

## Will India Seize The opportunity for Rapid Growth?

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### ABSTRACT

The current exuberance and self-confidence in India as a nation-state have not been witnessed since 1947 when India became free from British colonialism. The animal spirits today are a harbinger of rapid inclusive growth, though subject to caveats. Brisk economic and societal progress for nation states is eminently possible in a democratic setting if there is more cohesion and less political obstruction, the latter often for the sake of bringing down a scrupulous government and reestablishing systemic unethical rent seeking. Energetic citizen participation for the greater good like in a salubrious democracy is transformative for progress. This paper has the objective of stirring the pot to help answer the following:

a) Will India emerge soon as an economic power or miss the boat? b) Will it be growth for growth-sake or an environment-friendly carbon-neutral GNH? c) What are the internal and external threats to growth? d) Has Indian collective financial behavior changed? e) Will the nationalist fervor drive wholesome growth?

JEL Classification Code: E5, E7, G4

### INTRODUCTION

“Animal spirits” as termed by John Maynard Keynes have been unleashed in Indian economy after the Modi government came to power in 2014. There is no better time to leverage these spirits to drive Indian economy full throttle ahead for cherished rapid all-inclusive growth. The vast conviction and exuberance pervading the Union Government, the consumer public, as well as business, have been generating an investment boom. The Union Government has been into massive capital-formation in highways, ports, airports, railways, defense and ordnance industries, Ayushman (universal) health care, power generation, rural electrification, river cleaning, toilets for the masses, farmer debt reduction, and others. In much of these endeavors there is Public and Private sector Partnership (PPP). A 10 or 12 percent rate of GDP growth is feasible to provide the escape velocity from the gradualist rates of the past. Forgoing this opportunity for rapid progress means forfeiting it for good because such are the current favorable settings, the animal spirits in particular.

High rates of growth together with measures and blueprints for distributive justice such as financial inclusion, doubling farm incomes by 2022, almost universal health care and education for the poor, village electrification, and such others are already in the works.

Driving rapid growth is a transparent, corruption-free and time-bound administration at the national level together with a people’s fervor for clean rapid growth. However, in many state and local governments ruled generally by parties and people that believe corruption is obligatory, one has to encounter in-your-face endemic public sector corruption, institutionalized as a social or economic construct! They have continued to indulge in “business as usual,” dragging the country in 2017 down to the 81<sup>st</sup> position among 180 countries in the Corruption Perception Index as against the 18<sup>th</sup> position for the USA and the 4<sup>th</sup> for Denmark.<sup>1,2</sup> Despite this scourge, India can emerge as a significant economic performer in its own right.

The rationale of this paper is to visualize a situation of the clichéd “slip between the cup and the lip” predicament if Indian politics does not get on the high road of ethical politics. Political cohesion would push the envelope to boost growth rates to at least ten percent. However, political blockades and carnivals, not to speak of global protectionist trends, new tariffs, and unilateralism, will make Indian economy dysfunctional.

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India would then miss the growth boat, landing back on square one, like in an economic snakes-and-ladders game, except lot more tragically for millions of nationals who would then be susceptible for extremist thoughts.

### Major Power Status

Public figures and career politicians must point out incorrect policies or implementation, but should not blur the line between fact and fiction, and misinform the voting public on such falsehood. The tactic of *suppressio veri, suggestio falsi* is fraudulent. It boggles thinking folks anywhere why corruption-free administration is so problematic in India. Why is India as a nation so ethically challenged when it comes to sleaze? Is it so melded into the national character that no public leader especially at the state and local government level is willing to take a pledge to stay absolutely clean and transparent? Why is corrupt behavior so routine and tolerated? Apathy on the part of the voting public and their disarray even in trivial or vital issues like garbage disposal is fully taken advantage by corrupt politicians who even collude with mafia in short-shrifting tax-payers. Unrelenting obstruction, politicians sincerely believe, will win them back power.

