchange markets, maintaining foreign currency liquidity to absorb shocks and "providing confidence and comfort to the external markets." It is clear India at the end of the decade remains externally vulnerable on account of many real perceptional, and unpredictable factors, the same way as was the case of towards early 1990s (emphasis ours)

an overview of their findings. It may be noted at the outset that not all of the 5.6 Lakh companies working in India are industrial ones and nearly half of them fail to make statutory report to the Department of Company Affairs. The data we have on industries are from the Annual Survey of Industries and NAS and as analysed by two scholars referred to above.

Predictably, output growth picked up well initially, as IIP and NAS figures on manufacturing value added show that this was negative growth in 1991-92, the first year of reforms, thereafter the rate increased steadily and reached a peak of about 14 per cent in 1995-96. However, such a growth could not be sustained, as there was a setback in the second half of the 1990s. The rate of growth of gross value added by the manufacturing sector as a whole and its registered segment is remarkably similar in the 1990s. After registering a decline in 1991-92, the value added of the registered manufacturing sector recovered steadily in the next five years but started decelerating after 1995-96. Even before 1991, the periods of high growth were invariably followed by periods of low growth. The experience after 1991 did not see a change in this trend. The high annual growth rate was restricted to only a few years in the 1990s, and the growth achieved in the eight years period since 1991 has not been able to surpass that achieved during the first 15 years of Indian planning or that during the 1980s. Between 1990-91 and 1997-98, more than half the growth is accountable for by consumer goods, basic intermediate goods have accounted for only 16.34 per cent and capital goods 11.81 per cent. Contrary to the past feature, the growth in recent years has been led by consumer goods, mainly durable consumer goods.

ASI-registered manufacturing sector data on employment reveal that the employment increased between 1990-91 and 1995-96, but since 1995-96 there has been a steady decline. The employment figure in 1998-99 is 5.5 percent lower in absolute terms than that in 1995-96. Real Net Fixed Capital Stock (NFCS) increased at 7.38 per cent per annum between 1990-91 and 1997-98. The annual rate of growth of real NFCS increased steadily from 4.10 per cent in 1991-92 to 10.93 per cent in 1995-96.[36] It shows that the initial response of the investors to economic reforms was quite positive. Since then the growth has decelerated and the rate attained in 1997-98 was 5.24 per cent.

One of the major poverty alleviation premises about the positive potential of the `reforms' is that labour-intensity will go up, but in reality it has been otherwise: the rate of growth of output of labour-intensive

goods has been slower than that of capital-intensive goods. As a result, the share of labour-intensive goods in aggregate value-added has gone down between 1990-91 and 1997-98. Again, we find that the share of labour intensive goods in aggregate NFCS has gone up between 1990-91 and 1997-98 which shows then labour-intensive goods have received more real investment during this period. Thus the higher investment in the labour-intensive goods has not been transformed into a higher share of labour intensive goods in output or employment. Labour productivity increased steadily between 1990-91 and 1995-96, but has stagnated since then. Capital productivity increased marginally till 1995-96. Since than there has been a decline. At the three digit disaggregative level, both capital and labour productivity increased in only 70 groups accounting for about 37 per cent of the value added. Thus, it has been maintained that the disappointing industrial performance is very much a consequence of the type of economic policies followed. The basic reason behind the disappointing performance is the adverse impact of import liberalisation and the decline in the role of the Government and necessary institutional and structural changes capable of increasing the aggregate demand in the economy. The slow-down in export growth since the mid-1990s has made the demand constraint stronger.

It may be useful to take note of the investment and savings behaviour of the corporate sector (which has been assigned the key, commanding role under the neo-liberal `reforms') and some important facets of financing of private corporate sector. Important facts on private corporate investment and its financing can be seen in Tables XVI (a) and (b). It shows that compared to the gradual reforms era of the 1980s, investment increased at a somewhat faster pace during the galloping `reforms' of 1990s (compared to nearly 20 per cent average annual growth rate during the 1980s, during the later decade it rose to nearly 25 %) though during both the decades some years saw negative growth as well. We have seen how this factor increased capital-intensity as neither output nor employment could keep pace with the rate of growth of capital formation. Net deficit character of the corporate sector by large margin ranging between 22 per cent and 56 per cent during the 1980s and between 25 per cent and nearly 53 per cent during the 1990s as shown by investment- savings gap in the Table. Thus it has to depend on household savings and financial infusion from the public financial

[36] As a result of higher rate of capital formation in industry but slow-down in the growth rate of manufacturing, there seem to have occurred slow-down in the use of capacity. See. Bramhand. P.R. (2002. 1001).

institutions (our data in the Table for the latter may well be underestimates as the disbursements by the PFIs of the States are not included) But the extent of such draft made by the corporates in some years is amazing :there are years when they pick up more resources than their investment. Is it owing to the parking of such funds in various ways not related to the express purposes for which they are raised (like large loans to company directors, use in stock markets and in money market, etc.)? In any case, in a country which has not been able to increase the savings from the present plateau of little below 25 percent of GDP, this resource deployment and occasional diversion, and with the outcomes of the kind seen above, are a matter of concern, especially because liberalisation has not been able to alter this scenario, particularly by way of internal resource generation commensurate with investment.

As for the competitiveness of the Indian economy in general and of her industries in particular, a comparative picture prepared by the Global Competitiveness Report, 2001-2002 shows that the `reforms' achieved precious little on this count as well. It has been reported that the Report ranked India at a relatively disappointing 57th out of 75 countries in growth competitiveness, slipping below from 48th rank in 2000 Report. On current competitiveness, India ranks 36th in 2001 little change from 37th position in 2002 Report. (Bajpai, N., 2002)

AGRICULTURE

As far as agriculture is concerned, the need for marketisation, especially in the production sphere, was limited in early 1990s. The mid-1960s saw the replacement of agrarian institutional restructuring strategy based on land redistribution and small farmer led farm economy by the green-revolution based "betting on the strong" consisting of reliance on technological breakthroughs, underwritten market at remunerative prices, input support and technical and extension back up. It brought about significant liberalisation of agriculture. Hence it was maintained that "there were no serious distortions in agriculture." For this reason and given the "sequential and cautious approach" to structural adjustment, it has been shown that policy changes in agriculture were still slower and "no drastic "policy changes could take place during the first phase of reforms". (Vyas, V.S., 2001, 829-830) This fact does not seem unrelated to the weak linkages with the markets for a large section of agricultural population both as producers and consumers and greater importance of non-price (non-market) physical -technical support measures for agricultural growth. (Idem)

In view of the above, the performance of agriculture during the decade can be related to the reforms only indirectly and incidentally or, by way of relative neglect. As seen above, these indirect effects, particularly owing to reduction in public investment for agriculture (as a part of the stabilisation policy induced reduction in capital account spending by the government), did not help the growth of the farm sector positively. This evidenced in the form of continuation of structural retrogression, lower employment elasticity, continued volatility and regional differentiation, relative decline of foodgrains production *vis-à-vis* other crops, growing food insecurity despite huge piling up of unsold public stocks.

The failure of the `reforms' to include in its agenda the question of agricultural growth, small and marginal farmers (the real most numerous atomistic decentralised private producers in India) in order to make them viable and growth oriented entities, affected the growth of agriculture adversely. It has been shown that the overall annual growth rate of agriculture declined to 3.6 percent during the 1990s from 3.9 per cent during the 1980s. It was "lower than the historical growth rate and barely kept pace with the population growth rate. Ironically, even at this slow growth of foodgrains production, its supply outstripped its effective demand and the 1990s witnessed a rapid further increase in the buffer stocks held by the government.... Paradoxically, the relative cereal prices, which had declined in the 1970s and 1980s, reversed their trend and registered a rise in the 1990s amidst ever increasing buffer stocks. Moreover, in high inflation years, cereal prices rose even higher" (Radhakrishna, R., 2002, 245). It is clear that by not addressing the concerns of agriculturists, mainly small and marginal farmers, and farm workers, concentrating all its attention on organised sector industry, trade, external sector and finance located mainly in urban India, the concerns of the weaker sections, the poor, the unemployed and the worse-off were put on the back burner. It is difficult to recall a period in post-independence India when such a large number of economic stress-led suicides across the subcontinent were witnessed as were seen during the 1990s.

PUBLIC SECTOR AND DISINVESTMENT

The policy of liberalisation was based, *inter alia*, on the assumption of inherent inefficiency (not even relative inefficiency) of the public enterprises. Hence privatisation was one of its important parts. True, there were some who were worried on account of the low/negative

financial returns on the massive amount of capital invested in the PSUs (loans and equity together amounted to nearly Rs. 2.53 lakh crore) and treated it as major factor responsible for the malaise of massive fiscal deficit. It was argued that the sale/closure and/or disinvestment in some of these PSUs, especially the loss-making ones, could be used for bolstering up public revenue. In addition to the gains in terms of efficiency (either by way of market accountability arising from private, tradable equity-holding and/or by way of profit-oriented, inherently efficient private ownership, control and management) it was suggested that the disinvestment proceeds can go some distance to reduce both public debt and recurring outgo on account of interest payment, or as revenue can reduce fiscal deficit or can be used to finance enhanced outlays on the much-neglected and needed social services. A number of other management, labour and enhanced accountability `reforms' too were spoken of. But except for reducing budgetary support and placing a virtual embargo on the setting up of new PSUs, and placing the PSUs in a competitive framework by permitting private Indian and foreign firms entry into areas which were hitherto the exclusive preserve of the public sector, and by dispensing with the price preference they enjoyed *vis-à-vis* private suppliers, the major thrust has been on disinvestment. For this purpose, eventually a separate Ministry was set up and the alacrity with which various PSUs have been sold off to strategic partners has by itself been paraded as an indicator of success. This is another instance in which the introduction of `reform' by itself is advertised as an achievement worth acclaim.

During the decade, (1991-91 2000-01) disinvestment of varying magnitude and by different methods took place in 47 PSUs. Against a targetted sum of Rs. 42,000 crore, an amount totaling to Rs. 20,508 crore was obtained by disinvestment (Baijal, P. 2002; 1595) Basically, earlier a part of the equity was divested, generally retaining public sector control and majority stake, though the equity was offloaded either in bundles, tranches or singly through auctions. In addition to disposing of some shares in international markets through GDR route, mainly in the telecommunication sector, often the equity was openly auctioned, including to the NRIs. In some cases, domestic sale, with and without participation by NRIs and FIIs was resorted to. Around the close of the decade, the preference has changed to strategic sale, by inviting bids above the reserve price. The method of valuation used for fixing the reserve price has been very controversial and many charges of undervalued sale have been made. Without going into the specifics of

this issue, it can certainly be said that on the criterion of replacement value minus depreciation (a pre-eminently market criterion) these PSUs have not been sold at a fair price by the government. Even on other grounds, the CAG criticised early disinvestment for under pricing and causing financial loss to the public exchequer. The long-term loss and irony involved in selling profitable PSUs while making a case for their sale on account of the losses they make, seem to form no port of the perspective of the crusaders for privatisation.[37]

But the real issue is not just one of realisation of full market price (the least expected from the market protagonists). The use of these sale proceeds for financing current expenses in a bid to reduce fiscal deficit is economically a retrograde move as it amounts to capital consumption. The use of disinvestment proceeds to finance the budgeted expenditures is another method of sparing the present generation of the comparatively better-off resource-rich sections from the responsibility of financing its public consumption in so far as it amounts to falling back upon past accumulation for meeting current needs. The basic issue remains one of fiscal impotence and incompetence of the state. Some neo-liberal economists have advocated disinvestment and its use for retiring past public debt. (Bhagwati and Srinivasan, TN, 1993) This is surely a better option compared to the treatment of sale proceeds as current revenue. But this use too essentially attempts to finish off the PSUs and spare the well to do from contributing to public revenue. Further more, any non-ideological theoretical, empirical and historical analysis of both public and private enterprises is likely to show that inefficiency and inequity cannot be related exclusively and necessarily to either the public or

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[37] The myopia and ideological closed-mindedness of the disinvestment policy can be seen in terms of some very pertinent issues raised in the Annual Report of the RBI for 2001-2002. It stresses the need to restructure the loss-making PSEs "so that profitability of the public enterprises could be major source of economic regeneration and support to government finances. " (Hindu, 2September 2002, p.16 emphasis added) It goes without saying that the strategic sale of highly profit making PSUs, like the petroleum sector units, is certainly not consistent with the advice of the RBI.

The RBI report under reference also attempts to set right the disinformation compaign regarding the alleged inefficiency of the PSEs. It says, "there is no evidence for automatic reaping of efficiency gains merely from transfer of ownership from public to private. On the otherhand, there is some evidence suggesting that efficient public ownership in some selected sectors could bring with it external economies of scale and scope which provide a supportive environment for private enterprise." (p.16)

the private enterprises and that private monopolies impose greater social cost than public monopolies do. In any case, the infrastructure, public and quasi-public goods investment, management and technological requirements are so massive (especially compared to the resource mobilisation capabilities of the non-government, non-financial corporate sector) and the constraints on full-cost user charge or cost-plus prices so real and pressing that withdrawal of the public sector from these spheres would be simply suicidal especially in view of the fact seen earlier (Table XVI (a) and (b)) that the net deficit private corporate sector depends on household and public savings for financing nearly half of its investment.. The available evidence from the cases of disinvestment is so sketchy that hardly any judgement on its effects so far is possible presently, except that in some case private monopolies and oligopolistic structures have been created without any evidence of a qualitative break from the past. Two points may be further noted. Despite disinvestment, fiscal deficit is no where near the levels stipulated by those who saw in this the potential for rolling back the state and approaching macro-economic balance. Then, the performance of the industrial and infrastructure sectors does not show any impact of market discipline believed to have been injected by means of disinvestment. Thus neither in terms of realising good value public productive assets, nor for reducing fiscal deficit, nor for increasing the efficiency and competitiveness of the PSUs nor for raising public investment for socio-economic infrastructure, could disinvestment be treated as a positive factor. The allegations of corruption and cronyism, open or hidden transfer of national assets to foreign companies and investors, given low resource availability with the Indian corporates and limited depth of the Indian capital markets, nor prospects of improving through disinvestment of the government and transfer of strategic industries to private and/or foreign hands. Do put serious question marks on the ration of disinvestment policy.

