

Two Decades of Structural Reforms in India: A Balance Sheet*

Dilip M Nachane**

The post-reforms period in India has been characterized by high growth rates, which have often been attributed to the reforms process and invoked as an argument for pushing reforms further. This paper critically examines the perceived benevolent link between market-oriented reforms and growth, as also the implications of reforms for social welfare. Among the major issues discussed in the paper are the following: (i) the sustainability of the growth momentum; (ii) likely impacts of reforms on poverty and employment; (iii) rising inequality in the wake of reforms; (iv) possible adverse impact on the environment due to globalization; and (v) the role of natural resource constraints. On several of these aspects, the situation is far less sanguine than made out by reform advocates in India.

I Post-reforms Resurgence of the Indian Economy

By all the externally visible signs, the Indian reforms story has been a remarkable success. As Table 1A shows, after a long period of stagnation in the years following Independence, growth rates shifted into high gear sometime during the 1980s and in the last decade accelerated sharply, reaching undreamt of stratospheric heights (of between eight per cent to 10 per cent) in the last four years. As seen in Table 1B, high growth rates coupled with declining population growth rates have given a noticeably upward movement to per capita incomes. Further (*see* Table 1C), India's recent growth record has been bettered among the Asian countries only by

* Text of Second Dubhashi Lecture delivered at the Gokhale Institute of Politics and Economics (Pune) on 10th December 2007. It is a pleasure to record my appreciation of Professor Arup Maharatna, Officiating Director, GIPE for kindly inviting me to deliver the Lecture. The valuable comments of Dr. Mohan Rao, Dr. Manoj Panda, Dr. Jayen Thomas, Dr. S.L. Shetty and Dr. Maathai Mathiyazhagan are gratefully acknowledged. None of the aforementioned, however, is responsible for any errors or shortcomings in the paper. The views expressed are the author's own and do not necessarily reflect those of the Institute that he works for.

** Indira Gandhi Institute of Development Research (IGIDR), General Vaidya Marg, Goregaon (East), Mumbai 400 065, India.