This is catastrophic for growth as well as for democracy. Any slide back to previous years in political economy is guaranteed to slacken growth to almost old stagnancy. For the sake of making India prosperous will people wise up to express revulsion against dishonesty and frustrate the political dangerous guys? Fear of harm is a political constraint to larger citizen participation<sup>3</sup>. But participate they must, because there are economic consequences of immorality of politicians making public choices.<sup>4</sup>

In relative terms Indian economy has a long way to go to catch up with advanced countries. However, the macro picture is heartening: According to estimates by the International Monetary Fund (IMF) in terms of *nominal* GDP in 2018, the top ten countries are: USA, China, Japan, Germany, United Kingdom, France, India (6<sup>th</sup>), Italy, Brazil and Canada. Bloomberg Economics<sup>5</sup> estimates that during 2019 India will have the highest economic growth rate around 8 percent as against China's decent 6.5 percent despite China's trade war with the US. There are uncertainties about Britain's Brexit, economic austerity in most of Europe, provoking Italy and other countries to pull out

of the Common Market, undue concerns about inflation and interest rate hikes in some advanced countries. India has a promising opening to come center stage if only the opposition sticks to being a critic pointing out policy mistakes, rather than a roadblock.

### GDP and Growth for Growth Sake

While in nominal terms India's GDP may rank fifth or sixth, in purchasing power parity (PPP) terms, the top ten countries are: China, United States, India (yes, 3<sup>rd</sup>!), Japan, Germany, Indonesia, Russia, Brazil, UK and France. Unfortunately about 24 percent of Indian population or about 276 million, according to World Bank, is below the poverty level, living on \$1.25 or less per day. If the rate of growth is sustained at about 10 percent which is technically feasible if all people and economic sectors team up, India's current GDP of about \$2.5 Trillion will double to \$5 T by 2026. This is as per the simple rule of 72 for figuring how many years it would take to double a given parameter or factor such as GDP, population or a bank fixed deposit. Compound interest computation holds good for Rule of 72 estimates too: Number of years to double =  $72 \div R$ , where R is the rate of growth per annum.

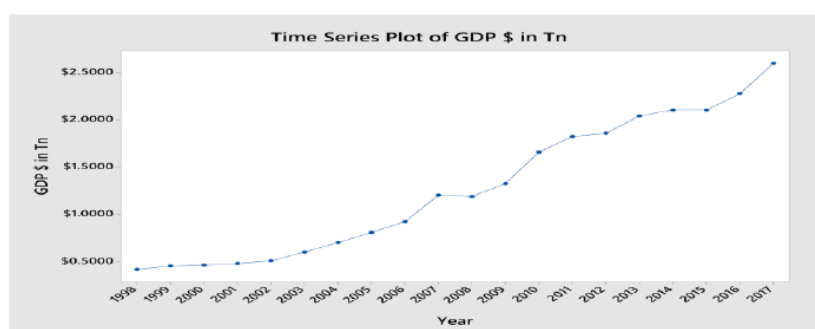
So if India's GDP is growing at an average of 8 percent per annum, it will take  $72 \div 8 = 9$  years for the GDP to double. If all key factors get us to a 12 percent rate of growth, India's GDP will double to \$5 T in six years, that is by 2025 and double again to \$10 T by 2031, and to \$20 T by 2037, approaching America's GDP in 2018. Fig.3 captures this high-velocity economic progress for take-off to a self-sustaining growth. Of course, these are wild long term approximations given the complexity of even short term GDP forecasts. In the real world not much conforms to such linearity.

If China could achieve a 12% rate of growth and even a 15 % in some years during 2005 – 2010, India too could do it with more success albeit the messy democratic system. In justification, there is the example of rapid road building in a tearing hurry. The Union Transport Minister Nitin Gadkari gushes: "...before 2014 we were building 2 km per day; today it is 28 km per day and soon it will be 40 km per day."<sup>6</sup> Brisk advances are happening in other economic sectors too. Government commitment is a big advantage. If this rare surge is repeated in other areas for about a decade, India could pull ahead of other nations and rank once again as a world economic power like in the precolonial times.

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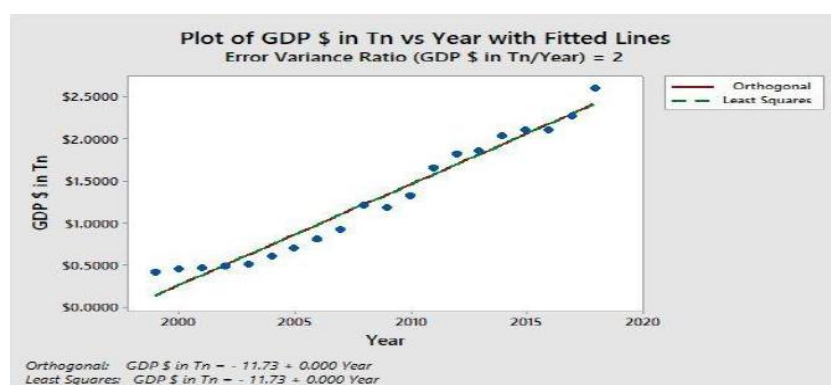
Fig. 1 below is a time series plot of GDP in Trillions of dollars based on World Bank data. Fig. 2 presents the same data with fitted orthogonal and least squares trend lines. However the thrum of developmental forces at

work do not let a realistic projection of the trend lines when GDP is doubling every six or seven years as per the Rule of 72. Fig. 3 is a plot of Rule of 72 Estimates of GDP 2018-2036.



