

Duvvuri Subbarao: Achieving inclusive growth – the challenge of a new era

Welcome remarks by Dr Duvvuri Subbarao, Governor of the Reserve Bank of India, at the 13th L.K. Jha Memorial Lecture, Mumbai, 27 September 2012.

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On behalf of the Reserve Bank of India, I have great pleasure in welcoming Hon'ble Mr. Tharman Shanmugaratnam, Deputy Prime Minister of Singapore, who will shortly be delivering the L.K. Jha Memorial Lecture.

I also have pleasure in acknowledging the presence here of members of the family of late Dr. L.K. Jha – Smt. Dipika Maharaj Singh, Smt. Sharika Glover and Kiron Glover. Your presence here means a lot to us. Thank you very much. A warm welcome, of course, to all our distinguished invitees who have made time and to be here for this lecture.

Dr. L. K. Jha

History will remember Dr. L.K. Jha as one of India's most distinguished civil servants. With a remarkable career as an economic administrator and several impressive accomplishments to his credit, he has been a role model for generations of civil servants. After graduating from the Banaras Hindu University, "LK", as he was popularly known, went on to study at Trinity College, Cambridge where he was a student of legendary economists such as A.C. Pigou, J.M. Keynes and D.H. Robertson. He joined the Indian Civil Service in 1936. After an early career in Bihar, he was seconded to Government of India in 1942 where he served in several important positions, and ended up in the pivotal job of Secretary to the Prime Minister.

Dr. Jha was Governor of the Reserve Bank from July 1967 to May 1970, at a time when our economy was going through one of its most challenging phases. The country was shaken by food security concerns, and initiatives to redress them resulted in the much celebrated "Green Revolution". Through his leadership, Governor Jha made the Reserve Bank an influential force in shaping these initiatives. The distress suffered by the poor because of the overall scarcity situation resulted in poverty reduction becoming the overarching consideration of all policy. The Reserve Bank, under Dr. Jha's stewardship, contributed to designing and implementing many of these anti-poverty policies.

After his tenure in the Reserve Bank, Dr. Jha served as India's Ambassador to the United States and as Governor of Jammu and Kashmir. He was also a member of the widely acclaimed Brandt Commission which made a persuasive case for North-South cooperation. Global cooperation, which is now so much a part of our daily discourse, draws its intellectual origins from the Brandt Commission report of the 1970s to which Dr. Jha contributed.

This lecture series in his name honours Dr. Jha's outstanding service to the nation and his leadership of the Reserve Bank during a very critical period. So far, there have been 12 lectures. The last one was given by Prof. Maurice Obstfeld of the University of California last year, in December 2011. The lecture by Hon'ble Mr. Shanmugaratnam this evening will be the 13th in the series.

The distinguished speaker – Mr. Shanmugaratnam

Hon'ble Mr. Shanmugaratnam is the Deputy Prime Minister of Singapore, of course. But he is also the Chairman of the International Monetary and Financial Committee, the IMFC, a position which puts him in the top echelons of global leadership in the field of finance and economics – a leadership that is playing an important role in steering us through the biggest financial crisis of our generation.

Mr. Shanmugaratnam has impressive academic credentials – an MS in Economics from the London School of Economics followed by a Masters in Public Administration from Harvard. At Harvard, he also received the Lucius N. Littauer Fellowship for outstanding performance and leadership potential, a potential that he fully demonstrated in later career.

Tharman started his career with the Monetary Authority of Singapore (MAS) rising to the position of Chief Executive of that prestigious institution. He quit that job in 2001 to join politics, and has held cabinet appointments variously for education, economic administration and manpower. Currently, he is Deputy Prime Minister and Minister for Finance.

I have had the privilege of watching Mr. Shamugaratnam perform in various international forums including the G-20 and the IMF-World Bank meetings. He is widely respected for his intelligence and wisdom and for his uncommon ability to see the big picture even as we grapple with the pressures of immediacy. Globally, he is seen as the principal interlocutor on Asian economic values and aspirations.

Achieving inclusive growth: the challenge of a new era

Mr. Shanmugaratnam will be speaking to us this evening on: “Achieving Inclusive Growth: The Challenge of a New Era”, a topic he is very well qualified to address because of the combination of perspective he brings to it – Asian values and ethos combined with wide ranging international study and experience.

Inclusive growth is of course a topic of undoubtedly great interest to us in India – but also of interest, I believe, to every country in the world – rich and poor alike. The quest for inclusive growth draws from a powerful lesson of development experience – that growth has no meaning, or indeed even no legitimacy, if those at the bottom of the pyramid get left behind.

But consensus, if any, breaks down right at that point. Beyond the basic premise that inclusive growth is desirable, virtually every issue and nuance – starting from what constitutes inclusive growth to how it is to be achieved and sustained – is up for a contentious, and oftentimes acrimonious, debate.

This debate, like several others in development economics, is one that has frowned on moderation. At one extreme is the “trickle down” theory which holds that the benefits of growth would automatically trickle down to the bottom; that the trickle down is a process that must be left to its natural pace and path, and forcing it down will be counterproductive. At the other extreme is the activist view that rubbishes trickle down and holds that redistributive policies must be part of the development paradigm, even if it means compromising on the quality and pace of growth. As we all realize, inclusive growth is a deeply emotive issue that has transcended economics to enter into political discourse and electoral platforms.

In the era of globalization, the debate on inclusive growth has quite naturally acquired international dimensions too. Is a world order in which some countries prosper while others get left behind sustainable? If not, what are the obligations and responsibilities of rich countries, and of poor countries? And in a world dominated by nation states, how do we build a constituency for the global economy?

The concerns about inclusive growth are not unique to emerging and developing economies. They are resonating in the rich world as well. Last year, we saw a massive demonstration of popular discontent around the world. The “Occupy Wall Street” movement in New York’s Zuccotti Park was the most prominent, but by no means the only one. Despite its amorphous nature, and its refusal to articulate a set of demands, the protest campaigns across the world were shaped by a simple but powerful idea – that the well-off cannot go on doing obscenely well even as the rest keeps moving backwards. The message from this collective rage is that growth itself can be destabilizing if it is not inclusive.

On that sobering thought, ladies and gentlemen, please join me in welcoming Mr. Tharman Shanmugaratnam to deliver the 13th L.K. Jha Memorial Lecture on the challenge of inclusive growth.