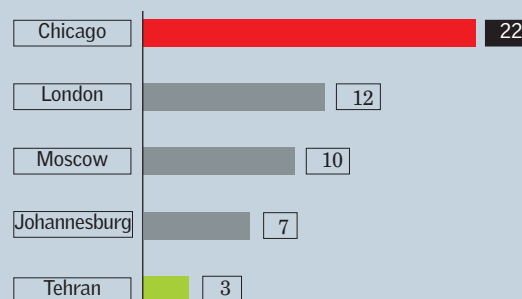


Cost of Living

Hourly rate for a babysitter (Average price in \$)



Source: The Economist

The prison economy



US media reported that the country had a \$37 billion prison economy. The US, which has the world's highest incarceration rate, currently has 2 million inmates in prison. Inmate phone calls alone are a billion-dollar market. State prison systems spend more than \$30 billion annually, and the Bureau of Prisons budgeted \$5 billion for just 182,000 federal inmates this year, CNNMoney reported

Food Fundamentals

Perhaps the most eminent critic of organic farming is Norman Borlaug, the father of the "green revolution", winner of the Nobel peace prize and an outspoken advocate of the use of synthetic fertilisers to increase crop yields. He claims the idea that organic farming is better for the environment is "ridiculous" because organic

farming produces lower yields and therefore requires more land under cultivation to produce the same amount of food. Thanks to synthetic fertilisers, Borlaug points out, global cereal production tripled between 1950 and 2000, but the amount of land used increased by only 10%. Using traditional techniques such as crop rotation, compost and manure to supply the soil with nitrogen and other minerals would have required a tripling of the area under cultivation. The more intensively you farm, Borlaug contends, the more room you have left for rainforest.

Source: The Economist



Indian economy zooming ahead, but beware of hurdles!

Stephane Garelli

The ranking for Government Efficiency progressed from 39th to 35th, with the best performance in the category Fiscal Policy (12th).

India is in an above average position for Business Efficiency, increasing from 23rd place last year to 19th; but there has been no change in the Factor ranking for Infrastructure (54th). This last measurement analyses the efficiency of basic, technological, and scientific infrastructure, as well as health, environmental concerns, and education. The fact that the ranking has remained flat reflects the lack of investment in basic infrastructure.

Speed brakes: Sustaining India's dynamic growth will depend on its ability to address the inherent weaknesses in infrastructure, especially in the rural economy. The energy sector remains laggard and the poor conditions of roads and highways, transport bottlenecks and congestion remain significant obstacles.

Competitiveness also implies finding equilibrium between economic and social objectives—India requires more investment to improve overall education and public health services and alleviate poverty that will continue to stigmatise the country's potential of becoming a global leader.

Despite having the world's second largest labour force, the participation rate is appallingly low at only 43% of the total population; unemployment is high by international standards (9.5% for 2004) and foreign direct investment is considerably lower than other countries (representing less than 10% of the FDI of China).

The nation's high budget deficit and persistently high debt levels leave little manoeuvring room for increased public spending. Moreover, India ranks last for its GDP per capita, overall productivity (PPP) and remains extremely weak for its exports of manufactured goods, only equal to a 0.8% share in global merchandise exports (2004).

The task ahead for India's government is how to meet the standards and expectations of a buoyant economy, especially in terms of predictability of policies. Failure to do so may create economic and social imbalances that could slow down what has been achieved so far.

However, the robust economic performance of the past few years, supported by a vibrant democracy and well-developed private sector is leading investors to be increasingly optimistic about India's potential to quickly become one of the most attractive markets in the global economy.

The author is Professor Suzanne Rosset-McCauley, Research Fellow, IMD World Competitiveness Center at IMD International Institute for Management Development, Lausanne, Switzerland

"Economic growth overall is achieved by having a nation's best performers lead; and economic growth overall is the most powerful force for lifting the poor out of grinding poverty"

The world cannot be just flat: it should be a straight line

Danny Quah

Every billion-people economy that humanity has yet produced shows within itself wide contrasts and great divides. The larger that something is, necessarily, the more extreme the opposites it generates, regardless of the underlying reality. In the eyes of the outside world, however, perhaps nowhere shows greater polarisation than India today.