**Figure 1.** Time Series Plot of GDP 1998-2017

**Source:** Author's chart based on data adapted from World Bank website.



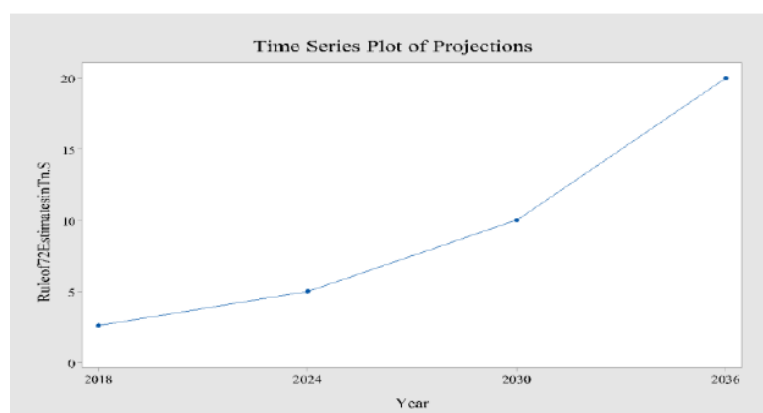
**Figure 2.** Author's Plot of GDP in Trillion dollars based on World Bank data

The stat analysis for the graph in Fig.2 above is presented in Table 1 below.

**Table 1.** Orthogonal Regression Analysis:  $GDP \$ in Tn = -11.73 + 0.000 year$

Predictor	Coef	SE Coef	Z	P	Approx. 95% CI
Constant	-11.73088	0.590159	-19.8775	0.00 0	(-12.8876, -10.5742)
Year	0.00033	0.000015	22.0699	0.00 0	(0.0003, 0.0004)

**Source:** Author's computation from World Bank data for 1998-2017



**Figure 3.** GDP Doubling thrice during 2018-36 as per Rule of 72 Projections in Tn. \$

Projections of this kind are useless if political antagonists are determined to disrupt progress by any means. Wrangling for power, obstruction

of progressive economic policies such as the introduction of GST will give a subdued default rate of growth, which again would be uncertain

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if there is angst about oil prices, world trade problems, inflation, increases in population growth rate without improvements in educational standards and technical education. In a disruptive scenario, the growth trends derived for India's GDP during 2018-2036 would be more pausing and discontinuous than in Fig. 3. Only adversaries would wish that to transpire.

### SUSTAINABLE MODEL OF DEVELOPMENT

On a side note, growth for growth sake is the cancer cells' way of life. Growth could have a nobler purpose. Economic growth is meaningless unless the common man is adequate with regard to not just the basics of life, but also health care and education. The basics have not been procured for them wretchedly enough for the past 6-7 decades. And the truth is, India is losing out on even uncontaminated air and dirt-free drinking water for all. A state of affairs like this hardly offers options other than earmarking as much resources as needed for basics including clean air, unpolluted drinking water, hygienic toilets and quality education. India needs discussion about the pattern or model of economic development India should opt for, whether it should be as materialistic as in the West or China, or it should blaze a new trail in terms of Gross National Happiness or Wellness, not very unlike Bhutan's.<sup>7</sup> Critical to this discussion is the fact that India does not entertain geopolitical or economic or cultural hegemony, other than forceful defense of its borders against inane bellicose neighbors who have more to gain collaborating than by warring. India has no designs for a Belt and Road Initiative because it is redundant for the country's goals. Unpretentiousness saves India trillions of dollars yielding a higher marginal return internally. It is not a question of moral vs. materialistic development, but one of looking into the costs thereof, trading off one for the other.

### GROSS NATIONAL HAPPINESS!

New thinking in development economics is what is called for, fully accounting for wellbeing of current and future generations and sustainable development as economist Partha Dasgupta envisions.<sup>8</sup> Also needed is a critical look at what are needed and how much, without warming the globe too much. If the consensus is that after ensuring the basics of a wholesome life, which is anyway a long way off, India's growth should be less materialistic, more

services oriented, more environmentally-friendly, shifting from fossil fuels to renewable and so forth, that would once again be a game changer not just for India but all others coming from behind. There is the classic trade-off between present consumption and greater future well-being for the coming generations, one being set off against the other. Is it moral, (Endnote 3) for this generation to burden the future generations with adverse aspects of global warming and drive them out to colonize Mars?

