

Market, State and Society in Emerging India

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*Ah, Cruel Three! In such an hour,
Beneath such dreamy weather,
To beg a tale of breath too weak
To stir the tiniest feather!
Yet what can one poor voice avail
Against three tongues together?
Lewis Carroll,*

Preface, Alice's Adventures in Wonderland¹

By Way of a Beginning

The only way to begin is by thanking the Justice K.S. Hegde Institute of Management and its Director, Professor K Sankaran, for inviting me to share my thoughts on this important and topical subject. For me this is an undeserved honour and a certainly an unexpected privilege that is much appreciated. Professor Sankaran and I have known each other since our days in IIMB more than thirty years ago. It is wonderful to meet again, even if it means that I must now sing for my supper.

It is a pleasure to see how Justice K.S. Hegde, a former Judge of the Supreme Court, former Speaker of the Lok Sabha, and a democrat to the core, is remembered through this excellent academic institution where 'management' is not seen in narrow terms.

The topic chosen for this Seminar also reminds us of those stellar days after the Emergency when Justice Hegde and others were busy in consolidating our fledgling-and many thought, unlikely-democracy. We are deeply indebted to them for the selfless contribution they have made to our society. That enormous and important task has not however yet been completed, and remains the responsibility of Emerging India. We are again in a critical juncture, when the country is facing another momentous election,

when the people will decide in which direction this country must move. I can only hope your generation can play its part in the same spirit. It is a time when we should be guided by the values of Justice K.S. Hegde.

One problem in discussing this topic is that so much has been said, by so many people, about each of the three words

Market, State and Society². It is difficult to unravel the many different threads and ideologies that are implicit in so much of what has been said. Management schools have begun to offer courses on 'State and Market'. We often get the impression from the discussion in business papers that we must choose either 'Market' or 'State' if India is to 'develop' in the coming years. The same papers subtly imply that 'State' would be a disastrous choice. Is this really so? Do we face a binary choice? If not, what does postulating such a choice before us mean?

Then, like the dog that did not bark³ in the Sherlock Holmes story, there is the word that has not been used here: Globalisation⁴. In these debates, Globalisation is lurking in the background, and I will try and bring it into the open in the context of our debates, hopefully, to bring in some clarity on what is a contested subject.

These are all difficult questions, but asking them gives us the opportunity to reflect and introspect⁵. I will begin by clarifying [probably for myself] what these words mean, and then look into how they relate to each other. I will end this introspection by sharing with you, who are Emerging India, my own tentative conclusions, a personal perspective, which can then be challenged in the sessions that follow. This may of course add to the existing confusion; but that should not matter. I hope these comments set off a spirited

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¹<http://www.shmoop.com/alice-in-wonderland-looking-glass/epigraph.html>

²http://carnegieendowment.org/files/market_versus_state.pdf;

³http://en.wikipedia.org/wiki/The_Memoirs_of_Sherlock_Holmes

⁴http://books.google.co.in/books/about/Structural_adjustment.html?id=DvywAAAAIAAJ&redir_esc=y

⁵http://books.google.co.in/books/about/States_and_Markets.html?id=Ykj_tEOM5LbkC&redir_esc=y.

debate. Research is a conversation. Let us have a spirited one here.

That, rather than Final Truth, is after all the main purpose of Inaugural Lectures.

The Market

To an economist, a market is a 'platform' or a [notional, not physical] space, where buyers and sellers-producers and consumers-interact. It is a key concern in management schools. In the complex modern world, where specialisation is the norm, everyone participates in the market. Each of us is simultaneously a buyer of the many things we consume each day, from food to transport to mobile services; and a seller at least of our labour and skills in the market to earn a living wage which we spend on what we need. Given that production takes place in organisations, we are part of large institutions that often have logic of their own. Both individuals and organisations participate in the market.

The essential function of a market is that of signalling. It is the market that tells us what people want to consume based on what they are willing to spend. It is this signal that is picked up by companies about what to produce, and for whom. This impersonal market is all about specialisation. Each of us is both producer and consumer. We put what we produce-or, more correctly, help to produce, in the market because we cannot consume all of it; and we look to the market for those goods and services that we do not produce but wish to consume. So no one is out of the market. Buying and selling is part of 'the ordinary business of life' that Marshall⁶ spoke of.

