

# **Agricultural and Rural Development in the 1990s and Beyond : What Should India Do and Why?**

**V. Kurien**

**RESERVE SECTION**

**R. R. KALE MEMORIAL LECTURE, 1992**

**GOKHALE INSTITUTE OF  
POLITICS AND ECONOMICS ,  
PUNE-411 004.**

Dr. Kurien is a visionary and also a man of action. He has, over the years, translated into action his philosophy and vision about the role of co-operation in rural development. It is through his pioneering efforts that we witness today the success of co-operative enterprises in rural India, specially in Gujarat.

The White revolution in India or what is also known as 'Operation Flood' has been brought mainly through the leadership and untiring efforts of Dr. Kurien. The National Dairy Development Board, built up over the years through his efforts and under his inspiring leadership, has developed into an organisation capable of facing challenges in the production and distribution of essential commodities like milk and edible oil in India.

Dr. Kurien is a Mechanical Engineer by training. He obtained his Bachelor's Degree in Mechanical Engineering from Madras University in 1943 and the Master of Science in Mechanical Engineering from Michigan State University in 1948. Many universities from different countries, for example, U.S.A., U.K., Canada, Australia, etc., have conferred honorary degrees upon him.

Dr. Kurien has been the Chairman of the National Dairy Development Board since its inception in 1965. He has also been the Chairman of the (1) Gujarat Co-operative Milk Marketing Federation Ltd., (since 1983); (2) National Co-operative Dairy Federation of India Ltd., (since 1986); (3) Technology Mission on Dairy Development (since 1988); (4) Board of Governors, Institute of Rural Management (since 1979); (5) Status Review Committee of Indian Institutes of Management (since 1991); (6) Vice-Chairman of Empowered Committee on Technology Mission on Dairy Development, Ministry of Agriculture, Government of India (since 1989); (7) Member, Technology Mission on Oilseeds Policy, Ministry of Agriculture, Government of India (since 1987); and (8) Vice-President, International Dairy Federation, Brussels, Belgium (since 1991).

To mention only a few of the position held by Dr. Kurien in the past, he was Member and later Chairman, Gujarat Electricity Board (1960-1966); Chairman, Board of Governors, Institute of Agriculture, Anand (1969-1972); Chairman, erstwhile Indian Dairy Corporation (1970-1987); Chairman, XIX International Dairy Congress, New Delhi (1974); Director, Central Board, Reserve Bank of India (1972-1983); Chairman, Gujarat State Co-operative Cotton Marketing Federation Ltd., (1975-1981), and Vice-Chancellor, Gujarat Agricultural University (1984-1985).

Dr. Kurien was awarded Padmashri in 1965, Padmabhushan in 1966 and Krishi Ratna in 1986. He has received many prestigious international awards as well. As early as in 1963, he was awarded the Ramon Magsaysay Award for Community Leadership. In 1986, he received "Waterlur Peace Prize" Award from the Netherlands and he got the World Food Prize Award for the year 1989. He has received numerous other awards, including the Rajiv Gandhi Memorial Gold Medal in 1991 and Sir Jehangir Ghandy Award for Industrial Peace in 1992.

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## **Agricultural and Rural Development In the 1990s and Beyond : What should India Do and Why?\***

**V. Kurien**

Dr. Wadhwa, the members of the faculty of the Gokhale Institute, distinguished guests, ladies and gentlemen,

This Institute has been a pioneering institution. It is a striking example of the impact that an institution of research and learning can make as a whistle-blower --drawing society's attention to issues critical to its people and, thereby, in influencing the way public policy on such issues gets formulated. I am happy to be here.

By making these remarks, I think I am leaving no doubt in your minds that I am an admirer of this Institute. Even so, I would be dishonest if I were to say that I was entirely delighted in accepting this invitation. Indeed, it was with some reluctance that I could overcome my apprehensions about accepting this honour of addressing you today.

The reason behind my apprehension was that I have a deep dislike for economists. I am credited to have made a public statement - which, incidentally, I have not denied yet -- that a world without economists would be a lot better place for the human kind. May the tribe perish-for they never are where the action is!

