1. Introduction

On 15 August 2014, we started working on this book which deals with India’s past and future since independence. What could be a more auspicious day than India’s Independence Day, 15 August 1947, to examine what India has achieved, and contemplate its future in the remaining 30 years of its life in the first hundred years as an independent country.

The motivation for writing this book emerged from two sources. In 2013, a number of books were published that looked into India’s past and made recommendations for its future direction. We found three books very interesting. In the first, Why Growth Matters, Bhagwati and Panagariya¹ advance a capitalistic course for India: adopt liberal state policies and encourage free markets, with the government concentrating on strengthening the environment to boost India’s global competitiveness such as building infrastructure, enhancing education at all levels, enforcing the rule of law and weeding out corruption.

The second book, An Uncertain Glory: India and Its Contradictions, authored by Dreze and Sen² forcefully makes the case for the underdog. They feel that government policies have failed to address social and economic deprivations and inequalities in the country. For example, half of Indian households lack indoor toilets, nearly 40 percent of the country’s adults are illiterate, immunization rates are among the lowest in the world and 43 percent of its children are underweight. The benefits of growth have flowed to the top 20 percent of the population, while the profoundly poor, who represent 60 to 80 percent of the population, depending on where the line is drawn, have been left behind.

Bhagwati and Panagariya strongly argue that as the country’s overall growth booms, economic opportunities will emerge at all levels which would pull people at the lowest strata out of poverty, simultaneously reducing societal inequalities. Dreze and Sen mainly focus on redistribution of resources with full consideration of poor people in society – not economic growth to increase overall wealth.
About the time these two books were published, McKinsey & Company sponsored a book on India, *Reimagining India*, including commentaries from well-known personalities with deep knowledge and interest in India. Each commentary focuses on a specific idea which might help India achieve growth and prosperity.

The basic purpose of this book is similar to the above three books: how the vast potential of India can be unlocked. But we approach the question differently. Firstly, India has not done as badly as some scholars like to point out either in terms of economic growth or taking care of its poor and deprived, given where it started. People born in the mid-1970s or later, about 25 years after India gained independence, are quick to take India’s leadership to task for not following appropriate policies that would have put India on a growth path a long time ago.

Unfortunately, this generation has little idea of the problems that India faced as it became independent. Secondly, India needs innovative political initiatives to maintain a democratic government and provide top leadership at the helm to inculcate the culture of pursuing an active agenda of economic growth. Third, we argue for monitored policies to encourage entrepreneurship at all levels: small businesses to mid-size companies to multinational corporations, either Indian or foreign.

Historically, colonial rule had badly harmed the Indian economy. In 1947, at the time of independence, the country was burdened with an unproductive agricultural sector, inefficient industrial base, low levels of literacy and limited health care infrastructure. Thus, the country was saddled with economic and social problems on all fronts. It did make gains in some areas (for example, in setting up heavy industries), but failed in many others, particularly in reducing mass poverty. All this resulted in the lopsided development of the country. One major reason for this failure has been the neglect of investment in education and health care.

The 1991 economic reforms led to a new era of economic growth which inspired fresh hopes that the country was on its way to finally eradicating poverty and joining the ranks of its East and Southeast Asian neighbors. Impressive signs of consumer capitalism emerged in urban and, to a limited extent, rural areas. With the availability of cheap credit, now the middle class could afford global brands. Indian companies became hopeful of continuing business-friendly government policies inspiring them to make new investments to compete in
the domestic and international markets. A number of Indian corporations acquired companies overseas.

Unfortunately, one important missing ingredient in the growth generated by the 1991 economic liberalization was the overemphasis on the service sector and the neglect of manufacturing. The growth was spearheaded by areas such as information technology, telecommunications, banking, real estate and so on, which contributed almost 50 percent to the gross domestic product (GDP). This was totally different from the growth powered by the manufacturing sector in East Asian economies. Further, agriculture, which employed the majority of India’s population, remained stagnant with extremely low productivity. This meant that a small group of well-educated workers enjoyed higher incomes and comfortable living standards while those trapped in agriculture and the unorganized sector, which employed about 75 percent of India’s labor force, saw a limited rise in wages and thus insignificant change in their living. A significant side effect of growth through services is that it does not create jobs on a massive scale. In a country with an overwhelming youth population that adds more than 10 million to the workforce annually and where the current economic perspective forces many millions more to urban areas from the weak agricultural sector, the emphasis on services does not go far enough.

As we focus on the future, no matter how one approaches India’s economic direction, the country needs to grow. People in all strata will prosper as the growth takes shape. Some will gain more than others; some will achieve economic prosperity faster than others. But growth will lead to a better future for all Indians. Further, the growth has to be targeted in two areas: manufacturing and agriculture. Manufacturing will absorb young people as they join the workforce. Overhauling agriculture will lead to productivity gains and moving people out from the fields in which they do not belong. As growth continues, there will be a trickle-down effect where people at the lowest level will see gains. If there are still sections in society deprived of basic living standards, the government, with an increase in revenues, can address their needs through welfare programs. Thus, faster growth and freer markets remain the best alternative for India to reduce poverty, inequality, pollution and ill health.

