

## Obituary

# India's great reformer

**Manmohan Singh died on December 26th. He fought for economic freedom**

IT IS FITTING that Manmohan Singh, who unshackled Indian trade as the country's finance minister, was the son of an importer. His father's firm in Peshawar procured dry fruit and spices from Afghanistan. As a boy, Mr Singh would fill his pockets with raisins that classmates tried to steal. From an early age, he appreciated the fruits of international commerce.

Clever and studious, Mr Singh probably did well in the school-leaving exams he took in 1947. But he would never find out. In breaking free from colonial rule, India was also breaking violently in two. Peshawar would become part of Pakistan. To take his exams, Mr Singh had to cross a city scattered with corpses. Amid the chaos, the results were never announced.

He fled with his family to northern India, where he had little money but lots of aspirations, much like the new republic itself. India's investment needs were vast. Industrial equipment and other capital goods would have to be bought overseas, leaving little hard currency for anything else. State planners policed imports and protected homegrown alternatives.

Lacking textbooks, Mr Singh travelled alone to Delhi in 1948 to retake his exams. Decades later he described this period to his daughter, Daman. There was much he could not remember and plenty he might have liked to forget. But he recalled with precision his exam result: 694 out of 850.

Even better results would follow at Punjab University and then Cambridge and Oxford. Amid his success, he was quietly confident and confidently quiet. One doesn't remember his "excessive diffidence". In a letter, Mr Singh moaned that he had spent several pounds on crockery. That he occasionally had to entertain half-a-dozen people was worth writing home about.

Aloofness would normally have barred him from becoming a politician, let alone prime minister. Yet his modesty was in fact a prerequisite. A self-assertive man would never have been acceptable to Sonia Gandhi, the foreign-born leader of the Congress party, who wanted to hold power without holding office after her party's surprise success in the 2004 elections.

Besides, in his writing and decisions, this supposedly diffident man could be trenchant. Mr Singh's research took on the "export fatalism" that cursed India's economic strategy. Previous scholars had argued there was little room for growth in In-

dia's principal exports, such as jute and tea. Hard currency would stay scarce, according to this view, which in turn justified steering investment towards industries that replaced foreign goods, rather than those that served foreign markets.

Mr Singh did not accept this fatalism. Blame for India's stagnant exports lay not just with global forces outside India's control, but with "stumbling blocks" that Indian officials had left in exporters' way. "Official policy has been far too slow in recognising the necessity of a sustained export drive," he wrote in 1963. As finance minister almost 30 years later, he had a chance to put his ideas into action. In 1991 the country was on the brink of a financial crisis. To secure an international loan, the central bank had to air-lift gold to London.

It was clear that India needed to cut spending by reducing the budget deficit. Mr Singh also believed it could "switch" spending by devaluing the rupee. The cheaper currency attracted foreign demand for India's exports and discouraged spending on imports. These two measures might have been enough to solve the immediate crisis. But Mr Singh seized his chance to do more. The rupee devaluation gave him cover to cut import tariffs and remove export subsidies. He also gave firms freedom to grow without a licence. The reforms reinforced each other, as Montek Singh Ahluwalia, his ally, has pointed out. India, for example, found it easier to attract investment from Japan when it became possible for Japanese expats to import food items from their home country.

Mr Singh's legacy is vast. Lant Pritchett of the London School of Economics and co-authors have tried to add up all of the additional goods and services India produced from 1993 to 2002 that an unreformed economy would not have. Converted into today's dollars and appropriately discounted (as benefits were spread over years) the total could exceed \$1.5trn.

As prime minister from 2004 to 2014, Mr Singh reaped some of what he had sowed. The economy grew briskly until a spate of corruption scandals paralysed government decision-making. Foreign capital was often plentiful. Dollars poured in from exports of IT services, an industry the fatalists did not foresee. India's foreign-currency reserves, \$1bn in 1991, exceeded \$280bn by the end of his tenure.

Despite this change, India is still insecure about its position in the global division of labour. Its tariffs are higher than most of its Asian peers. It refused to join the Regional Comprehensive Economic Partnership, an Asian trade deal, because it feared Chinese competition. Some economists doubt India can ever emulate East Asia's industrial success, given its restrictive land and labour laws. Mr Singh has passed away. Export fatalism lives on. ■