THE NEXT PHASE OF STRUCTURAL TRANSFORMATION — I - NOMICS

Piya Mahtaney

FORUM OF FREE ENTERPRISE

“Free Enterprise was born with man and shall survive as long as man survives”.

- **A. D. Shroff**
Founder-President
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SHAILESH KAPADIA

(24-12-1949 – 19-10-1988)

Late Mr. Shailesh Kapadia, FCA, was a Chartered Accountant by profession and was a partner of M/s G.M. Kapadia & Co. and M/s Kapadia Associates, Chartered Accountants, Mumbai.

Shailesh qualified as a Chartered Accountant in 1974 after completing his Articles with M/s Dalal & Shah and M/s G.M. Kapadia & Co., Chartered Accountants, Mumbai. Shailesh had done his schooling at Scindia School, Gwalior and he graduated in Commerce from the Sydenham College of Commerce & Economics, Mumbai, in 1970.

Shailesh enjoyed the confidence of clients, colleagues and friends. He had a charming personality and was able to achieve almost every task allotted to him. In his short but dynamic professional career, spanning over fourteen years, Shailesh held important positions in various professional and public institutions.

Shailesh's leadership qualities came to the fore when he was the President of the Bombay Chartered Accountants' Society in the year 1982-83. During his tenure he successfully organized the Third Regional Conference at Mumbai.

Shailesh was member, Institute of Fiscal Studies, U.K.; member of the Law Committee and Vice-Chairman of the Direct Taxation Committee, Indian Merchants' Chamber. He was also a Director of several public companies in India and Trustee of various public Charitable Trusts.

He regularly contributed papers on diverse subjects of professional interest at refresher courses, seminars and conferences organised by professional bodies.

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Introduction

In this well-written article, Piya Mahtaney offers her reflections on current apprehensions that are looming large about the world economic prospects, and what needs to be done by way of the next phase of structural transformation to overcome the prevailing mood of pessimism. To provide the contextual framework to the theme of her article, the author has sought to look at "constructive insights from the extensive empirical literature" about the underpinnings of economic progress over the precedent two decades. This forms the focus of Part I of her exercise, while Part II presents an exposition about the factors that are likely to drive structural transformation during the next phase.

Piya Mahtaney points out that "transforming the nature of growth, globalization and liberalization is essential for most nations in this world; these include those who have successful and vibrant economies, those that are struggling to step up progress and those who can barely manage to keep their financial systems afloat". After pointing out some of the major pitfalls of the preceding era of globalization with its "rapid pace of financial and trade liberalization", she argues that the erstwhile globalization process per se was incomplete "because it was not accompanied by a globalized expansion in the purchasing power (per capita) of individuals and nations".

Therefore, she highlights that, going forward, resolving the current challenges confronting the world, would call for “the long overdue reform of the international financial architecture, fostering an expansive process of development co-operation between nations, mitigating environmental degradation and climate change”. Further, she very rightly says: “structural transformation is not a quick fix strategy”. Underlying her contention are inherent limitations of [a] `One size fits all’ formula; [b] focusing merely on achieving a double-digit growth rate; [c] overarching emphasis on rapid technological advancement alone; and [d] expansion of trade in the absence of other supporting and complementary mechanisms.

Dealing with the current scenario despondency, in Part II of her article, she raises a critical question whether it is suggestive of world having reached its “natural limits to economic growth”. This could be manifesting in terms of “secular stagnation and diminishing returns”, which have been “frequently used to describe the situation that the world is headed towards”. In the words of the author such concerns are based on “changing demographics – an aging population and consequently a shrinking size of the work force, extreme disparities of income, declining levels of productivity, unemployment and other such `drag down’ features.” The author also refers to how the effects of IT, while having been profound, the productivity gains flowing therefrom petered out after a much shorter duration than the preceding industrial revolutions, the benefits of which lasted over a fairly long span from 1891-1972.

Against this backdrop, Piya Mahtaney refers to multi-pronged policy prescriptions essentially comprising of: first, to address the vast terrain of unmet requirements in the ambit of social and physical infrastructure and building and expanding transportation networks, warehousing and storage, health care, education, skill development; second, to promote innovation and invention; and third, to create the role of institution integral for effective governance and efficient public administration.

All in all, FORUM is very delighted to publish this booklet for wider circulation, and especially to provoke students of economics, researchers and public policy making to engage in further debate and to undertake more intense research and policy papers on various interesting issues analyzed and raised by the author.

