ENDOWMENT LECTURE—4

ECONOMIC ADMINISTRATION IN INDIA RETROSPECT AND PROSPECT

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FOREWORD

The IIPA established Annual Endowment Lecture series in the year 1983 as one of the activities, supported out of the interest accruing on the Fund to which munificent contributions were made by several state governments.

The first lecture under the series was delivered on March 30, 1983 by Prof. W.H. Morris-Jones on "Legislatures in New States", the second on March 28, 1984 by Shri P.V. Narasimha Rao on "South-South Cooperation", and the third lecture was delivered on March 9, 1985 by Dr. Victor Hao Li, President, East-West Center, Hawaii, on "Regional Cooperation on Critical Issues Confronting the Asia/Pacific Region. All these lectures have already been printed.

This fourth lecture on "Economic Administration in India—Retrospect and Prospect" is being delivered today by Shri L.K. Jha, Adviser to the Prime Minister of India on Administrative Reforms. He discusses in his lecture the efforts made since Independence in the field of economic and industrial administration and analyses the reasons for their weaknesses and strength. With this background, he discusses the various developments that have taken place since early 1985 onwards and the line of action for future.

It is hoped that the lecture would provide some stimulating ideas for development of economic administration in the country in times to come.

New Delhi
March 31, 1986

Director
Indian Institute of
Public Administration

ECONOMIC ADMINISTRATION IN INDIA: RETROSPECT AND PROSPECT

L. K. JHA

I feel greatly honoured by the invitation to deliver the Fourth Founders' Day Lecture of the Indian Institute of Public Administration to commemorate the establishment of the Institute under the Presidentship of Jawaharlal Nehru on 29th March, 1954. When thinking of a subject to which I could address myself on this occasion, I felt it would be useful for me to focus on the role and performance of economic administration in India because so much attention is presently being given to reforming it and changing its scope and approach.

In a formal sense, the process started when in 1981 Prime Minister Indira Gandhi set up the Economic Administration Reforms Commission, which I was called upon to chair. It has gathered special momentum as Prime Minister Rajiv Gandhi almost immediately after he came to power initiated a major overhaul of the whole apparatus of controls applicable to the Indian economy with a view to accelerate the tempo of development and to enable the country to enter the 21st century not as a handicapped developing country, but as an equal member of the international community. In order to see these changes in their proper historical perspective, it is also necessary to look ahead into the future to appreciate the true significance and purpose of the changes which are being made.

It is commonly believed that economic administration, as a somewhat specialised field of governmental activity, came into being only after Independence. This view is not quite correct. Even in the early years of British rule, many governmental activities, essentially economic in character, received a good deal of emphasis for a variety of reasons. First of all, the collection of revenues was a matter of such importance that the District Officer, the king-pin of administration, was known as the Collector. In this capacity, he got involved in the economic life of the agrarian community from which the bulk of land revenues were derived.

Secondly, the State had to be actively involved in the development of the infrastructure, constructing canals, roads and bridges and setting up facilities for communication and transport. While some participation of the private sector in such fields was no doubt there, the public sector's role was important and growing, and before Independence, all the privately owned railways had been nationalised.

Thirdly, as over time industries began to develop, both with foreign, mainly British and Indian capital, the Tariff Board was set up to provide protection to them in deserving cases. Likewise, the Reserve Bank of India was established in Bombay to supervise the expansion of the banking system as well as to manage the country's public debt and foreign exchange reserves. Further, trade offices began to be opened overseas to promote India's exports. With this kind of expansion of the role of the administration in the economic sphere, special cadre of economic administrators was created in the 30s, in the shape of the Finance and Commerce Pool which drew its manpower from the ICS and some other services dealing with revenues and accounts.

The out-break of World War II saw a further enlargement of the scope of economic administration in order to ensure priority of supplies needed for the war effort and an equitable distribution of whatever was available thereafter to the civil population at reasonable prices. Many new offices were opened, some of which are still in existence, such as the Office of the Textile Commissioner in Bombay and of the Iron & Steel Controller in Calcutta. Side by side, a wide range of

statutory controls were introduced over such things as imports and exports, issue of capital and price and distribution of certain key commodities.