This is simple enough, but the world is not so simple. There are many goods people want. There are many variations of the same good--look at how many brands of soap we have in our shops. So people's choices get reflected in what they buy. Some goods do well, others disappear. Think of how cherished PDAs were 15 years ago. Think of the telegram service that has recently been formally shut down. This is because technology has progressed; we now have more efficient-and cheaper ways of meeting those needs. The market is dynamic; it keeps changing.

Once we move beyond simple barter, exchange becomes complex. A lubricant is needed to facilitate complex exchanges, and this brings in one of humanity's greatest inventions: money⁷. Money is fiat money-it is legal tender. Money is both a store of value and a medium of exchange. But money has a life of its own. To manage money we need special institutions; banks. They add their own complexity to the Market. After all the 2008 recession, which affected the whole world, is the result of financial collapse in the USA. Money matters.

The development of the market as an institution-a code of behaviour-has led to an explosion of economic activity⁸. More and more things, and more and more things of great variety, are now produced if there are buyers for them. Some who are lucky to produce popular things go on to make fortunes-look at Apple or Microsoft-or today's new giants, Google and Facebook. It would not surprise any of us if a new one appeared tomorrow.

These are dramatic cases. But thousands of companies have grown by taking advantage of market opportunities-of providing a good or service for which there is a demand; that is for which people are willing to pay. Given that people are rational, that they have limited amounts of money, it is important to provide goods and services at rates that the majority can afford. Given that there is inequality of incomes and wealth in society, the market reflects this inequality. The market is amoral. Terrible injustice is consistent with rational markets. After all, there is plenty of poverty in the world's richest country: the USA.

There is competition for the consumer's rupee: it will go to the one who can provide a good or service at a lower cost. The others will fall by the wayside. Competition is the key feature of a market. Look at what has been happening in India. In the aviation sector, Indigo is prospering; Kingfisher has stopped flying. And when they fall by the wayside, people working in them lose their jobs, lose their purchasing power, and return to the job market. This is a process that goes on and on.

Many believe that the market is really an 'unseen hand'

⁶ For example see: http://carnegieendowment.org/files/market_versus_state.pdf; <http://www.ncbi.nlm.nih.gov/pubmed/19715632>

⁷ http://carnegieendowment.org/files/market_versus_state.pdf; <http://www.ncbi.nlm.nih.gov/pubmed/19715632>

⁸ <http://www.amazon.com/The-Great-Transformation-Political-Economic/dp/080705643X>

that guides economic activity. It aggregates millions and millions of people's desires, places it before those who wish to produce for a profit, and in the process brings prosperity. There is some historical truth in this. And this hope of profit is the lure of the Market.

However, all this means that the market, as an institution, is dependent on those who take part in it behaving in a certain manner. It is often imperfect because of what we call asymmetrical information⁹. If I produce fake goods and sell them, I might make money, but someone out there is getting cheated. Every once in a while the newspapers carry news of large numbers of people going blind-even dying-after consuming adulterated liquor. Someone must have produced it. In doing so, they have put the lure of profit, the greed for money, before the welfare of the unfortunate consumers of their product. Not everything about the market is good.

There are conditions when the market fails. Francis Bator has discussed this situation in exquisite detail in his paper¹⁰. This is true in the case of externalities, that is, when the decision[s] of one set of market players has consequences on third parties that are unrelated to that decision. A common example from Pigou¹¹ is that of a factory which gives up smoke and pollutes the neighbourhood, thus imposing a cost on people who have nothing to do with the factory. Such externalities turn out to be more common than we think. We will return to this later. But in their absence, the Market works fairly well.

Above all, for the market to function there must be an underlying code of ethical behaviour. It is no wonder that Adam Smith, whose book was published in 1776, was, not a Professor of Economics but of Moral Philosophy. His earlier book was titled *A Theory of Moral Sentiments*. If an underlying ethics does not exist, the market will collapse. To ensure that markets function, we need laws that can be enforced. A market has to be governed¹². Who is to do that? This brings us to the State.