Another arena akin to disinvestment / privatisation is the removal of reservation of spheres of industrial - infrastructure activities for the public sector and making them accessible to the private sector. This enabling provision does not seem to have evoked any great discernible impact. It is true that the process of floating new companies saw a big spurt during the decade of reforms. The number of non-government public companies increased from about 2.23 lakh in 1990-91 to about 5.6 lakh towards the end of the decade. Similarly, inflows of FDI too increased, though the spurt pales into insignificance in comparison to countries like China. Malaysia. etc. But the impact of this growth in

the number of companies, including in the manufacturing, has not prevented a marked slow-down of industrial growth or brought about narrowing of the demand supply gap in infrastructure during the later half of the 1990s. It is difficult to measure the impact of disinvestment on disparities in the distribution of income, wealth and socio-economic power, but transferring productive assets to private conglomerates and even creating private monopolies is surely a blow against distributive equity. It seems to be a factor, which contributed to growing inequalities seen during the 1990s.

We do not intend to take up the issue of surpluses or profits generated by the PSUs though it is undoubtedly true that a great deal went seriously wrong with our PSUs, basically as a contingent phenomenon rather than an intrinsic one as cross -section, comparative evidence would bear out. For one thing, the genesis, role, objectives and management and pricing practices of the PSUs have not necessarily been geared to the financial objectives in many cases. Second, the overall social profitability of any enterprise, more specifically of the PSUs, is far more significant than their financial performance. Third, relatively greater share of loans as against equity in the capital structure of the PSUs, reduces the comparative rate of profit of the latter. For many years equity in the capital structure of the PSUs was seen to be a little over 33 per cent and loans over 66 per cent of the total capital invested in the PSUs. (Public Enterprise Survey) But even in financial terms, the PSUs have been making very notable and critical contribution to the financing of the five-year plan, as can be seen in Tables XVII (a) and (b). During the 1980s internal resources of the PSUs contributed from year to year amounts varying from 3.7 per cent of the plan outlay to 7.5 per cent and during the 1990s, with an adversed if not hostile policy environment, the comparable figures was much higher than during the proceeding decade, as it ranged between 5.3 per cent to 10.1 per cent and except one year always exceeded 6 per cent. The contribution from this source, presently exceeding Rs. 30,000 crore annually for a number of years, is a major plan finance source for a government facing severe resource crunch. Disinvestment ih this way can easily be equated with a policy of killing the hen that lays golden eggs.

RENT-SEEKING, RENT-PAYING, CORRUPTION AND SCAMS

Any appraisal of the economic performance during the 1990s must include the effects of the policies to reduce discretionary, fairly arbitrary controls and pervasive bureaucratism which gave rise to rent-seeking-

rent- paying competitive activities which distorted the functioning of the economy and contributed to the growth of the black economy in India. In addition to measures to deregulate and debureaucratise the economy, simplify and speed up procedures, a number of schemes to flush out the accumulated hidden and benami hoards of black wealth and income (both within and outside the country) were initiated to cleanse the economy. Right at the outset in 1991, four schemes, *viz.*, Gold Bond Scheme, India Development Bonds, Foreign Remittance Immunity Scheme and Voluntary Disclosure Scheme were announced. These were followed up by the Voluntary Disclosure of Income Scheme (VDIS) 1997 and India Millenium Bonds in addition to some not-so-loud arrangements in the Finance Bills, like, for instance, the Samadhan Scheme, Gold Deposit Scheme, changes in the treatment of gifts in tax laws, various schemes for enlarging the number of tax assesses, etc. As a result of Gold Bonds, 41.26 tonne of gold (a tiny fraction of annual imports of gold around 700 tonne, not to speak of the astronomical quantum of total accumulated gold stock) and through the other schemes Rs. 4462.5 crore of black wealth and income were brought into the open. It has been shown that many such schemes have been initiated in the past with more or less regular periodicity. The VDIS yielded tax revenue of Rs. 9050 crore. Some 4.66 lakh declarations were received, owning up Rs. 30,000 crore of illegal income and wealth. Clearly, while the revenue garnering objectives were met to a large extent for a single year, only a very small part of the illegal economy came forward to declare itself and pay up. It means the objective of making people come clean was far from realised. Some other glaring defects, misuse and concessions to the declarants going beyond legal authorisation in the VDIS were pointed out in the audit report of the Comptroller and Auditor General (CAG).[38] There is little reason to believe that those availing of the VDIS channel have made full and final confession and would no longer evade taxes, generate and multiply black incomes and wealth. It seems the objective of boosting current revenue on the basis of very liberal, penalty-free inducement to the black economy participants to at least bring into the legal fold a part of their illegal holdings was very material for the resource crunch facing finance ministers, who did not factor in the medium and long term counter-productive and self-defeating impact of these measures. None of these policies, owing to their lack of teeth, weak and loopholes-ridden provisions, absence of strong urge to effectively curb the black economy and, as shown by Rob Jenkins

[38] Report of the CAG. No 14 of 1993 for the year ending March. 1992.

by means of detailed, specific evidence (1999, chapter 4,), the vested interest of the governing elites in continuing with and devising new methods and sources for collecting illegal funds for personal and political purposes, could put a brake on the black economy's uninterrupted, exponential growth path. The reduction in tax-GDP ratio, (see Table I) belying the presumptions of the supply-side economics, is itself an indicator of the accelerated pace of the growth of the black economy which has also been shown, by some other studies to be growing rapidly. (Arun Kumar,)

Apart from the failure and counterproductive results of the attempts to curb the black economy, liberalisation of capital markets, financial institutions and markets, privatisation, external sector liberalisation, power and telecom sector liberalisation etc. opened up new vistas for cronyism corruption and clientellism. We do not have space to either list or analyse dozens or scams involving the high and mighty and nearly every branch of the organised economy, which we have analysed elsewhere. (Kabra, Kamal Nayan and Upadhyaya, V 1999, 200-211) However, we reproduce in the Appendix-A, a list of some of the major scams, including the first major one i.e. the notorious securities and financial markets scam of 1992, but excluding the latest, 2000-2001 share market Scam, (both of which were investigated by a Joint Parliamentary Committee (JPC)). The financial sector scams, partly reflect the corpulence, highly concentrated and speculative binge prone character of the sector and are compounded by the blatant abuse by the corporates of the fiduciary relationship with their savers, investors, consumers and community at large owing to big scope available in the corporate governance methods for massive and continuous abuse of managerial authority. If anything, liberalisation has made it easier, offering more plentiful opportunities to the fly by night operators and worsened the comparative prospects for those who donot like to or can indulge in such illegal, shady deals[39], at least to the same extent. The ways in which liberalisation contributes to financial markets and corporate scams is well documented in JPC Report on 1992 Securities market scam, which maintained that the scam was the result of "liberalisation without adequate safeguards".

It is simply not possible to deny that the epidemic of corruption, cronyism and black economy survived formal statism and is flourishing in the era of reforms. The protagonists either tend to ignore this aspect

[39] Loksabha Secretariat (1993) report of the Joint Committee to Enquire into Irregularities in Securities and Banking Transactions (Vol.I) New Delhi. December.

of the reality (a literal adherence to the edict 'see no evil !) or ascribe it to system and regulation failure or blame by way of diversionary tactics the oriental culture and lack of civil rights, effective and enforceable laws, poor governance, etc. The organic links between unregulated, free markets in a highly differentiated society, weak and soft state with formal trapping of democracy (which equally afflicts both a putative statist and an ostensibly, competitive market economy) and its personal, political and corporate level perversion in the form of accelerating rent-seeking and rent-paying are often ignored/denied. Evidently, marketisation could not necessarily rid the systems of distortions and illegality, just as the case was with dirigisme. The socio-economic implications of these mixtures of market failure, government failure, democratic deficit and ineffective corporate governance are likely to be serious for future policy agenda, its vision, values and mission. How serious the liberalisers were for cleansing the system of its accumulated muck has come under serious doubt as a result of the exacerbation of scams during this period and the analysis of the political processes and forces connected with the `reforms' given by Jenkins. (Jenkins, Rob, 1999, Chapters 4 and 7).

Many instances of accentuation of corruption-cemented link between government and business made their frequent and shocking appearance during the 1990s particularly during the later half. Now bankrupt Enron admitted spending millions of dollars on `educating' Indians about the virtues of their project! Defense deals wheeling-dealing and accepting bribes on camera as exposed by Tehelka liberal `responsiveness' to telecom bidders to wriggle out of their legally-binding financial commitment, petrol pump and gas agencies allotment scams, prime land allotments at throw way prices, Tax Exemption to FIIs using the Mauritius route, unearthing of bribe networks erected by the top tax officials, scandals involving unsanctioned diversion of capital market raised funds, UTI scam, cooperative banks scams, coffin scams, the list seems to be endless. More seriously, either a good deal of preventive legislation was stalled or diluted or kept in abeyance or not even taken up. Such cases include Money Laundering Bill, FEMA, Lokpal Bill, Right to Information Bill, Benami Transactions Prohibition Act, 1988 (awaiting notification since 1988), CVC Bill (designed to make the office from watchdog to lapdog) Corrupt Public Servants Forfeiture of Properties Bill (Suggested by the Law Commission), dilution of Transfer Pricing Bill and the law relating to NPA or the Central Vigilance Commission's report relating to defence deals awaiting publication, are among some randomly picked up instances indicative of the close tie-up between

the corrupt political and business classes. Little wonder, among the `successes' attributed to the `reforms', one had hardly come across one relating to diminished size, scope, range, intensity, etc. of the black economy, though this phenomenon was used as a ground for giving up the earlier model.

The asocial and anti-social corporate behaviour is not confined to rent-paying in order to steal a march over the business rivals or institutionalisation of corruption by means of insider trading and cuts on infrastructure contracts (Cable, Vincent, 1995,213). Many growth-fostering incentives are misused for personal/company advantage. Poor track record of R & D activities of the Indian corporates is well known. As a result of such practices, the tax rebate on R & D spending was reduced from 133.33 per cent to 100 per cent. But a 125 per cent rebate was introduced for sponsoring investment in public R & D establishments in the Budget for 1993.-94. For the period 1993-94 to 195-96 sponsored investment for availing of 125 per cent rebate was used for Rs. 200 crore only. But for availing of 100 per cent rebate on direct R & D spending under their own control during the same three years total investment of Rs. 4325 crore was made. It is a rather insignificant share of private corporate investment, partly because import of designs, drawings, projects etc. have been fully exempted from duty and the MNCs working in India have also been entitled to 100 per cent tax rebate. It is reported (Jansatta, 14 March 2001) that often the R &D spending is inflated by setting up token establishments and include unrelated expenses under this head. The principle of reciprocal responsiveness (Amsden, A. 1989) i.e. justification of incentives by outcomes, otherwise withdrawal and penal action, has never been applied like it was in South Korea, Japan, etc.

FINANCIAL SECTOR

Given the prominence of financial capital on the global scale, the pace occupied by financial services in the economies of the G-seven countries and the huge concentration of highly mobile, speculative financial resources in the hands of the mega MNCs, the LPG package had a dense component of financial sector reforms. Manfred Bienefeld (2001,) has argued that as a part of the device to build and to institutionalise a global neo-liberal capitalism the structural adjutant policy plays the strategic role in making the world safe for finance. The earlier statist and financial repression model was characterised by big presence of the public sector in Banking, insurance, development banking and restrictions on private, particularly foreign players' entry

into this sector, with some thrust towards targeted credit allocation and some weightage to social criteria in financial market decisions. Hence the reform package gave considerable priority to deregulating financial, markets, opening up and privatisation of the financial sector. Some expert committees articulated the agenda of financial sector `reforms' and sought to give it the legitimacy and sheen of expert review. Deregulation, more and freer opportunities to Indian and foreign companies in this sector, removal of administratively decided credit allocations and interest rates, and replacing them by basically market determined decision-making, a number of measures like internationally prevalent capital adequacy ratio, accounting norms and practices, steps to close down and/or merge non-viable branches of the banks, opening up insurance to Indian and foreign private firms, permission to more foreign banks to operate in India, freer access by Indian companies to external finance through ADRs, GDRs and various other instruments, free pricing of shares, abolition of capital issue controls, permission to FIIs to freely operate in Indian bourses with tax concessions, fresh capital infusion in public sector banks, permission for derivative trading, futures markets for many commodities, i.e. financialisation of commodity markets with heightened speculation, etc. are among the steps which formed part of financial sector reforms. A number of these measures went to strengthen the viability and profitability of the financial sector.