The basic change which took place in the scope and outlook of economic administration after Independence was primarily a qualitative one. The whole purpose and direction of economic administration got transformed as a result of the commitment to planned development. Before Independence, economic initiatives were left, mainly if not wholly, to those engaged in industry, agriculture and other business activities, the State occasionally playing a regulatory or supportive role, if necessary, but otherwise maintaining a posture of aloofness.

After Independence, with the emphasis on planned development, it was the responsibility of the economic administration to do whatever was possible to ensure that the targets laid down in the plans were fulfilled. As India was at that time industrially very very backward, depending on imports to meet most of the country's needs of consumer and capital goods alike, special priority was given to the rapid industrialisation of the country. The main hurdle in the way was the paucity of capital needed for the purpose because with such low levels of per capita incomes, the level of savings and capital formation was far short of needs.

Faced with this challenge, the administration evolved a system of industrial licensing under which before any major investment in certain specified industries could be made, a licence had to be obtained under the Industries (Development & Regulation) Act. The licensing technique had a close resemblance to the powers conferred under Section 144 of the Criminal Procedure Code which enable the authorities to ban certain activities not with a view to stop them but merely to have the power and the instruments to regulate them through the grant of licences, with or without conditions.

While strictly speaking, this was one more measure of control introduced in addition to the War-time controls which were still in existence, the important thing to notice is that in the new atmosphere, it was not called a control. Further, the name of the Act itself made it clear that it was meant to be an instrument first and regulation afterwards.

In actual administration too, the licences were granted with a great deal of liberality. Only if there were serious objections of one kind or another, would a case be turned down. All cases of refusal with reasons therefor were subjected to scrutiny by a committee chaired by a distinguished Member of Parliament, Pt. Hridyanath Kunzru, and including non-officials like a senior representative of the Federation of Indian Chambers of Commerce and Industry.

Side by side, the import control also began to be used to help industrialisation. Thus automobile producers who had assembly plants and were importing the components from their parent companies abroad were told that either they should undertake a phased manufacturing programme and produce an indigenous vehicle or they must close down their operations. Assured of protection, not only through tariff but import control, Indian industrialists began to diversify their output and set up pioneering industries both in the chemical and in the engineering fields.

Another step of a positive kind which was taken to help the private sector to fulfil the targets assigned to it under the Plan was to set up some financial institutions which initially began to provide long-term loans to entrepreneurs who had industrial licences. Later, the scope of such assistance was widened to provide under-writing support and direct investment in the equity capital of new projects.

Finally, the fiscal system also was geared to enable the private sector to generate the necessary internal resources for its future growth as well as to encourage it to invest in industries to which special priority had been accorded in the Plan. Various tax concessions were provided for the purpose.

Apart from measures to stimulate and guide the role of private sector, the State itself assumed a major responsibility in the industrialisation of the country. Not only did it make heavy investments in the infrastructure, it also undertook to launch in the public sector projects of crucial importance which needed massive investment beyond the capabilities of the private sector to mobilise at that time. The Industrial Policy Resolution clearly spelt out the role both of the private sector and the public sector which was conceived as complementary to each other, though there were ideologues who thought otherwise. The entry of the public sector in industries posed new challenges for the administration. In British days, public sector enterprises like Railways and Ordnance Factories, were run as departmental undertakings. The new public sector projects were given a corporate form with their own Boards of Directors, including people with business experience in the private sector as well as government officials. They were expected to be autonomous. Even so, the involvement of the administration in setting them up was considerable. Many of the key posts in the enterprises were held by civil servants.

In analytical terms, one could say that the instrumentalities of economic administration to speed up industrial development consisted of the following elements:

—First of all, there were powers of control through licensing which were exercised with great liberality.
—Secondly, there were measures of assistance which played a promotional role.
—Thirdly, there was an area of direct participation by the State which was helpful to the private sector as well.