The State

Like the market, the State too has been evolving, but it has a much longer history. Once people started to live in interdependent communities, it became important to ensure that the actions of some did not hurt the interests of others. It sounds obvious. I have the freedom to swing my arms. But what happens if my swinging arms come into contact with your nose? Pavements are meant for people to walk on. But we all know that many of our fellow citizens sleep on the pavements because they have nowhere else to go. They have a right to sleep in peace. Thus we need to balance the rights we have against the rights of others. Who is to do this? Who is to enforce this agreed upon self discipline? Who is to adjudicate when there are disputes?

We need a Social Contract¹³. And the institution that works such a social contract is the 'State', often also called Government. The words are not interchangeable, but often enough the context makes clear what we mean. In India we have the Arthshastra¹⁴ which discussed these issues long years ago. In the 1600s, Hobbes¹⁵ made a case for an absolute sovereign. But since then, democratic ideas have gained ascendancy. The doctrines of Separation of Powers and Checks and Balances began to play a role in the way the State was designed.

The State can be thought of as a plane¹⁶. To keep it flying safely, we need a pilot, a navigator, maintenance engineers...not to talk of cabin crew. And just as planes have evolved from single engine machines to the modern jumbos, so has the State. Every State today is a hydra headed figure, with multiple institutions functioning with a framework of basic law that we call a Constitution. India adopted one in 1950, and we have lived under it since. It has been amended a number of times to deal with changing underlying circumstances. I am proud that we have preserved it now for over 60 years.

When communities were small, the strongest ruled.

⁹ George Akerlof: *The Market for Lemons*. <http://qje.oxfordjournals.org/content/84/3/488.abstract>

¹⁰ https://instruct1.cit.cornell.edu/Courses/econ335/out/bator_qje.pdf

¹¹ <http://www.econlib.org/library/NPDBooks/Pigou/pgEW20.html>

¹² <http://press.princeton.edu/titles/4724.html>

¹³ http://en.wikipedia.org/wiki/The_Social_Contract

¹⁴ <http://sandipsandilya.wordpress.com/2011/01/25/kautilyas-arthshastra-chanakya-full-book-in-english/>

¹⁵ <http://ebooks.adelaide.edu.au/h/hobbes/thomas/h68l/>

¹⁶ The capital of Brazil, Brasilia, has been designed on the shape of a modern jet. See <http://www.bbc.co.uk/news/magazine-20632277>

Eventually they became kings and looked after all aspects of life of the people in their land. As communities grew in size and complexity, gradual changes took place. An accepted common law evolved; in India we have the jajmani system. Delegation became essential as one person could not handle it all. An army was needed to defend the land, but judges were needed to resolve disputes. Others were needed to collect revenue for the ruler to pay his functionaries. And he needed a police force to ensure that no one cheated him. Over time legislatures came into existence to ensure that the laws that were made reflected the will of the people and not just that of a king. And to implement these laws governments, with civil servants, became the norm.

At some point in history-and not too long ago either-these territories under rulers became Nations, also called Nation States. Each ruler considered himself [and it was usually a man] sovereign, subject to no one other than himself. The world had many such nation states. Inevitably, wars followed, but that is another story. India is no different.

When after 1947, our modern nation state was born, more than 500 princely states within our territory were merged into the new Indian union. Thus, while we are an ancient civilisation, we are a very young Nation State. And we are a State that has built upon the systems of both princely and colonial rule. Since the task of the colonial bureaucracy was to control the population for the foreign ruler, it had a certain ethos...an ethos that has continued after 1947. It is an ethos upon which we have grafted different responsibilities. This is relevant to an understanding of the Indian nation state.

Monarchies by nature are unitary states; that is there is only one government. India chose to go the federal way; that is, governance was shared between various spheres, each of which was elected and which had its specific responsibility. They need to interact and communicate with each other. For example, provision of merit goods and public goods like education and health are the responsibility of the States...the word we use for provinces. The union government has other responsibilities, like defence and foreign affairs. It is a

system that requires consultation, restraint and patience. I sometimes wonder if we have these in required measure.