Overall, the financial sector growth improved (Table II (a)). As a result the share of the financial sector in GDP went up from 10.2 percent in 1990-91 to 12.7 per cent in 1999-2000. It seems financial intermediation is increasing as new institutions, new instruments, etc. are traded, including speculative deals. There are 23 bourses in India and their annual turnover in 1999-2000 was Rs.20.67 lakh crore, i.e., in close range to total GDP.[40]

With liberalisation, the number and size of financial market bungling increased many fold, as referred to earlier. Some notable features of the financial markets have been brought out by a senior economist who worked with the RBI (Mujumdar ,N.A.2002). We present in the following some salient points brought out by him. The financial sector reforms are 'rootless' in the sense of not being founded on India-

[40] Market value of stocks increased nearly 500 percent during 1990-1999 and reached US $ 184 billion and the number of listed companies doubled to nearly 5800. According to NCAER data 8 percent of households hold equity and 23 million invested in mutual funds (Mukherji. J. op.cit)

specific socio-economic milieu. This only goes to show the lack of a sense of history as well as a lack of vision for the future.

- As a result of interest rate changes, there has resulted anarchy of interest rates due to which a small farmer may end up paying a higher rate than even the MNCs! Little wonder the farmers supplied with spurious seeds, peticies and lured into mono culture el dorado, are led to commit suicide while debt-defaulting corporate management (sitting a top bad debt of over Rs. One lakh crore) continue to thrive despite massive defaults, politely called non-performing assets (NPAs), which the Financial Minister has called loot.
- While the private placement market has been able to mobilise about Rs. 60,000 crore annually, the capital market is now raising only Rs. 6000-7000 crore per year. This is in stark contrast with the high expectations from the market following the reforms, including "free pricing" of initial public issue in keeping with the initial post reform euphoria.
- Excess investment of banks in Government securities, added up to a staggering Rs. 1,29,450 crore as on October 5, 2001. Such massive resources are being diverted away from productive sectors towards filling the government's large revenue deficits. This reflects low demand for credit by the real sectors, which may be taken as an indication of demand recession in the economy.
- Public sector banks investments in securities are greatly in excess of the prescribed limits. As agaists the prescribed SLR of 25 percentage of total demand and time liabilities, the investment deposit ratio is 38 percentage. The credit deposit ratio of the banks on the other hand have been stagnating at around 50 percentage indicating a sort of lending fatigue.
- During the initial part of the period, non-bank financial institutions (NBFCs) had begun to emerge as a result of their willingness to cash in on capital market related activities (bridge finance, etc) But they have not shown any spectacular growth during the later half as is evident by the collapse of companies like Kuber finance. There have been several undesirable features of NBFCs, particularly the so-called blade companies in Kerala.

Thus one finds that despite growth, widening and deepening of the financial sector, the rate of savings and investment in the economy failed to show dynamism. Problems of adverse selection, moral hazard

scams, misuse of fiduciary relations, huge bad debts amounting to over Rs. One lakh crore continue to plague the freed and liberalised financial markets.

UNDIMINISHED FISCAL DEFICIT

Among the factors held responsible for the early 1990's crisis was the unsustainable high level of fiscal deficit. Restraining the fiscal deficit was the main plank of the short-term stabilization measures. The proto-liberalisation of the 1980's was associated with fiscal profligacy and contributed to high but distorted and non-sustainable growth. Drastic cuts were made in the capital account development spending in the 1990's, especially during the initial years to contain the deficit. This effort, ignoring myopically its long-run adverse development consequences, could bring the deficit down from nine plus levels to seven plus levels in the first two years (see Table XVIII) but the process turned out to be short lived and despite going down to six percent plus level in some years, towards the end of the decade it came back to rule at the nine plus level.[41] This is a reflection and continuation of what George Koptis has called a strong 'deficit bias' as fiscal deficit and as reliance on large amounts of public borrowing persists. Total public debt of India now touches nearly 80 per cent of GDP and would be more if one reckons all the guarantees, including those for a 16 per cent return on power project in foreign exchange minus risk of foreign exchange fluctuations. The deficit remains high due to inability to carry out a number of steps like:

(a) Reduction non development revenue expenditure (revenue deficit was 6.3 per cent in 1999-00)
(b) Raising additional resources through fresh taxation, better tax compliance, collection of tax arrears, resumption of the redistributive role of taxation and improved recovery of loan given by public agencies and their recycling for development projects.
(c) Better public sector management and market pricing of public sector products ,
(d) Reducing project costs over runs and delays,

[41] Acharya, S (2002, 1531) shows the way in which compensation to employees accounted for a rather large part of the revenue deficit during 1993-94 to 1990-2000, showing to a good measure the impact of the Pay Commission based revision of emoluments. But even before 1977, i.e., before the Pay Commission, the share of compensation of employees was quite sizeable. The point is how does this factor change the situation

(e) Reduce the time lag between sanction and use of external loans and save on commitment charges,
(f) Streamline government purchases and reduce material-intensity of public administration.
(g) Stop proliferation of unnecessary jobs, expansion of higher level of bureaucracy and introduce rigorous accountable and socially credible work culture among public functionaries.
(h) Introduce austerity by reducing power and show, luxurious living at public expense etc., especially by politicians and top bureaucrats.

In this connection it may be merrtioned that by cutting down capital outlays and development expenditure, the liberalisation policy seems to have sacrificed long run growth and has come in for adverse notice even from the proponents of liberalization (Bhagwati, J. and Srinivasan, T. N., 1993). In total public spending the share of capital expenditure was over 21 per cent of the last two years of the 1980's and was lowered to 12 to 13 per cent during the last two years of the 1990's. A striking tendency observed was to reduce the share of development expenditure from around 56 per cent to around 46 per cent for the same period.

Knowing full well that the LPG package would impose sacrifices on the poor, necessitating compensatory measures by way of 'human face, for improving human resource quality as an input for growth and improved socio-economic infrastructure for encouraging broad based growth, it is strange myopic and irresponsible indeed that public expenditure as a proportion of the GDP was allowed to be reduced during the 90's compared to nearly 8 percent of GDP spent on social services and rural development during the last three years in the 90's (for which figures are available) to under seven per cent (Dev. M. and Mooji j 2002 850)

During The initial years reduction in fiscal deficit was achieved mainly by doing away with export subsidies, limited reduction in fertilizer subsidies, phasing out of budgetary support to sick, loss making PSU's (euthanasia of the PSUs) and of course , reduction in public investment which was also supposed to serve the purpose of downsizing the government. It may also be pertinent to know that serious limitations apply to the treatment of public spending as a proxy for social welfare for a number of reasons. During the later part of the 1990's substantially increased emoluments of the public servants accounted for a much higher part of social sector expenditure; of course without any reason to expect better or more services on this account.

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OF MARKETISATION

ck record of the Indian economy during
s can be summed up in terms of the
se policy processes could accomplish.
dicators of marketisation(see Table XX)
h greater marketisation at the end of
ot uniform in different spheres. Private
investment had far fewer restrictions
share was higher in 1960s and 1970s
as hardly any change in the share of
e 1990's but it was higher at the end
certain key respects like the market-

led private sector role in GDP and investment during the 1960s and 1970s considered the key days of statism was higher than during the `marketised' 1990s'.

There was little change in government account final consumption relative to private final consumption during the 1980's and 1990's, but it increased significantly compared to earlier decades but social consumption through public spending remained insignificant in comparison to private final consumption. Compared to these, the financial sector experienced much greater market orientation. Financial savings compared to physical in household savings increased monetisation of the economy in terms of the ratio of the M3 to GDP and market capitalization as a proportion of GDP are indicative of greater marketisation of financial sector. But labour market marketisation is very insignificant despite the fact that the Indian economy is a market economy. Marketisation of the labour market, especially in the form of organised formal employment market remains very low; organised sector employment remain remains around seven per cent of workforce. In the organised sector the share of the non-state market sector is found to be around five per cent. It means the stimulus to market-led development has rather limited capacity to improve the lot of the workers as the prevalent rate and pattern of expansion of the organised sector have been able to generate employment opportunities on a rather limited scale. Most of the labour force has not been incorporated in the market processes save as reserve army of labour. What can probably be inferred from the above is that incorporating the bulk of the labour market supply in the market by increased demand for labour is a precondition for improving their standard of living through the market processes.[42] We have seen a good deal of development of the financial sector and its relatively high market-orientation in institutional terms. But the persistent demand recession making industrial growth sluggish, shows that plentiful availability of finance with cheap money (low interest rate) regime - a typical monetarist intervention can barely revive the industrial economy. In fact, our banks are flush with funds and have no option

[42] The point in showing increased marketisation in general except in labour market is not to imply that this is a new development. Modern India is a market economy and as shown in end note 24, has been recognised as such even by those who propelled India into the `reforms' course, like the World Bank. Planning in India could not, nor was meant to, change the essential market character of the Indian economy. As a World Bank economist Byrd, W.A. (1990) too explicitly recognised the market-centric indicative nature of Indian planning. As I.G. Patel (1987) also wrote, '....with all the panoply of controls and regulations, of taxation and public ownership and acts of nationalisation, free enterprise in India has prospered with the active assistance and connivance of the state ' P 187

securities. The real economy's sluggishness
banks. Owing to the opening up of financial
lending rates well below those in India, the
heaper external credit and consequentially
of Indian banks. In any case, the banks do
towards reaching the unorganized sector
n. The liberalised corpulent financial markets
are unable to boost the rate of investment,
l side of the market remains ignored, despite
ublic spending.

V

ACITY AND ASSERTIVE MARKET FORCES;
'S DEVELOPMENT AND PEOPLES' AGENDA

hat a government which owing to its inability
economically necessary decision to raise
spending, has to constantly run huge (largely
inable) fiscal deficit decides or is made to
o fix long-term quantitative, statutory limits
spending and borrowing powers. The irony
e limits ignore the purposes for which deficits
e.g., self-liquidating public debt for financing
generating large surpluses. All these normally
o be the result of conditionalities-conditioned
us credibility is acquired by the view that "it
prevails in such matters in the short run."
is situation is a sign of deep attenuation of
ns to a large extent to be a function of the
action" capacity of the state, *i.e.*, the ability
e resources of society for carrying out its
g,Wang and Augang, Hu 2000,5).
the fiscal crisis of the state reflected in
cit, mainly for financing current expenditure,
m the serious atrophy of state capacity, a
tive governance. The oft heard chorus about
a seems essentially to be an admission by
lack of capacity to mobilise through normal,
eans the wherewithal for carrying out the
ment worth its salt.
lso reflected in the manner in which the

`reforms' embodying the current agenda of neo-liberal capitalism was carried out. In an early review of the `reforms' the following five shortcomings of the process of reforms: was shown (EPW, 30 April 1049)

(a) it lacks a broader vision and development strategy,
(b) its seriously flawed sequence (probably alludes to external reforms without enhancing internal competitiveness or clearing the system of illegal dirty wealth before freeing it of social control and discipline)
(c) Too rash speed.
(d) Neglect of steps ensuring the presence of essential pre-conditions for `reforms' in Indian society
(e) Neglect of the task of creating broad-based and appropriate safety nets to compensate for the distress caused by the `reforms'. There is little evidence that any corrective action based on such detailed, substantiated critiques was undertaken or is on the cards when the second generation `reforms' are supposed to be on the anvil.

It is clear from the above that the `reforms' addressed the problems and difficulties faced by the governing elite in the management of the economy as they could not mobilise through viable and sustainable means enough resources either to finance governmental activities or to finance huge and rising current account deficit and maintain their creditworthiness in the world financial markets. There was a clear and sharp cleavage between the agenda of the common man facing poverty, unemployment, deprivation and alienation arising from growing disparities, inflation, growing disempowerment, inadequacy of minimum social services and infrastructure on the one and the hand `reforms' agenda of the governing political and business elites.[43] In none of the accounts of the economic crisis the gravity of the situation on the issues relating to social conditions of existence for an overwhelming majority of Indians was high-lighted by the proponents of the reforms. They only placed the blame for persistent, indefensible poverty at the doors of the `statist' policy and development model.

[43] Even those who analyse the Indian economy from the point of view and for the consumption of foreign financiers and investors, like Mukherji, J. (op.cit.) recognise the big role played by business interest after 1990s. He maintains that the economic reforms increased the condition of the private sector (p.60) and the political influence of business increased partly owing to cultural perceptions and on account of "growing amounts of money the business provide to politicians and political powers." (p.88) and partly on account of instituionalisation of corruption. This seems to be one area in which we are catchig up fast with Japan. Also see end note 27.

How could such serious issues escape attention? At least some of the perceptive intellectuals holding high the flag of `reforms' would have been acutely aware of these concerns of the common citizens. For instance, it has been maintained that "issues such as primary education and population control" have not been addressed by the reformers, not because they "attach low priority to these questions but became "(T) hey just do not fit well into the economic architecture that our reforms seek to create". (Bhagwati, J. and Srinivasan, T.N. 1993), (i) this incompatibility of the reforms with the social concerns of the people was amply demonstrated in the reality shaped by the `reforms' during the 1990s.

