

Press Release

Human Development Key to Unshackling India: Top Economists at CSEP Flagship Seminar

December 17, 2021

New Delhi: Accelerated investment in human development, enhancement of state capacity and promotion of decentralised governance emerged as the top issues that India must prioritise in the next 25 years, at a [book launch](#) of *Unshackling India: Hard Truths and Clear Choices for Revival*, by Ajay Chhibber and Salman Aneez Soz, hosted by the **Centre for Social and Economic Progress** on December 16. The book addresses the question of how India should unshackle its potential to become a genuinely developed economy by 2047.

The panel featured the authors, **Ajay Chhibber**, Distinguished Visiting Scholar, Institute for International Economic Policy, George Washington University and former Assistant Secretary General, United Nations, and **Salman Aneez Soz**, economic development consultant, author, and commentator. The discussants were **Yamini Aiyar**, President, Centre for Policy Research, **Vijay Kelkar**, Chairman of the 13th Finance Commission and former Finance Secretary of India; **Lord Nicholas Stern**, IG Patel Professor of Economics and Government and Head of the India Observatory at the London School of Economics. The session was moderated by **Rakesh Mohan**, President and Distinguished Fellow, CSEP, and member of the PM's Economic Advisory Council.

"India has become a welfare state before becoming a developed state. But it does welfare very badly....it relies on an antiquated system....What is missing in India today is a framework to see how different factors interact with each other," said Chhibber. "How does lack of education, the particular way we handle labour and land policies, how our financial system has evolved, how does all that affect the outcomes we have had."

Adding to this, Salman Soz said that, "We really must decisively get away from this notion that an economy is about government infrastructure, the financial sector, and all that. We must start talking more about human development. We need to talk a lot more about education, social protection, and other newer areas".

He argued that for this to happen, India needs to decentralize, which will be a big challenge going forward. "India is a very diverse country. India cannot be run from New Delhi."

Focusing on the critical issue of state capacity, Yamini Aiyar said that while the entry of private consultancies, technocratic solutions, and institutions such as think tanks can support policymaking, these entities often substitute for the core of the state. "We want the State to build its capacity", Aiyar said.

"Perhaps the challenge for India is not that the State is too small, but that we don't have enough State in the right places," she added.

Policy prioritisation is also a challenge. India's statistics on education and women's participation in the labour force are sobering, despite huge demand, and need new and committed policy thinking. "We know that transport is a huge issue for women. Women require safe transportation to commute to work. We do nothing to improve the transportation system that would allow more mobility for women," Aiyar added.

Vijay Kelkar argued that governance and state capacity are an “important binding constraints” for development policy and must serve as a starting point. The governance structure has four pillars – the parliament, judiciary, government and regulatory regime. Kelkar said that the parliament was the most important out of these pillars and must be strengthened. “Parliament committees are a rich instrument which are highly underutilized and this should be strengthened to improve our governance structure,” he added.

Kelkar also emphasised the need to simplify policies, giving the example of the Goods and Services Tax. “We are making the system complicated and this complicated system increases the problem of governance and state capacity,” he said. “There should be a three-point programme: simplify, simplify, simplify.”

Nick Stern brought a global perspective to the discussion, saying that, “We are now in India at a moment of enormous potential for create a new growth story – a growth story that is sustainable, resilient and inclusive.” Stern said that PM Narendra Modi’s speech at the COP 26 in Glasgow was a major signal that this story is now being led from the top, but it is actually coming from across India, with Indian industry giants committing to a shift from fossil fuels to renewable energy.

This is by no means easy, Stern said. “It means a lot of investment, innovation, dislocation, management of complex systems, the cities, the energy systems, the transport and the land. But the returns of getting this right are tremendous...this is now investment for a purpose, investment in a particular direction, and this is investment with urgency,” he added.

Stern elaborated more on four key drivers to unshackle India, “the dogs that could have barked”: investment in a sustainable economy, India’s natural capital, improving public finances with a special focus on human development, and attention to the vast and unregulated informal sector.

Rakesh Mohan added to this list, pointing out that, “A real issue for the country is to generate non-agricultural jobs which we have just not been doing.” Mohan attributed this to a lack of investment in manufacturing and trade.

Another area of concern was education and health, which has been neglected for 75 years. “This is a public policy failure in not providing it and making people poorer in a sense by having to pay for these public services,” he said.

Mohan also pointed out that India’s tax to GDP ratio has been solidly stagnant for 12 years which doesn’t make sense given ~6% average growth of real GDP, ~11% in nominal GDP. Property tax remains an underused resource, despite the rate of urbanisation and formal housing. “Clearly there is huge problem of compliance. Many of the things to strengthen government, public policy etc. can’t be done unless you increase the Tax-GDP ratio,” he said.

For media enquiries, please contact:

Zehra Kazmi

Email: zkazmi@csep.org