Now, when I first heard from Dr. Wadhwa, I quickly inferred that he could not have known the views that I have harboured in my mind about economists. I was torn between the horns of a dilemma. I had no intention of keeping him in the dark on the matter. Nor, in the stage of my life at which I am poised, I felt inclined to change my views either on economists or, for that matter, on anyone else. It was, therefore, that I was apprehensive about accepting to deliver his lecture.

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\* Text of Rao Bahadur R.R. Kale Memorial Lecture delivered at the Gokhale Institute of Politics and Economics, Pune, on 17th July, 1992.

When Dr. Wadhwa persisted, I finally let my guard down and accepted to be here today. However, lest I should begin to deal expansively with my views on the subject of economists in the midst of an audience of economists, I decided against an impromptu talk--with which my performance is generally better. Instead, I have brought a prepared text of my address, which I can assure you, is carefully cleansed of all my views on economists.

As many of you probably know, all my working life I have been a manager. I and my colleagues have built and managed businesses..to be frank, quite big businesses..and, unlike Tatajis and Birlajis, we inherited nothing; we built our businesses from scratch. Moreover, like Harshad Mehtajis of this world, we did not build our assets overnight; building Amul took us 40 years...and the sweat and blood of our farmers.

You might say, no big deal...after all, what are managers for if not to manage businesses?

To which, I would say that there is a difference. I -- and the other professionals like me who chose our particular brand of profession -- differ from "lay" managers. Most managers build businesses for the owners of capital. But we built businesses for farmers.

And, in doing so, we fought battles on behalf of the farmers. Instead of talking and writing clever papers about the problems of the farmers, we spent our lives working on some of them. Not as do-gooders with a patronising outlook... but as professionals employed by farmers, and paid by them to solve their problems.

We began to look at the world through the eyes of our farmers. And, believe me, the world did look different. It looked dark and sinister. And, full of double standards. Soon after Independence, leaders like Pandit Nehru, Sardar Patel and Shastriji emphasized the need for our farmers to emerge; Panditji even talked, with great flourish, about a rural India convulsing with co-operatives. These were indeed great men; and through the support and encouragement they provided to us, they proved true to their world.

But, as a young manager of a co-operative, I was preplexed and frustrated. When someone like Panditji or Shastriji said that India's salvation lay in co-operatives, in my innocent mind, I thought they were merely giving expression to the views of the Indian nation-State. But I quickly discovered how extraordinarily difficult can low level politicians and petty bureaucrats make it to set up a farmers' business in this country while, at the same time, paying endless lip service to the need to organise farmers. I found that instead of organising farmers, we were spending all our energy and resources on overcoming opposition. And I could understand having to deal with opposition from trade and other vested interests; but I could not understand why were were having to overcome opposition from the State itself.

This was my bitter introduction to the Indian statecraft. This is how I realised Panditji and Shastriji did not represent the Indian State; they merely proposed; it was the bureaucrats and the powerbrokers lower down who disposed. This is how I came to regard the IAS and the bureaucracy---incidentally, in my opinion, that is the only tribe that needs to perish before the economists -- as the foremost hurdle to our farmer from emerging. They symbolised to me the worst legacy of colonialism.

Now, in the twilight of my career, I have realised that our problem is systemic that bureaucrats are not born, they are made. A perfectly good individual would turn a bureaucrat when functioning as part of a bureaucracy..and, similarly, even an otherwise honest public worker would turn a power broker if the polity has been designed to reward only power play.. I believe that if India as a nation --and its agricultural and rural economy, in particular--has not done as well as it ought to have, it is because we failed to get the right chemistry between the State and our institutions of development.

I notice that Dr.Manmohan Singh has come to roughly the same assessment. His answer to the new challenge -- guided, quite regrettably in my view, by some defunct economist called Adam Smith who lived somewhere in Europe 200 years ago - is to withdraw the State from the economy.

I beg to differ; I think that what India needs is not less State but a better State; we need less of the State as a meddler, as an entrepreneur, as a manager. But we need more of the State as an institution builder, as a protector of our institutions of development, as a protector of the rights of the totality against the treachery of pressure groups. We need less of the 'awkward' and the 'mean' State which India has suffered so far; but we need more of the 'subtle' and the 'noble' State.