Repeatedly it is mentioned that there is only one earth and it cannot support conspicuous consumption. It cannot sustain advanced country living standards for all peoples in developing and poor countries because of space and resource constraints<sup>9</sup>. Technology may avert Malthusian famines and tragedy including global warming, and help solve persistent issues through innovations over the long haul. Densely populated countries cannot however resort to escapism. Like Keynes said, in the long run we are all dead. In the meantime rationally, there may be serious struggles for air, water, energy, education services, food, health services, living space and other basics. Quality of life is already way down in many developed and developing countries including India and China, dragging down life expectancy. America and other countries have the problem of plenty, waste and endemic ennui in life leading to pointlessness, mindless gun proliferation and violence, opioid over-dosing, and other forms of staggered or instant suicide which too have been dragging American life expectancy down. So what is the midpoint between scarcities and gluts? How do you avoid overindulgence? Hegemonic America, China, Russia and such others are driven by their Military-Industrial Complex that keeps boosting their military budget which, following Say's Law, supply creating its own demand, does trigger wars.<sup>10</sup> India has been different, formidably defending the nation from Marxist fundamentalists on one side and religious fanatics on the other, and yet, keeping a tab on defense expenditures.

Beating swords into plowshares would free enormous resources for mankind's progress. Fig.4 offers SIPRI estimates of global military expenditure.<sup>11</sup> In 2017 alone it was \$1.7 Tn. A 20 percent cut in defense budgets would generate savings of \$340 billion, enough to eradicate global hunger (\$30 billion) and provide free education (\$300 Billion).



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Two other confounding factors are rates of inflation and population growth which detract from growth rates. During 2008-14 World GDP grew by 4.78 percent, but because of a population growth rate of 1.91 percent, per capita GDP grew only by 2.87 (4.78 – 1.91)

percent. GDP deflators adjust GDP downwards according to inflation rates. It is crucial to monitor both and keep them below some normal benchmark. The Reserve Bank of India would then be prepared to act if because of market failure inflation does not contain itself.

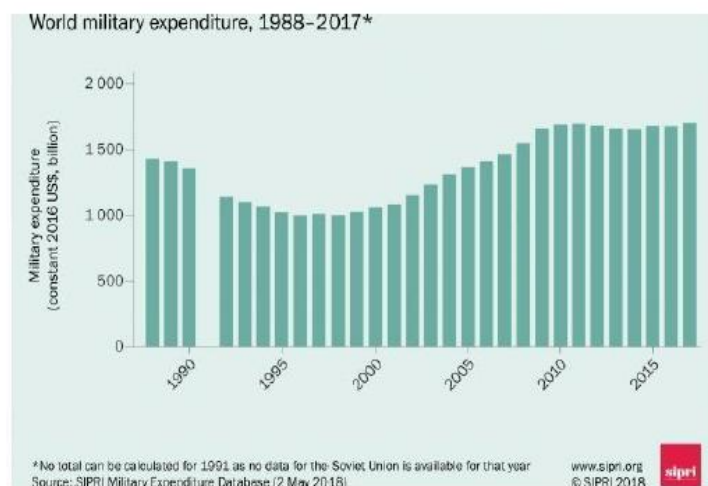


Figure 4. SIPRI Estimates of Global Military Expenditure

Source: Stockholm International Peace Research Institute

### External Threats to Growth

Forecasts are guarded because of internal and external threats which could be both economic and political. An immediate external threat is the continued reliance on world oil for as much as 80 percent energy needs. Increases in crude prices instantly impacts prices of almost all items with a cascading inflationary effect thanks to oil's heavy forward linkages with the rest of the economy. Another factor that could jeopardize Indian growth is the current global trade turbulence America has let loose in the hope of wangling better trade terms from China, Europe and other trade partners. If this gets serious it could fragment the world trading system as it has emerged over the past 23 years when the World Trade Organization (WTO) was set up. Brexit confusion, tariff wars, regional recessions, battles and wars in key-resource countries supplying oil, lithium, vanadium, cobalt and nickel, uranium and strategic materials, threaten to weaken economic growth in the top 20 countries. Trade sanctions against China, Iran, Russia and others could erect barriers to free trade for others. Brexit-caused sag in the British economy is already felt. China's retail sales growth is said to be hitting a 15-year low, persuading the Chinese government to stimulate spending by consumers so that manufacturers don't have to curtail output decreasing China's GDP<sup>12</sup>. China as a developing country took full advantage of

