

A Gentle Book by a Gentleman

Book Review of *Backstage: The Story Behind India's High Growth Years* by Montek Singh Ahluwalia

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Backstage is a gentle book, written by a genteel man against the backdrop of a country that went through radical change. In this book, Montek Singh Ahluwalia, widely addressed as Montek, combines a ringside view of India's economic progress with a soft narrative touch.

In the first two parts of the book, Montek sets up the story including his own birth at the eleventh hour before India's midnight independence. He traces the initial sparks of reform to Prime Minister Rajiv Gandhi, who became India's youngest Prime Minister in 1985 with an overwhelming majority. To Montek, Rajiv's idea of "preparing India for the 21st century" was the first real vision statement for the country made after India's early obsession with keeping it together after independence. Jawaharlal Nehru, India's first Prime Minister, and Rajiv's grandfather, had navigated the course for a "post-colonial economy with a public-sector led process of modernization". Montek writes that the desire to change from that vision came with Rajiv's youth and professional training. When that newer vision combined with a Balance of Payments crisis in 1991, reform was born under new leadership.

Montek's even-handed prose offers only the mildest of critiques for Rajiv's political blunders including the decision to enact an infamous ordinance in the case of Shah Bano, the subsequent decision to allow Hindus into the Babri Masjid complex, and the fallout from the Bofors scandal. As a Sikh himself, Montek steers clear of even mentioning Rajiv's justification of the pogrom against Sikhs that followed Prime Minister Indira Gandhi's assassination. In his own words, the book attempts to tell the story of reform in India through a lens of the "political-economy". While Montek recounts the backdrop of the politics and the actors, the book is too bland to really do justice to the word "politics".

The story really only comes alive in 1990 with Montek's continuing involvement in the Prime Minister's Office (PMO) even when there was a change in leadership to the minority National Front government led by Prime Minister V.P. Singh. Again, there is only passing reference to the V.P. Singh government's momentous decision to implement the reservation system recommended by the Mandal Commission. Montek does not connect the political dots between Rajiv's blunders, the introduction of reservations and the decision by then BJP President L.K. Advani to intensify the Ram Mandir campaign. V.P. Singh's government was truly a wide-tent accommodating the old socialist thinking and the more modern market-oriented thinking represented by Montek and others.

Montek's note to the Prime Minister, intended originally as a reform document if Rajiv Gandhi were re-elected, formed the basis for a change in direction of economic policy thinking both at the PMO and the Planning Commission. The note "emphasized the need to articulate a medium-term strategy in which

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the different but interconnected reforms are identified, and the extent of change needed in each clearly stated". This note called the "M Document", since no one accepted responsibility at that time, was prepared by Montek with help from other like-minded reformers. The five pillars in the document were 1) Reversal of the deteriorating fiscal position by reining in government expenditure particularly on defence and subsidies; 2) Reforming the public sector to engender efficiency; 3) Industrial decontrol and freedom from extreme throttling of the sector; 4) Trade liberalization with a gradual phase out of licenses and a reduction in import tariffs; and a 5) More positive approach to foreign direct investment (FDI).

While signalling a departure from the economic thinking of the first four decades after independence, these reform suggestions were gradual in nature and had already been filtered for "do ability" in the Indian context of the time. All that changed with the collapse in the Balance of Payments (BoP) in the second half of 1990, that became an acute crisis when oil prices spiked in October/November 1990 following Saddam Hussein's invasion of Kuwait. The political scene in those months was chaotic with the V.P. Singh government giving way to the Chandrasekhar government, followed by another election and Rajiv Gandhi's unfortunate and untimely assassination. The political chaos deepened the economic predicament with a balance of only \$1.1 billion in forex reserves, enough only to cover 2 weeks of imports. Within a short few months, successive governments had to sell gold, pledge gold and negotiate liquidity support from the Bank of England and the Bank of Japan. The new Congress Coalition led by Prime Minister P.V. Narasimha Rao appointed Manmohan Singh as finance minister, and P. Chidambaram as commerce minister. This Sikh duo of Manmohan and Montek along with others at the Reserve Bank of India, PMO and ministries of finance and commerce engineered a near-textbook way out of the BoP crisis, devaluing the rupee, providing liquidity support and followed it up with trade and industrial liberalization.

Montek was clearly engaged in policy and with policy makers during this critical time and that intensity flows through in his description of the trade reforms, financial sector reforms and tax rationalization. It is in this third part of the book that the economic arguments are made and Montek has done them well as would befit an economist trained in the American school of economic practice of that time. While he skirts political webs, he does introduce several administrators like Amarnath Verma, Rakesh Mohan, N.K. Singh, S. Venkitaraman, C. Rangarajan, Y.V. Reddy and others who played their part in India's liberalization reforms.

After a sojourn to the IMF during the Vajpayee years, Montek returned to the Planning commission when the Congress led by Sonia Gandhi came back to power in 2004. Manmohan Singh was appointed Prime Minister to skirt the issue of Sonia Gandhi's nation of origin. This proved fortunate for Montek, as he was recalled to the Planning Commission as its deputy Chairman. Even though Montek remained in the policy making circles of the successive UPA governments formed in 2004 and 2009, he was less involved in direct policy making than in the earlier period. Part four of the book therefore offers a ringside view, without the interactivity that would characterize an active player. Montek played the role of an economic ambassador, listening to the outside world and relaying issues and concerns to Manmohan Singh's government. While he does not address it explicitly, his ability to influence even economic and tax issues like the retrospective taxation of Vodafone, became progressively weak. As Prime Minister, Manmohan Singh himself had expressed frustration from "two power centres" within the government.

The book closes with an epilogue on the six years of the Narendra Modi led NDA government. Montek describes it as "beginning with a bang and ending with a whimper". While he is careful to balance the language, the tone of the epilogue reveals Montek's sympathies lie with the Congress party. Probably no surprise, given that his career was intertwined with the party's fortunes. One gleans his fondness for

Manmohan Singh, who was a major driver of that good fortune. While we can also decipher that Montek's economics views include a degree of fiscal conservatism, government investment over spending and market-orientation, he states them with such softness that we are left to wonder.

Despite its extreme moderation, this book is a useful read because, so few books have been written about India's contemporary political economy. Taken together with Sanjay Baru's much punchier *Accidental Prime Minister* and Gurcharan Das's well-researched book *India Unbound*, Montek's book *Backstage* offers a clearer picture of an important time. It fills in the gaps on some of the characters involved. Montek's penchant for comprehensive rather than piece-meal reform is a good takeaway for a younger generation of economic policy makers. For lessons to be drawn and radical progress to be made, India will need its former policy makers – from all sides of the political aisle -- to write sharper critiques.

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