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India has achieved creditable growth - letter to the Financial Times editor

Sen, Abhijit and Singh, Ajit

Planning Commission, Government of India, University of
Cambridge

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Letter to FT

Dear Editor

The FT editorial on 27th May 2012 about India and Prime Minister Dr. Manmohan Singh is unhelpful and seriously misleading. It suggests that the Government is wholly responsible for the fall in India's growth rate, for the collapse of the exchange rate of the rupee and for the fall in exports despite the considerable devaluation of the rupee. It holds the PM responsible for all these failings and regards him as a do-nothing leader. This is in our view a one-sided and misleading analysis on what is going on in the Indian economy. The editorial indicates that the India's growth rate has fallen to 6% p.a. (even lower to 5.3% as noted in the FT of 31st May 2012) without indicating that such growth represents highly creditable performance by international standards, given the state of the global economy. Neither does the editorial point out that the reduced growth of exports despite devaluation could be due to two factors, the well-known short run J-curve effect of a de-valuation as well as the reduced growth of the European economy, one of India's main export destinations.

Similarly, the rise in international oil prices (notwithstanding the recent dip) is an externally imposed handicap on the Indian economy which is not helped by US pressure to reduce imports of Iranian oil. Within India, there are strong political pressures from the Government's coalition partners on this matter and the recent partial reversal of a sharp petrol price hike is not an unusual occurrence in democratic countries including the richest ones.

The long term achievements of Dr. Manmohan Singh's regime – fundamental change in the country's economic policy; strategic political realignments, particularly with the US; a rural employment guarantee scheme (NREGA) for the whole country; the Freedom of Information Act – have already made history.

The FT would like the PM to hasten the reform process, to rush ahead and open the retail sector to foreign investment for which there is as yet no general consensus in the country. Fortunately for India the PM is not a charismatic figure prone to populism but rather an extremely able and experienced technocrat. He leads a team of equally able national and international technocrats. This is a time for consolidation to ensure that India does not slip into a current account crisis and has a "hard landing". Therefore your characterisation of Dr. Singh as the do-nothing PM is widely

off the mark. Things are admittedly difficult and, as in almost all countries, weaknesses of the world economy are reverberating in domestic politics. Nonetheless, the country and the Government are not at a standstill but focussed on dealing with the crisis in an objective way in the light of the merits of the situation. This is what is required today – measured technocratic steps rather than new populist slogans in the name of reform.

Professor Abhijit Sen

Member, Indian Planning Commission, New-Delhi, India

Professor Emeritus Ajit Singh

University of Cambridge, United Kingdom

Disclaimer: This letter has been written in the two authors' personal capacity and do not necessarily represent the views of the organisations they are affiliated with.