

The Times of India, Mumbai, 04 Nov 2007

India: Bad marks, yet 1st division

Swaminathan S Anklesaria Aiyar



Even as Mukesh Ambani is reported (probably inaccurately) to have become the richest man in the world, the World Hunger Index of IFPRI has ranked India 94th out of 118 countries, just above Ethiopia and worse than any country in the subcontinent save Bangladesh. The contrast between rich and poor is stark.

India's social record has long been bad. It ranks a lowly 126th in the Human Development Index of the UN. World Bank data show that India has among the highest rates of child malnutrition and maternal mortality in the world.

Predictably, the left says that India's neo-liberal economic policies fatten the rich and neglect the hungry. But that is comically wrong. India fares very poorly in global indices of economic liberalisation, no less than of human development. It is not the case that India is world class in economic reforms but poor in social reform. Rather, India gets terrible scores on pretty well everything.

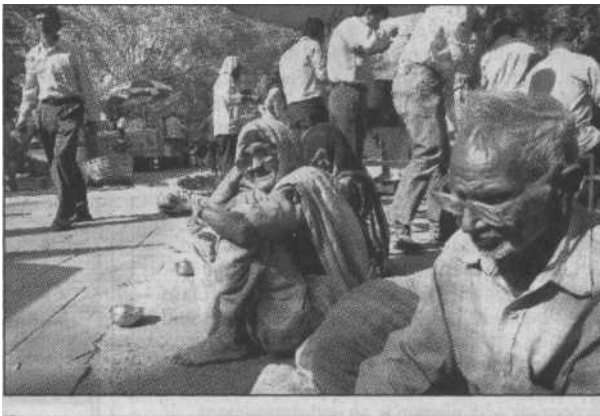
Leftists claim that India's neo-liberal policies have lifted almost all controls. Really? How could our esteemed netas and babus extract bribes ad nauseum if there were no controls and permits? The Corruption Perception Index of Transparency International ranks India a lowly 72nd, below

many African countries.

A survey of the Centre for Media Studies shows that 80% of all Indians pay petty bribes totalling a whopping \$4.8 billion for services they are entitled to. A quarter of the bribes are for admission into supposedly free schools and hospitals. So if the poor are deprived, blame not the Ambanis or Narayana Murthys but the netababu raj, which remains intact and venal as ever despite some limited liberalisation.

Is bribery just a small wart on a healthy liberalised system? Hardly. India ranks only 104th in the Index of Economic Freedom, published annually by the Heritage Foundation and Wall Street Journal. In economic freedom, no less than in corruption or hunger, India ranks well behind several African countries.

The Index of Economic Freedom rates India as mostly unfree. India ranks below the world average on six out of 10 criteria. It gets overall marks of 56%. Its marks are much worse in regard to corruption (29%). It gets only 30% marks for financial freedom — government banks still dominate 70% of banking, stringent licensing pre-



India fares badly on several indicators. The quality of public services is pathetic. Legal delays make a mockery of justice. Maoist violence affects 157 of our 600 districts. But India still boasts 9% economic growth, and some social successes too. Life expectancy has increased from 31 years in 1947 to 64 in 2005

vents new Indian and foreign players from entering this sector, and two-fifths of bank loans have to be given to sectors decreed by the government. India gets 40% marks for investment freedom—foreign investment is still restricted or banned in a number of sectors, capital controls limit rupee convertibility, and NRIs and foreigners face several restrictions on investing in India.

The World Bank's annual series on

Doing Business ranks countries on the ease of doing business. In the latest report, India ranks just 120th out of 180 countries. It is the worst in South Asia: better are Maldives (60th), Pakistan (76th), Bangladesh (107th) and even Maoist-hit Nepal (111st). China (83rd) is better than India but worse than Pakistan, highlighting the fact that red tape still inhibits some of the most fast-growing economies.

Among the various doing business indicators, India is virtually at the bottom in enforcement of contracts (177th). This means, in effect, that contracts are pretty meaningless, the rule of law does not prevail, and property rights are insecure.

Almost as bad is India's performance in demanding payment of multiple taxes (165th out of 180 countries). On the ease of hiring and firing workers, it ranks 85th, which is poor but actually much better than India's scores on some other criteria. It seems that businessmen can find ways round inflexible labour laws. India scores badly in ease of opening a business (111th) and even worse in closing a business (137th).

India fares badly on several policy and governance indicators. Its fiscal deficit remains over 6% of GDP, which is a crisis level in most countries historically. Subsidies are still 14% of GDP, of which half are non-merit subsidies without redeeming social virtues. The quality of public services is pathetic. Legal delays make a mockery of justice. Legislatures and cabinets are full of criminals. And Maoist violence affects 157 of our 600 districts. Despite scoring so poorly on economic, social and governance indicators, India nevertheless boasts record 9% economic growth. It boasts some social successes too. Life expectancy has increased from 31 years at independence to 64 in 2005, a huge jump.

NSSO surveys show that people saying they don't get enough to eat for part or all of the year have fallen from around 15% of the population in 1983 to 5.5% in rural and 1.9% in urban areas in 1994-94, and to just 2.6% in rural and 0.6% in urban areas in 2004-05. IFPRI may rank Indians as very hungry, but Indians themselves say that hunger has largely ended.

Not all international indicators are as off-target as IFPRIs. Many seem accurate. This deepens the mystery of how India is succeeding despite horrible flaws in dozens of areas. It is like a student who gets poor marks in most papers, yet ends up with a first division.