the free trade policy of America and other countries without feeling a sense of reciprocation for the ecosystem because of which it has enjoyed enormous economic expansion becoming the second largest economy in the world. American capitalist system is also not always judicious and does not have in mind long-term strategic interests of America. It has thus given away advanced technical know-how to a country that has emerged as its hard-nosed contender for world hegemony. China's Belt and Road Initiative (BRI), costing some \$8 trillion dollars, has trapped participating countries in unacceptable business terms, helped China colonize, borrowers often sacrificing sovereignty. One such is the 50-100-year lease of strategic cities and ports to Chinese organizations in Pakistan and Sri Lanka. Another example is one of helping Pakistan make military fighters and building roads in occupied or disputed areas such as Aksai Chin.<sup>13</sup> China's hydro-electric project in Ecuador, as a looming disaster, is a case study of how not to receive aid from China<sup>14</sup>. The intent of BRI is to make China "fully developed, rich, and powerful." Sri Lanka or Ecuador need to ask: at whose cost and at what cost?

Also China has a circuit-breaker mechanism for the exchange value of its currency Renminbi, not letting it sway to market forces. Nor has China opened out its market to America or other

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countries, leave alone India. As a result the Trump Administration is baring its teeth and preparing for rough trade times. One of the consequences is a high tariff wall against all imports from China, the latter retaliating. Free trade may be given up. With no country wanting to play by the rules of fair trade, it would be very hard for India to get much foreign business done except bilaterally. In a tangential way one could count some blessings that India did not adopt Chinese style excess dependence on the world goods markets for economic expansion. Instead, it focused on its services and software. India may be less dependent of world markets, but currently it too needs to promote exports, and the rough and tumble of world markets could impact exports negatively.

### INTERNAL THREATS TO GROWTH: TAX FAKE NEWS!

An offshoot of unfriendly relations with China and Pakistan is the internal threat of false propaganda. The two neighbors conspire and collude to cause belligerent situations compelling disengagement from focusing on nation-building. Counterfeit rupees too are used for nefarious activity, one of the reasons for rupee demonetization on the double.

The two are also into spreading misinformation causing division in gullible populations on the basis of religion, river-water sharing, conspiracy theory of raw-deal to farmers and other local and national issues. Vulnerable sections of people could then feel cheated by the ruling government and vote against it in elections like it allegedly happened in the USA, some European countries and S. America. It could have happened in recent elections in MP, Rajasthan and Chhattisgarh elections too.

Misinformation by itself would not have been a serious issue if most people did not get so preoccupied as to outsource their rational thinking to media, and not verify the veracity of media-supplied information and data.<sup>15</sup>

It is time to introduce a tax on misinformation, fake news or falsehood considering that such deliberate misrepresentation for purposes of causing disaffection has external costs to society. In February 2016 the Government hiked taxes on petrol and diesel vehicles to curb air pollution. The same logic holds good for reducing information pollution. Deliberate falsification of news is a felony indulged by politicians to create distrust and disaffection against good governance. This needs to be

curbed too. A deterrent high tax on sham or phony news could be an antidote to fake news.

There are other tangible internal threats to growing fast. Political rivalry is playing out on an increasingly negative role in the adoption of even bipartisan sound policies. One egregious example is the Goods and Services Tax (GST) which could have been introduced at least a couple a decades ago after the Vajpayee Government initiated it. This was not possible due to preoccupation with political grandstanding. Today, more than a year after adoption, GST is proving itself a blessing for speeding up domestic transactions, reducing transaction costs, integrating the nation politically, dramatically enlarging the indirect tax base, reducing the opportunity cost for evasion, bribes and other bads. GST has efficaciously substituted the clutter of different types of levies such as excise duties, value-added tax, sales tax, octroi and fiscal hotchpotch of some 29 states and the Central Government into a robust streamlined levy that is almost evasion-proof. Evasion has been shown to increase production cost, making the product uncompetitively more expensive. More critical is the creation of a single market that is not circumscribed by borders of states. This is so transformative for the economy that one feels it was outrageous of political parties to have obstructed its launch much earlier. Revenues from high compliance have been robust, enabling repeat reductions in GST rates. There is now a move to cut the maximum rate from 28 to 18 %.