Under such a regime which was essentially liberal and promotional, the 50s witnessed a phase of rapid industrialisation. The rate of industrial growth during the decade averaged 6.9 per cent per annum which was not only higher than the rate of growth in the first half of this century, roughly estimated at 2 per cent per annum, but also better than the rates in the subsequent decades which dropped to 4.2 per cent in the 70s.

India's achievements during the first two plans received high praise internationally. The World Bank, even though its basic philosophy which is essentially American is in favour of market forces rather than planning, began to tell other developing countries to have some kind of a plan for their development. Another comment which I often heard in this period was that India was lucky to have been left with a good administration by the British. In many other developing countries when their colonial rulers departed, there was no organised administration nor good administrative cadres to guide their economic development.

II

While India's industrialisation had begun well, a downtrend in the industrial growth rate set in and began to gather momentum from mid-60s onwards. Thereafter, more and more people began to find fault with economic administration. The image of the administrators also suffered a setback and it became a common practice to refer to them as the bureaucracy in a derogatory sense and to decry bureaucratic ways and attitudes.

Now, let me at this point make it clear that the factors responsible for the slowing down of industrial growth in the 60s and 70s were many—some economic and some political, including internal and external events and circumstances for which the administration could not be blamed. The conflicts with China and Pakistan resulted in a sharp diversion of resources from development to defence. Successive droughts in the mid-60s lead to a major shift in priorities from industry to agriculture. Growing concern over the disparities between the rich and the poor, the big business houses and the smaller industrialists, the hike in international oil prices with the resultant step-up in allocations for oil exploration—all these had an adverse impact on the economy as a whole and the industrial sector in particular.

Having said this, I must also add that failures and shortcomings in the realm of economic administration must also be blamed in no small measure for much that went wrong and for the slowing down of industrial development. I propose to identify and analyse these administrative factors alone since I am talking of economic administration and not of economic performance in its entirety.

In the evolution of India's economic administration, the year 1958 is an important landmark. In that year, it was discovered that as a result of the very liberal licensing of industries and the import of capital goods that they needed to go into production, India's huge sterling balances accumulated during World War II had dwindled to a very low level. What was more, the outstanding orders for plant and machinery were so heavy that India could not possibly pay for all of them out of the available reserves. In the circumstances, while arrangements began to be made with the help of the World Bank to get appropriate credits to take care of the payments on account of outstanding orders, a general alarm was sounded. A very tight regime of restrictions was imposed on every conceivable form of foreign exchange expenditure. Import licensing as a whole was tightened severely. Import of capital goods would only be permitted if credits on acceptable terms to finance them were available. Proposals of foreign collaboration of any kind, whether by way of capital investment or for the supply of technology and know-how were scrutinised with a view to see whether the possible outgoings of foreign exchange would be adequately compensated for by consequent savings in imports. Foreign travel also came under severe restrictions. Not only was travel for pleasure banned but the amount of foreign exchange released for business travel was severely curtailed. Even those not asking for foreign exchange could not go abroad without a 'P' form clearance from the Reserve Bank.

In consequence, while in the past the grant of an industrial licence served as a clearance to get all the facilities, whether foreign exchange or rail transport or power supply or land which the project needed, in the altered circumstances, the grant of an industrial licence had to be followed by seeking diverse clearances from different departments and agencies.

This restrictive phase got further entrenched on account of the conflicts with China and Pakistan and the droughts for three successive years in mid-60s. Inflationary pressures were severe. Not only foreign exchange but internal resources were very very tight. Five-Year planning had to be suspended. The rupee was devalued and to cope with the emerging problems, controls over prices and distribution were extended and intensified.

In addition, concern over growing disparities of income and concentration of economic power in relatively few hands led to other steps. Clearances had to be obtained under the Monopolies and Restrictive Trade Practices Act (MRTP) in a very large number of cases. The larger Indian banks were nationalised, their lending policies and priorities being subject to control by the Department of Banking, in addition to the supervision exercised by the Reserve Bank of India.