For all this to work, once again, a basic morality is essential. In our country we have a long tradition of dharma. Kings were to rule according to dharma; and the Mahabharata shows us how difficult this was. It is an issue we continue to grapple with today.

Be that as it may, a social contract is needed, and ours is embodied in our constitution. It is based on the democratic principle that one citizen has one vote, and all votes are equal. The market functions on the basis of money; my rupee is equal to your rupee. Those who have more rupees have more clout in the market. If each citizen had the same amount of rupees, then the two would conflate. Usually they do not.

It is within such a social contract that the market functions. If the social contract is acceptable to the majority, and it works to their satisfaction, then the market will provide the guidance of the unseen hand to the economic actors within that society. There are many models across the world. Europe has one, the USA another. We have, I am happy to say, our very own. And it has shown itself to be flexible. In the 1950s, it was consistent with a planned economy that was needed then for public sector industries to grow and bloom. Today it has morphed into one where the Government is withdrawing, leaving many activities to the forces of the market. Who knows where it will go tomorrow?

It is also necessary to ensure that a ruler does not degenerate into a tyrant. We need people who will watch the guardians. And there can be many ways in which this has happened. We had our brush with dictatorship in 1975 when Indira Gandhi imposed an Emergency, using some provisions in the constitution that were really not meant to be used-or if used, only under extraordinary circumstances. It is in this context that I must mention the role of Justice Hegde and others in restoring democracy and ensuring that the damage done did not become a permanent wound in our social fabric. His is an important contribution to the evolution of the Indian State.

Our constitution, while open to amendment, has a 'basic structure' that the Supreme Court has ruled cannot be amended¹⁷. The basic structure has not been defined, but scholars believe that the basic nature of democracy, the federal structure in which we have spheres of government, each with its own responsibility functioning together to govern the nation, etc are parts of it. The 73rd and 74th amendments brought in a third tier of elected governments-panchayats [in three tiers in rural areas] and municipalities [of various sizes] in urban areas. It is up to State legislatures to decide upon the exact powers and functions of these local governments in their own jurisdiction. This amendment has deepened the federal nature of India; it is an ongoing process today.

In 1947 there were few who thought a democratic India would survive. But survive we did, even the aberration of the Emergency. India gave women the vote before Switzerland. This belief in universal suffrage, even when large percentages of the population were uneducated, this persistence with democratic functioning, has I believe, survived many challenges. Our people have shown maturity, even if our leaders have not. But we must recognise that there are many challenges before our nation state. We have to work on improving the functioning of our democracy. The coming elections next year will be another important step in our evolution as a mature Nation State.

But before proceeding further, I must turn to the third word: Society.

Society

This is the third big word in the title of our conference. Society is a group of people, who have relationships among themselves, who live in a defined territory. In that sense Indian Society is made up of many societies. The south Asian subcontinent over thousands of years of history has undoubtedly a common tradition...a Great Tradition. But each part of this large landmass also has its own customs and mores...there are many Little Traditions¹⁸. Both co-exist, and this is a unique feature of modern India. Any Social Contract in this society

must recognise its Great and Little traditions. Our constitution does this through its federal structure which gives states considerable freedom. In an ancient civilisation, we have constructed a young modern State¹⁹. Growing pains are to be expected; and your generation has to deal with them now.

A unique feature of south Asia, of which we are the major part, is the caste system²⁰. The system of castes and jatis has been evolving, but it is essentially iniquitous. Our society is hierarchical, with the top enjoying privileges and the bottom none. To be accurate, the bottom faces severe exclusion. Gender discrimination is rife; the newspapers today are full of horror stories of rape. Till recently the law enforcement system functioned as if the victim was the guilty party. This is an aspect of our society we should all be ashamed of. The saving grace is that we are slowly facing up to it; this is the first step to changing our behaviour. We men will have to change accordingly. If men have been part of this problem in the past, we nevertheless are part of the solution in the future. The good news is that we have begun to deal with this monstrous aspect of our society.

We have every major-and perhaps minor-religion of the world in India. Unlike many other countries, where almost the entire population has one religion-in Brazil 90% of the population must be Christians-we have people of very faith living here. Religion was the basis for the very bloody Partition of British India in 1947. And we in India have decided to accord equal respect to all religions than become a theocratic State. This pluralism is a core value of the Indian State, and it is necessary to keep this in mind when disputes based on religion crop up, as unfortunately they often have. In our democracy, people of all religions are equal; for religious minorities the Constitution gives some additional protection.