Sunil S. Bhandare

Editor

The Next Phase of Structural Transformation — I - Nomics

(I - Investment, Innovation and Institutions)

Piya Mahtaney*

Introductory Exposition

I write this at a time when the global economy continues to be besieged by uncertainty, even as one of the recent events that underscored this was the vote in favor of Brexit. Although it would take a few months for more clarity about the precise impact of Brexit this would accentuate apprehensions that continue to loom large about the world economic prospects. An important objective of this booklet which is about the next phase of structural transformation is to tone down the underlying mood of pessimism about the global economy particularly because there is a distinct dimension of opportunity

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and a set of factors that have either not been accounted for at all or have been factored in, only partially.

The current growth slowdown in the global economy is the outcome of unaddressed imperatives that were long overdue. Recall that the present challenges are not entirely new because three decades ago the world found itself in the midst of an economic stagnation, for some regions such as those in Latin America the problem was much worse as these were mired in a debt crisis and hyper inflation. What happened then was, in essence, the result of a lack of structural reform and different though the contemporary global context is from what it was three decades ago, it is fundamentally too little of structural reform that continues to impede the narrative of economic progress even now.

Consequently, tremendous affluence has not been able to write the swansong of abject poverty, triumphs of technology and the billions that have been earned from this have not reversed the socioeconomic backwardness that over 50 per cent of the world finds itself enmeshed in. This is certainly not the result of not having or not knowing but the culmination of not doing. The imbalances that underpin the financial system, the larger and stark reality of extreme polarization, the denial of basic human rights which has marginalized millions, will collectively propel change; however in the absence of proactive measures it is difficult to envision that change will culminate into a positive process of structural transformation.

The fact that development encompasses a larger scheme of variables besides growth is not a recent discovery. Over three decades ago, Schumacher wrote, “The substance of man can never be measured by GNP”. Sure enough the substance of man has been the subject matter of development and welfare economists, and we have an entire gamut of social indicators such as levels of educational attainment across income and age categories, life expectancy, infant mortality rates to assess ‘well-being’ rather than prosperity.

As economic thinking has evolved particularly over the preceding three to four decades one may have anticipated that a better understanding of the complexities that underpin the contemporary global economic system would have translated into strategies and consequently policies that are overtly pro-development. It is obvious that this has not happened and instead there is widening disconnect between growth strategies and development. The crisis of 2008 was a blatant reminder that the basis of growth determines its outcomes. At this point in time it becomes important to draw out constructive insights from the extensive empirical literature that we have in the context of viewing the underpinnings of economic progress over the preceding two decades. This would be the focus of Part I of this exercise and part 2 will present an exposition about the factors that are likely to drive structural transformation during the next phase.

Part I

According to the UNCTAD Least Developed Countries Report (2014) achieving the Sustainable Development Goal targets will require increasing the average income of the poorest 5 per cent of the population in LDCs to $1.25 a day by 2030. This requires an average annual per capita income growth of 8.3 per cent. Enabling this entails much more than finding a new driver of economic growth, it requires changing the dynamics of economic progress.

As the world finds itself straddled at the beginning of an impending transition, downside risks persist and overcoming these entails much more than moving from a trajectory of lower economic growth to a higher level. It requires shifting gear from an unsustainable and sometimes fragile basis of economic growth (as has been the defining characteristic of the world economy for at least a decade, if not more) to a more stable, resilient and stronger foundation of economic progress.)

Transforming the nature of growth, globalization and liberalization is essential for most nations in this world; these include those who have successful and vibrant economies, those that are struggling to step up progress and those who can barely manage to keep their financial systems afloat. The momentum of economic transformation has been rather sluggish for at least 15 years and this is evidenced by the fact that with the exception of one decisive initiative towards achieving an improvement in global development indicators with the enumeration of the Millennium Development Goal targets (MDG) in the year 2000, concerted action required on this frontier has been lacking. The underachievement in so far as MDGs is an indicator (among others) of the extent of poverty alleviation that did not occur despite resource availability. This was the consequence of an acute inadequacy of productive investment that is critically required for employment creation, the expansion of social and physical infrastructure and other public goods. Notably, poverty and economic stagnation are not always the outcome of a lack of economic growth and it becomes important to differentiate between underdevelopment that stems from a lack of resources and one that is the outcome of a much wider vicious circle that involves governance, economic growth and investment. As a matter of fact the much discussed imbalances that caused the crisis are distinct and deep seated manifestations of this feature the far reaching implications of which would be better depicted in the explanation that follows:

