People Power

Will the FM Grab the Opportunity?

Probably no Finance Minister had it so good as Mr. Chidambaram now. Our growth in robust and confidence is high. The government is stable, and most free market policies are accepted across the political spectrum. The FM may not be able to repeat the 'dream budget' of a decade ago, when direct taxes were reduced dramatically and the process of liberalization was given a fresh impetus. But he can reshape the future with next week's budget.

But the good news is tempered by signs of uncertainty. Inflation is rising, even as farm sector languishes. This is a classic case of neither the farmer nor the consumer being happy! Power and transport sectors continue to be in serious crisis. With employment in manufacturing remaining low, the demographic 'dividend' can soon turn into a nightmare. Productivity remains low, with poor education and health status holding back our population. As the Economist fears, there are enough portents of trouble which can derail our growth engine.

What then could be the focus areas of this budget, a part from the widespread expectation of reduction of import duties? Five areas need urgent attention, and this budget could mark radical departure in all these sectors and make 10% growth in the next decade a reality.

First, the focus should be on education. It is sad that even now we only emphasize enrolment and literacy, and Sarva Siksha Abhiyan is our only flagship programme. Despite allocations in primary education, outcomes are appalling. Enrolment has picked up; but recent surveys (ASER 2005 and 2006) indicate that most of our children are not benefited. 28.5% of all rural children in 11-14 years age group attending both private and public schools, are not able to read a short story (one paragraph) of grade 2 difficulty; 45% cannot do a simple arithmetic division. We need to invest in teacher training, inspections, random tests to measure outcomes to enable midcourse correction, and stake-holder empowerment. And we need to quickly put in place a massive programme for imparting quality secondary education. We cannot sustain a modern economy or a robust democracy with only a smattering of literacy. Every child must be guaranteed twelve years of school education which prepares her for productive work or higher education.

Second, our health care continues to be in shambles. The National Rural Health Mission is a modest beginning, but not good enough. Public investment must rise to at least 2% of GDP by 2011. Even more important, the incentives need to be altered by risk-pooling mechanisms, money following the patient, and local control and accountability. A nation which aspires to be a big power and an economic giant cannot allow 80% of children and 56% of women to be anaemic, and millions of people meeting untimely deaths and families facing economic ruin on account of sickness.

Third, the bulk of young people joining labour force have neither skills nor opportunities to be productive workers. Our organized work force in manufacturing sector is still of the order of only 6 million, constituting 1.3% of the labour force. About 100 million youngsters will join the labour force over the next decade. Most of these new entrants are eager to create wealth and make a living, but lack the skills and opportunity. In the long term meaningful education should impart skills. But these youngsters are waiting today for work. Therefore, a massive national programme to impart skills to make them employable is vital. Its cost will be modest, and gains in social harmony and economic growth will be immense. Coupled with that, labour laws need to be liberalized, to stimulate small and medium enterprises and promote employment.

Fourth, agriculture continues to be in crisis, even as a storm is raised over increase in prices of pulses and onion. Several steps should be initiated to stimulate rural economy; effective market linkages to assure fair price to both farmers and consumers; increase in import tariff on cotton to deny subsidised OECD farmers advantage at the cost of our farmers; massive promotion of value addition of agricultural produce along with infrastructure for storage and preservation; and improved credit through rejuvenation of cooperatives. The FM should launch a massive programme to assist states, provided they come forward to liberate markets and cooperatives from bureaucratic clutches. Our agricultural market committees in most parts of India, except in Punjab and Haryana, where Sir Choutu Ram's Mandi Act created robust markets, have become dens of corruption and patronage. The plight of cooperatives under stultifying state control is well known. Vidyanathan Committee made practical recommendations, and the FM needs to act on them.

Finally, power and transport sectors need special attention. Decentralized distribution of power through the community or franchisees, metered power distribution with effective energy auditing and massive up-gradation of distribution network to prevent technical losses are vital to transform power sector. Our cities are slowly getting paralyzed because of bad transport, and economy is bound to be affected as growth is increasingly urban. High cost public transport choices like tube rail (about Rs. 150 Cr per KM) must give way to low cost models like rapid bus transport system, and integrated management of rail and road transport.

The current mood of optimism and robust revenues give the FM a priceless opportunity to accelerate growth and sustain it, while promoting equity and harmony.

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