We have hundreds of languages-look at the number of languages in which the value of a currency note is described. These are not dialects; they are languages with their own grammar, literature etc. We have hundreds of jatis-caste groups, with their own cultures, which are also experiencing rapid, and not always

¹⁷ For a simple presentation, see <http://www.humanrightsinitiative.org/publications/const> the basic structure of the indian constitution.pdf

¹⁸ See for example, <http://www.preservearticles.com/2011083012468/1528-words-essay-on-the-little-and-great-tradition-of-india.html>

¹⁹ See Sunil Khilnani's Idea of India. <http://www.flipkart.com/the-idea-of-india/p/itmcyzr5gzck6c6q>

²⁰ <http://www.legalindia.in/inequalities-of-caste-power-influence-indian-society-sociologist>

positive, change. We eat a bewildering variety of foods. We have strict vegetarians who will not eat onions and we have voracious meat eaters. Diversity of all kinds would describe India well. But the Great Tradition also means that there is some unity within this diversity. From the Great Tradition we get our Indian passport; from the Little Tradition our sambar, kulcha, jelebi, rossagulla and so much more. Our music demonstrates this. We can all recognise a raga; yet a raga is never rendered the same way twice. Each of us is a unique raga.

When we are not dealing with a passport, we are not thinking of ourselves as Indians; this does not mean that we are not. It means that in our everyday context we are Kannadigas, Telugus, musicians, cricketers and what not. 30 years ago Professor Sankaran and I were both in the Indian Institute of Management, Bangalore. The word 'Indian' was needed to remind ourselves constantly that this was a national institution, not a local one. We have to constantly remind ourselves that we Tamils, Bengalis, Punjabis etc are at some important level, Indians. We live in the Little Tradition; our nationhood derives its sense of self from the Great Tradition. Both are aspects of Indian society. We are simultaneously both, never just the one. Similarly at times our State is the local, at other times it is the national or the union. And in our federal constitution, we must remember this. The State is not unitary or one-dimensional. It is multi layered. And in this unity in diversity Indian Society is unique.

We as Indians have multiple identities. Indians who meet one another abroad never fail to surprise their hosts with the rapidity with which they establish connections. Everyone seems to be a relative-and we have extensive familial relationships-or a friend, of the friend of a relative...and need I say it...relative of a friend. It does not take us long to establish some connection, even when one is a Kannadiga and the other a Bengali. After all, we may share a school, or a language or a caste or a college or cheer for Sachin Tendulkar. We share the Great Tradition. And this variety also means that we can draw upon vast pools of tradition and knowledge to deal with current problems. This aspect of our Society is unique...and I think a major

strength. But it is also not without its own tensions. Sometimes my Telugu self may confront my Indian self: I have to sort this out in my mind. Every Indian does this every day.

An interesting development in recent years in many societies---Brazil for example-is recognition that when major inequities exist, there is both a moral and economic Responsibility to Protect, often written as R2P²¹. Society demands that its State follow policies that will reduce the inequity. In India we have since Independence used reservations towards the same end. R2P is now becoming a set of debates internationally. I think we have done good work in India under our R2P efforts. After all, we have had to deal with inequities that go back for hundreds of years, and if we have not completely sorted them out in 60 it should not come as a surprise. In arguing we have much more to do, we must not forget we have made important progress.

Citizens get together in groups to make demands on the state. Look at the way the Mazdoor Kisan Sangarsh Sanghatan led the Right to Information movement that eventually led to the remarkable Right to Information Act. This is a dramatic case, but we see more and more such examples today. Look at the Anna Hazare movement against corruption---which eventually sprouted new Aam Admi Party that swept the Congress from power in Delhi. Citizen initiatives 'civil society' has become an important part of society that interacts with the State.