However, it must be quickly admitted that growth-oriented reforms were adopted according to some protagonists of the reforms, not became "growth was an objective desired in itself by planners" but because "growth was, and is, desired because it would reduce poverty." (Bhagwati, J. 2001, 844) It was further elaborated that growth "helps to reduce poverty" because " it creates jobs that `pull up' the poor into gainful employment", "provides revenue" for social sector facilities and "creates the incentives that enable the poor to access these facilities and also for the advancement of progressive social agenda generally" (Idem). The preceding account of the economic performance would convince anyone that these hoped for outcomes, of course, did not materialise. In fact, even sustainable and substantial growth remained a frustrated hope. Hence the existence of massive challenge of poverty alleviation surving into the 21st century has been recognised even by some of the most competent and articulate champions of the reforms. (Bhagwati, J. 2001, 843) . In fact, it has been pointed out that "growth can certainly by pass some segments of the poor: if you are in a tribal area which has little connection through economic interdependence or labour mobility outwards to the mainland, growth in the latter will not help the poor tribals." (Ibid, 845, second emphasis added) The conditions for joining the group of growth beneficiaries are: inter-connection with the growth segments through economic inter dependence and ability to move to growth areas. Both these conditions are exogenous to the growth process perse. Unless one has participation in the market through factor incomes, one cannot be an income recipient and the growth process, which without either massive prior employment expansion or asset redistribution can only touch a fraction of the poor by marginally and inequitously incorporating the poor, whether tribal or non-tribal, in the growth process, especially given the vast numbers

outside the market framework who out number those who have joined the market mainstream.

The decade of `reforms' has shown that neither growth nor poverty reduction could be achieved, while the resource crunch persists, But there is one major difference: having implemented the agenda of neo-liberal global capitalism to make India a large, growing and safe place for international finance and debt-financed imports, hitherto not seen amounts of FDI and portfolio funds, along with those from the NRIs, are flowing in. They give India large amounts of foreign exchange reserves along with higher external debt of nearly US $ 100 billion. The agenda of the foreign investors and financial entities seems to have been largely met and a good deal is on way to fulfillment as India gears herself to meet her WTO commitments in the next few years.

HISTORICAL PRECEDENT; REALLY-OPERATING STATISM OF PRE-1990 ERA

An interesting aspect, endowed with far-reaching policy and practical significance would strike any observer of the `reforms' decade in comparison to what happened during the preceding four decades of independent India. One would for sure, be struck by an uncanny feeling of déjà vu. We have seen a similar kind to trajectory of stated policy measures and their practical outcomes in the past. This is a situation in which into some in some areas, for some periods and for some sections of the people results have been edifying and for some others the outcomes are distressingly disappointing. What is tragic is that, both the people who suffer and are at the receiving end and those who prosper and call the shots during both the phases are socially and economically almost similar. However for the beneficiaries the pinpricks and costs of obtaining these gains are likely to have been comparatively lower during the `reforms' decade and possibly the return from continuing rent-seeking and rent-paying substantially higher as the markets are without effective regulatory framework. Since the past accumulations of illegal wealth have been plentiful and the political elites have and business elites graduated from the stage of symbiotic ties towards become practically indistinguishable, from each other.

It is in these features of the emerging scene that one may look for possible reasons why the big, bold, non-halting, storm-like cascading reforms of the 1990s met their Waterloo and yet the broad spectrum of governing elites stick to them. Further more, for the same reasons,

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gains, the gap between the stated and
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and ignoring the hard, palpable reality if one took the announced policies at their face value, whether it be socialistic declarations earlier or the intention of rolling back the state and doing away with the discretionary controls during the 1990s.

One comes across a great deal of evidence, and can cite analysts of diverse persuasions to reinforce the proposition that nothing that has happened or has been done throughout the post-independence era has gone far enough to alter the essential market private enterprise, non-autarkic character of the Indian economy with varying degrees of state intervention and participation in which, the extent of its autonomy has been varying.[44] Like all market economies, the Indian economy too had experimented with a flexible combination of various policy instruments, agencies, law and institutions, etc. The flexibility in a pragmatic manner to adopt different types of institutional, policy and administrative guidance and steering devices including manipulation of property rights and various forms of state participation in the economy, rejects the assumption of the any sharp differentiation between the polity and the economy.[45] It all depends on the needs, constraints and possibilities, particularly in late-late-late catching up industrialising economies which, it is asserted, have the `advantage' of falling back upon the historical experience of various countries along with theoretical advances in social sciences with policy orientation to guide such processes. These factors tend to reduce ideological rigidities invite run the risk of opportunistic distortions.

In a fairly detailed analysis attempted elsewhere, (Kabra, Kamal Nayan, 2001) it has been our intention to show that there are some major differences between the pre-1990 and post-1990 policy regimes, but they do not go far enough to justify treating the two as polar opposites as is the wont with various analyses steeped in binary modes of thought. Especially in so far as the role of the marker forces is underplayed in the pre-1990-policy regime as being severely controlled and contained by public regulation and controls. The original statist model to make the Indian state a developmental state with fairly extensive, directly participative role and with guidance, promotion, control, regulation, restriction and direct and indirect steering of India's vast and highly differentiated private enterprise sector, especially its most organised, vocal and strong tiny top corporate sector (largely the

[44] Byrd, (1996)

[45] This rise to the emergence of a category called political capitalists (seen aplenty in East Asian Countries) and capitalist politicians

successors of the managing agency system) was basically adopted on a formal plane. In practice, even its design contained compromises, which grew over time. But more prominently, a very flexible, accommodative, open- minded and pragmatic approach was adopted. Neither the capacity to understand business role and behaviour nor the steely will and capacity to withstand all kind of pulls, pressures and allurements, nor a political machinery and personnel committed to the original stated goals and model strictly, sincerely and steadfastly existed to ensure the successful institution of dirigisme, let alone its operation. Especially missing was the capability and expertise to rein in and guide the bureaucracy which had many shared features with the business classes, especially its narrow, individualistic, self-centred motivation. More importantly, there was hardly any political and social mobilisation of the subaltern, oppressed and deprived strata of society to ensure an honest, no-nonsense implementation of the stated, adopted development path and policies. The role of concentrated economic power in any case continued to operate to frustrate popular interests and mandate. The global, hegemonic powers too played an active role in diluting the stated policies.

Thus the stated model was neither fully and competently articulated, nor instituted, let alone its effective implementation. It was like various industrial policy resolutions and statements, which were, implemented more in breach than in adherence. As crises, contradictions and constraints continued to come up time and again, ad hoc changes pandering to various interests and a series of half-hearted, half-baked compromises were made. Such episodes of ad hoc, random policy changes, diluting the policy objectives and design have been the basic feature of India's really-existing statist policy scene, as documented even by various official studies, committees, etc.[46]

The net result of such practices was that, policy effectiveness was seriously compromised. The pressures to change the policy design and outcomes emanated mainly from and were operated by means of market forces and processes. They intervened in the policy space in order to obtain the outcomes consistent with their atomistic, individualistic market economy objectives and resources by a combination of rent-paying and rent-seeking activities along with some political mobilisation and enlisting the support of experts and external agencies. A number of critiques of the discretionary, adhoc, bureaucratic

[46] See endnote 42

controls over market allocation and investment decisions recognize, directly or indirectly, most of the preceding, but refuse to characterise them as an attempt by the market forces to bend the public policy processes according to their needs, aspirations and capacity to pay for these changes. They blame squarely and exclusively the state interventions and bureaucratism (no doubt a negative factor) without bringing out the catalysing, conniving and cajoling role of the market forces.[47] It snowballed into a powerful campaign to denigrate the state, state processes and agencies, which were supposed to operate according to some ideal model but failed to. Little wonder that the top rungs of market forces prospered disproportionately along with their political-bureaucratic allies and moved from symbiosis with politics to increasingly direct role in policy processes, either by entering, the political arena directly or politicians entering in small or big, hidden or open ways the business arena or by finding place in policy formulation, implementation and monitoring areas. The short point is: what failed was the state capacity to acquire developmental role and capacity and its gradual, subtle and incrementally substantial surrender before the local and foreign market forces (which succeeded in bending the state structure to its advantage) and the consequent neglect of the interests and aspirations of the other segments of larger civil society.

The post 1990 policy shift attempted in one big sweep, to do away with this hypocrisy and deceit and act as new development policy. It was a full blast assertion of market supremacy, now Canonised as Washington consensus which extended the piecemeal, adhoc measures of the past into a full-scale model. With it a variant of market fundamentalism came to rule the roost. This process instead of creating an effective developmental state with pointed and potent capacity to indirectly but effectively intervene in the interest of substantial and sustainable growth and make the chosen agents of development (the corporates) to deliver the good and specific targets as though they were public agencies, the state moved towards its own further enfeeblement furthering a narrow, sectarian agenda. It is ironical that even the political party, which initiated the earlier policy regime now, began to pride itself for dismantling it. Partly, it was possible because what was popularised as a right about turn was, in fact, and extension and embellishment of the moves already underway for a long time. Only their tentative completion, packaging and labeling was done now.

[47] Ahluwalia. I.J. (1985)

The question of the character and strength/weakness of the Indian state, vis-à-vis the Indian society and its components is a very complex one. Here we find in the limited context of economic policies, a growing inability of the state in India to become an effective agency for ensuring growth and development, including especially during the 1990s as a full-blooded market model was sought to be operationalised.

We have seen how at the dawn of 1990s the Indian State found itself in a tight corner. The methods it used for the management of the economy during the 1980s, viz. Fiscal deficits and large scale, indiscriminate external borrowing and many moves to open up the economy, dismantle controls and weaken indicative medium term public investment planning, led it to an impasse in which further reliance on these methods no longer remained feasible. Brought to a head by some fortuitous geopolitical, external factors, the external supply of credit dried up and fiscal profligacy led to politically unmanageable price instability. Import compression threatened industrial growth. As discussed earlier, this crisis of management of the economy made the government accept the bitter pill of structural adjustment. It was not only a bitter pill: its theoretical basis and the claims regarding its success in other parts of the world were misplaced and were simply a fabrication. Without realising that excessive, conditionalities-based borrowing during the 1980s led to the flash point, it was believed that more such borrowing and concomitant imposition of full-scale reliance on the market would bail as out and bear fruit.

FALLACY OF EXCESSIVE MARKET OPTIMISM

It has been demonstrated that this was a mistaken view. India had to evolve its own specific response, recognising her peculiarities, absence of pre-conditions which obtained in East Asia and that the East Asian model was no uncritical, full-blooded LPG model either. But the Indian state had lost the basic pre-requisites of an effective, development state in so far as self-reliance in policy-making was an given up. "Excessive market optimism" was uncritical, misplaced and externally-imposed/inspired policy stance. By now "the yawning gap between the claims made on behalf of the neo-liberal policy regime, and its actual outcomes" (Bienefeld, 2000, 569) became known in a number of countries. "The main point in that neither economic theory, nor empirical evidence can support the broad generalisations that provide the foundation of neo-liberal Washington Consensus. Public sector

deficits are not necessarily bad, nor are current account deficits; trade liberalisation is not necessarily good, and government is not necessarily worse than the market. In fact, in everyone of these cases, optimal policy choices will depend on a wide range of social, political, cultural, and institutional circumstances, will be subject to high levels of uncertainty and risks, and will differ for different segments of society. And that is why these choices must be made through domestic political processes that reflect society's values, preferences and priorities. And that is why it would be indefensible for international agencies to play such an active, partisan role in that process, if their real objectives was to facilitate self-directed human and social development and if they were really honest about the limits of their, and our, knowledge. "(Bienefeld, 2000, 573-574 emphasis added) As for the real objectives of the international financial institutions, they played the strategic role in the acceptance of the SAP by the Indian state for "making the world safe for finance" and "thereby lay the foundations for a more monolithic, more integrated, more global- and ultimately far more distant and undemocratic capitalism". As a result there is "a steady erosion of the scope for meaningful citizenship in harmonious, diverse, secular national communities" and "an explosive growth of economic and financial instability, together with a resurgence of deeply divisive ethnic and religious identities, and the fascist responses that are their natural counterpart " (Ibid, 569).

Thus clearly there was massive state failure as the policy choices were not made domestically and democratically based on our own social, political, cultural and institutional factors and diversities. True, apparently the Indian government made the policies of `reform', had Indian advisers to work out the details and obtained the necessary political, legal approval as well. Many Indian interests and experts have been clamoring for these policies for long. But their full-throated, open acceptance could come about only in early 1990s as a part and parcel of the conditionality for large sized borrowing necessitated by the crisis syndrome generated on the basis earlier reckless borrowing. But these policies failed to produce the stated outcomes and the difficulties and problems of the people have become, as seen above, more acute. It is failure on the count of the divergence between the people's agenda and the agenda of the liberalisers that we show case as an instance of continued state incapacity. Moreover "the new economic policy has been based in the first place, on an incorrect assessment of the maladies afflicting the Indian economy during that period. The macro

economic imbalances...which the present government has identified as the root causes of the economic crises, were really symptoms of structural crisis faced by the domestic economy". (EPW Research Foundation, 194, 1049) The basic features ignored in this process were steadily increasing internal and external borrowing for unproductive purpose, as a substitute for raising the contribution from the well-to-do, rising non-development spending, neglect of rural and agricultural sector, stagnant savings and investment and neglect of employment objective, etc.