There is growing realisation that we cannot continue thus for long. Something has to give. For, at the current rate, we are likely to enter the 21st century a miserable nation with an army of 300 million half-clad, hungry rural unemployed and under-employed. The poor of India will not wait indefinitely.

We tried land reforms; but the bureaucracy and politicians made a mockery of our ceiling and tenancy laws. We also tried a range of anti-poverty programmes--as an act of penance for letting the poor down on structural reforms; but here too, the bureaucracy usurped the lion's share of the resources available allowing no more than a tiny fraction to reach the poor. We have always chased the mirage of growth with equity; and have been able to achieve neither growth nor equity.

In my opinion, a big answer to India's poverty is a 10-year spell of rapid agricultural growth. What India's rural economy seems to need most is to break out of the 'Hindu rate of growth' of 2.5% per year. Above everything else, what we need is to gun for the real value of agricultural output to grow at 5%-7% per year for 10-15 years; for then, by around 2005, we would have broken out of the 'poverty trap'.

But this kind of growth in the agricultural-rural economy cannot come from economic planning of the variety we have pursued so far; neither can it come from tinkering around with resource allocation nor from a sterile search for technological miracles; it can come only from a quantum jump in the way we, as a society, think and work. It can come only from a redesigned chemistry between the State and our institutions of development. This requires that the State withdraws from three roles in which its performance has been disastrous; that it learns to perform better three other roles which only the State can play.

### State and Society

By State, I mean the institution of national governance. State is an institution; government, an organisation. In different nations, State has adopted differing postures with respect to the processes and institutions of development. In western societies, for instance, the institution of markets is allowed greater play in the economy with the State taking a hands-off attitude; in the erstwhile Soviet Union it was very nearly the opposite. In the east Asian capitalism --far more relevant to us--the State has played an entirely different and creative role. I understand that the institutions of 'zaibatsu' and 'kieretsu' through which the State guides Japan's capitalism through a complex inter-locking network of corporate interests is the secret of Japan's international competitive advantage. Unlike in the western capitalism, the Japanese State has proved a subtle, nurturant and enabling State. The Indian State too has chosen to be an active player; but regrettably, it has proved an awkward, patronising and disabling State.

The Indian State has used all instruments of economic intervention: taxes and subsidies, regulation, and direct action. It has, for instance, assumed the role of an entrepreneur in establishing co-operative organisations; as an entrepreneur-manager in creating organisations like the Food Corporation of India (FCI) and the State Trading Corporation (STC). It has undertaken public production of rural development services through myriad forms: organisations (like the DRDAS), programmes (like the JRY), and campaigns (such as the Technology Missions and literacy campaigns). The State has thus assumed and mal-performed six different roles:

#### *Intervener in Economy*

The failure of the Indian agricultural and rural development policy is to be traced to four common drawbacks which have characterised this institutional failure in all State interventions:

- a) *Goal confusion* : most interventions end up trying to achieve more than one, and often conflicting goals;
- b) *Mistargetting* : most fully or partly miss their target groups or objects;
- c) *Redundancy* : most tend to survive long after they stop serving their original purpose; we have singularly failed in devising an 'exit procedure' for interventions/organisations no longer relevant to their original goals; and finally,
- d) *Negative Loops* : most end up in the centre of a new political economy with deeply entrenched pressure groups and vested interests. As a result, we have created a system which can be operated only with the help of the so-called 'ten-per cent-wallahs' acting as intermediaries between the State and legitimate economic actors.

#### Role state must avoid

##### *Entrepreneur*

The Indian State has extensively intervened through creating and operating its own organisations. No sooner are these born, than they end up as monolithic, inefficient, self-serving white elephants. Take, for example, the Food Corporation of India. Created in 1957 the



FCI grew into a colossus employing nearly 80,000 workers. In its checkered history, the FCI was never viable, its staggering losses cumulating to several hundred crores during 1958-59 period. Directionless and without a long-term strategy, the FCI became a den of corruption and inefficiency. With strong labour unions, the operating costs shot up to unheard of levels. For example, the FCI's average loading cost is Rs.200/mt compared to Rs.25 for private grain handlers; its storage losses have averaged 3% compared to 0.5% for private handlers; its grain losses due to moisture alone are what private handlers tolerate under all categories. Organisations like the FCI are beyond redemption - difficult to manage, impossible to turn around.