Thus there was not only a proliferation of controls but also of controllers. The sequential clearance of each investment proposal by different authorities and the need to get permits for steel, cement, etc., meant that it began to take years instead of months before a project for which an application was made to government could take actual shape on the ground.

The private sector was not alone in being subjected to these time-consuming procedures. If anything, the public sector fared worse. Apart from the statutory controls which were applicable to it alongwith the private sector, it was subjected to additional controls by the exercise of government's executive and proprietorial powers. The expenditure of foreign exchange by the public sector enterprises was subjected to far greater scrutiny by government departments than was the case with the private sector which could

get the necessary clearances from the Chief Controller of Imports or the Reserve Bank of India. Similarly, in the matter of pricing and distribution and even in respect of what it produced, the public sector was subjected to far greater control than the private sector. Even the appointment and salaries of its senior staff and the construction of living quarters for them needed the clearance of various government departments. The statement in the Industrial Policy Resolution that public sector enterprises should enjoy autonomy and be run on business lines was virtually forgotten.

While all these changes were taking place, on policy considerations to meet the kind of challenges the economy had to face, some others were taking place in the structural framework of administration as a whole as well as in the sphere of personnel policy which also had their impact on the quality of economic administration. With the widening of the range of governmental activities and the rapid transformation and diversification of the economy, new departments and ministries began to be created. While in the 50s, only one Ministry of Commerce and Industry could look after both the production and exports of industries as a whole, over time it was found necessary to separate Commerce from Industry and again to split the responsibility for different types of industries between different ministries and departments. There were few decisions which a government department could take on its own without consulting one or more other departments. Each department had its own viewpoint relating to some single aspect of a project and not looking at the project as a whole. Since no department can override another, differences had to be resolved either by inter-departmental consultations or more often by raising it to higher and highest levels, if a positive decision had to be given. Quite often, rather than continue the argument or raise it to the appropriate decision-making level, an adverse comment from one department often meant that the proposal was turned down.

In fact, a situation began to develop in which the power to reject a proposal could be exercised even at relatively low levels. The power to approve it had to be exercised at the highest possible levels. This trend got reinforced because in a tight regime the grant of clearance was looked upon as a major act of favour, particularly as the financial benefit it conferred on the party concerned, was seen to be enormous. Officials as a class fought shy of shouldering the responsibility for granting a licence or a permit or a clearance, which could expose them to charges of favouritism or corruption. At the same time, Ministers for their part because of their answerability to Parliament and also because some of them did not trust their officials too much wanted to see as many cases as possible.

Another factor contributing to the decline in the quality of economic administration, in my opinion, was that after Independence recruitment to the Finance-Commerce Pool had come to a stop. Most of the members of the pool had either retired or were on the verge of retirement. Most of the officials engaged in economic administration had no previous background of specialised experience or understanding of the intricacies and inter-relationship of economic forces.

Often the short term remedies which they evolved to deal with particular ailments afflicting the economy only made matters worse in the long run. The attempt to control prices of key commodities, when they were shooting up because demand exceeded supplies, by imposing curbs on profits, discouraged the flow of investment which could have stepped up supplies and sobered down prices. Often the price controls did not benefit the consumer even in the short run. A black market developed in most of the commodities subject to price control. Distribution controls through permits led to corruption at all levels.

Even more serious was the decline in the rate of industrial growth. While, with heroic efforts to mobilise resources, the level of savings in the community had been raised from less than 10 per cent of the Gross Domestic Product at the commencement of planning to well over 20 per cent by mid-

70, the rate of industrial growth instead of going up, declined. The capital output ratio went up sharply which meant that much more capital was needed to get one unit of output than in the 50s.

One of the factors contributing to this trend was the attempt by the licensing authorities to take to task industrial units for producing more than their licensed capacity. The whole objective of the Industries Development & Regulation Act was to ensure that, with our limited capital, we should achieve the higher possible levels of production. The Act had provisions for Government to intervene if production in any industry was falling. That these powers began to be invoked to restrict production out of investments already made was, to say the least, most unfortunate.

