

Speech by Dr Manmohan Singh, Prime Minister of India, to the LSE Asia Forum 2006

Thursday 7 December 2006

Taj Palace Hotel, New Delhi

I am delighted to be here today to open a conference in memory of a very dear friend Dr. I.G. Patel. My wife and I have fond memories of a lifetime of friendship with “IG”, as we all knew him, and his charming wife Bibi.

I first met IG in 1954 before I went to Cambridge. He had just returned from the IMF and taken over as Deputy Economic Adviser to the Ministry of Finance. He gave me some sound advice for deriving the best possible benefit of my stay at Cambridge. This was the beginning of an association which lasted for over 50 years. When I returned home in 1957 after completing my studies at Cambridge, I was offered a job in the Ministry of Finance. However, I was under an obligation to return to my university in Punjab since I was in England on a scholarship given by that university and which required me to return home and teach at that university. So I could not join the government then. In 1962, when I was at Oxford, I.G. again invited me to join the Ministry of Finance. On this occasion too, I was unable to join the staff of the Ministry of Finance. It was more than a decade later that I finally did join the Government of India. As Economic Adviser to the then Ministry of Commerce, I had frequent interaction with I.G. Patel who was then Secretary, Economic Affairs in the Ministry of Finance. In 1972, I moved to the Ministry of Finance as Chief Economic Adviser. That position gave me an opportunity to work very closely with I.G. Later on when I was Secretary, Economic Affairs and I.G. returned to India, after a tenure with the UNDP, as Governor of the Reserve Bank of India, I worked very closely with him in formulating India's macro economic policies. Because of his profound wisdom, knowledge and experience, I.G. was the natural leader of economists working in the Government. I, for one, learnt a great deal from him. In many ways, he was for me a friend, philosopher and guide.

The 1950s and the Sixties were a unique period in our developmental history. There was great interaction between officials in government and scholars in the universities, both scholars from India and from abroad.

We had, I recall, several distinguished economists like Nicholas Kaldor, Joan Robinson, Milton Friedman, John Kenneth Galbraith, I.M.D. Little, W.B. Reddaway and Daniel Thorner who spent some time at our Planning Commission. There was always a two-way flow of talent between institutions like the Delhi School of Economics and the Indian Statistical Institute and the various ministries of our government.

This interaction enriched the quality of academic research, making it more policy-oriented, and also contributed, I believe, to creative thinking within government. It has become fashionable of late to deride everything that was done in the realm of economic policy in those days. There are critics both on the Left and the Right. However, to be fair and honest, one must recognize that the early years after India's Independence were truly exciting times in India. Under the inspiring leadership of Jawaharlal Nehru, a new generation of our countrymen tried to write on a blank slate and create a new nation State. The Indian economists were active participants in the national debate to build a new India free from the fear of want and exploitation.

There was much experimentation, since there were no known methodologies available for the construction of a new post-colonial nation. The political and intellectual atmosphere was charged with intense debate and discussion. Bold visions of a brave new world were being created on paper. IG was one of the many idealistic young economists who chose to participate in that great adventure

of nation building.

Under the leadership of men like Dr. V.K.R.V. Rao, Sir Chintamani Deshmukh, Prof. P.C. Mahalanobis and Prof. J.J. Anjaria, a new generation of brilliant economists that included K.N. Raj, I.G. Patel, Pitambar Pant, S.R. Sen, V.K. Ramaswami and many others joined government.

Economists, scientists, scholars from various disciplines, worked closely with civil servants and political leaders to chart a new course for the Indian economy. Men like IG, who preferred a career in government to a career in academia, provided that crucial link. It was both an intellectual link and a warm personal link. I confess I miss that environment today. I do hope we can somehow re-create it and facilitate greater lateral mobility, in and out of government, and a freer flow of ideas so that both policy and research are enriched through this process.

In paying tribute to IG, I must also pay tribute to the London School of Economics and Political Science. LSE has always had a strong India link. Some of LSE's faculty, like Vera Anstey and Harold Laski, were extremely close to India and to Indians. Professor Laski had great many followers even among our political leaders at the time. Many of his students, like P.N. Haksar and our former President K.R. Narayanan, had distinguished careers in our government. Often their appointment to government service was based on a mere note of recommendation from Professor Laski to Jawaharlal Nehru!

Even before Independence, LSE contributed several distinguished economists to India, like Dr. J.J. Anjaria. In the early years after Independence there was a flood of them who returned home from LSE to participate in the great saga of national development. The most prominent of them was K.N. Raj, who was recruited by Jawaharlal Nehru to help draft the First Five Year Plan at the tender age, I believe, of 27!