The purpose for which the Food Corporation of India was created --that of providing price support to farmers through open market operations--was certainly important and noble; but FCI was no way to achieve it. We have known and tried better ways. Let me give an example. In 1979, when the government of India asked the National Dairy Development Board (NDDB) to work out a modernisation programme of the oilseeds co-op sector, the NDDB realised that the major obstacle in this task is the highly unstable, volatile and speculative character of the edible oil market. At the end of a detailed exercise, the NDDB concluded in 1979, that any agency which controls 15% of the total edible oil supplies in the country can, through limited but skillfully executed open market operations, contain the market prices of edible oils within carefully computed, pre-specified upper and lower limits.

Ten years later, the government of India asked the NDDB to launch their Market Intervention Operation (MIO) with limited commitment of financial and commodity support. The NDDB initiated two steps: we launched 'Dhara', a national brand of consumer-packed oil which; in its maiden year, became a runaway hit and one of India's greatest consumer marketing successes in modern times. Second, the NDDB launched open market operations involving the newly created oilseeds growers' co-ops in the procurement and processing operations. During 1989-90, the price band given by the government to the NDDB was Rs.20,000-Rs.28,000/-mt; not once did the market price in Bombay move out of the price band.

There were several lessons to learn from this. First, while the government provided much moral support, it went back on most of its promises of financial and commodity support. Second, contrary to its earlier analysis, the NDDB concluded that it needed not 15%, but less than 5% of the market share to regulate the prices in most years. Third, for launching Dhara as well as for its open market operations, the NDDB added less than hundred more men to its staff. Finally, the government could hardly have done what the NDDB did with flair--for no civil servant would have had the heart to take the risks it entailed. At the same time, the NDDB would not have succeeded if it had not commanded complete support of the government of India.

#### **Organisational Governance**

Throughout this paper, we have used the term 'monitor' to denote the governance structure of any organisation. The role of the 'monitor' --or, the board of directors-- is to establish and maintain consonance between the interests of those with direct stake in the performance of the organisation and the actions of the managers/administrators of the organisation. In classical business

corporations, this role was played by a board elected by share holders who are its owners; in a co-operative, it is played by a board of directors elected by the members who are the owners as well as users of the services of the co-operative. This is so presumably because a corporation and a co-op exist to serve well-defined groups of people who own them and who therefore have a more enduring and direct interest in ensuring that professionals manage them in the long-term interests of their owners.

In India, this principle of owner or stake-holder control has been negated *ab initio*. Whether it is farmer co-op or a canal authority or an electricity board, the State invariably plays 'monitor' to all the organisations it creates; and in this capacity, the State is represented either by a politician or a civil servant who neither represents owners nor users nor principal stakeholders of these organisations. Since there is no market valuation of such enterprises nor is it under any obligation to provide information, State as an enterprise monitor can get away being completely unaccountable for its performance. Separation of stakeholding/ownership and control is total right from the beginning.

It is no surprise therefore that State-governed enterprises are born flabby, bureaucratic, self-serving organisations. The result has been there for us to see: in the low plant load factors, high transmission and distribution losses and the pathetic balance sheets of our State electricity boards; in long delays and cost overruns, low irrigation intensities, large shortfalls in actual versus design commands of canal irrigation projects; in our fraudulent rural development programmes and our moribund agricultural co-op system--all of which have the State as the 'monitor'. It is evident in the miserable performance of the numerous organisations to which the State plays monitor or worse, monitor-cum-manager.

Governance of an organisation is serious business. When State assumes the role of a board, two things happen: first, the awesome power of the State makes the top management authoritarian; that is, it becomes excessively submissive to State machinery and excessively oppressive to the rest of the organisation and its client system. Second, since the locus of control is shifted from within the organisation to a ministry/department, the top management easily develops dependency: it is neither able to generate drive and energy for positive action; nor is it able to easily assume responsibility for consequences. Rapid transfers of top officers breeds myopic view and further intensifies directionlessness and lack of drive.