In saying this I do not wish to minimise the problems we face, of language disputes, caste reservations, educated unemployment and so on. A solution to a problem in one area may not work in another. A solution to one problem may create new problems. We must accept this reality of multiple solutions to similar problems; of solutions leading to new problems in a never ending sequence. But in the din of disputation we Argumentative Indians must not lose sight of the basic strength this diversity gives us. Our State has to build on it, not try and enforce a uniformity that is foreign to its society. It is not easy. But as your Director will tell you, nothing worthwhile is.

¹[http://www.gppi.net/approach/debate/debating the responsibility to protect in braz il china and south africa/](http://www.gppi.net/approach/debate/debating%20the%20responsibility%20to%20protect%20in%20braz%20il%20china%20and%20south%20africa/) , and <http://www.thehindu.com/opinion/op-ed/article2985190.ece>

Globalisation

This is a word I am bringing into this discussion. We live in a world of many Nation States. These states interact with each other in many ways. But the ease of interaction differs within a State and between States. Given history in which one state has subjugated another, there is a desire on the part of all states to preserve their sovereignty. And sovereign states can choose to work more closely with some, less closely with others, and perhaps not at all with some-like the USA and Cuba. In the economic arena Globalisation, among other things, intensifies competition.

Globalisation refers to the increasing interactions between nation states, and it is not new. Colonisation was one form of globalisation. Today, it refers to the process of moving from a 'one on one' interaction to an interaction between groupings...like the EU or ASEAN to a multilateral format as embodied in the WTO. In multilateral forums, each state has a vote, and decisions are guided on the most favoured nation principle; what a state offers to another, it must offer to all.

If all states were roughly equal in economic power, this would work smoothly. But the reality is that states vary in size. Small states are not necessarily weak...look at Singapore. Big states are not necessarily strong...look at India. When unequal states interact, the argument is made that equal treatment of unequals is inherently inequitable. The R2P I spoke of above is one aspect of this. Thus deviations from the most favoured nation clause must be accepted in at least some cases.

India is a country that will suffer gravely from global warming, and it is in our interest to take steps to mitigate the problem. But does this mean accepting the demand of the rich countries to make verifiable and strict commitments which are stiff, without some kind of return from the international community? The Amazon forest is critical to global climate. Should Brazil alone meet the costs of preserving the Amazon, because it is located there, without the international community sharing the cost?

The process of globalisation affects nation states in complex ways. For example, in the negotiations on climate change, India-and many developing countries-have argued that their contribution to global emissions is very small today. Further the richer countries have contributed in large measure to the gravity of this problem. These are facts. And they argue that the rich countries must therefore not only make large commitments to emission reduction, they must also finance and provide new technologies to the poorer countries. This runs against the all nations are equal view; and complex negotiations are taking place to resolve the problem of climate change, which is grave and imminent. Globalisation, if based on free market principles, and devoid of history, works against the poorer countries. Their governments cannot accept solutions based on market logic because they want to protect the poorest people. In the WTO, a stalemate exists because the rich countries refuse to remove subsidies to their farmers, while demanding the India and other remove agricultural subsidies. These are legacies of colonialism, and dealing with them is not simple.

And the obligations that come with international agreements influence the way economies evolve. We cannot ignore this process. Whether we can use it to our advantage is an open question Emerging India will have to answer.

Emerging India

All this will remain completely abstract if not converted into challenges for you who are Emerging India to discuss in the sessions that follow. Let me therefore, based on what I have said so far, place before you some wicked problems we have failed to deal with and which you may choose to confront.

We are a representative democracy. But many of the people we elect to make decisions for us often get less than 50% of the votes cast, let alone 50% of the electorate. This has meant that small groups that vote en block get into Parliament and take decisions that are good, not for the whole country, but for specific sub groups. How will you bring in democratic reforms that improve this situation?

The country is facing a huge health crisis. We will soon be the diabetes capital of the world, and diseases of the heart, eye and kidney will lead to much misery-and great, unnecessary expense. Yet we have a Food Security Act that makes available at very low prices hybrid wheat, polished rice and refined sugar, all of which are bad for health. In another context I have called this bill the Diabetes Subsidy Bill²². There is no link between our agricultural and health policies. Why should we not grow crops that are good for health? How will you of Emerging India deal with this paradox we are leaving behind for you? Can you get the State to deal with this rationally and sympathetically?