In a democratic polity and diverse, multi-structural, highly uneven economy (as shown in the preceding by the data on unorganised sector NDP and its sectoral composition) there operate objective forces which frustrate policy design if it does not respect its inner logic and the state is not able to muster sufficient strength to carry out its will. Despite attempts to roll back the state and bring about full-scale marketisation, there are structural limits to the extent to which it is possible in the specific Indian conditions especially owing to the failure to incorporate a huge chunk of the work force in the labour market. Thus we find that inspite of the attempts to make the state retreat from the economy, the contribution of the state sector to the GDP has not come down (see Tables II to VI). It continues to vary in a narrow band and in ironically higher than it was in 1990-91 and much higher than it was in 1980-81. A policy design must recognize the boundaries within which it has to operate, at least in the short and medium rung as no society and economy are made of putty clay.

IV

UNFINISHED AGENDA: BASIC APPROACH AND ELEMENTS

It seems possible to draw the implications of the forgoing analysis for the unfinished agenda facing India. The agenda of the reforms was seen to be the agenda of India's governing elites, her organized sector business classes and external finance and business, mainly the MNCs from the industrialized countries. Thus the unfinished agenda is the agenda of the common manner. And that is the agenda which remains largely unarticulated in an operational sense. As for the adopted, narrow, partisan agenda, the poor majority was, expected to be a party to it only in the sense of deriving indirect, long-run benefits. It represents a large area of disjunction between public policies and

the politics of the people and between the better off and the worse-off i.e., India and Bharat. Given the linkages between various sectors of the economy and society as also their areas of conflict and co-operation, such a partial agenda could hardly produce macro, national level outcomes, which can at least help create conditions and provide means for helping the leftouts and outcasts. Thus even the economic agenda of the resourceful was put in jeopardy. Recognising such a situation, a leading light of the `reforms' agenda maintained that the social agenda of India (like literacy, population control, etc.)[48] which impinges on the lives of the relatively weak and deprived does not "fit well into the economic architecture that our reforms seek to create" (Bhagwati J. and Srinivasan, T.N., 1993, (i)[49]. It is clear that the economic instance considered here is not embedded in society; hence the divorce of the economic from the social. Following the above, the reformers highlight the "abysmal overall failure of literacy" and recognize the "need now to focus clearly on the lessons that can be learnt and translated into promising policy experiments to advance the social agenda". (Bhagwati, J., 1998, 39, emphasis added) However in the attempt to advance the social agenda the basic thrust of the 1990s reforms package is adhered to in so far as the position taken is that "the early harvest is not yet sumptuous, however, for these reforms need to be further deepend" (Ibid, 37) by enhancement of the "efficiency and growth" - centric reforms as unfinished agenda. Accordingly the agenda consists of (i) privatization of public sector and (ii) "the application of changed laws that permit workers to be laid of as necessary though with appropriate safeguards"(iii) the implementation of the efficiency and growth centric agenda "would amount to a successful implementation of the `indirect' anti-poverty, `pull-up' strategy that relieves poverty by providing gainful employment", and (iv) "social engineering to enhance returns from these expenditures". (Ibid, 39) Even if poverty-alleviation as a result of accelerated growth is effective via the "pull-up" based employment generation and augmented public spending, does it imply that direct, high priority programmes and policies for attacking poverty are going to be less effective? The latter are likely a fortiori to make stronger contribution. Are the two approaches mutually exclusive per se or as a result of exclusive advocacy of the former

[48] It may be noted that population control, i.e. reducing the supply of labour is counted as a social agenda, but increasing the demand for labour and creation of employment opportunities fails to find a mention.

[49] Ownership of the reforms has been asserted

? Yes, there may well be a conflict of interests associated with the two approaches in so far the growth acceleration approach bets on the strong and powerful, while the direct approach (as spelled out below) puts the interests of the poor, deprived and discriminated on the top pedestal. The direct policies and programmes for reducing poverty are not detrimental to growth. On the contrary, they contribute to growth, but in a different manner than growth per se. The direct approach yields growth but with a different pattern. It directly empowers the poor who become the direct, major agents and recipients of the increased flow of output. Some direct poverty reduction programmes in a generic sense (leaving specifics for decentralised decision-making) may be briefly outlined. First is the question of granting access to a small plot of land to the poor, landless rural households by a redistribution programme, with supporting supply of credit-lined sale of farm inputs and extension services. The surplus land from the landlords may well be acquired at market or near market prices, but the sale proceeds have to be invested in rural non-farm or non-crop agricultural activities. Next comes for a large majority of rural farm and marginal workers, the programmes of guaranteed round the year minimum wage employment, on productive socio-economic projects of infrastructure in rural and ruralised industries in rural and nearby small towns. Obviously, none of these can work without the control of local government in a transparent and accountable manner. Clearly, these are productive programmes, but would yield a different type of flow of goods and services, affordable at the price-income frontier of the poor. As we quoted earlier an ardent growth advocate , it is the manner in which growth is achieved which makes the difference.

According to some liberalisers, India has gone in for current account convertibility of the Rupee, and the process of external sector liberalization would be completed when full convertibility (by adopting capital account convertibility) is also instituted. After the 1997-98 currency crises in many countries, the spectre of speculative run on any economy by international finance capital and speculators has been recognized as a potent threat. Many countries, some of them regarded as successful high growth, fast track, industrialised, export-oriented economies suffered grievously on account of the speculative binges. This factor, along with excessively speculative tendencies fostered by capital account convertibility and money laundering in various tax havens, has made many liberalisers either to shelve it for the present or introduce it in small doses in a calibrated manner after achieving

external account stability and viability. In any casesome limited capital account convertibility in specified forms and areasıas been introduced. Even in the era of rigid exchange controls and ı draconian law like FERA, a huge amount of wealth had been stashed away in safe, but illegal foreign accounts in various tax havens. Thedestabilizing effects of such capital account convertibility bred speculative sprees tend to erode whatever growth and competitive capacity building gains liberalization is able to produce in the organized sector. Hence in India there are hardly any serious takers of full convrtibility as a part of the second-generation `reforms'.

A still higher growth rate, of 9 to 10 percer, is often advocated as the rallying point of the unfinished agenda. leports indicate that the Tenth five-year plan is likely to aim at 8 percet yearly growth. The usual claims regarding employment, poverty-alleviation and enhanced social services spending effects of growth, alongwith the emergence of India as a major world power are made the bais of such projected growth. It is too hypothetical presently to be logmatic about the prospects of achieving 8 percent growth. But what can be maintained with greater reason is that no such streams of expected indirect outcomes necessarily follow from such a growt rate per se. Much would depend on how it is achieved and what could be its structure. These are a function of the specific policies, institutional arrangements, flexibility and effectiveness of implementation and non-doctrinaire openness with which policies are designed and modified. A fixed menu policy regime, like the LPG package, with the preent system of public and corporate governance and long-standing lack of responsiveness to the unorganized agricultural and non-agricultural sectors (the largest component of the economy) is unlikely to prve equal to such stupendous challenges.

What incidentally is surprising about the reitration and extension of the `reforms' agenda is the claim of "undoubted enthusiasm amongst the public for speeding up the reforms". (Ibid.) Not nly that no evidence is provided for this assertion, and the facts of masive people's protest movements and action against the `reforms', WTO membership, privatization, etc. including by certain elements from within the ruling political circles have been ignored. It has been shown that the `reforms' were initiated by a minority government and thatthe national parties going to the polls with the reforms agenda neve got a clear popular mandate. (Saxena, Rekha, 2002,). The arithmetic of popular representation and its manipulation were used to obble up majority to

carry out the agenda of the governing, externally - oriented elites. It gives credence to the view that electoral democracies in market economies donot necessarily work for the good of the majority in highly differentiated societies.

The essential point is that two types of agenda or approaches to the unfinished agenda are present before the nation: one, to do more of the same set of reforms, with social engineering to enhance its productivity and reduce its cost, maintain the cleavage between the economic and social agenda and use the former for ipso facto meeting the latter. Second, bring about a fusion of the economic and social, give priority to the direct fulfillment of the economic and social needs of the silent majority of the poor, deprived and unemployed in an integrated manner, use their collective self-empowerment to organize and manage these processes to widen and deepen the process of integral social development. It would be a situation in which economic growth would result, i.e. follow, may be initially slowly, from an integrated socio-economic agenda but it would have far better, surer and less partisan correspondence with the needs of broader society. Hence the likelihood of its picking up faster speed as it proceeds, be self-sustaining and create conditions for non-hegemonic, symmetrical globalisation, oriented not mainly to the OECD countries, but at least equally towards the two-thirds world of which India too forms a part.

The external factor would be relevant, as India never did without it nor could possibly have done without it, but it has to be not the sector calling the shots, acquiring primacy (even for growth) but governed according to the primacy of internal forces and needs, ending the dependent asymmetrical relationships inherited from the colonial past and buttressed in the course of mimetic catching up growth. During the pre-1990 phase, both import substitution and later export promotion were given a place, sequentially with initial "export amnesia" (as pointed out by I.G. Patel)[50] and under a complex system of restrictive and promotional measures. The element of direct and discretionary controls, a counterpart of what was applied to the domestic industry and trade, was certainly excessive, dysfunctional, distorted by bureaucratism and corruption and outlived its utility. Combined with a number of unhelpful and undesirable facets of our political, social and administrative system along with the failure to positively incorporate and utilize our social/ cultural capital and institutions of civil society, the economistic, growth-centric approach created in course of time conditions unfavourable to

[50] See. patel. I.G. (2002)

the managability and sustainability of the pre-1990 model. Its interventionist agenda was sabotaged, denigrated and made non-sustainable by the market forces with active support from elements from within the political-administrative sphere and active involvement, both open and hidden, of many external agencies. Inevitably, both the agenda and its implementation were vitiated, though, the authors and expectants of it did well for themselves.

We have seen above how the post 1990 agenda too ended being counter-productive. The institutional and implementation aspects between the pre-1990 and post-1990 policy regimes had a great deal of commonality. The presence of both the market and the state in varied proportions in the two phases produced a combination of market failure and government failure. Hence the first element of the unfinished agenda is to improve public and corporate governance and dethrone the external sector from the primacy it has acquired to a secondary and subservient position. This basic precondition for taking up the unfinished agenda need not be further elaborated upon as these issues are substantive issues by themselves. However, the general principle has to be to make both public governance and corporate governance sociably-oriented, subserving the interests of the largest and weakest sections that is the unorganized, small, decentralized, weak and poor, in transparent, accountable ways and by enabling the people themselves to articulate their agenda. This is likely to necessitate substantial degree of political, administrative and economic decentralization, active involvement of various civil society organizations - both primordial and new ones which would include not just NGOs, but various types of social action groups.[51] Specifics of the people-centric agenda which integrates the economic and social tasks have to be worked out by institutions of democratic decentralisation. One cannot reasonably go beyond the principles for instituting the forces and processes by means of which the alternative agenda is to be set up.

Hence it is not proposed to go into a detailed elaboration of the unfinished agenda and the modalities of its implementation. The general direction, principles and institutional mechanism for throwing up and implementing such an agenda is what it is hoped have been sketched

[51] Certainly NGO's of the kind whose co-option has been advocated coopted by the World Bank would hardly be relevant for such purposes. We refer to such social groups as emerge from grass-root social improvements that guard their autonomy and local social roots. In my case there are people who believe that the attempted cooption can leave them with enough real autonomy!

above, along with some of the critical pitfalls one would do well to avoid. However, it may be mentioned that unless in a short period everyone gets livelihood security and in every habitat a critical minimum of social and economic infrastructure is provided equitably and adequately, and self-reliance in policy matters is brought about (which is not the same thing is intellectual, closed door policy, i.e. autarky)[52] the pre-conditions for articulation and implementation of the other items of the agenda are unlikely to be created. It is pointless to raise the issue of paucity of resources. With nearly 25 percent of GDP being invested, over one-third of the national expenditure being on public account, given lax, inadequate resource mobilization of the past few decades, availability of huge stocks and flow of illegal, dirty incomes and wealth, and hugely concentrated income and wealth, and our vast physical, human, technical, hidden black income and wealth held within and without the nation, it is not the resource potential which is limited but the political capacity and commitment to raise them from those who have relatively larger capacity to contribute, and a tenacious unwillingness to do their bit. Social mobilisation at micro, meso and macro levels alone can create position possibilities for such an unfinished agenda.[53]

[52] Sinha, Radha (1994) Economic Reforms in Developing Countries: some conceptual issues. Tokyo, Institute of Comparative Culture, Sophia University. Also, his (1995) paper.