The cutting-edge dynamism, cool success, and global impact of high-tech, plugged-in, globalised India are lauded in reports ranging from Thomas Friedman's *The World is Flat* and numerous articles in *Wired* magazine, to regular features in *The Economist* and almost daily accounts in the *Wall Street Journal*.

Bright shining monuments dot the Indian landscape, marking out award-winning global leaders in information technology, pharmaceuticals, Bollywood entertainment, and much else.

Steve Hamm's book *Bangalore Tiger* (published, obviously, before the name change to Bengaluru) argues that it is conceptual models and management insight at Infosys, Tata, and Wipro, rather than low labour costs alone, that have allowed Indian information technology and business-processing to run circles around their more established Western counterparts. A quarter century of fierce pharma competition, without the straitjacket of overly-restrictive product patents, made India the world's largest producer and a major exporter of bulk drugs and essential medication, in the fight against that bacterial infection prevalent in tropical countries.

But switch perspective only minimally. Then one immediately latches onto a debate regarding the extent of grinding poverty in India. World Bank data tell us that the top 10% of India's population makes 28% of its national income; the bottom tenth, only 4%. India has 80% of its population living on less than \$2 a day; 35%, on less than \$1 a day. By contrast, in the East Asia and Pacific region the counterpart fractions are only 41% and 12%.

One reads both business surveys and scholarly studies about India's dismal physical infrastructure in roads, ports, distribution networks, and power supply; India's stifling government bureaucracy and ineffectual public sector; and India's restrictive red tape and onerous labour market regulation. In India it takes 67 days to register a property and 71 to start a business. By contrast, in rich economies, on average, registering a property takes 47 days, starting a business, only 24. In the East Asia and

Pacific region, overall, starting a business takes 55 days—not as good as in the rich economies but better than in India. And, although this will soon change, of India's \$250 billion retail sector sales, 97% are transacted in inefficiently tiny sole-proprietor, neighbourhood outlets.

That long bottom tail of the distribution pulls down averages, even when set against the cool cutting-edge dynamism of Bengaluru and elsewhere. Thus, India has only 32 internet users per 1,000 people; East Asia and the Pacific region, 74; the rich economies, 545! India has only 44 mobile phone subscribers per 1,000 people; East Asia and the Pacific region, 243; the rich economies, 772.

There are two ways to go when faced with such polarised extremes. Succumb to pessimism, and work the bottom and the misery. Or look to the successes, and try to figure out what made them so.

By coincidence or otherwise, all the successes on which India has taken global lead concern digital technologies: computer software, business processing, pharmaceuticals, Bollywood movies.

These successes are all about creating, storing, and manipulating strings of 1s and 0s—whether kept in order in a database, wrapped together to make computer code, encoded in chemical formulas, or sequenced so they make an image on-screen that edifies and entertains.

All these successful industries have been facilitated by dramatically falling prices on relevant tools, driven by creativity and brainpower, and enabled by job reorganisation. Large projects in these industries can be disassembled, have their component parts worked on independently and asynchronously in spatially-remote locations, and transported back over fiber-optic cable, to be re-assembled.

By doing well for themselves, these successes have done good for the world. It took no trumpeting of an overarching grand glob-

al political design, no obvious big push on national policy simultaneous with international agreement. A need arose in the world; brainy, enterprising individuals from the ITs and elsewhere stepped up to the challenge. In the process they created wealth, jobs, and opportunity for countless others within India.

And by Indian companies' increasing supply and thus improving affordability of, among other things, information technology products, the rest of the world has benefited too. Across developing countries, businesses that now use information and communications technologies, compared to similar ones that don't, have higher employment growth, 10 times the sales growth, double the profitability, and 60% higher a level of productivity.

