

## **INTRODUCTION**

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In 1983, the Department of Economic Affairs, Ministry of Finance, Government of India brought out a Discussion Paper.<sup>1</sup> This stock of reforms accomplished in the first two years, argued out the case for reforms and also outlined the reforms and also outlined the reform agenda for the next three years.

Broadly speaking, the reforms can be divided into an external sector component and a domestic Component, although there are inter-linkages between the two. Most reforms in the external sector have already been introduced, or there is a clear time frame for their introduction. Example are reductions and rationalizations in tariffs, phasing out import licensing, unification of export subsidies across sectors, market-determined exchange rates with current and capital account convertibility and a more open policy regarding foreign direct investment (FDI) in contrast, because of political economy type reasons reforms in the domestic economy have been much more difficult. Consider some of the items set out in the reform agenda of the aforementioned discussion paper. Reduction and redirection of subsidies, appropriate user charges for infrastructure services, private participation in infrastructure development, the public distribution system (PDS), labour market flexibility and agricultural reform. There are other issues like small scale sector reservations, capital market, administrative law reform and environmental issue that can be added to this list. Despite a consensus on reforms across all varieties of the political spectrum, these issues continue to be on the agenda seven years after reforms started.

Why has this happened? At least part of the reason lies in vested interests and lobby groups which are far more important for domestic reforms than for external sector reforms. These benefit from the status quo and example of such groups are organized labour, large farmers, the bureaucracy (broadly defined) and inefficient trade and industry. Conversely, groups likely to benefit from reforms are unorganized labour small farmers, the consuming class and efficient trade and industry. Unfortunately, the need for reforms has not always been conveyed to this second group and consequently, despite the political consensus, one has not been able to build up a constituency for reforms. Economists have always been familiar with the arguments and at least four excellent collections of essays (by economists) have argued out the case for liberalization and set out the agenda.<sup>2</sup> To this, one can add the recommendations of several committees.

However, non-economists rarely read papers written by economists. Especially since economists are also responsible for much of the mess the Indian economy got into over the last fifty years. Hence the need for Agenda for Change,

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a collaborative attempt between the Rajiv Gandhi Institute for Contemporary Studies ( Rajiv Gandhi Foundation ) and the Centre for Civil Society , an attempt to get across the message of reforms to the non-economist , the policy maker and the general reader. The idea was to distill out the economic arguments in clearly digestible language and form and focus on explicit policy issues that need immediate attention. the idea was not to write long papers that were abstract and devoid of actual policy content. The editors requested economists who were experts in their respective areas, to focus on seventeen such areas. The areas covered include securities markets, labour markets, the public distribution system, the Essential Commodities Act, education, agriculture, infrastructure , intellectual property rights, information technology, the public sector, poverty and the environment . this is not an exhaustive list of all areas in the domestic economy that merit attentions . but this is only the first such volume and subsequent versions on Agenda For Change will address these gaps.

The authors don't always agree, although a unifying tread that runs through the present volume is the need for change. disagreements are but natural, when one has complicated issues like import tariffs on agriculture or the industrial Disputes Act or the public distribution system. But even in the case of disagreements, these papers raise the issues and therefore , should contribute to a debate on options that exist.

No one disputes that a ten per cent rear GDP ( gross domestic product) growth rate for the country is desirable. Or that growth is the best solution for poverty and unemployment. Or that growth must be employment elastic. But these changes will not come about automatically. This volume, and the subsequent ones that will follow, indicate reforms needed for that kind of GDP growth.

<sup>1</sup> *Economic Reforms: Two Years After and the Task Ahead*, Department of Economic Affairs, Ministry of Finance.

<sup>2</sup> *Bimal Jalan Edited, the Indian Economy*, Viking- Penguin, 1992; *Vijay L. Kelkar and VV Bhanoji Rao edited m India : Development Policy Alternatives*, Tate McGraw-Hill, 1995; *Kint Parikh edited, India Development Report* , Oxford University Press, 1997; and *isher Ahluwalia and I M D. Little edited k, India's Economic reforms and Development* , Essays for Manmohan Singh, Oxford University Press, 1998