



# The Myths And Realities Of India Advantage – What Needs To Be Done To Reach The Potential

**Dr. V. B. Godbole**  
Professor, S.I.B.M

## **Abstract**

In 1991, the then Prime Minister, Mr. Narasingh Rao and the Finance Minister, Dr. Manmohan Singh, set India on a capitalist mode of development. The era of import-substitution came to an end and exports and foreign investment became thrust areas. From 2004 onwards, for four years the country recorded 9% growth rate. India was hailed as an elephant, the elephant which had learnt to dance. How true is this rosy picture? We try to analyse this in our research paper.

## **The Research Paper**

We highlight certain myths about India and then come to the reality.

- 1) Indian democracy is a road block to India's economic development.
- 2) India lives in a war zone.
- 3) India's services sector dependent economic growth is a problem area for India's long term development.

## **Realities**

1) Far from being an obstacle, the Indian democracy is a safety valve that keeps India United. It is tigers, i.e. the newly industrializing economies of South Korea, Taiwan, Thailand, Singapore and Indonesia all had either strongmen in charge or very restrictive political systems. None of them had labour rights, free trade unions and a free press. Even Britain, home of the Industrial Revolution, had an electoral system, hedged with property qualifications, moving towards a one-man, one-vote system only in the 20<sup>th</sup> century. In the US, the franchise was limited by slavery and by the denial of the vote to African-Americans in the South by using property qualifications in some states and a poll tax in others. All over the world, the norm has been to grow first and slowly allow freedom when the pie is large enough. In short, freedom is seen as a luxury, something that a poor nation can't afford. Thus, unlike India no other country started the development process with universal adult franchise. The democracy in India is an excellent vehicle of redistributive justice. The O.B.C.s and the S.C.s and S.T.s have got a share in India's economic growth (without any need for violence) only because of democracy. Look at Indian Muslims and how the democratic process is furthering their economic interests. As the union Minister Mr. Kamal Nath has observed, modern India is a construct of Europe but post modern Europe should learn from India how to manage

cultural diversity and have political unity. Despite the growing divide between the haves and have-nots the economic system has remained stable as democracy gives the have nots a safety valve to get at least some share in the economic prosperity. This is why the problem of Naxalites has remained confined to only a few states.

Contrast this with china, where there is no freedom of expression and dissent is crushed ruthlessly (example-Tiananmen Square massacre). In China, the power flows from the barrel of a gun but as Bible says those who live by sword perish by sword. The recent upsurge in a Muslim dominated province in China and the exit of Google from China show how vulnerable the Chinese system is. A few years back, the M.D. of a German multinational observed to this author that in between India and China, he prefers investing in India as in China, there is no rule of law and his property can get confiscated any time. His confidence in India shows the strength of Indian democracy and the Indian rule of law.

2) India definitely lives in a war zone but it can take the sporadic terrorist strikes in its stride. (Witness Mumbai after Nov. 2008.) Since both India and Pakistan are nuclear powers, the possibility of a full scale war is practically nonexistent. Just like India, South Korea also lives in a war zone but the fact remains that when South Korea changes it transforms a society, when India changes, it changes the world.

3) It is true that 26% of India's GDP comes from Industry, 18.5% from agriculture and the rest from services. However this doesn't make the Indian economy a vulnerable economy. Unlike South East Asia and China, India is not heavily dependent on exports. Indian economy is a domestic consumption led economy. This is the reason why when the western world was in recession, the Indian economy continued to grow. India's shift to a post industrial economy is perfectly consistent with stable economic growth.

However, if India is to be a domestically driven economy, the Indian investment in infrastructure particularly, the power, ports, airports and roads is to be given a massive boost. It is rightly said that the roads in America are good not because America is rich but America is rich because the roads in America are good.

A beginning in this direction has been made with the golden quadrilateral project. If this move is sustained, the Indian elephant will not only dance, it will also rock 'n' roll.