Under the much-hailed economic reforms of 1992 Indian economy began punting faster at around 6 per cent and it was a big swing away from the so called Hindu rates of growth of a measly 1.5 or 2 percent. After reckoning with a relatively high population growth rate, the increase in economic growth rate was at times stagnant if not negative. Population growth rate is declining from around 2 percent in the Nineties to around 1.2 percent currently. The population replacement level of women's fertility of 2.1 percent will soon be reached by 2022. This means fortunately the fertility rate will stabilize at a point where the population will neither increase nor decrease, birth rates matching mortality rates.

According to UN projections, the share of working age population in total population is expected to peak in China in 2015 and India in 2035. India is therefore potentially better poised

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to enjoy a demographic dividend. Such an advantage will slip through fingers if India does not train the younger generations with second-to-none technical education.

### GST Revenue Buttresses Investment Growth

As if to buttress massive public sector investment, Government revenues too have been exploding with the launch of Goods and Services Tax in July 2017. It is being accepted increasingly as a good and simple tax (GST) although it is more manufacturing-based and less services-related albeit the 60% share of Services (Tertiary) sector's share in the economy. It has been a revolutionary change in Indian economics widening the tax base enormously, squeezing down the informal sector including road-side vendors. The informal sector is also the home of much of tax evasion, and more the pity, also of huge employment. Cash is king in this world and it was somewhat beyond the pale of most laws. Demonetization (Dn hereafter) of the rupee and the Goods and Services Act have been bringing about transformational changes in the economy converting a vast area of the informal sector into a prim-and-proper business area where it is difficult to be a double-dealer with both genuine and *benami* transactions. It is a swan song for shell companies and money-laundering firms. In the wake of enforcement of measures, there is little urge to go back to old ways.

The vast majority of items attract low GST rates. The number of items attracting higher rates such as 28 percent has been slashed to just 35 items. After saying milk and Mercedes should not be taxed at the same rate, the Government has made fortified milk tax free. Besides the zero rate, there are four more rates: 5, 12, 18 and 28 percent. There are some exceptional rates such as on rough diamonds at 0.25 % and 3 % on gems and jewelry. The rate is much higher on sin goods like tobacco and *gutka*, as well as on super luxury items like personal jets. And petroleum products like petrol and diesel are not brought under GST to enable States continue to earn large revenue for themselves. If brought under GST even at the highest tax slab of 28% the price of petrol will come down by Rs.31/liter. Fears of aggravation of global warming have lead leading economists to argue that gas prices should be high enough to discourage bingeing.

A significant and outstanding feature of governance today is the increasing digitization of most government transactions, making them

transparent and less vulnerable to corrupt practices. Helping to achieve swift growth is the drastic decrease in bureaucratic red tape. Under the World Bank's Ease of Doing Business classification, India's rank went up 30 notches in October 2017, ranking it among the top 100. This was attributed to impressive administrative reforms after 2014. The Government is keen about minimum government and maximum governance. For this purpose it has made good use of biometrics such as Aadhar and has done away with procedures that needlessly hassle consumers or businesses.

### New Employment and Farm Support

Making use of Provident Fund enrollment data it has been shown that 4.1 million jobs were created just in the eight-month period between September 2017 and April 2018. All of last year 7 million jobs were created in the formal sector. Considering that the informal sector accounts for 80 percent of all jobs created, the private sector must have created 28-29 million jobs. This adds up to a total of 36 million jobs over the year. The phenomenal rates of job creation is further illustrated by the fact that after GST came into effect, in just one year over 4 million businesses were registered compared to all of 6.6 million between 1947 till 2017! Nothing could be more dramatic. The Government is also planning to double farmers' incomes by 2022. It plans to achieve this goal by training in scientific farming, reducing input costs for items such as urea, ensuring reasonable prices for produce with minimum support prices (MSP) at 1.5 times the cost, minimizing harvest losses, crop insurance, and by means of adding value at every level from the seed to the bazaar stage. The Government is also making available critical price, production and market information to farmers via e-NAM or electronic National Agricultural Market.

### STUNNING BEHAVIORAL TRANSFORMATION!

Note bandi became a complex and thorny issue and needlessly so. Political predilections of the contending sides concentrated on either just the relatively transient depredations of Dn or on the salutary effects of Dn such as the transformational change in financial behavior of hundreds of millions of people. Many antagonists, mainly rentiers with large hordes of tax-evaded money naturally had heavy-duty vested interest in *status quo ante*. They took full advantage of a vibrant democracy with a spirited social media including TV and Press to vehemently oppose the far-reaching changes.