When the playing field levels more, as competition takes ever greater hold in pharmaceuticals and digital entertainment and elsewhere, clever Indian manufacturing and engineering and artistic creativity will, even more than before, do good in the world by doing well for themselves. Medication for now unaffordable for many in developing countries will come onstream, even as Indian pharmaceutical companies then get written up by future Thomas Friedmans and Steve Hammes.

Infrastructure reform needs to pay mind to these emerging patterns of private entrepreneurship, and make their operation even more straight-lined. Public goods in the form of top-class education,

regimes of intellectual property rights that encourage rather than restrict competition, are critical. These areas of an economy work best when those knowledgeable in them are allowed to follow their own counsel. On the other hand it is dead easy to destroy a knowledge economy: 14th-century Sung Dynasty China did precisely that by discouraging knowledge dissemination through interventionist top-down management.

Policy needs to embrace the largeness and the benefit of participating in the global economy, and to allow businesses to compete relentlessly in knowledge industries. India is already good at that. Economic growth overall is achieved by having a nation's best performers lead; and economic growth overall is the most powerful and consistently reliable force we have yet discovered for lifting the poor out of grinding poverty. India must not lose sight of these larger goals by drowning in the minutiae of smaller problems.

The author is head of the Economics Department of the London School of Economics and Political Science

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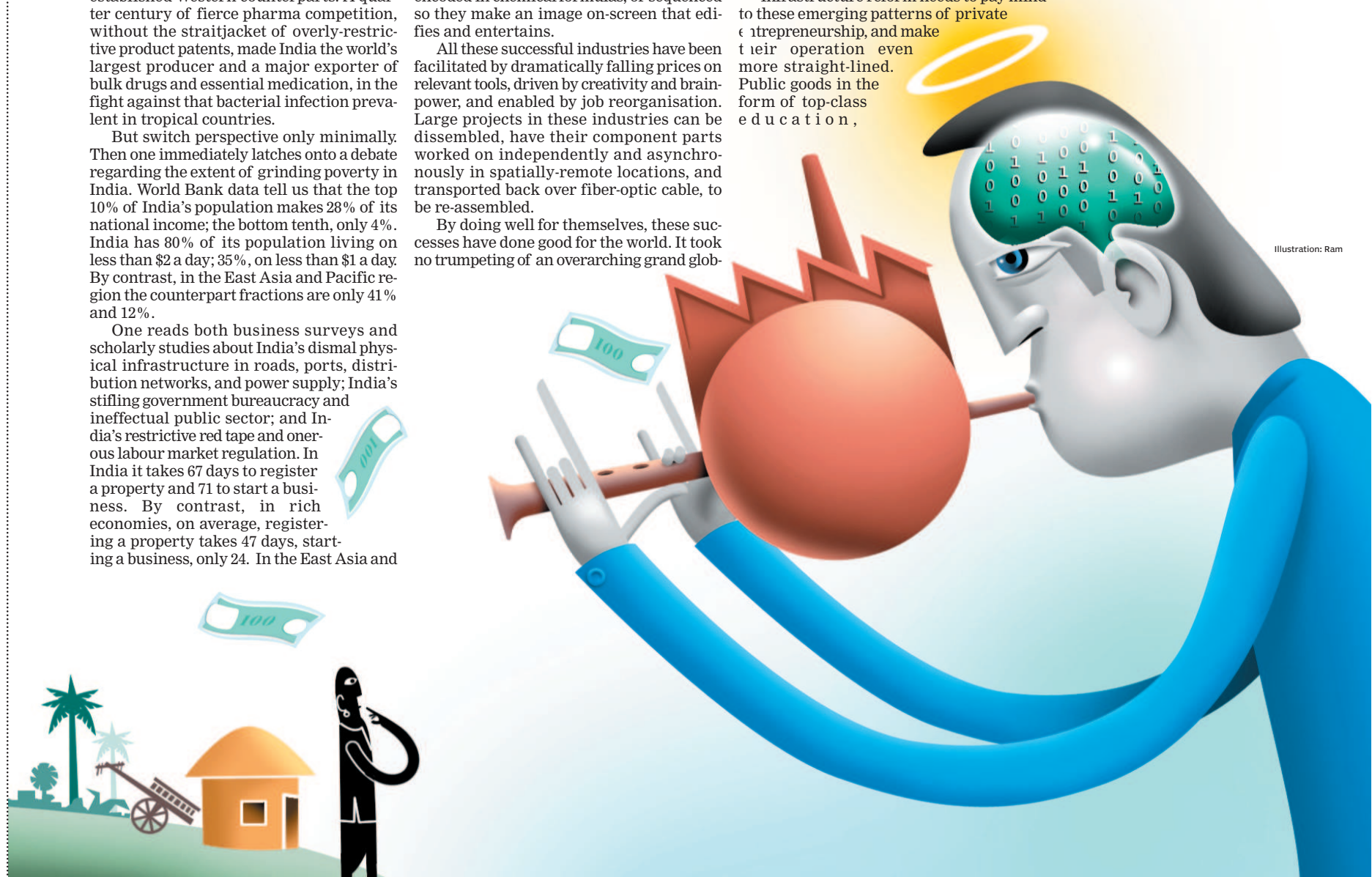