Recent economic experience demonstrated that standardized neatly packaged growth prescriptions that were based on assumptions about autonomous self correcting mechanisms did not work well. Having said this it would be erroneous and damaging to interpret the occurrence of the financial crisis of 2008 as a pointer that liberalization should be done away with. Economic liberalization is an integral facet of globalization reversing which will not provide a solution of any kind, just as dismantling the developmental state during the early nineties on the premise of the generalization that minimizing state intervention would be beneficial (for all nations) has not been a panacea, certainly not from the standpoint of development.

During the preceding era the focal points of globalization was a rapid pace of financial and trade liberalization. However, the process of globalization itself was incomplete because it was not accompanied by a globalized expansion in the purchasing power (per capita) of individuals and nations. Over the last two decades globalization has played a dominant role in facilitating a phenomenal extent of economic interdependence in the world. Going forward resolving current challenges confronting the world such as the long overdue reform of the international financial architecture, fostering an expansive process of development co-operation between nations, mitigating environmental degradation and climate change is not even a conceivable proposition/ possibility in a non globalized or a globalizing framework. Although the drivers of globalization during the ensuing era will be different if anything its role will be even more important than what it had in the preceding phase. Therefore, although the pace of globalization may be more gradual in the interim, the possibility of it being reversed is neither tenable nor advisable.

So, responding to the deterrents imposed by the present scenario with criticisms of globalization and liberalization that were articulated at the time of the crisis really does not serve much purpose except where it helps one to understand the reasons that prevented this course of action from becoming a transformative economic strategy. It is in this context that understanding the empirics of liberalization and globalization becomes important.

Interestingly one of the main insights that come forth while doing so is that the inherent principle underlying the fervent advocacy of liberalization was not flawed. By the early nineties the exigent need for liberalization was evident, in a world that was ideologically polarized and where the excesses of state control across a number of regions in Asia, Eastern Europe, Latin America spilled over and resulted in a plethora of ails, inefficiencies and distortions and a glaring lack of competitiveness. What went wrong was the practice of liberalization and this can be largely explained by the assumptions or rather wishful presumptions that it would almost autonomously be supported by the necessary changes in the way institutions function and adapt, in the way investment and capital mobilized would be utilized and reallocated consistently and expansively towards more productive sectors, and in the way countries would be able to harness and build their absorptive capacity and innovative capabilities by adopting and assimilating existent technology. These assumptions were not met in a number of countries particularly the poorer nations that were unduly dependent on the export of primary commodities and instead the net outcome has been the collapse of the developmental state wherein the priority assigned to development from the fifties to the seventies was relegated to the background. The initial trigger for this were the difficult structural adjustments made during the eighties by most Latin American countries that found themselves in the throes of a rather precarious debt driven crisis.

Subsequently the pursuit of what may be termed as Reaganomics and Thatcherism made the centrality of market based reforms an overriding principle of economic policy almost globally. The cumulative outcome of policies pursued during the eighties was the roll out of the Washington Consensus which consisted of 10 prescriptions or guiding principles that in essence advocated that economic strategies worldwide adhere to parameters that would facilitate the process of deregulation, privatization, financial and trade liberalization. The corollary of this did not have to be a reductionist approach towards liberalization which was whittled down to singularly freer markets without assigning much importance to institutional mechanisms that would strengthen the linkages between liberalization and economic development.

But the trail blazing performance of East Asia which began to liberalize trade much earlier during the sixties and seventies, or South-East Asia that embarked on liberalization during the eighties (interestingly Singapore began much earlier during the seventies), was not the consequence of unfettered trade liberalization that minimized the involvement of the government that guided decision-making by business and entrepreneurs. Furthermore trade liberalization that has been a crucial facilitator of the progress particularly in East and South East Asia was 'managed' by the policy makers in a manner that would serve the larger national imperatives. According to the World Development Report (about lessons from the nineties) countries that can be considered successful instances of liberalization such as China, India, Chile represented more than a 'significant deviation from the market based reforms'. Dramatic strides in economic progress were made in those countries such as East Asia and China where it was least expected. East Asia including China and