Fortunately, the sluggish trends which afflicted industry from mid-60s to the end of 70s were off-set by a spurt in the agricultural sector, particularly foodgrains production. In consequence, the average annual rate of growth was sustained at 3.5 per cent. In order to draw the right lessons for the future, we must analyse the factors which contributed to the success story and made the country more than self-sufficient in foodgrains.

The Green Revolution did not just happen, it needed a tremendous administrative effort to bring it about. In the mid-60s, I had been asked to chair a Committee consisting both of officials and non-officials to go into the question of foodgrains prices. We recommended that instead of trying to keep foodgrains price low in order to please the urban consumers, there should be a good support price which would provide incentives to the farmer to increase his investment in order to raise his output. As things were, a bumper crop often proved ruinous for the farmer because of the fall in prices. On the other hand, when prices shot up in bad crop years, the benefits accrued to traders and middlemen and not to the producers. And the consumer had to depend on huge imports for his needs to be met.

With the support of Shri C. Subramaniam, who was then the Minister Incharge of Food and Agriculture, this change in price policy was accepted by Government. Simultaneously, a multi-pronged effort was launched to provide the inputs—technical, material and financial—to help the farmer raise his production. Through extension services, the new high yielding varieties of seed were popularised. More fertilisers were made available. Credit from the banks helped the farmers to make greater use of them. Thus, we had the Green Revolution.

If we look back on past history, a few things stand out. The policy of *laissez faire*, such as existed in days of British rule, resulted in a very sluggish rate of growth, unable to keep pace with the rate of increase in population. The positive involvement of Government in the development process through planning and appropriate economic policies backed by efficient administration led to a break-through first in industrial growth and later in the agricultural sector. At the same time, it is also clear that shortcomings, both of policy and administration, slowed down the momentum which industry had earlier gained. When taking a look at the future, we must take account of the performance of economic administration in the past, its achievements as well as its shortcomings.

III

It was against this background that when Smt. Indira Gandhi came back to power that she made certain announcements and also took a number of steps to improve the performance of the industrial economy. By declaring the year 1982 to be the 'Year of Productivity', she compelled the industrial licensing authorities to change their tune. Instead of chastising those who had the temerity to produce more than their licensed capacity, they were told that their licensed capacity would be revised upwards to a still higher level if they attained certain levels of production. She also made some amendments in the MRTP Act to enable the larger business houses to contribute in a larger measure to the development of industries of national importance. She

also initiated some enquiries into the shortcomings of the public sector, particularly its low profitability.

In 1985, more dramatic changes were made by Prime Minister Rajiv Gandhi's government. A significant number of industries were freed from licensing control. Similarly many items were placed on the Open General Licence for import. The import-export policy was given a long-term stability. There was a reduction in the rates of direct taxation with the assurance that the new rates will remain stable throughout the Seventh Five-Year Plan. A long-term fiscal policy was announced which formed the basis of the Budget presented to Parliament in February 1986.

The whole exercise has been referred to as liberalisation of the economy. Such an interpretation is somewhat superficial. It is true that many of the administered controls have been removed, but the Government's commitment to planned development and the objective of growth with social justice and self-reliance are there. The changes are being made in the instrumentalities of achieving the targets by adopting techniques which accelerate growth and do not slow it down. Looking ahead, therefore, the question has to be faced, what kind of a framework of economic administration should be adopted in order to get rid of the weaknesses to which I have drawn attention, without diluting or departing from the goals and objectives to which we have dedicated ourselves ever since Independence.

The process of planned development does entail a framework of controls. What needs to be understood clearly is that any system of controls devised to take the economy forward must make much greater use of the accelerator to impart speed to the process and the steering wheel to get the direction right and make minimal use of the brakes instead, when pitfalls or hurdles lie ahead. Unfortunately, what happened due to a variety of factors, to some of which I have aleady drawn attention is, that after the mid-60s, the control system began to make excessive use of restrictive devices to deal with emerging problems and concerns without realising their long-term adverse impact on development. Thus, if shortages of one kind or another developed, the attempt was to impose curbs in order to live with them instead of adopting measures to overcome the shortage. More often than not, the remedies applied only aggravated the ailments they were supposed to cure.