What I have always appreciated about LSE is the emphasis on inter-disciplinary approaches in its academic programmes. LSE took a holistic view of social sciences and of development. Its faculty appreciated the links between economics, politics, sociology, anthropology and law in the development process. In more recent decades we see excessive specialization in social sciences, and economists fancy themselves to be social engineers and technocrats.

But we must never forget that economics began, after all, as political economy. Economic policy making has always involved political choices since it has political consequences. IG belonged to a generation that recognized this ground reality. He knew that the choices our economists were recommending for adoption by our country had to be marketed in the political marketplace of a functioning democracy. It was not enough that these choices were rational, or that their costs and benefits could be measured. It was not enough that the arguments were intellectually consistent or were mathematically tested. In a democracy such choices had to be also politically defensible and acceptable.

It was a tribute to the holistic education that IG received at Cambridge that he was not only a good Economic Advisor, a good Finance Secretary, a good Central Bank Governor but also a good administrator who excelled in his understanding of the political economy of development.

In the past century LSE has contributed a great deal to the economics of development, especially in Asia. I am, therefore, pleased that you have today an LSE Asia Forum. Just as LSE focused its intellectual resources on the development challenges facing the post-colonial developing world, it must now study in depth the growth dynamics in Asia and its implications for the world economy and polity at large.

The most important development, I believe, of the 21st century will be the rise of Asia. China has already trebled its share of world GDP over the past two decades and India has doubled it. Both these giant economies of Asia are bound to gain a considerable part of their share of world GDP that they had lost during the two centuries of European colonialism. While Japan will continue to be at the top in the foreseeable future, the newly industrializing economies of East and South East Asia will, I believe, grow even if not at rates we witnessed in the past two decades.

Taken together, the rise of these Asian economies will alter the balance of income distribution at the global level. This need not worry the West, since a dynamic Asia can power global growth and provide new opportunities for growth for Europe as well as for North America.

But, it is essential that the West should come to terms with the consequences of the rise of Asia. In the long run of history, nations rise and fall. This in itself is not a new phenomenon. Regrettably, though, the record of history is found wanting as far as the ability of nations to deal with such ebbs and flows of history is concerned.

One of the re-assuring aspects of the on-going growth process is that it is more orderly. Just as the world accommodated the rejuvenation of Europe in the post-War world, it must now accommodate the rise of new Asian economies in the years that lie ahead.

What this means is that we need global institutions and new global “rules of the game” that can facilitate the peaceful rise of new nations in Asia. It also means that existing global institutions and frameworks of cooperation must evolve and change to accommodate this new reality. This is as true for the reform and revitalization of the United Nations and the restructuring of the United Nations Security Council, as it is true for the management of multilateral trading system, or for the protection of global environment or for the security of world energy supplies.

Western academic institutions played a leading role in shaping intellectual thinking after the Second World War to facilitate peaceful post-war reconstruction and development of Europe and of Japan. Once again institutions like the LSE must ponder over how the world can now accommodate the growth aspirations of the developing world so that the rise of Asia is peaceful.

We often say that globalization is a reality that we must contend with. We also say that globalization offers opportunities as much as it poses challenges. That people and nations must learn to deal with both. But, there are still many unsettled questions pertaining to globalization. Even the discipline of economics has not addressed the phenomenon in a holistic manner. For example, while there is enormous, and quite longstanding literature on the benefits of free trade in goods and free flow of capital, the literature and policy on the free movement of people remains scanty and patchy.

There are questions pertaining to the globalization of lifestyles, and its consequences for consumption, and their impact on the world environment. Is growth sustainable if development in the developing world merely mirrors the experience of the developed? It is not just that Third World households may not be able to afford western consumption standards, our planet would not be able to do so.

If every consumer in India and in China, totaling up to almost 3 billion, want to live like people in San Francisco, Stockholm or Singapore, can they afford to? Can nature afford it? If not, how do we alter lifestyles and consumption patterns so that the growth process is sustainable in a more globalized world?

I believe, a new generation of economists and social scientists have to once again write and draw on

blank slates, like IG's generation did. There are, I believe, no textbook solutions. There are no pet answers, no clever models. The rise of Asia, and of the developing world in general, presents us with new challenges – new intellectual challenges, new technological challenges, new organizational and political challenges.

I hope your forum, and forums like yours, will be able to inspire younger scholars to address these questions and seek answers. For the need of the hour is to do so. I wish your conference all success.