India did manage to put into place a framework that would enable a process of liberalization that would yield at least some of the anticipated gains. This was done more effectively by East Asia than China and India, in the latter liberalization was pursued during the nineties. In so far as financial liberalization is concerned it was not accompanied by an expedient process of financial development and this resulted in a rather lopsided allocation of investment. A recent instance that demonstrates this was that during 2002-2007 when the global economy found itself amidst unprecedented financial buoyancy it could have provided an impetus to the expansion of instruments such as microfinance and micro insurance. This would have enabled the underprivileged and poorer income categories to have greater access to capital that in turn would have had a multiplier effect on employment generation and opportunity creation. As we know this did not happen and instead the global financial system has been discernibly more efficient at mopping up savings for the purpose of speculation which does not contribute to net asset creation.

The basis of economic growth in the future is determined by the choices of investment and consumption that individuals make and this in turn is influenced significantly by incomes. Those with lower incomes have a higher propensity to consume and those with higher incomes it is assumed would invest a greater proportion of their income. The assumption that those with a larger propensity to save would also be the individuals who have the capacity to invest may not be entirely wrong. However in the real world of imperfect capital markets and deficient financial development there is no autonomous mechanism which translates large pools of savings into large levels of productive investment. Across a number of advanced nations, particularly since 2000, investment in financial assets was at the expense of those assets that could have contributed to an expansion of the productive capacity of the economy. A recent report by the ILO (2013) cites that in advanced nations over the span 2000-2008 for larger firms cash holdings as a percent of total assets had increased from 9.5 percent to 11.2 percent. Post-crisis this feature has not changed even after profits have increased for the larger corporations in developed nations, given that in 2011 their cash holdings comprised 12.4 of total assets. Investment behavior is the outcome of multiple variables of which an important one is aggregate demand. When businesses anticipate that aggregate demand will remain sluggish it constricts investment and this fact coupled with the prevalent uncertainty about the macroeconomic environment that continues in the global economy is plausibly one of the main reasons for the propensity to hold on to a greater proportion of cash holdings.

One of the consequences of this was that despite phenomenal expediency in capital mobility enabled by advances in information and communications technology that made costless and immediate transfer of capital across borders possible, there remains a sizable gap between the funds required for infrastructure investment by developing countries and the actual amount that is deployed. While forecasts or projections differ in estimates about the extent by which the proportion of investment and capital stock from developing nations would increase over a timeline of 10 to 20 years, an increasing quantum of financial capital in the global economy world needs to be deployed towards the expansion of infrastructural provision and other social goods (such as education and healthcare) in developing nations.

Thus the missed opportunities for transformation that have occurred for over two decades and which can be described as errors of omission cannot be attributed to a lack in economic growth. It would be more accurate to say that the present slowdown is the outcome of this feature. Furthermore an increase in economic growth where it did occur happened in a context where the wage share in total income has declined for over two decades because competitiveness has become inextricably linked to maintaining wages below productivity levels. Inevitably the benefits of progress would be transient and skewed particularly in a scenario wherein the shortfall in job creation was also attributable to the weakening of employment protection that began before crisis and accelerated across a number of countries after the crisis. This unfavourable feature was based on yet another incorrect assumption that it would encourage firms to employ more. Instead, the dilution of employment protection regulation has not done anything to decrease unemployment and it has exacerbated the adverse outcomes of cuts in social spending.

Having presented some of the insights culled out of the economic experience of the preceding few decades what becomes evident is that structural transformation is not a quick fix strategy, neither can it be shoe-horned into a 'one size fits all' formula and nor is it merely about achieving a double digit growth rate. Neither will economic transformation be achieved by an overarching emphasis on rapid technological advancement alone or by an expansion of trade in the absence of other supporting and complementary mechanisms.

Be it the prerequisites for successful liberalization or any other policy measure(s), however promising it may appear initially, its transformative impact will be profoundly determined by Investment, Innovation and Institutions. Therefore the term Inomics is in the title of this booklet because the story of economic transformation divergent as it is across countries is largely about how these distinctly critical parameters evolve (or do not). This takes us to Part 2 of this exposition.

Part 2

A critical question that resonates in the current scenario is about whether the world has reached its natural limits to economic growth. The terms secular stagnation and diminishing returns have been frequently used to describe the situation that the world is headed towards. There are some who even forecast that by the end of the 21st century the average growth rates in the developed world would be less than one percent. The concerns that evoked this rather gloomy inference are real because these stem from changing demographics - an aging population and consequently a shrinking size of the work force, extreme disparities of income, declining levels of productivity, unemployment and other such "drag down features."