- We are a water scarce country that is encouraging water intensive crops like rice and sugar, and discouraging millets like ragi, bajra and jowar which are economical in the use of water. We are building huge cities that will experience water famine, like Bengaluru. What will you all do about this stupidity of your elders? Can you harness market forces better than we have done?
- It is well known that the market is myopic, and discounts the future. We have plenty of labour, but we subsidise the use of capital through low interest rates and tax holidays, thus discouraging labour intensive techniques that could generate employment. Will-and how-will your generation of Emerging India correct this imbalance?
- We are a labour abundant and capital scarce country. Yet we have followed policies of subsidising the use of capital...investment subsidies, interest reductions, duty drawbacks etc, This would encourage the intensive use of our scarce resource, rather than of our abundant resource. It would encourage firms to prefer capital intensive and labour saving technologies, when the need of the hour is more employment. Would not wage subsidies serve us better? I leave this question with you of Emerging India.
- As a country we are blessed with plenty of sunshine. Yet we make little use of this source of renewable energy on the ground that it is cost inefficient. These calculations are based on faulty assumptions and vested interests. If I am right in this, then corrective

action is needed. Can your generation face-and solve-this wicked problem?

- I could name many more, but I am sure your smart generation has got the idea. I will leave you with the challenge and hope you will address it in the sessions that follow.

By Way of Conclusion

Let me recapitulate the basic points made so far.

The market is a signalling device, but it must work within a framework of enforceable laws. There is an underlying ethical behaviour within which the market must function.

The State is a complex, multi-faceted entity, which represents our Society's Social Contract. It is this State- often also called Government-which passes and enforces laws; it is the state that punishes deviant behaviour. It is the state which governs the market. The market and state are not alternatives we must choose from. Markets function within the legal environment provided by the State. And that legal environment can vary widely across societies. This is more so, in our very complex society with its Great and Little Traditions.

Federal states in diverse societies are necessarily complex; decisions taken at one point may be changed at another. Markets must function under this uncertainty. What is important is that the laws must be the same for all players so that competition can give the benefits theory tells us it can.

Societies are agglomerations of people, and can be more or less diverse. Taking decisions in diverse societies like India is never easy; it is what we call a wicked problem. The goals shift; the resources available are not clearly known; decisions must be taken in a constantly changing environment.

Globalisation brings in immense pressure on societies and states. It makes our problems wicked. How we navigate these complex forces will determine where we go.

We face a number of wicked problems. You have to find your way around them.

And so I come to my own conclusions. This discussion

²² <http://cbpsbangalore.wordpress.com/2013/09/11/food-security-or-diabetes-subsidy/>

has been conducted in desperate brevity; many important aspects of market, state and society have not been mentioned, let alone discussed. Mea culpa.

In similar desperate brevity, I would say that we in India are a complex state, a Nation of great diversity and complexity, governed by a State elected at intervals according to our constitution. Its work is made even more complicated by the powerful forces of globalisation which have already had a major impact on India...and our state, Karnataka. We have moved from a State/Government that believed in controls to one that has liberalised considerably---and this liberalisation has led to rapid growth in the last two decades. But the freer play of market forces has also led to increasing inequality. The capability of the State-Government-to cope effectively with these challenges without immense corruption is being questioned. The word Corruption covers a huge range of ills.

We are a growing economy where there is hunger and malnutrition. We have low levels of education. There is much unemployment. People wonder if the

market can solve these problems. It would appear today that many in government feel the government should move out and let the market provide solutions. In an unequal society this will only aggravate inequality. The State, I argue, has an obligation to provide these public and merit goods.

It is perhaps in this context that State and Market are presented as alternatives. We need to use market forces, but if the State abdicates its responsibility to govern and regulate this market, by stepping in when necessary, inequality...and social tensions...will increase. Emerging India has to find the correct balance.

That is my understanding. We are a democracy. It is the people of India who in the coming election will decide which way we will go. Your generation of Emerging India has to get it right.

And I am comfortable with that. The wisdom of our people, even if it differs from I consider desirable--will tell us which way to go. It is our greatest strength.

JKSHIM Contribution