Thus, to deal with the foreign exchange shortage, import restrictions were tightened and the possibilities of stimulating exports over-looked. Often, the import restrictions themselves raised costs and affected the quality of Indian manufactures, reducing their capability to compete in export markets. Restrictions on investments by the larger business houses under the Monopolistic and Restrictive Trade Practices Act only entrenched their monopolistic position because smaller business houses did not have the resources and the capability to set up projects which could compete with them. The imposition of the Price and Distribution Control over products like cement because of inadequacy of supplies gave no protection to the consumer who had to pay black-market prices, while a lot of corruption crept into the distribution of permits. Further, as the Price Control acted as a disincentive to fresh investment, the country had to waste precious foreign exchange on importing cement, even while the raw materials, the machinery and the technology to expand the industry were available from indigenous sources.

One of the worst features of the proliferation of controls was that the consumers as a class, *i.e.*, the public at large, had to pay higher and still higher prices for industrial products, as import licensing shut out external competition and industrial licensing and other restraints minimized internal competition and created a sellers' market. The aim of a liberalised regime of economic administration must be to overcome shortages by raising the levels of domestic production and to use competition as an instrument of control to keep prices in check and curb monopolistic trends.

To the extent that restrictions are needed on certain types of economic activity, consideration must be given to those

which can be administered impersonally. The attempt to examine each case on its merits leads to delays. With the time needed for any investment proposal to get all the clearances necessary for it to proceed running to years rather than months, major projects, whether in the private sector or in the public sector, cannot be completed within the period of the Five-Year Plan, in which they are included. Fiscal policy can and should be deployed to a much greater extent to give the right signals to investors, importers and producers. If we want to discourage investment in luxury industries, a high excise duty can achieve the objective much better than refusal of licences. Likewise, if we want to curtail imports of particular products, either to save foreign exchange or to protect domestic industries, an adequate level of tariff can do the job without all the botheration of import licensing.

One advantage in this approach is that there is less room for allegations or opportunities of favouritism or worse, which are there in the case of personally administered controls. Taxes operate impersonally. Restrictions imposed through fiscal measures do not get relaxed under pressures and pulls in individual cases from one quarter or another.

It should also be remembered that fiscal devices can be used not just for purposes of restraints but also to promote desirable activities. They can be used to stimulate exports. They can also help regional development by promoting the industrialisation of backward areas without some of the unfortunate side-effects of attempting to do so through industrial licensing.

Another benefit of a move from administered to impersonal controls would be the saving of the time and cost involved in the consideration of individual cases. Having regard to the rate at which our population is rising and the demand for various things is increasing, we must attach the greatest importance to the speedy execution of the projects and programmes we include in our plans. Unfortunately, when we reckon our resources, we forget that the most scarce resource is time. Often in the attempt to save some money or foreign exchange, we spend too much time without realising that the delay in the completion of a project raises its cost and prolongs the period for which the economy has to spend foreign exchange which the project could save and has to go without the employment which it would generate.

In this context, I must quote what Prime Minister Jawaharlal Nehru said in 1957. He said :

> The biggest factor that leads to corruption is delay. The moment you give an officer a chance to delay matters, he can extort money in order to do something. Therefore, a method should be evolved which makes delay impossible......
>
> But, we sit in rooms and form rules and regulations, involving a great deal of delay.

An important part of the exercise to improve economic administration must be changing the dilatory working methods. The unending movement of files and papers horizontally from department to department and vertically from the lowest levels to the highest does little good to anyone. Procedures as well as forms need to be simplified and rationalised. Archaic methods only bloat the cost of administration, divert resources from productive to unproductive channels.

One of the important ingredients of a programme to improve economic administration must be towards greater decentralisation of the decision-making process. Even with the shift from administered to impersonal controls, there will remain a large number of cases in which the parties concerned will have to seek the approval or support of government. In dealing with such cases, the attempt should be to let those who want to do things which are in themselves desirable get on with the job rather than ask them to justify and seek the clearance of different departments and agencies to each step that they take.