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Empanelment of Chartered Accountant firms for the year 2007-2008 AND 2008-2009

Applications are invited **online only** from the firms of Chartered Accountants who are desirous of being empanelled with this office for the year 2007-2008 and 2008-2009 for appointment as auditors of Government Companies/Corporations. The firms which were empanelled for 2005-07 will have to apply afresh for being empanelled.

The format of application alongwith the detailed instructions regarding the documents to be furnished will be available on our website: www.cag.gov.in. The online applications will be accepted from 2nd January 2007 to 17th February 2007 only.

The last date for the receipt of related **documents** in this office is **28th February 2007**.

Though the empanelment will be for a period of two years i.e. 2007-2008 and 2008-2009, the continuance of empanelment for the second year 2008-2009 would be subject to updating of the data by the CA firms concerned who will have to send the related documents for the year 2008-2009 by a date to be specified in December 2007.

Sd/-
(A. K. Awasthi)
Director General (Commercial)

davp 4013(3)2006

UNION PUBLIC SERVICE COMMISSION

RECRUITMENT TEST FOR MEDICAL OFFICERS (AYURVEDA), DIRECTORATE OF INDIAN SYSTEM OF MEDICINE & HOMOEOPATHY, HEALTH & FAMILY WELFARE DEPARTMENT, GOVT. OF NCT OF DELHI.

Union Public Service Commission will be conducting the Recruitment Test of 12 posts of the Medical Officers (Ayurveda), Directorate of Indian System of Medicine & Homoeopathy, Health & Family Welfare Department, Govt. of NCT of Delhi in 09 centers (Bhopal, Mumbai, Kolkata, Delhi, Dispur, Chennai, Lucknow, Jammu & Fort Blair) all over the country on 17.12.2006 (Sunday) from 02.00 p.m. to 04.00 p.m. Admission Certificates to all eligible candidates have been issued. If any applicant has not received Admission Certificates on or before 10.12.2006, he / she may contact UPSC Facilitation Center on Telephone Nos. 23381125 and 23385271. The candidates can also send FAX Messages on Telephone No. 011-23387310 & 011-23385345. Venue(s) information is also available at Union Public Service Commission website at www.upsc.gov.in which contains particulars of venue in respect of all the admitted candidates.

2. Mobile phones, pagers or any other communication devices are not allowed inside the premises where the examination is being conducted. Any infringement of these instructions shall entail disciplinary action including ban from future examination. Candidates are advised in their own interest not to bring any of the banned items including mobile phones, pagers at the venue of the examination as arrangements for their safekeeping cannot be assured.

davp 7900(35)2006