According to the growth report (2008) by the Commission of Growth and Development, World Bank, "we do not know if limits to growth exist, or how generous those limits will be. The answer will depend on our ingenuity and technology, on finding new ways to create goods and services that people value on a finite foundation of natural resources. This is likely to be the ultimate challenge of the coming century.'' Either way any categorical assertion about diminishing returns would have to assign consideration to three fundamental facts as follows:

i) Ours and the preceding few generations have lived in a world where rapid technological advancement has been the dominant driver of economic growth. Two industrial revolutions which originated initially in the U.K and proceeded in the United States resulted in transformative prosperity for the developed world from the nineteenth century to the period ensuing after the Second World War. By no means was this a phase of uninterrupted economic progress. On the contrary it witnessed (among other events) two world wars and the Great Depression. However, what differentiates this span of time from the preceding centuries was that it heralded an era of large scale industrialization and modernization that would define the frontier of technological and innovative achievement for the world. Advancement or the lack of it was 'measured' in terms of the distance from the frontier.

   The preceding one hundred and fifty years from the mid nineteenth century also encapsulated the highest and the most rapid increase in productivity, and the common perception is that it is the cluster of technological advances that spearheaded the transformation in the developed world. This observation is only partly true because equally critical in the process of transformation were the institutional and organizational changes that supported and even enabled the diffusion of technologies that existed at the time. In this context one of the lessons that we can extrapolate from economic history is that industrial revolutions are a collective outcome of advances in technology and adaptive changes in institutions, finance, and organizations and society which occur in response to constraints and changing circumstances. It is not as though these changes are immediate or consecutive but the fact remains that at some point in time these converge and have a far reaching impact as it did for instance in the U.S from the beginning of the 20th century to about the early seventies.

In his rather exhaustive analysis about U.S macroeconomic growth, Moses Abramowitz, says that the general purpose technologies created opportunities for innovation in both inventive and entrepreneurial activities and these innovations found `practical expression' and extensive commercial development most fully in the highly flexible and adaptive social and economic environment of the United States. Driven by IT the advent of the third industrial revolution, the seeds of which were sown by the mid sixties, brought with it a promise to have as dramatic an impact as the preceding two revolutions. Although the effects of IT have been profound, when we view the empirics of the third industrial revolution it is obvious that the productivity gains petered out after a much shorter duration than the preceding industrial revolutions the benefits of which lasted over a fairly long span from 1891-72. The impact of IT was succinctly summed up by Robert Solow's illustrative quip that, "you can see IT everywhere except in the productivity statistics. According to Robert Gordon, the computer and Internet revolution has reached its climax in the dot.com era of the late 1990s, but its main impact on productivity has withered away in the past eight years. Gordon, cites that invention since 2000 has centred on entertainment and communication devices that are smaller and smarter but do not fundamentally change labour productivity or the standard of living in the way that electric light, motor cars, or indoor plumbing changed it.

Evidently be it or other existent innovations, the pace and extent of its diffusion and adaptation is incumbent on other contextual changes that occur and it is this fact that makes it easier to answer an imminent question: Do we need to wait for the next technological invention before enjoying the next span of prosperity? Not really. A major driver of economic progress for the global economy would be to address the vast terrain of unmet requirements in the ambit of social and physical infrastructure building such as expanding transportation networks, warehousing and storage, health care, education, skill development and the list continues.

Spare a thought for the circumstances and challenges, confronting the developing world, where a sizable expanse of the global population is shackled to depravation, unemployment and consequently poverty. Many live without adequate sanitation, electricity, running water and the problem for those who live in remote regions of Africa and Asia is exacerbated in the absence of sufficient road and railway connectivity. It is obvious that until the incomes of those bereft from housing, education and health care and other means of sustenance increase the benefits of technological progress will not be reaped by the maximum extent possible. The moot point is that that the provision of infrastructural amenities was facilitated by the first and second industrial revolutions in the developed world will also be the drivers of economic growth for an entire gamut of developing and underdeveloped nations during the ensuing phase. For instance when we view developing nations and in particular larger countries such as India and China it is evident that more than a single driver of economic growth is required to enable economic transformation. Equally true is the importance of the third industrial revolution in the knowledge, intensive services sector and large scale manufacturing. Plausibly thus there exists the distinct possibility of the three 'industrial revolutions' occurring simultaneously and not in three separate phases. Therefore, the surmise that the world needs to wait for the fourth industrial revolution for there to be an upsurge in economic growth does not apply to a number of nations and a significant proportion of the global population.