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What could possibly take decades for cognitive, social, cultural changes to occur have occurred in a fraction of that time. This significant behavioral rehab has been disregarded by critics. Such predilections, by their very nature preclude objectivity and could be a stumbling block to the cause of rapid economic growth.

Economic growth is predicated by the integrity of political institutions and a modicum of fairness in inter-party and even intra-party conflicts.<sup>16</sup> Politics should not be determining what economic policies the country should have, and on the other hand it should be the merits of policy or economic measure such as Dn *per se* that should influence decision-making.

Opposing groups even within the same political party have been involved in undermining policies, however excellent or desirable, rather than coming up with constructive criticism and helping the overall goal of rapid inclusive growth. This is all the more a good reason independent and objective “double-handed” economists undertake studies looking into the merits of policy. What cannot be belittled is the criticality of impartiality in political or economic discourse, routing for the whole truth or information, rather than bits of it. Full disclosure of interests in any discussion will help understand the root cause of opposition to otherwise good policies.

There are numerous aspects to Dn besides the indescribable suffering of individuals, the bankruptcy of several cash-based businesses in the informal sector, the concomitant joblessness due to business closures and the overall momentary decline in business and loss in industrial production and jobs.

There is a good deal more to this historic event in India’s monetary history than just this collateral hurts. There is evidence from the National Sample Survey data that the poor were not hurt by Dn as made out by the antagonists and Dn move is one of revolutionary measures in India’s monetary history.<sup>17</sup>

A balanced account of all aspects of Dn for the greater good was done by this author. In it all relevant issues were scrutinized. The study concluded that because of a) people’s far-reaching financial behavioral changes, b) decrease in opportunities for hiding money c) the economic pressure to go for cyber-cash payment/receipt modalities, d) the ongoing economic overhauling and streamlining,

reduction in bureaucracy and so forth, Dn has been a sound success for India.<sup>18</sup> There is also less dependence on cash for transactions. The only disruptor here is the tempestuous pre-election frenzy when money materializes plentifully to bribe the voting public with blandishments.

### Swift Transformation in Financial Behavior

In an area that marks the nexus between collective national financial behavior and capitalistic corporate finance, two outstanding events have occurred in recent years bringing home the proposition that where economic policies, however far-reaching, have the patronage of the populace, one can count on the success of such policies.

The current democratically elected central Government as well as those in about 20 states of India and in 7 union territories administered by the Union Government have had significant success with GST and DN. The same party got re-elected with thumping majorities in some states like Haryana and Uttar Pradesh although more recently there have been reverses in states like Madhya Pradesh, Rajasthan and Chhattisgarh for unclear reasons.

In India too, like elsewhere, there are colossal vested interests of a large rentier class with a mindset that does not let national interest stay uppermost. Indian politics harms the honest player by its ruthless law of the jungle, allowing only the toughest and the most Machiavellian to survive.

Tammany Hall politics by comparison would look clean. And more pertinently, the economy and the people suffer the most due to unscrupulous politics that places the party and individuals above the greater good of the nation. It is the contentious rentier class that compels leftists and Marxists to infer that “wealth and power in India can generally be traced to crime, exploitation and corruption.” Cleaner and more enlightened political leadership and democracy are definitely possible and may soon be achieved if that is a shared goal.

The Gini coefficient for India is 35.1 as per World Bank data, and for China it is 46.5, meaning more inequality in China, a country that swears by Mao and Marx! It could be that the rich are getting richer faster than workers are able to augment their incomes in small increments. The richest one percent of the world’s population owns more wealth than the rest of the 99 percent of the world combined.



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Most persons are getting rich through political power and privilege. \$7.6 trillion is hidden away by them in safe tax havens beyond the purview of tax authorities of any country.<sup>19</sup> India too has a sizable share in this.

When countries are galvanized by populism and a nationalistic fervor, under reasonably good uncorrupt leadership, countrymen are willing to sacrifice comforts at least temporarily. They are willing to stick together for the greater good. In the midst of all the political cacophony and turmoil, measures such as the GST and rupee demonetization received extensive patronage of *vox populi*. Regrettably, visionary measures are not appreciated by all, some of them unwilling to give up *status quo ante* completely with blandishments, and bribes.

