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Time for dynamic laws to realise PM Modi's dreams

By *editor*

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Prime Minister Narendra Modi rightly said at New York's Madison Square Garden on September 28, 2014 that we need jan andolan for vikas yatra in the same way that Mahatma Gandhi pursued the freedom movement. He said that the government alone can't deliver and every Indian must participate in this journey.



[1]

Prime Minister Narendra Modi addresses the audience at Madison Square Garden in New York. — AP

Mr Modi rightly diagnosed that the current legal framework has taken away the freedom of entrepreneurs. They are unable to perform economic activities in a free manner. He described these legal hurdles as "kanoon ka jangal" which must be cleaned, enabling development. Laws must be amended to ease business.

About a couple of years ago, the Government of India in its Economic Survey admitted that if entire laws are implemented in a strict sense then the entire production activity will stop or else we will convert everybody into law violators.

If successive governments have realised this, why don't we simplify laws? Why don't we trust our entrepreneurs? Why do we brand them as law violator and corrupt? They are the real drivers of growth. The recent trend of imposing heavy penalties has destroyed the investment climate. In such an atmosphere, how can we implement "Make in India"? How can we arrest the outflow of foreign exchange.

The worst victim of such regulatory activism are medium-class entrepreneurs. Their contribution to the economy is enormous but they are in the intensive care unit due to heavy debt burden and ongoing loss and seeking life saving drugs.

Laws must be dynamic and not static. It must change as per the economic need of the nation. It must reflect legislature intention in the preamble and deliver developmental outcome. But neither can we amend laws in a single day nor permit law violation. The situation is indeed complex. A total review will take time. During the interim period, we must enact an overriding law that will give discretionary powers to a designated authority for relaxing coercive actions.

Cancellation of old contracts by the government, the seizure or closure of plant and mines, imposition of heavy taxes or other demands fall in this category.

If a Central audit can evaluate revenue loss due to the allocation of natural resources to private developers, then why not calculate the loss of national income (GDP) due to cancellation of mines and coal blocks?

It is needless to say that the loss of production has a wide-ranging impact on all those engaged in the associated economic chain. The law-enforcing agencies must be held responsible for their misdeed causing damage to the Indian economy.

But, it is true that any relaxation of business laws will invite criticism from the Opposition benches and the media as well. The government will probably be blamed as pro-business. Our old mindset and past legacy doesn't permit so knowing fully well that this is most essential for the prosperity of the nation and is meant for public benefit.

Therefore Modijee has rightly given a call for mass movement for development.

Our priority must remain pushing GDP growth to double digits, which is a key factor for prosperity. It will generate jobs and increase per capita income to a respectable level compared to peer countries. This will ease fiscal deficit, enabling the government to spend on social infrastructure.

We must develop self-dependency in primary energy, particularly coal and petroleum. We need massive investments for physical infrastructure, particularly in transport and energy, to push growth. We must cut interest rates to reduce the cost of infrastructure services. This will make us globally competitive and cut inflation to some extent.

We must increase productivity by amending labour laws and engaging the public in productive work. Eventually, it will expand the job market for the youth. We must implement "Make in India" to boost the share of manufacturing in the nation's GDP.

The productive use of natural resources, like land, water and minerals, must be ensured. The mineral sector must be liberated from the clutches of judicial and regulatory activism. It has damaged the country, causing a huge import burden and forex outflow. It is not prudent to cut domestic production and import energy, minerals and metals. All these corrective actions will cut trade deficit and strengthen rupee. Skill development should be given priority so that we can supply work force not only to the domestic industry but also export skilled manpower. This will muster inward forex remittances.

The Swachhh Bharat mission will cut pollution and reduce health hazards. Eventually, this will also improve "Brand India" and attract foreign tourists. The responsibility of

sanitation and hygiene responsibility is entrusted with gram panchayats and municipalities but they have miserably failed in their duty. We have empowered them in the wrong direction without fixing any accountability. Why not to fix accountability with them?

A jan andolan for development is the only remedy for achieving these targets. Anybody who crafts hurdles must be condemned. Sometimes, negative activism is due to the lack of awareness about the economic needs of the country. We must run an awareness campaign in a big way.

Government officers must undergo training programmes. This will change the mindset and legacy that we inherited after Independence. Team spirit must be developed among various organs of the government. They must act in the interest of growth and development instead of enjoying regulatory powers alone.

Indians are capable and can perform. All Indians must unite, change our attitude towards development and join this andolan.

The writer is an eminent economist and author of Turn Around India

Columnists R.P. Gupta

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