We must give much greater freedom to the economic actors to use their own judgement and initiative. Those who

want to invest stake their own resources and can be expected to take every possible precaution to avoid waste. They will do so in an even greater measure if we allow competitive conditions to emerge. To believe that administrators even with the help of such expert advice as may be available in government offices can really improve upon the advice and guidance which entrepreneurs themselves muster on their own and in their own interests is to harbour an illusion.

Decentralisation has a special relevance for improving the performance of the public sector. Of late, it has come in for a lot of criticism because it does not give the expected returns. But can we really blame the management for poor performance when, more often than not, the nature of the products manufactured, the price at which they are sold and even the parties to whom they are sold are settled by government departments? Answerability and autonomy go hand in hand. Unless they are given autonomy, they cannot be answerable for policies and shortcomings.

Conversely, with autonomy they must be accountable for their achievements and shortcomings. Unfortunately, a trend has developed for the assessment of the public sector's performance to be in terms of their compliance with procedures evolved and followed in government departments rather than in terms of fulfilling time bound targets.

In short, what is needed is a purposeful re-examination of the tools of economic management, of ways in which the community in its collective wisdom through the government in power and the administrative machinery at its disposal can help, guide, encourage and energise economic development and all those who contribute to it. Methods which have worked well at one point of time must be revamped to take account of changed conditions, new opportunities and fresh challenges.

Such an attempt is made from time to time in all countries. Most people know that President Reagan in USA and Mrs. Thatcher in UK have taken various measures to reduce the role of bureaucracy. So have the socialist countries. Yugoslavia did so long ago. China began the process a few years ago. Last month, the Soviet Leader Gorbachov, addressing the 27th Congress of the Communist Party of Soviet Union called for dynamic economic reforms. In the course of his address, he said: It was high time to end the 'petty tutelage' of government ministries over industrial and agricultural enterprises. He lamented over what he called, 'the escalation of bureaucracy'.

Towards this end, administrators as a class and economic administrators in particular must be properly equipped in terms of education, training and experience to discharge their responsibilities. They should have access to sophisticated techniques and aids. So far, they have relied too much, in my opinion, on the powers of restraint. There must be attitudinal changes in them. What must be remembered is that you can pull with a string but not push with it. Development in our conditions needs a continuous push to move forward faster. To industry in the 50s and to agriculture since mid-60s, economic administration gave the kind of stimulus and encouragement they needed. In future, it will have to do so on a wider front.

With all the development that has taken place in the last three decades and a half, the economic scenario has changed considerably. The nature of opportunities as well as challenges have undergone a radical transformation. Let me refer to only a few.

First of all, the role of technology has assumed a very special importance. It is not a question of developing a few hi-tech industries. We have to use modern technology to bring about the same kind of an upsurge in the production of oilseeds, pulses and sugar that we have had in wheat and rice. We have also to develop techniques which will work in rain-fed areas and not only in those which have the benefits of irrigation In industry, we have to ensure adequate attention to the upgradation of technology to lower costs and improve the quality of our manufactures so that

they can compete in export markets and become affordable for the masses. The ways in which industry can be made to pay greater attention to R&D require the fullest consideration. The belief that if we curb the import of technology, indigenous technology will take its place has been belied. In fact, the attempt has only led to the perpetuation of obsolescent technology.

Another area of attention is the way in which protection can be given to the consumer. No doubt, greater competition, internal and external, will help in this task but more positive steps have to be taken to evolve and ensure adequate standards, particularly in such areas as drugs, foodstuff and electrical appliances.

Thirdly, some measures have to be evolved to deal with the problems of pollution, wasteful use of energy, damage to the ecology and other similar things.

In dealing with these tasks, reliance on old techniques will not suffice. Placing bans or offering incentives, the stick and the carrot approach alone will not give us the results we need. An innovative invigorating approach is needed in economic administration in order that we enter the 21st century not as a handicapped country but with a feeling of self-reliance, being totally independent of external aid and free of the malady of mass poverty which has been afflicting us in the 20th century.