No other event or combination of measures such as the trio: GST, Dn and Insolvency and Bankruptcy Code (IBC) 2016 had as much far reaching impact on the free enterprise capitalist system. Just to illustrate, on account of the overhauled IBC, ownership of Bhushan Steel had to change from the promoters to Tata Steel, and a similar change of ownership of Essar Steel to Arcelor Mittal may soon happen. But for the IBC, the cases would have dragged on indefinitely without a closure about ownership which in turn would have wasted productive assets at investors' cost. The trio of measures have most noticeably changed collective financial behavior of well-off communities. The number of persons filing income tax forms has doubled in about 18 months. The number of firms registered under the GST has jumped incredibly boosting the tax revenue of the Government. The transformation in financial behavior has come about right away, one of the outstanding accomplishments in post-independence period. It is astonishing that a revolution of this kind is not even recognized widely, leave alone appreciated, whenever the good and bad outcomes of these events are discussed. The default or instinctive cognitive response to either Dn or GST was not one of resistance, but one of compliance. This decision choice was despite the visceral urge to resist and the opposition's incitement to protest even during the 50-day gestation.

### Nationalism Props Up Dn and GST: Nicomachean Ethics

The Aristotelian dictum that it is the mark of an educated mind to be able to entertain a thought without accepting it is pertinent to the current discussion of Dn. Such a mind can

entertain opposite viewpoints and come up with a wise *Tertium Quid*, or in this case, the greater good. After all, this is the substance of Nicomachean Ethics aimed at the good of the entire community<sup>20</sup>. Pareto optimality or efficiency referred more to resource allocation than to economic measures such as Dn. Pareto efficiency criterion such as no one can be made better off without making someone worse off, is not very germane to Cases such as Dn.<sup>21</sup> On the contrary what is apposite is that there has to be a balancing point between selfishness and altruism. Relevant also is the fact that the economy is still inside the production possibility frontier (PPF) or in the pre-optimality stage of development or growth, a stage when all persons can be made better off by measures such as Dn and GST without making anyone worse off. Model-based simulation studies such as by Vanrolleghem *et al* propose are beyond the scope of this study.<sup>22</sup>

Dn is a singularity that caused transient discontinuities in economic growth. It influenced Indian financial psyche perceptibly with a salutary enticement. The coaxing was by way of carrots for compliance and stick for non-compliance as per the laws of the land. The consequent better compliance with tax laws in particular the GST can only be regarded as a transformational change that is very tough to achieve in a litigious noisy democracy. The perception that this was partly due to the rising nationalistic mood in India is plausible. There is a craving for fast and clean economic and social progress without needless politicization of even the soundest of pragmatic ideas. Influenced by past history, there is now more than a modicum of national unity clamoring for achieving India's potential. Ambience of this kind whether in India or elsewhere, ubiquitous all over China, Europe including Russia, USA and elsewhere, has contributed to the success of numerous initiatives in those nations taken by even maverick leaders offering the alluring prospect of economic prosperity in one generation.<sup>23</sup>

### Sum-Up: The Belated Discovery of Inner Tiger

The wellbeing of the nation becomes an overriding thought and most people without vested interests accept that. In India too this fact, together with a modicum of nationalism, explains the vast revulsion for 'business as usual' and the energetic backing for measures such as Dn, GST, Swachh Bharat, promotion of indigenous medicine including yoga. A majority of people do not accept corruption as a way of

life even after suffering it for decades, and are desperate for cleaner public life despite some political parties wanting to continue with status quo ante. The Government has been constantly tapping into this wellspring of antipathy for 'business as usual' and the support for progressive good causes. There is scientific confirmation that pursuit of selfish interests will not help beyond a limited extent. Ayn Randian pursuit of self-interest without being guided by broad social and national interests will jeopardize all interests just as most non-cooperative outcomes do in a game theoretic environment.<sup>24</sup> The animal spirits economic story of the country needs to be sustained if its enormous potential is to be achieved. The exuberance that was mentioned at the outset is amply validated by the perceptible transformation of the Indian economy. Although a great deal more needs to be done for promoting distributive justice, prosperity is getting shared through productive jobs for the millions and an all-inclusive economy is emerging. This journey should continue if tempestuous times have to be avoided.

The current administration should be empowered to help India emerge as a booming economic power. Citizen engagement and transparency bring about quality leaders.<sup>25</sup> Tardily people are rediscovering that India has just become, too late, an economic tiger! Hopefully, under the influence of Chanukyan community wisdom people and politicians would let the tiger keep leaping to attain pre-colonial eminence.

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## Will India Seize The opportunity for Rapid Growth?

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