[53] Kabra, Kamal Nayan (1995) Public sector private sector interface and harmonisation for national development in Japan and South Korea: Lessons for India. New Delhi Indian Institute of Public Administration. (Mimeo)

TABLE 1 : SELECT COMPARATIVE INDICATORS OF THE INDIAN ECONOMY AT THE END OF A DECADE OF SAP VIS-À-VIS ON THE EVE OF SAP

	1988-89	1989-90	1990-91	Triennial Average ending 1990-93	1997-98	1998-99	1999-00	Triennial Average ending 1999-00
Growth rate of (GDP at factor cost (1993-94 prices) (b)	10.7	6.5	5.8	7.7	5.0	6.8	5.9	5.9
Savings rate (as a % of GDP) (a)	21.4	22.2	23.6	22.4	23.5	22.0	22.3	22.6
Investment rate (as a % of GDP) (a)	24.1	25.1	27.0	25.4	25.0	23.0	23.3	23.8
Industrial Production (c)	8.7	8.6	8.5	8.6	6.2	4.0	6.6	5.6
Manufacturing (c)	8.7	8.6	3.5	6.9	6.7	4.3	7.1	6.0
Agriculture (c)	21.0	2.1	2.6	8.5	(-)2.2	7.4	0.8	2.0
Public administration (as a % of GDP) (a)	18.2	15.7	12.3	14.7	12.2	10.9	9.8	11.0
Current account deficit (as a % of GDP) (c)	(-)2.7	(-)2.3	(-)3.2	(-)2.7	(-)1.4	(-)1.0	(-)0.9	(-)1.1
Fiscal Deficit (as a % of GDP)								
(i) Centre	7.8	7.9	8.2	8.0	5.7	5.9	4.1	5.2
(ii) Centre and States		9.3	10.1	9.7*	8.5	10.2	7.9	8.9
Tax-GDP ratio (d)	16.9	17.0	16.4	16.8	11.2	10.8	11.7	11.2
External Debt-GDP ratio (b)	17.5	25.8	27.5	23.6	25.2	24.5	23.0	24.3
WPI growth rate (c)	5.7	9.1	12.1	9.0	0.5	8.9	6.3	5.9
CPI growth rate (c)	10.7	6.8	13.6	10.3	5.0	6.8	5.9	5.9

Source :

(a) RBI *Report on Currency and Finance* (various issues)
(b) *Indian Planning Experience-A Statistical Profile*, Planning Commission, Govt. of India, January 2001
(c) *Economic Survey*, Govt. of India (various issues)
(d) *Indian Public Finance Statistics*, Govt. of India (various issues)

* Average for two years

TABLE II (a) SECTORAL DISTRIBUTION OF GDP

Year	1960-61	1970-71	1980-81	1990-91	1991-92	1992-93	1993-94	1994-95	1995-96	1996-97	1997-98	1998-9	1999-2000
Agriculture, forestry & fishing of which	50.9	44.5	38.1	30.9	30	30.2	.31	30.3	28	28.5	26.5	26.6	25.
Agriculture	45.8	39.7	34.7	28.7	27.8	28.1	28.4	27.8	25.6	26.2	24.3	24.6	23.2
Mining & Quarrying	1.3	1.3	1.5	2.0	2.0	2.0	2.6	2.6	2.6	2.4	2.5	2.4	2.3
PRIMARY SECTOR	47.1	41	36.2	30.7	29.8	30.1	31	30.4	28.2	28.6	26.8	27	25.5
Manufacturing	13.9	16.1	17.7	21.1	20.2	2.0	16.1	16.8	17.9	18.2	17.7	17	17.1
Electricity, Gas & Water supply	0.6	1.2	1.7	2.3	2.5	2.5	2.4	2.5	2.5	2.4	2.5	2.5	2.5
SECONDARY SECTOR	14.5	17.3	19.4	23.4	22.7	22.5	18.5	19.3	20.4	20.6	20.2	19.5	19.6
Construction	4.2	5.0	5.0	4.6	4.7	4.6	5.2	5.1	5.1	4.8	5.0	5.0	5.1
Trade, hotels & restaurant	9.7	10.8	12	12.5	12.5	12.7	12.7	13.1	14	14	14.4	14.4	14.6
Transport, storage & Communication	2.9	3.5	4.7	5.3	5.5	5.5	6.5	6.7	6.9	7	7.2	7.2	7.3
Financing, insurance, real estate & business services	8.2	8.0	8.8	10.2	11.2	11.1	11.5	11.3	11.4	11.3	12.1	12.3	12.7
Community, social & personal services of which	8.3	9.6	10.5	11.1	11.4	11.4	12.0	11.5	11.6	11.4	12.2	12.6	13.2
* Public administration, defence & quasi-government bodies	2.6	3.8	4.7	5.3	5.4	5.4	5.6	5.3	5.2	5.1	5.5	5.7	6.1
TERTIARY SECTOR	29.1	31.9	36	39.1	40.6	40.7	42.7	42.6	43.9	43.7	45.9	46.5	47.8

Source :

National Accounts Statistics-2001, Central Statistical Organisation,

National Accounts Statistics of India-(1950-51) to (1996-97) EPW Research Foundation.

* Up to (1992-93) the data is based on 1980-81 prices, from (1993-94) to (1999-2000) it is based on 1993-94 prices.

TABLE II (b) : SECTORAL SHARES IN GROWTH OF GDP (In per cent): (1980-81 TO 1989-90: A)

Sector	80-81	81-82	82-83	83-84	84-85	85-86	86-87	87-88	88-89	89-90	Average for A
Agriculture, forestry & Fishing	63.2	35.2	-8.8	47.3	13.2	6.3		-12.0	48.5	7.6	21.6
Mining & Quarrying	3.2	4.8	8.5	0.9	0.8	2.8	7.2	2.2	3.6	2.8	3.4
Manufacturing	0.4	18.6	30.6	19.2	22.7	13.5	24.3	29.8	13.5	27.7	20.9
Elect. Gas & Water Supply	1.3	2.7	3.8	1.7	4.9	3.6	4.9	4.2	2.3	3.8	3.3
Construction	9.9	5.6	-13.9	3.8	4.3	6.7	2.96	7.9	3.6	5.4	3.8
Trade, hotels & Restaurant	8.4	13.0	21.7	8.6	12.2	22.5	16.9	14.6	8.4	14.5	13.3
Transport Storage & Comm.	5.5	6	6.1	3.3	9.5	10.0	9.0	11.8	2.8	6.2	6.3
Financing, insurance, real estate & business services	1.7	9.1	22.8	9.3	14.4	17.4	20.8	18.7	9.7	16.9	14.1
Community, social & personal services	6.4	5.13	29.5	6.0	18.0	17.2	19.3	23.0	7.7	15.1	13.4
Tertiary sector's share incremental GDP											47.1

TABLE II(c) : SECTORAL SHARES IN GROWTH OF GDP (in per cent): (1990-1 TO 1999-2000:B)

Sector	90-91	91-92	92-93	93-94	94-95	95-96	96-97	97-98	98-99	99-00	Average for B
Agriculture, forestry & Fishing	24.1	-38.4	35.4	22.0	21.4	-3.6	34.3	-14.5	28.5	2.8	14.6
Mining & Quarrying	5.0	7.7	0.8	0.8	3.3	2.1	0.2	5.0	0.5	0.65	1.8
Manufacturing	18.0	-46.8	12.8	22.6	28.5	34.0	22.1	5.8	6.8	18.13	17.7
Elect. Gas & Water Supply	3.1	18.7	3.5	-0.4	3.2	2.3	1.7	4.0	2.4	2.02	2.6
Construction	11.0	8.8	3.8	0.5	3.9	4.3	1.4	10.3	4.7	6.36	4.5
Trade, hotels & Restaurant	11.4	6.5	14.7	15.1	18.7	25.8	13.7	22.4	15.3	17.87	17.7
Transport Storage & Comm.	5.1	30.0	5.9	7.9	8.9	10.0	7.3	11.3	6.0	9.41	9.1
Financing, insurance, real estate & business services	13.1	89.4	12.3	24.5	8.8	12.6	10.1	27.7	15.5	19.45	17.3
Community, social & personal services	9.20	24.0	11.0	7.2	5.4	12.4	9.3	28.1	18.3	23.27	14.8
Tertiary sector's share inoremental GDP											58.9

SOURCE : Computed : GDP and its sectoral distribution from-NAS 2001 & Economic Survey 2001-2002

TABLE III : GROSS DOMESTIC PRODUCT FROM PUBLIC SECTOR

Year	Percentage share of public sector in GDP at factor cost.
1960-61	8.0
1970-71	13.8
1980-81	19.7
1990-91	23.7
1991-92	25.1
1992-93	24.7
1993-94	25.0
1994-95	24.2
1995-96 *	23.9
1996-97	23.9
1997-98	25.9
1998-99	25.0
1999-2000	25.7

SOURCE : National Accounts Statistics of India 1950-51 to 1996-97, (EPW Research foundation)
National Accounts Statistics-2001 Central Statistical Organisation, New Delhi.
* Up to 1995-96 percentage share is based on 1980-81 prices. From (1996-97) to (1999-2000) percentage share is based on current prices.

TABLE IV : BROAD OCCUPATIONAL STRUCTURE OF THE WORKFORCE

Sectors	1977-78	1983	1987-88	1993-94	1998
Primary	72.5	68.7	64.8	64.6	64.4
Secondary	12.0	13.3	15.5	14.2	13.7
Tertiary	15.5	18.0	19.7	21.2	21.9

SOURCE : National Sample Survey Organisation, 32nd, 38th 43rd, 50th & 52nd rounds, as given in Manpower Profile India, Year book 1999 (by IAMR, New Delhi)

TABLE V : GROWTH RATES OF GROSS DOMESTIC PRODUCT FOR DIFFERENT DECADES (PER CENT PER ANNUM)

	Annual	Annual	Annual Compounding	Continuous Compounding
1950-51 to 1959-60	3.59	3.58	3.68	3.61
1960-61 to 1969-70	3.95	3.89	3.29	3.23
1970-71 to 1979-80	2.94	2.86	3.45	3.34
1980-81 to 1989-90	5.79	5.78	5.36	5.23
1990-91 to 1999-00	5.80	5.78	6.20	6.02

TABLE VI : GROWTH RATES FOR DIFFERENT TRUNCATED PERIODS USING SEMI-LOG REGRESSION WITH DUMMY VARIABLES FOR INTERCEPT AND SLOPE (percent per annum)

	Growth Rate before Break	*Growth Rate after Break*	*Change in Growth Rate (%)*
Series 1950-51 through 1999-2000			
No break	4.10	4.10	-
Break year 1957-58	3.58	4.27	19.27
Break year 1965-66	3.77	4.61	22.28
Break year 1972-73	3.60	5.04	40.00
Break year 1979-80	3.53	5.53	56.65
Break year 1991-92	3.76	6.34	68.61
Series 1960-61 through 1999-2000	-	-	-
No break	5.52	5.52	-
Break year 1991-92*	5.67	5.63	-0.01
Break year 1991-92	5.37	6.34	18.08

Chaubey, P.K. (2002) : Growth Experience with Reforms in the Indian Economy

TABLE VII : EMPLOYMENT EXCHANGE STATISTICS (IN THOUSANDS)

Years	*Number of placements affected*	*Number of applicants in the live register at the end of the period*
1951	417	329
1961	404	1833
1971	507	5100
1981	504	17838
1983	487	23034
1985	384	24861
1986	351	28282
1987	334	30639
1988	328	29771
1989	284	31383
1990	284	34832
1991	259	36300
1992	258	36551
1993	228	36275
1994	228	36891
1995	212	36542
1996	238	36904
1997	275	37408
1998	238	39140
1998P	221	40090
2000P	178	40370

P provisional

Source: Centre for monitoring Indian economy, Monthly Review of the Indian Economy, July 2002

A.N. Agrawal and Hari Om Verma, Indian Economy, Statistical Yearbook (1998)

Manpower Profile of India, 2001 (IAMR, New Delhi)

TABLE IX : SOME SELECT FEATURES OF IMPORTS AND INDUSTRIAL PRODUCTION

Year	*(Rs. Crore) Expenditure on foreign travel*	*Expenditure on import of Petroleum, oil & Lubricants (POL products)*	*Gold & Silver imports as per cent of total imports **	*(US $ million) Expenditure on import of Gold & Silver **	*(Thousands) Domestic production of commercial vehicles †*	*(Thousands)Domestic production of cars jeep & land rovers †*
1960-61	12					
1970-71	18					
1980-81	80					
1989-90	-	6273				
1990-91	703	10616			125.5	225.2
1991-92	1111	13127			145.5	220.8
1992-93	1177	17142			149.8	192.1
1993-94	1599	18046			133.2	201.9
1994-95	2570	19613		712.82	145.4	257.8
1995-96	3809	25173		868.39	216.2	
1996-97	3049	35629	2.5	892.32	256.3	310.5
1997-98	5339	30538	7.6	3173.10	327.3	410.7
1998-99	7325	26919	12.0	5070.69	226.8	463
1999-2000	9286	54649	9.5	4711.84	169.6	472.4
2000-2001	13136	71497	9.3	4434.15	173.5	699.2
2001-2002					182	692.2

SOURCE :
Economic Survey, GOI (various issues)
Gold import data from CMIE: Foreign Trade & Balance of payments-July 2000
* Excludes smuggling.

