

# THERE'S A GANDHIAN THIRD WAY FOR AN INCLUSIVE ECONOMY

Relevant for: Indian Economy | Topic: Issues Related to Poverty, Inclusion, Employment & Sustainable Development

The growth models followed by India since independence haven't really delivered what they were expected to, and we have seen disparities worsen despite rapid GDP growth

India's gross domestic product (GDP) growth has slumped, consumption has reduced for the first time in 40 years, and the economy seems adrift, though the government is trying to assure investors and citizens that this will soon pass. The credibility of its assurances is very low when it asks them not to trust data on growth, consumption and employment produced by national agencies. Who would have faith in a pilot who tells passengers not to worry when there is a storm raging and all his navigational instruments seem to have failed?

The statist model for the economy followed for the first 40 years after independence did not deliver the desired results. The opening of markets and the government's muddled retreat from the economy over the next 30 years did not deliver either. India now needs a new vision to spur inclusive and environmentally sustainable growth.

That all was not well was known even in the heady days of the "India Shining" campaign at the turn of the millennium, though headline GDP growth numbers did not reveal this. One had to listen to diverse people and search for facts on the ground. A large and inclusive process of scenario-building in 2000 examined India's economy holistically. Since the process was systemic and broad, it could not have numbers for all the facts. Nevertheless, many realities were included in that review model—even if unquantifiable—to make it complete. The question that hundreds of diverse citizens explored together was: Is there a third, and better, way for India's growth?

The model predicted three scenarios for India's progress, each predicated on a different model of economic governance. Likely growth rates and patterns of inclusion within each model were outlined. Each scenario was nutshellled in a picture—because a picture can speak a thousand words. A similar broad-based scenario exercise was conducted again in 2013, alongside preparations of India's 12th Five Year Plan. By then, though India had enjoyed many years of high GDP growth, concerns about inclusion and environmental sustainability had grown. This time, the National Council of Applied Economic Research (NCAER) assisted the then Planning Commission to put some numbers to the three scenarios.

The two sets of scenarios, in 2000 and 2013, though produced by different groups of people 13 years apart, were uncannily similar, as perhaps one would expect from an analysis of deeper structures of the economy, rather than assessments from streams of numbers.

The pictures revealed the structure of the economy. One scenario showed a peacock strutting in the centre with little birds scrambling for grain around it. Markets are opened by governments in the hope that all citizens would benefit from the opportunities that are made available. However, the first to benefit from these opportunities would be those who already have some assets. Thus, they grow richer and more powerful, widening the gap between the rich and the poor. Not surprisingly, inequalities have increased in all countries since the 1990s.

The second scenario had a fall-back on over-control by the government. This is usually a

temptation when a third way is not visible. The picture of this scenario showed buffaloes wallowing in a pond while children wait outside. The buffaloes are the big leaders and experts on top, devising policies for the people. The children are waiting for improvements in their education, nutrition and healthcare. This picture is also a commentary on solutions by macroeconomists for people whose lives they do not really understand. In fact, this is the picture that Abhijit Banerjee and Esther Duflo describe in their commentary on economics in *Good Economics For Hard Times: Better Answers To Our Biggest Problems*.

This is the story of India's economy. The country's human development indicators lag those of poorer countries. Millions of youth are unable to find opportunities to earn enough. Their frustration is spilling into violence.

The third scenario shows millions of little fireflies. As they rise together, they transform darkness into light. This is a picture of bottom-up growth and mass entrepreneurship. Some are business entrepreneurs, others work on social issues. Together, they power up a movement for all-round change. Interestingly, this was the vision of Mahatma Gandhi's "constructive programme". In 1945, he wrote: "The constructive programme is designed to build the nation bottom-up". This approach "means the decentralization of the production and distribution of the necessities of life". "Constructive work" will improve livelihoods and incomes at the bottom, Gandhi explained.

When the NCAER projected growth rates for the three scenarios, it found, not surprisingly, that the pace of inclusion was much faster under the "fireflies" scenario than the "peacocks" or "buffaloes" scenarios. Overall GDP growth was also 2-3% higher.

India's political configurations should not find it difficult to agree on a bottom-up vision for our economy. The Rashtriya Swayamsevak Sangh emphasises swadeshi. The Left parties want more growth at the bottom. The Congress under Nehru had detoured towards the large state and "commanding heights" model. However, it too can lay claim to Gandhi's vision of bottom-up growth, which is what India needs.

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