As we write, things are happening in India which augur well for the growth model. Despite a low level of growth and many problems such as corruption, people at all economic levels have come
to understand the importance of education. This includes everyone from the guy who makes a living pulling a bicycle-taxi to the low-level clerk who wants to save money for the education of his children despite economic hardships. At the same time, limited educational facilities provided by the government have led private institutions to emerge to fill the gap, expanding the availability of education to larger sections of society. Granted, a lot of manipulation accompanies such expansion, but with a free press and improvement in government monitoring, slowly problems should be eliminated. Interestingly, knowing English has become a fundamental aspect of education. Even those who were ardent supporters of Hindi as the national language now want their children to be completely at ease in speaking English. As a result, this aspiration for English is cutting across income and social classes. No wonder English-speaking schools have become common even in rural areas as well as urban slums. A study has shown that about one-third of all children in rural areas are enrolled in private schools, and over 50 percent of those are English-speaking schools. In the slums of the city of Hyderabad, the number of private schools teaching in English exceeds the number of government schools by two to one. Surprisingly, in Mumbai’s Dharavi slum and Delhi’s North Shahdara slum, more than half the schools are English-speaking. Even more surprising, standardized tests evaluating these schools showed that children in slum schools did 24 percent better in an English test compared with government schools.

Why education in English? It is because knowing English means better jobs. One worker said, “I run around bringing tea and snacks and cleaning up. The other guy knows how to read and write basic English. He visits banks and clients and makes four times as much.”

Hopefully, collective efforts at the federal level and in the private sector can make the states more accountable and efficient. For example, in the state of Tamil Nadu, lower-caste groups mobilized to achieve political power. Subsequently, they took steps to establish a social infrastructure with schools, health centers, roads and public transportation, which are envied across India. After all, democracy in its simplest manifestation is the scramble for votes, which can drive successful implementation of welfare programs such as the public distribution system. The mass demonstrations in recent years against corruption and violence against women are helpful and encouraging signs.
Another interesting development that is shaping India is the clash between economics and messy politics, and the net result is that regional, religious and caste loyalties are slowly becoming outdated. Throughout the country, feudal feelings are disappearing as trade and business bring people from diverse groups into contact, and bind them into large-scale, interconnected, social and economic networks. Thus, secularism and capitalism are woven with the same thread.

An interesting development is the decline of the family firm, as talent and capital become widely available. For example, firms like Mafatlal, Birla and DCM broke up and are no longer household names in the context of the Indian economy.

India’s current hardline leader, Narendra Modi, faces a tremendous challenge. His well-advertised toughness with labor unions and strong business-friendliness made him the preferred choice of many corporate leaders, economists and commentators as India’s prime minister. After all, he has an unblemished record of personal integrity, embodies managerial efficiency and exhibits iron discipline. He has a difficult task at hand: seek economic growth and eliminate poverty, both of which are profoundly political and ethical challenges. Indians look to him to make their country a developed nation. As he strategizes India’s economic future, it is important that he does not just depend on Chinese-style, low-skilled, labor-intensive industries, but simultaneously fully supports and encourages high productivity and innovation.

Finding its place in the tumultuous years after independence was not easy for India, particularly when political pundits questioned the very concept of India as a nation. But India pulled off some impressive achievements. Most Western democracies became full democracies in the 1940s; India was still a British colony until 1947. After independence it had established a lasting democracy within three years. In many ways, India retained a lot more of British India’s laws and ideas than it was comfortable with, but these were needed at the time to establish a new state.

Along the way, Indians have realized that many mistakes have been made, but the nation of India has been built on a sound foundation. The building is intact but the furnishings inside the building are rotten. The good thing is that the furnishings are replaceable.

The encouraging development is the idea of change that is spreading throughout India, and is not limited to only large cities. Villages
and small towns are different today than 25 years ago. Our own visits to India in different parts of the country were astonishing. We found parents who encourage daughters to learn English and get a job in the nearby city rather than asking them to agree to arranged marriages. We encountered farmers who have linked up with export markets. Such farmers may still be in a minority but this marks a remarkable shift from the past, where romanticized poverty was the beginning and end of the world. Many of India’s talented individuals come from India’s forgotten villages. They are ambitious and hungrier for success. Such people remind us of the adoption and diffusion of products. The push-button telephone in the United States took over ten years for ordinary households to accept since they were entirely comfortable dialing on the traditional phone. The iPhone, on the other hand, diffused among the masses in three years, despite the fact that it involved more learning than the push-button phone. In modern India, the cellular phone made inroads among the ordinary people as fast as in the West. Thus, it is entirely believable that younger Indians will adopt change, take risks and do what is necessary to live a decent life.

The transformation of outlook and expectations have led to a new trend in Indian politics. For example, 80 percent of elected incumbent governments get voted out of power showing that people want change and a better economic life. Caste and regional politics have no attraction for them if those in power fail to respond to their daily economic requirements. No wonder, over the years, India has embraced new ideas of education, entrepreneurship, globalization and urbanization since it sees them as key to a better life.

Overall, India is a story of unexpected achievements and unforgettable failure. But its future looks bright despite the ups and downs because the foundation of the Indian state is solid.

NOTES

4. Every year a number of fine books are published on different aspects of life in India. We chose only three because they were reviewed in *The Economist* which, in our opinion, adds credibility to the works.