TABLE X : RURAL-URBAN DISTRIBUTION OF THE POOR IN INDIA, 1973-74 TO 1993-94

Year	No of poor in Rural areas (In Million)	No of poor in Urban areas (in Million)	Total population below the poverty line (in Million)	% of India's poor located in rural areas	% of India's poor located in urban areas
1973-74	261.3	60.0	321.3	81.33	18.67
1977-78	264.3	64.6	328.9	80.36	19.64
1983	252.0	70.9	322.9	78.04	21.96
1987-88	231.9	75.2	307.1	75.51	24.49
1993-94	244.0	76.3	320.3	76.18	23.82

SOURCE : Planning Commission, Draft Ninth Five Year Plan (1997-2002), Government of India
Poverty Estimates for 1999-2000, Press Information Bureau, 22nd February 2001
Own calculations, as given in Aasha Kapur Mehta & Amita Shah " Chronic Poverty in India: Overview Study

PER CAPITAL PRIVATE FINAL CONSUMPTION EXPENDITURE IN DOMESTIC MARKET

	89-90	90-91	91-92	92-93	93-94	94-95	95-96	96-97	97-98	98-99	99-00
Private final Consumption Expenditure in domestic Market (Rs. Crores) (at current Prices)	338750	387137	446252	500980	574772	664157	765797	903953	974795	1141207	1265432
Estimated Mid-year Population (000)	832631	851661	864426	877399	890807	904136	940039	955219	971832	986511	1002142
Estimated Per Capital Private Consumption Expenditure in domestic Market (Rs.) (Yearly)	4068.4	4545.7	5162.5	5709.9	6453.7	7345.7	8146.4	9460	10030.5	11566.9	12627.3
Estimated Per Capital Private Consumption Expenditure in domestic Market (Rs.) (Per day)	11.14	12.45	14.14	15.64	17.7	20.12	22.3	25.9	27.5	31.7	34.6

SOURCE : Various issues of Statistical Abstract of India and NAS

TABLE XII : TRIENNIALLY AVERAGED PER CAPITA STATE INCOME AT 1993-94 PRICES AND STATE RANK

State	1981-82	Rank	1990-91	Rank	1998-99	Rank
Andhra Pradesh	4998	9	6950	7	9023	9
Bihar	3425	14	4228	14	4154	14
Gujarat	6726	4	8623	4	13262	3
Haryana	7704	2	11028	2	12973	4
Karnataka	5125	8	7004	8	10319	6
Kerala	5560	5	6755	8	9841	7
Madhya Pradesh	5133	7	6014	11	7469	11
Maharashtra	7194	3	10192	3	14357	1
Orissa	3914	13	4808	13	5368	13
Punjab	8000	1	12005	1	14397	2
Rajasthan	4441	11	6417	9	8522	10
Tamil Nadu	5497	6	7834	5	12004	5
Uttar Pradesh	4270	12	5392	12	6185	12
West Bengal	4853	10	6152	10	9052	8
Max/Min	2.60		2.84		3.46	

SOURCE : Based on NAS data on NSDP from Ravi Srivastava (2002)

TABLE XIV : SELECT EXTERNAL SECTOR INDICATORS.

	1984-85	1985-90	1990-91	1991-92	1992-93	1993-94	1994-95	1995-96	1996-97	1997-98	1998-99	1999-00	2000-2001
1	4858.8	5616.2	58.34	9220	9832	19254	25186	21667	26423	29357	32490	38036	42281
2	--	-398	1672	3398	612	9422	5932	-3499	4736	2944	3123	5546	4245
3	--	3.4	2.5	5.3	4.9	8.6	8.4	6.0	6.5	6.9	8.2	8.2	8.6
4	7.90**	13.82	17.94	24.47	30.65*	31.37	31.40	33.45	35.50	37.17	42.07	43.33	45.68
5	13.2	11.4	9.0	-1.1	3.3	20.2	18.4	20.3	5.6	4.5	-3.9	9.5	19.6
6	14.0	9.4	14.4	-24.5	15.4	10.0	39.3	21.6	12.1	4.6	-7.1	16.5	7.0
(I)		12.3	3.4	-21.9	12.0	11.2	29.5	28.3	-0.2	14.5	8.0	3.2	-8.5
7	206.6**	279.2	103.0	133.0	557.0	4235	4807.0	4805	6153	5390	2412	5191	5102
(I)	206.6**	-	97.0	129.0	313.0	668	983.0	2057	2641	3562	2473	2155	2339
(II)	--	--	6.0	4.0	244.0	3567	3829.0	2748	3312	1828	-61.0	3036	2763

SOURCES :

RBI, Handbook of statistics on Indian economy, 2000;
RBI, Annual report 2000-01,
DGCIS (for non-oil imports); as quoted in Macro Economic Management in the 90s by Acharya, S., in Economic And Political Weekly, April 20,2002, Pg. 1520;
Column 1, as in Economic Survey, GOI, (various issues)
1. Foreign exchange reserves trend (US $million) 2. Increase in reserves (US $ million) 3. Forex reseves as months of import cover. 4. Exchange rate (Rs/US $) 5. Growth of exports (in US $); per cent 6. Growth of imports (in US $); per cent (I) Growth of non-oil imports; per cent 7. Foreign investment (US $ million) (I) Direct (US $ million) (ii) Portfolio (US$ million)
Note.
* The average official exchange rate for the year 1992-93 was 25.97
** Data pertains to one year (1980-1)

TABLE XV : EXPORT EARNINGS, IMPORT BILL AND DEBT-SERVICING: 1900-91 TO 1999-2000

(US $ Million)

Item	90-91	91-92	92-93	93-94	94-95	95-96	96-97	97-98	98-99	99-00
1. Export	18477	18266	18869	22683	26855	32311	34133	35680	34298	37542
2. Import Earnings Bill	27915	21084	24318	26739	35904	43670	48948	51187	47544	55383
3. Debt servicing	8982	8250	7668	8545	10732	12328	12324	11404	10732	10915
4. Export Earnings minus Debt Servicing	9495	10016	11211	14138	16123	19983	21809	24276	23566	26627
5.(4) As a percentage of Imports Bill (in percent)	51.39	47.55	48.11	52.87	44.90	45.76	44.56	47.43	49.57	48.08

SOURCES :

Data on Exports and Imports: Government of India, 'Economic Survey' (various issues)

Data on Debt Servicing Obligations: Government of India, 1998 and 1999,India's External Debt. 'A Status Report', New Delhi.

TABLE XVI (a) : PRIVATE CORPORATE SECTOR INVESTMENTS :CORPORATE SAVINGS AND OTHER SOURCES OF FUNDS FOR FINANCING IT:1980's)

(at current prices) *(In Rs crore)*

	1980-1	1981-2	1982-3	1983-4	1984-5	1985-6	1986-7	1987-8	1988-9	1989-0
investments	3541	5828	7394	6732	8191	10043	12194	10223	12851	15210
change in investments over the previous year		2287	1566	-662	1459	1852	2151	-1971	2628	2359
average annual rate of growth in investment (in per cent)		64.59	26.87	-8.95	21.67	22.61	21.42	-16.16	25.71	18.36
savings	2339	2560	2980	3254	4040	5428	5338	5832	8486	11845
change in savings over the previous year		221	420	274	786	1388	-90	496	2654	3359
average annual rate of growth in savings (in per cent)		9.45	16.41	9.19	24.15	34.31	-1.66	9.30	45.51	39.58
investment-saving gap	1202	3268	4414	3478	4151	4617	6858	4391	4365	3365
investment-saving gap as a percentage of investment	33.95	56.07	59.7	51.66	50.67	45.97	56.24	41.97	33.89	22.12
financial assistance from all india pfi's										
sanctions	1957	2016.6	2276	3106.2	4326.6	5977.8	7294.2	8345.5	13204.8	14510
disbursements	1486	1551.4	1746	2273.6	2706.3	4637.6	5389.4	6300.3	8565.9	9385
funds raised from the capital market	773.7	933.5	1042	1085.7	2009.8	3367.8	2563.9	1777.1	3224.8	6510
total funds raised from pfi's and capital markets	2260	2484.9	2789	3359.3	4716.1	8025.4	7953.3	8077.4	11790.7	15895
funds raised from pfi's and capital markets as a percentage of investment	82.20	42.6	37.7	49.9	57.6	79.9	65.2	79.0	91.75	104.5

SOURCES :

Data on funds raised from Capital Market- RBI's 'Report on Currency and Finance'

Data on Public Financial Institutions: Government of India, 'Economic Survey' (various issues)

Data on Investments and Savings of Private Corporate sector: National Accounts Statisticsvarious issues

and as quoted by Chalapati Rao, in 'Stock Markets' ,in Alternative Economic Survey (2001-2)

TABLE XVII (a) : PRIVATE CORPORATE SECTOR INVESTMENTS : CORPORATE SAVINGS AND OTHER SOURCES OF FUNDS FOR FINANCING IT:1990'S

(at current prices) (In Rs crores)

	1990-1	1991-2	1992-3	1993-4	1994-5	1995-6	1996-7	1997-8	1998-9	1999-00
INVESTMENTS	20291	34351	42188	56472	59332	97082	118149	122705	116255	116024
CHANGE IN INVESTMENTS OVER THE PREVIOUS YEAR	5081	14060	7837	14284	2860	37730	21067	4556	-6450	-231
AVERAGE ANNUAL RATE OF GROWTH IN INVESTMENT(In per cent)	33.41	69.29	22.81	33.86	5.08	63.59	21.73	3.86	-5.26	-0.20
SAVINGS	15164	20304	19968	29866	35260	58542	61092	63486	64608	71879
CHANGE IN SAVINGS OVER THE PREVIOUS YEAR	3319	5140	-336	9898	5394	23282	2550	2394	1122	7271
AVERAGE ANNUAL RATE OF GROWTH IN SAVINGS(In per cent)	28.02	33.90	-1.65	49.57	18.06	66.03	4.36	3.92	1.77	11.25
INVESTMENT-SAVING GAP	5127	14047	22220	26606	24072	38620	57057	59219	51647	44145
INVESTMENT-SAVING GAP AS A PERCENTAGE OF INVESTMENT	25.26	40.89	52.67	47.11	40.57	39.69	48.29	48.26	44.42	38.05
FINANCIAL ASSISTANCE FROM ALL INDIA PFI'S										
SANCTIONS	19029	22905	33329.2	39122.2	54295.3	55551.7	52309.4	75468.7	82080.5	103748.8
DISBURSEMENTS	12931.7	16233	23585	25520.9	30939.3	34081.8	40291.4	51857.4	56366.4	67167.6
FUNDS RAISED FROM THE CAPITAL MARKET	4312.2	6193.1	19803.4	19330.3	26416.7	16117.5	10424.1	3136.3	5013.1	5153.3
TOTAL FUNDS RAISED FROM PFI'S AND CAPITAL MARKETS	17244	22428	43368.4	44851.2	57356	50179.3	50715.5	54995.7	61381.5	72320.9
FUNDS RAISED FROM PFI'S AND CAPITAL MARKETS AS A PERCENTAGE OF INVESTMENT	85.0	65.3	102.8	79.4	96.7	51.7	42.9	44.8	52.8	62.3

SOURCES :

1 Data on funds raised from Capital Market- RBI's 'Report on Currency and Finance'

2 Data on Public Financial Institutions: Government of India, 'Economic Survey' (various issues)

3 Data on Investments and Savings of Private Corporate sector: National Accounts Statistics in various issues and as quoted by Chalapati Rao in 'Stock Markets' Alternative Economic Survey (2001-2)

TABLE XVII (a) : PUBLIC ENTERPRISES CONTRIBUTION TO THE CENTRAL PLAN OUTLAYS: 1980-81 TO 1989-90

	1980-81	1981-82	1982-83	1983-84	1984-85	1985-86	1986-87	1987-88	1988-89	1989-90
Total Outlay	36845	43738	52747	60029	73525	83951	100790	112189	130048	158107
Internal resources of public undertaking for the plan	1374	2226	3371	4293	4920	5953	6388	7318	9174	11892
Internal resource as percentage of total outlay	3.7	5.1	6.4	7.2	6.8	7.1	6.3	6.5	4.7	7.5
Budgetary support for the plan	35471	41503	49376	55436	67935	77990	94402	104851	120874	146215
Budgetary support as percentage of total outlay	96.3	94.9	93.6	92.8	93.2	92.9	93.7	93.5	95.3	92.5

SOURCE : Economic Survey (GOI, Ministry of Finance), various issues

TABLE XVII (b) : PUBLIC ENTERPRISES CONTRIBUTION TO THE CENTRAL PLAN OUTLAYS: 1990-91 TO 1999-2000.

	1990-91	1991-92	1992-93	1993-94	1994-95	1995-96	1996-97	1997-98	1998-99	1999-00
Total Outlay	176548	189370	224688	259459	302881	340313	370497	422760	504329	586043
Internal resources of public undertaking for the plan	11183	13131	16743	24964	29450	34444	22957	30815	31761	31143
Internal resource as percentage of total outlay	6.3	6.6	8.3	9.7	8.8	10.1	6.1	7.2	6.3	5.3
Budgetary support for the plan	165365	176239	208945	233505	274451	305869	347840	391935	472568	557900
Budgetary support as percentage of total outlay	93.7	93.4	91.7	90.3	91.2	89.9	93.9	92.8	93.7	94.7

SOURCE : Economic Survey (GOI, Ministry of Finance) various issues for relevant years.