Since this is a systemic feature of State monitorship, a practical solution is for the State to create self-governing systems. Co-operatives are an example of self-governing systems. In PSUs and educational/research establishments, self-governance and autonomy must be strongly encouraged. For ensuring that these function as engines of development, the State may link its support to the contribution made by these institutions in larger developmental processes.

#### **Manager**

When the State also plays manager, problems of accountability become more acute. When an IAS officer is the top manager, there are additional problems; his planning horizon seldom exceeds two years; six months or less is more common. For most IAS officers, postings to DRDAs, CADAs, co-ops and tribal development corporations are opportunities for 'cooling the heels' before they proceed to more

meaty postings; even as they absent-mindedly alleviate a few poor here and uplift a few tribals there, the eye is constantly on a probable posting in finance and economic ministries, if possible, in Delhi; if that is not possible, State industries corporation or even electricity board would do, thank you. Search for such preferred postings can take substantial effort and frequent visits to State capital; in any case since CRs are not written by tribals or poor people, it is easy to take it easy.

In most public systems, dramatic progress in performance can be achieved, without any significant resource commitments, with just the top manager desiring performance improvements and defining clearly what he wants; further improvement is possible by his desiring it strongly enough. This is because performance improvement is the last concern of everyone engaged in a moribund public system. Again, the most practical way out is for the State to avoid playing manager. There is no reason why a canal system or a public tubewell programme has to be managed by the State. There is no need for the State to play vice chancellor of a university or a social forestry manager on private or village lands, or, for that matter, as a rural development manager. Particularly so, if past evidence suggests that the State has not particularly distinguished itself in these roles.

#### **Roles state must learn to play better**

In my assessment, a principal cause behind the poor performance of Indian agriculture is that the State has chosen to get into several of these crucial roles and, worse, messed them up. In my opinion, the State has no business to get into entrepreneurial, organisational governance and managerial roles; and we as a society will be better off if, as Dr. Manmohan Singh has asserted, the State withdraws as much as possible from these roles. There are, however, other roles that only State can perform in any society. I discuss three such roles in playing which the Indian State will just have to get better than it has been so far.

#### **Legislator**

State is the principal law-maker of any society; it sets the rules of the game. The legal framework is the foundation of a modern civilised society. However, if this framework is not adaptable to the needs of a modernising society, it can stifle its institutions of development.

Our Co-operative Societies Act is but an example of how law can, in the hands of unscrupulous politicians and self-serving bureaucracy, turn into a weapon of repression. Using the pretext that an independent, member controlled co-operative movement would be sabotaged by local vested interests, our co-operative law has perpetuated the hegemony of the bureaucracy over co-operatives. Our Co-operative Societies Act, enacted in 1904, is a colonial one reflecting the natural propensity of the alien ruler to control native institutions, and therefore it provides enormous powers to the Registrar of Co-operatives. In recent decades, rather than protecting co-operatives from petty, sectional interests, the law has been unabashedly used, in numerous instances, by politicians and petty bureaucrats to stifle their growth by superseding their boards and suspending elections to their boards for decades. In Tamil Nadu, for instance, elections to co-operatives were not held for 18 years and in Andhra Pradesh, for 10 years.

***Protector of the institutions of development :***

The most important role of the State is as the protector of institutions of development. The Indian State is notorious in devouring the nation's institutions of economic development often for paltry and short-lived political gains. It has been a predator more than a protector. I have already alluded to the manner in which co-operative movement has been systematically emasculated by the State in Tamil Nadu, Andhra Pradesh and elsewhere for paltry political gains. But a more recent instance of the State delivering a lethal blow to an institution of development is the loan waiver decision of the government of Prime Minister V.P. Singh. Today, nearly two years after that decision was taken, it is clear that credit co-operatives will find it impossible to recover even those loans which were not waived; that the principal beneficiaries of the loan waiver, once again, are the well-off borrowers for whom it was not targeted; that at one stroke, this measure has destroyed the credibility of the entire rural credit system which it will take decades to rebuild.