Evidently the impact of technology crucially depends on the scale and magnitude of the positive transformations that it enables. Even if one accepts that what is being described as the fourth industrial revolution underpinned as it were by path breaking advances in, digital technology, robotics, information technology and bio technology (among other such breakthroughs), can address a slew of constraints that are confronting the world bridging the wide gap between `can' and `will' takes us to the next question. What is being done to tap this potential, and in this context one imperative is employment generation and the other pertains to putting into place the regulatory structures that will be required by the new age technologies.

According to an article (January 2016) by Klaus Schwab, President of the World Economic

Forum, “we stand on the brink of a technological revolution that will fundamentally alter the way we live, work, and relate to one another….. We do not yet know just how it will unfold, but one thing is clear: the response to it must be integrated and comprehensive, involving all stakeholders of the global polity, from the public and private sectors to academia and civil society.’’ According to Schwab it is talent, more than capital that will represent the critical factor of production. This he says will give rise to a job market increasingly segregated into “low-skill/low-pay” and “high-skill/high-pay” segments, which in turn will lead to an increase in social tensions.

ii) As we discuss innovation and invention it would be relevant to cite that one of the most interesting insights as elucidated by Paul Romer who conceptualized the idea production function in which he postulated that the stock of ideas is proportional to the number of researchers. This certainly reflected Romer’s key insight that beyond the conventional factors of production the vital importance of ideas that has to be factored in. True enough there are other sources of ideas besides scientific research, given an entire constellation of techniques and thinking pertaining to finance, management and organization that can contribute to economic progress. However if for now even if one were to confine to R&D as being the primary or the main source for the stock of ideas, consider two important points: firstly the increasing contribution to research that will be accounted for by the developing world particularly India and China; and secondly the potential for existent techniques and technologies to be applied more extensively and productively which makes it rather obvious that the world has not reached a point where its stock of ideas will begin to diminish.

Besides the underutilized potential of existent innovations particularly in the developing world, there is another aspect that relates to the nature of innovation in that it is evident that over the preceding three decades there has been too little of constraint driven innovation. Notably the imperative of stepping up the pace of innovation is a specific reference to those innovative processes that can be described as constraint driven innovations.

iii) Thirdly there is the role of institution integral for effective governance and efficient public administration, aptly described by Douglas North in a discussion paper for the United Nations Commission for Europe (2003) where he enumerates that, “Institutions are the incentive systems that structure human interaction. They can make predictable our dealings with each other every day in all kinds of forms and shapes. They thereby not only reduce uncertainty in the world but allow us to get on with everyday business and solve problems effectively…''

Given the resources that exist and constraints which shackle, there remains considerable scope for reducing the asymmetry of information and the misallocation of resources and a fair extent of this can be achieved by improving the way institutions work.

Undeniably the way institutions work and their efficient functioning comprises an essential aspect of structural reform as does governance and not many can deny that there exists considerable scope for improvement in this sphere. This is vital if the world is to be better equipped to surmount the challenges that it is confronted with. In so far as diminishing returns is concerned North contends that, 'There is no sign of diminishing returns to the stock of new knowledge and its application to solving problems of human scarcity, none at all. In fact, if anything, we are still in a stage of increasing returns with respect to the development of science and its applications.'' According to North our best chance of doing it is by developing adaptive efficiency which results from having flexible institutions that provide a maximum of choices at a given moment of time.

Admittedly existent patterns underlying production, distribution and consumption will not yield the gains that they once did. It is this fact that provides some kind of a rationale to the “diminishing returns” argument’. Having said this it also overlooks a basic reality that changing circumstances and emerging bottlenecks define new opportunities. The exigent challenge of present times is sustainability and sustainable economic development. It represents an entire dimension of opportunity that has hardly been tapped and the exploration of this realm entails a continuous endeavor.

Conclusion

Constraints in investment and economic growth confronted by the world are thus the result of a process that began at least two decades ago. The panacea for this is not a single pronged strategy but a multi pronged one which requires evolving new sources of growth and employment generation along with tapping the existent potential for innovation.

“People must come to accept private enterprise not as a necessary evil, but as an affirmative good”.

- Eugene Black
Former President,
World Bank

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