TABLE XVIII : COMBINED FISCAL DEFICIT OF CENTRAL AND STATE GOVERNMENTS (AS PER CENT OF GDP AT CURRENT MARKET PRICES)

Year	Fiscal Deficit	Primary Deficit	Revenue Deficit
1980-81	7.5	5.4	0.4
1981-82	6.3	4.1	-0.6
1982-83	5.9	3.4	0.2
1983-84	7.3	4.8	1.1
1984-85	9.0	6.2	2.1
1985-86	8.0	4.9	1.9
1986-87	9.9	6.5	2.4
1987-88	9.2	5.5	2.9
1988-89	8.5	4.6	2.9
1989-90	8.9	4.6	3.3
1990-91	9.4	5.0	4.2
1991-92	7.0	2.3	3.4
1992-93	7.0	2.1	3.2
1993-94	8.3	3.3	4.3
1994-95	7.1	1.9	3.7
1995-96	6.5	1.6	3.2
1996-97	6.4	1.3	3.6
1997-98	7.3	2.2	4.1
1998-99	9.0	3.7	6.3
1999-2000	9.5	3.9	6.3
2000-2001	9.7	3.6	6.3
	Average		
1980-81/1983-84	6.8	4.4	0.3
1984-85/1990-91	9.0	5.3	2.8
1991-92/1996-97	7.1	2.1	3.6
1997-98/2000-01	8.9	3.4	5.8

TABLE XIX : SAVINGS AND INVESTMENT (AS PER CENT OF GDP AT CURRENT MARKET PRICES)

Year	GDCF	GDS	Public Savings	Private Savings	Household Savings	Corporate Savings
1990-91	26.3	23.1	1.1	22.0	19.3	2.7
1991-92	22.6	22.0	2.0	20.1	17.0	3.1
1992-93	23.6	21.8	1.6	20.2	17.5	2.7
1993-94	23.1	22.5	0.6	21.9	18.4	3.5
1994-95	26.0	24.8	1.7	23.2	19.7	3.5
1995-96	26.9	25.1	2.0	23.1	18.2	4.9
1996-97	24.5	23.2	1.7	21.5	17.0	4.5
1997-98	24.6	23.1	1.3	21.8	17.6	4.2
1998-99	22.7	21.7	-1.0	22.6	18.9	3.7
1999-2000	24.3	23.2	-0.9	24.0	20.3	3.7
2000-2001	24.0	23.4	-1.7	25.0	20.9	4.2

SOURCE : GOI, Economic Survey, (various issues)

TABLE XX : SOME INDICATORS OF MARKETISATION

Items	1960-1	1970-1	1980-1	1982-3	1985-6	1987-8	1990-1	1991-2	1993-4	1995-6	1998-9	1999-00
Private Investment /Total Investment (in Per cent)	53.2	59.6			22.1		17.2			36.1		
Non-State Sector GDP / Total GDP (in Per cent)	90.1	86.3	80.4		75.8		74.9			74.8		74.3
Financial Savings / Total Savings of Households (in Per cent)	34.8	29.6	43.3		46.6		45.2			44.4		53.2
Market Capitalisation On As A Percentage Of GDP			5.3		10.9			20		64.4	35.5	66.8
M3 / Total GDP At Market Prices (in Per cent)		24.1	38.8		42.9		46.7			50.4		57.4
Private Final Consumption Expenditure / Social Services Expenditure	37.49		15.64		13.09		11.65			11.69		8.88
Government Final Consumption Expenditure / Private Final Consumption Expenditure (in Per cent)		10.96	12.18	13.53	15.12	16.91	17.06	16.65	17	16.81	18.56	19.89
Organised Sector Employment / Total Employment (in Per cent)				7.93		7.93			7.31			7.06
Non State Sector Employment / Total Employment (in Per cent)				13	5.44		5.65			5.19		4.89

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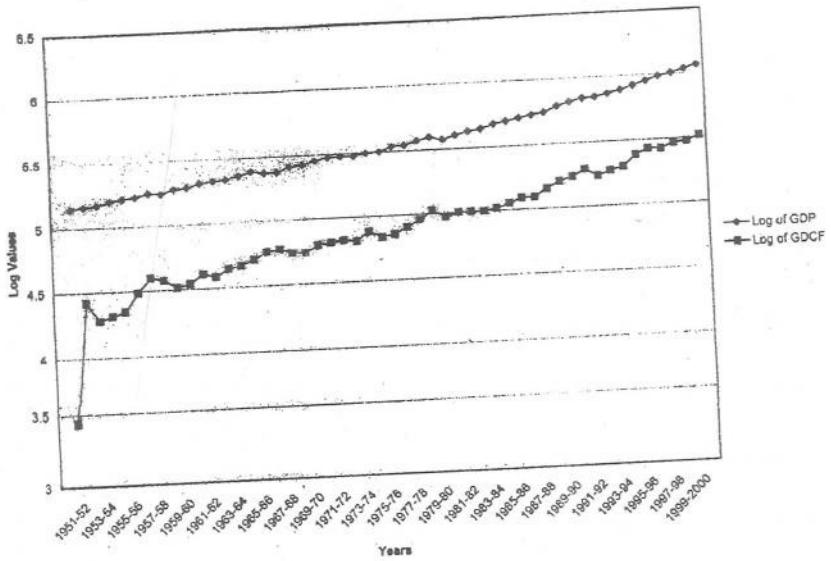
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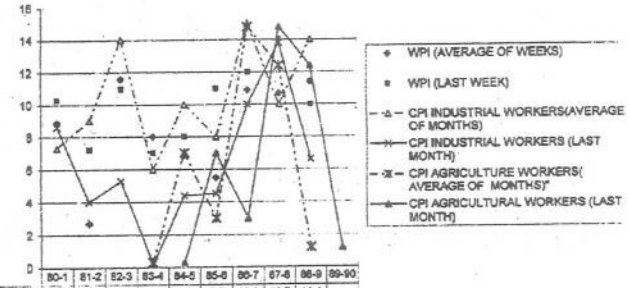
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Graph 1 : Semi-log graph of GDP and GDCF



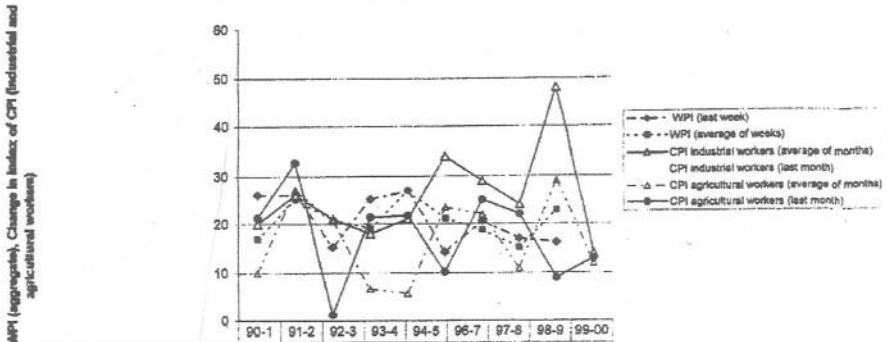
Graph 2 : 1980S-change over the previous year in index of WPI & CPI (base year 1981-82)



Change in Index of WPI(aggregate) ,Change in Index of CPI(Ind. & agri. workers)

	80-1	81-2	82-3	83-4	84-5	85-6	86-7	87-8	88-9	89-90
WPI (AVERAGE OF WEEKS)	8.9	2.7	11.6	8	6.9	5.5	10.9	10.7	11.4	
WPI (LAST WEEK)	10.3	7.2	11	7	8	11	12	14	10	
CPI INDUSTRIAL WORKERS(AVERAGE OF MONTHS)	7.3	9	14	6	10	8	15	10	14	
CPI INDUSTRIAL WORKERS (LAST MONTH)	8.6	4	5.3	0.2	4.4	4.5	10	13.6	6.6	
CPI AGRICULTURE WORKERS(AVERAGE OF MONTHS)*				0.3	7	3	14.8	12.4	1.2	
CPI AGRICULTURAL WORKERS (LAST MONTH)	*				0.3	7	3	14.8	12.4	1.2

Graph 3 : 1990's - Changes over the previousyear in index of WPI & CPI (base year 1981-82)



	90-1	91-2	92-3	93-4	94-5	96-7	97-8	98-9	99-00
WPI (last week)	26.1	26	15.3	25.2	26.9	20.6	17	16.2	
CPI industrial workers (average of months)	20	26	21	18	21	29	24	48	14
CPI industrial workers (last month)	24	28	14	24	26	32	29	34	20
CPI agricultural workers (average of months)	10	27.1	20.6	6.7	5.7	22	11	29	12
CPI agricultural workers (last month)	21.3	32.8	1.2	21.4	21.7	25	22	9	13

Major scams of the liberalisation era

Year	*Popular Name and Agencies Involved*	*Approximate amount involved*	*Enquiry Status*	*Main Processes & Factors*
1991–92	Financial Markets (Stock Markets) Scam, Sections of RBI, Banks, PSUs, Stock Exchange Brokers and Financial Policy Decision-makers and NBFCs.	Rs.4024.45. Thousands of Crore Rs. of Tax Arrears. Some people place the amount at Rs.32032 crore	JPC and Special Court. No conviction untill March 1998. Many PSUs continue parking their funds with private parties.	Financial Market Liberalisation, Removal of Capital Issue Control, PSUs access to booming stock markets, Banking Liberalisation deregulation.
1991–92	Misuse of four Amnesty Scheme. Many companies and individuals. Gold Bond, India Development Bond, Foreign Remmitance Immunity and VDS.	Unknown. An ex-chief Minister facing charges for laundering $100 million.	Scamster character not recognied.	Money laundering, especially of stashed away funds via hawala.
1991–continued	Continued misuse of VABAL, Modvat, continued smuggling of Gold & Silver. Excise false claiming evasion, modvat credit by corporate entities, some PSUs and many others.	Unknown. Rising proportion of modvat credit to total excise revenue.	Some detection, Excise cases of ITC, Nestle, etc.	Loopholes in Law and violation & connivance by authorities.
	Under assessment of taxes, according to CAG's reports during 1994–95 revenue loss on customs duty exemptions.	Rs.673.93 crore Rs.36270 crore		Loopholes in Laws and conniving administration. Liberalisation failed to

		change the culture of unethical business and public regulation
2798 crore 9360 crore ets unearthed 577 cror	Pending	Lax Tax Laws and administration.
3647.93 crore. 1271.33 crore. 729.71 crore 608.17 crore 750 crore. mpanies which raised arly Rs.5000 crore e not traceable.		Manipulation of critical informations, lack of corporate accountability weak laws and collusive administration
		Crony capitalism.
991—Rs.65.41 crore 992—Rs.145 crore 993—Rs.320.32 crore 994—Rs. 200.07 crore		Total non-performing assets of Banks are placed at over Rs.70,000 crore of which *mela* loans about Rs.10,000 crore.
Unknown		Investment/with-drawals via Mauritius with whom we have double tax avoidance treaty.
Rs. 64 crore of Kickbacks for huge contracts. Chance discovery of Jain Diaries by an intrepid journalists.	Investigations completed, but the courts did not accept Jain Diaries as adequate evidence.	Hawala, influence paddling cutting across various political parities. Adverse impact on BHEL NHPS, Durgapur Steel Plant, Railways, NTPC, PS, Coal companies etc., Vohra Panel Report is believed to contain a lot of such cases.
Around Rs.1400 crore. A classic case of crony capitalism.	Investigation are dragging on.	Influence-paddling, Political interference in appointments, extensions. Some TNC politicians used influence to grant extension to the CMD of the Bank who wasalleged to be the kingpin of doubtful & improper loans.
Over Rs.9,500 of crore. For 8 years.	Investigations, prosecutions are on.	Triple Connivance of bureaucrats, politicians

1994–95	and private suppliers and contractors. Actually older scam.		Some politicians and others jailed.	and businessmen. Lax audit, accounts and legislative control.
1993–96	C. R. Bhansali Case. Duping of depositors by a NBFC. Connivance of Banks, Failure of RBI and regulatory authorities like SEBI.	Rs.659.64 crore of bank money. Total Rs.1300 crore.	Inquiry on. Main accused arrested and bailed out.	SBI granted encashment at par facilities. CBDT gave a certificate to CR Bhansali co.
1994–95	Urea Scam. Govt. Deptts., Cos, politicians, foreign companies, their agents.	Rs.133 crore. No urea came for long; later of spurious quality.	Investigation on; Some arrests, etc..	Placed orders with dubious companies at the behest of some political heavy weights.
1993	JMM MPs bribery by top Congress leaders in order to save the minority government commited to liberalise the economy from no confidence motion.	Varying forms of cash and kind payments, MPs, Ministers, CMs, PM etc. are supposed to be involved.	Investigation, court cases & prosecution are going on.	Political instability witnessed since late eighties is related in some ways to liberalisation adopted in varying measures by all the major political formations. Its lack of powerful popular social roots necessitates such political chicanery.
1995–96	Telecom Scam according to CAG report. Cause of massive losses to Government by means of gross underestimation of demand and fixation of low lump-sum licence-fee for subscriber for the four cities. In the third year for two cities actual Licence feess till not received from many. number of subscribers became 1.08 lakh and 4.88 lakh. One Cabinet Minister was found with huge unaccounted cash.	The operators got a total windfall Rs. 837 crore.	Slow movement of cases against the concerned Minister and official eroding public confidence.	As a part of liberalisation privatisation, telecom and power sectors opened up for private investment. No clear, objective, transparent guidelines. Hence wildrun of cronyism and collection of rent of authority the same way as earlier.
1996–97	False Bills of Entry Scam. A Mumbai Bank used for laundering drug mafia money via a Hong-Kong Bank.	Rs.456 crore Rs.100 crore	Not kriown	Use of export deregulation and easier norms for international money transfers, lack of co-ordination between the customs, RBI and exchange banks.
	Entire period Gold smuggling, smuggling of chips, ball bearing etc.		1991 Gold smuggling estimated by WGC at 224.9 tonnes, 1993—149.9 tonnes 1994—102.6 tonnes total upto January'95 gold seized 879 kg; other seized goods Rs.574.39 crore.	Result of inequalities, consumerism, preference for foreign goods facilitated goods facilitated by politician-bureacrats-smuggler nexus.

And the unending dirty deals continue to multiply.