***Protector of the rights of the totality***

One of the principal functions of the State is to protect the rights of the individual *vis-a-vis* the society. At the same time, it is also the task of the State to protect the rights of the totality of the Indian people against individuals or groups. It is often said that law is an ass; whoever finds the stick to beat it with, enslaves law and makes it serve his purpose. As individuals, we often come across cases of poor people, tribals, women and children who are not able to secure the stick and therefore suffer at the hands of law. Trade unions, consumer associations, producer organisations etc. are institutional devices, all of which strive to make the law work for their respective patrons.

The totality of a nation's citizenry - and its unborn future generations - are often as weak as a child or a tribal in getting the law to protect its rights. Since the totality will never organise against pressure groups, it will always be exploited unless the State judiciously strikes a balance between the rights of the totality versus the rights of individuals and pressure groups. In actuality, the Indian State has ended up protecting rights of sections which are either articulate and/or politically active. These include labour unions in organised sectors, kulaks' organisations such as the *Kisan Sabha*, and vocal urban consumers. Indéed, some of these organisations have become so powerful that they have begun to affect the performance of institutions of economic development.

The increasing conflict between organised labour and productivity and efficiency gains in organised sector is a direct consequence of this hiatus. The principal beneficiary of post-Independence Indian economic development has been the organised labour which has usurped for itself a lion's share of the national cake. Moreover, its contribution to nation building has been far from commensurate with the increasing share of the national cake that it has usurped for itself. We have created a work ethic which is getting increasingly inconducive to rapid productivity increases, efficiency gains and performance improvements. Leave alone goal achievement, it has become impossible to maintain a rudimentary sense of discipline in many of these organisations. While it is nobody's case that rights of labour should not be protected, the Indian State has a far greater responsibility to the several hundred million of unorganised rural labour and;

of course, the unemployed than the powerful tiny minority of organised sector employees. A State whose primary concern is to nurture and strengthen institutions of economic development cannot afford to allow the balance to be so tilted in favour of organised labour that they can eat into the vitals of their institutions and the economy.

#### **Institutions as engines of development**

The most devastating impact of the Indian State intervention in rural economy has been the one on our national mindset. It has bred a powerful, unerasable *sarkar mai-baap* syndrome pervading the entire development scene. We live in a national ambience in which only 'sarkar' can solve problems; worse, through the length and breadth of its vast presence, the *sarkar* functionaries too have begun to deeply believe in this self-fulfilling prophecy. Even our Planning Commission believes that development occurs only because they tinker around with allocation of plan funds. This is naive, to say the least.

Our development planning must recognise that people find their own resources when they come across attractive opportunities and dependable institutions; that engines of economic development can not be created by merely allocating more 'plan funds'; that institutions can be fountain-heads of modernisation and growth impulses; and that subsidy and investment cannot do the institution's job. Our development planning needs to reconsider its stance that all development springs from its urn of plan funds and adopt a more pluralistic, institutionalist approach to development. It needs to realise that true development can occur only as an outcome of a fundamental change in our national mindset.

What would such change involve? To start with, in my opinion, it would involve the State acting in a cohesive and understanding partnership with the nation's three principal institutions of development: the legal framework, the markets and organisations. We must take a fresh look at our laws and the way they assign property rights and modify them such that they become consistent with our superordinate goal. It would mean continuing 'creative self-destruction', i.e., regular and systematic dismantling of structures, technologies, policies and organisations which have outlived their purpose. It would mean enduring changes in our legal framework. On high priority should be the reform of our antiquated co-operative act which is long overdue. Much work has already been done on drafting a new bill by the Planning Commission. This must be passed expeditiously, especially because farmer co-ops, with enlightened, high quality State support can play a major role in the new strategy. It is also important to institute a legal reform which contains the damage organised labour and trade unions can do to the nation's institutions of development.

#### **Institution building**

The key to correcting the chemistry between the State and the institutions of economic development lies in the State switching to the institution building role. Rather than direct action, a subtle State can create and use strategic organisations--such as the National Dairy Development Board--as instruments of change. Such a role can be played only by a learning State which continually and critically evaluates the consequences of its actions, builds an ongoing corpus of such institutionalised learning and incorporates this into its design of future actions.

