

Manmohan Singh: The leader who 'opened up' the Indian economy

Much has been written about Singh's role in India's economic liberalisation. An economist views Singh through the prism of her profession and highlights that personality traits of leaders have an impact on a country's economic trajectory. Manmohan Singh was indeed one of a kind

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Manmohan Singh, the trailblazer of new economic policy (NEP) reforms, is no more. In 1991, Indian economy was opened up, from the suffocating autarky, under the able guidance of then Finance Minister Manmohan Singh.

From a pathetic forex level, insufficient to finance a few week of imports, India did take off towards liberalisation, globalisation and privatisation under his term as finance minister. He was an accomplished economist and a “quiet confident” leader. Sometimes referred to as ‘accidental Prime Minister” by the media, he was primarily an economist who played "economic diplomacy" very well.

The ‘New Industrial Policy’ of 1991 has been crucial for economic growth. The removal of red tape and license raj and a remarkable opening up of Indian economy to Foreign Direct Investment (FDI) helped the industrial growth recovery process in India.

A crucial fact here is the question related to fiscal prudence: How much India could borrow externally? Stringent conditions linked to external borrowings from the Bretton Woods sisters were yet another challenge India carefully threaded then and reduced external financing of fiscal deficits to insignificant levels.

Opening up of an economy is tricky

it's not easy for a country to go radical from the established ‘closed economy’ model. It is instructive to recall the impacts of Glasnost and Perestroika on the USSR economy when they embarked into restructuring and opening up of the economy from the closed socialist

models of growth. The USSR disintegrated after the economic reforms.

Though there can be no strict parallel between the economies of the USSR and India, it is important to acknowledge that India had been meticulous in opening up the economy in 1991 under the able guidance of Manmohan Singh who was quite confident in facing the challenges on both technical front and the political economy front under the leadership of then Prime Minister Narasimha Rao. The political economy process of economic reforms is crucial to avoid backlash.**Personal traits of a leader**

Do personal traits of the prime minister affect economic growth? Public choice economists have started analysing such questions relating to the 'career theories' of a political leader. Empirical evidence generated under this research stream supported the fact that the educational attainment of a political leader affects a country's economic growth during the leader's tenure in office. The evidence also finds a strong negative effect on growth of a random exit of a prime minister from office.

Manmohan Singh was erudite and intelligent. Such intelligence is central to the Platonic view of leadership. This naturally leads us to the question of whether India's well-educated technocrat in the position of prime ministership helped India's economic growth. This also reminds us of the controversies faced by Singh over concerns of corruption, which led to the formation of new political movements and new political parties in India.

Personality traits and economic growth

The 'policy paralysis' and the fall in the rupee, plummeting economic growth triggered an adverse calculus of consent in voters towards a seemingly "silent" prime minister. "Silent" is used here with caution, especially when Singh himself once clarified: "It has been my general practice not to respond to motivated criticism directed personally at me. My general attitude has been, 'My silence is better than a thousand answers; it keeps intact the honour of innumerable questions.'"

This is an important statement to analyse to understand the political economy content of leadership traits. Does posturing as a prime minister showcasing India before the world or the erudite silence of a quiet confident PM matter more when it comes to economic growth? These questions are highly empirical, and do not have lazy and easy answers.

Economic growth has both cyclical and structural components.

Economic growth has both biased and random components as well. If the random components play out significantly in terms of geopolitical uncertainties, war, energy price volatility, climate and energy crisis, the power of a prime minister over economic growth can be relatively lesser. A quiet confident Singh clarified that 'history will be kind to me' and he was confident that he would not become a tragic figure.

"Silence" to him was refraining from engaging in highly shrill parliamentary debates. He preferred to let cabinet ministers appear in electronic and print media and debate India's sectoral concerns in detail. Is it that what you don't play can be more important than what

you do in coalition governments? These are the empirical questions before political economy researchers.

Public action culminating in public policies

India witnessed the peak of public action and judicial activism in Manmohan Singh's regime. India also witnessed how public action can culminate into effective public policies. The 'employer of last resort' policies in the form of MGNREGA and separately the RTI are evidence of public action.

Judicial activism delayed infrastructure projects as 'green economy' components of policy decisions took time. Questions related to natural resources and its extraction were raised with renewed vigour under judicial activism, and economy versus ecology dilemmas surfaced.

Institutional reforms under Singh deserve a special mention. The decision on reducing monetised content of deficits towards internal bond financing of deficits is one such reform. Focusing beyond the GDP paradigm by giving importance to soft sectors like education and health as commanding heights of Indian economy is yet another.

The biggest takeaways of his regime are the initiation of "new manufacturing policy " and "entitlements-based" fiscal programmes guaranteeing jobs to people, initiating the digital infrastructure (UIDAI) and emphasis on education and health. And there has been a 'continuity' in such economic policies when the next government took over. These are crucial inputs into the Viksit Bharat 2047 roadmap as well.

The legacy of Manmohan Singh is indelibly imprinted, and we owe to him the emergence of India we see now from the gripping suffocation of the autarky which characterized the country. Go well, leader!

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