

## We must fear the lack of fear

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Few will disagree that Harvard remains a prime centre of academic excellence. During the last few months, other leading academic institutions like Stanford, Columbia and Wharton have sought to increase their Indian engagement. Not to be left behind, recently Lord Chris Patten, Chancellor of the Oxford University, in a high-profile roadshow sought to entice more Indian students to British universities, particularly Oxford. This week, Lawrence H Summers (popular as Larry), president of Harvard University, interacted with a wide spectrum of policymakers in the belief that "Harvard has a great deal to gain from enhanced Indian engagement", and hoped that India too would benefit in the process.

Larry's sudden resignation as president of Harvard has raised fresh controversies. During his presidency he pursued difficult reforms and sought greater accountability of the faculty, particularly tenure professors. Adjusting to altered international conditions, keeping abreast and remaining relevant in the frontiers of knowledge are inconsistent with the complacency that tenureships confer.

The relationship between the faculty and the management has never been easy, but in the case of Larry, the faculty was unable to accept the pace of reforms. It is no accident that by and large students both at Harvard and elsewhere, who are at the receiving end, rallied in favour of Larry, but this did not alter the outcome. Ironically, Adam Smith had said long ago that it was a misnomer that faculties existed for the benefit of the students and not the masters who had created these institutions. The controversy on the role, jurisdiction and authority of the management vis-a-vis the faculty and the voice of students in running academic institutions has raised many unsettling issues.

Larry is not unknown in India. Apart from his intellectual prowess (the youngest tenure professor at Harvard and its youngest president), he has been a friend who stood by us during our economic crises. In the early 1990s, both Montek Ahluwalia and myself experienced his helping hand both as the Chief Economist of the World Bank and later in senior positions at the Treasury Department in enabling us to negotiate conditionalities which could help us retain the social consensus in our reform strategy.

Calibrating a pace of change which, while improving growth, does not disrupt the social fabric is never easy. Robert Rubin, the former treasury secretary whom I accompanied on a visit to Udaipur, focused on the efficiency of external assistance in poverty-alleviation projects. While poverty has not vanished, it a measure of the altitudinal distance India has since travelled that this time, accompanying Larry Summers to Rajasthan, witnessed animated discussion with the Chief Minister on fiscal policies, Center-state relations, infrastructure, medical tourism and what he described as 'Academic Tourism', enabling American students (whose presence currently is a modest 1,500) to spend say a semester in India studying the Indian economic and social policies.

Speaking at the CII forum, Larry left no one in doubt that India was now on a new growth trajectory and reforms of the last decade, particularly the momentum of the last few years, represented a paradigm shift. Indeed, he felt that the growth of China and India at current rates, if sustained over several decades, would dramatically improve the per capita income of one-fourth of humanity.

This is a phenomenon no inferior to the Renaissance or the Industrial Revolution. Excessive exuberance is however unwarranted because extrapolation of the optimistic present to be valid for the future, in the belief that countries which perform well now will continue to do so in the future, is too simplistic to be true. Both China and India have a great deal to learn from each other. India would do well to learn from the great strides China has made in infrastructure, in enticing foreign investment, securing improvements in productivity, retaining competitiveness in manufacturing and using foreign trade as an engine of growth. Similarly, China has a lot to learn in fostering growth within a democratic framework, applying the rule of law, seeking transparency in governance and creating institutions and regulatory framework capable of withstanding market risks and

exogenous uncertainties.

In respect of India, the key concerns are fostering 'Inclusive Growth', enabling the benefits of reform to be experienced by the average Indian, mainstreaming the agricultural economy, faster improvement in infrastructure, reforms in health and education and improving governance in many states. Fiscal prudence, enlarging the contribution of the manufacturing sector for gainful employment outside agriculture, sustaining export competitiveness, improving the efficiency of financial intermediation entail difficult decisions. Energy security is less dependent on global volatility of price behaviour than on domestic decisions on efficient economic pricing and energy conservation.

None of these concerns is new. There is however danger that in the current euphoria these may not receive the attention and priority these deserve. A rising sensex is no index of shared prosperity. There is nonetheless no doubt that periods of economic buoyancy are also windows of opportunity to undertake difficult reforms. While policymakers will remain distracted for the next two months with the state elections, there will be reasonable time before the next cycle of elections begins. The current hype about India could be perceptions coming to terms with ground realities of far-reaching macro-economic and structural changes in the post-reform era. Perceptions always lag behind reality, but in the end it is realities that shape perception.

Notwithstanding continued global prosperity, Larry felt that "the biggest fear was the lack of fear". Our best insurance against uncertainties and risks would be to reckon that our substantive economic achievement has reinforced our confidence to underpin the 8 per cent plus growth trajectory with a credible policy matrix. Any belief that mere reliance on existing measures is adequate would be misleading. Hopefully, the much awaited Approach Paper to the Eleventh Plan will outline not only our ambition but also what it would entail to achieve these daunting goals.

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