Building strategic organisations is a complex game. A good deal of it generally involves letting the young organisation have the cake and eat it too - which demands great magnanimity and subtlety, but, in broad terms, the State needs to consider two positions: first, the State's consultative role should focus on careful structuring of the consonance between the goals of the strategic organisations and the superordinate goal of the State. Second, the interaction between the State and the strategic organisation can become nationally and organisationally productive only if control as well as support are linked by a shared understanding of performance needs.

#### **As strategy maker for the national economy**

Michael Porter, a well-known student of strategy, recently explored in a popular article why do firms that dominate world markets in specific industries happen to come from the same country. He considered several alternative hypotheses but found that "...nations succeed in industries if their national circumstances provide an environment that supports improvement and innovation... where local circumstances provide an impetus for firms to pursue such strategies (of innovation and improvement) early and aggressively... (where) their home-base advantages are valuable in other nations and where their innovations and improvements foreshadow international needs". These circumstances are a product of skills and competences, cultural ethos, institutional structure and related variables operating as a mutually reinforcing system that Porter euphemistically calls the "national diamond". "Policies implemented without consideration of how they influence the entire system of determinants (or, the 'national diamond') are as likely to undermine the national advantage as enhance it".

The cutting and polishing of the 'national diamond' is the primary task of the State as the strategy planner for the national economy. In this role, the State needs to orchestrate the nation's long-term economic strategies by constantly analysing our national strengths and weaknesses in the light of opportunities and threats held out by the global economic environment.

According to Porter, competitive advantage grows fundamentally out of improvement, innovation and change, and involves the entire value system of the society. It is also sustained through relentless improvement and a global approach to strategy. The "national diamond" that the Indian State has created in its first 43 years of governance promotes none of these at any level: individual, organisational, or national. It encourages farmers, workers, firms and markets to look for surpluses not by productivity improvements but by collective bargaining, through lobbying for concessions than through competing in the market place; by seeking protection from global competition and from domestic rivals than by quality and efficiency gains; through concealing mediocrity rather than through open pursuit of excellence. All these fundamental changes are not easy to accomplish but I doubt if we have any option.

In ushering these changes, the Indian State has to be the prime mover. There is a ground swell of recent opinion that what we need is less State. This is wrong. In my view, this is neither possible nor desirable. It is not possible for a modern welfare State to go back to what Rousseau called the 'State of nature'; moreover, in the most ardent of the present day free market economies too, the State plays a pervasive role in economic affairs. What we need is not less State, but better State. What we must do is

to roll back the 'awkward State': the 'soft' State which legislates far more than it can enforce, the stifler of initiative and creativity, the 'meddler' which takes upon itself what others can do better. Instead, we need a more comprehensive but 'subtle State': a 'hard' State which legislates judiciously but enforces vigorously, a State which skilfully deploys the power of suggestion, which governs through policies rather than direct and shoddy action; which is concerned more with enabling rather than regulating. What we need is a 'paradigm shift' in our entire outlook about the equation between the State and society. Only by fundamentally altering this equation can we continually regenerate our agricultural and rural economy and find enduring solutions to the problems of our rural people.

**Chairman  
National Dairy Development Board,  
Anand,  
Gujarat.**

R.B.R.R. KALE MEMORIAL LECTURES

<u>Lecturer</u>	<u>Subject</u>	<u>Year</u>
1. * V.G. KALE	Modern Tendencies in Economic Thought and Policy	1937
2. + G.S. GHURYE	The Social Process	1938
3. B.R. AMBEDKAR	Federation versus Freedom	1939
4. * K.T. SHAH	The Constituent Assembly	1940
5. + A.V. THAKKAR	The Problem of the Aborigines in India	1941
6. + V.L. MEHTA	A Plea for Planning in Cooperation	1942
7. S.G. VAZE	The Formation of Federations	1943
8. * JOHN MATHAI	Economic Policy	1944
9. * S.R. DESHPANDE	A Statistical Approach to Vital Economic Problems	1945
10. * J.V. JOSHI	India's Sterling Balances	1946
11. + C.D. DESHMUKH	Central Banking in India : A Retrospect	1948
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