

## BUSINESS, GOVERNMENT, AND EDUCATION

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### **I**NTRODUCTION

*THE* current movement towards liberalisation, privatisation and globalisation (LPG) has already run for a quarter-century, if we take the rise of Margaret Thatcher in the UK (quickly followed by the emergence of Ronald Reagan in the USA) as the benchmark. This paper seeks to examine, three sets of emerging relationships in India and some other countries, during the LPG era:

1. Education and Government;
2. Government and Business; and
3. Business and Education

### **Education and Government**

Changes in public expenditure as a percentage of GNP, in respect of education, occurred as flows in India and some other countries over a period of seventeen years (World Development Report 2000/2001).

In Table 1 comprising eighteen countries, the first six are “India and some of her close neighbours” (Group X), the next five are (or have been) powerful countries economically/politically (Group Y), While the last seven have been phenomenally devoted to the cause of higher education (Group Z).

Within Group X, the first five countries were able to improve their position in 1997 (vis-a-vis 1980). However, India’s progress was the slowest, even though no country excelled her in 1980; and, in 1997, only Sri Lanka forged ahead (with Nepal having equalled India on this score). China was an exception to register a decline from an already low score.

In Group Y, only France was able to better her record, while the Russian Federation stood at the same level both in 1980 and 1997. The level of public expenditure on education in the remaining three countries (traditionally capitalistic, including the UK continuously under Conservative rule for eighteen years, 1979-1997) fell down phenomenally.

Five of the seven countries falling in Group Z distinguished themselves as devotees of the Goddess or Prophet of Learning (Mata Saraswati Sharda in the Indian context) with their public expenditure on education figuring between 7.3% and 8.3% of GNP in 1997. Despite a marginal decline between 1980 and 1997, Sweden was the undisputed leader (the land of *Nobels*).

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**Table 1: Public Expenditure on Education as a Percentage of GNP**

Countries	1980	1997
<b>Group X (The Neighbours)</b>		
India	3.0	3.2
Bangladesh	1.1	2.2
Pakistan	2.1	2.7
Nepal	1.8	3.2
Sri Lanka	2.7	3.4
China	2.5	2.3
<b>Group Y (The Powerfals)</b>		
USA	6.7	5.4
UK	5.6	5.3
Russian Federation	3.5	3.5
Japan	5.8	3.6
France	5.0	6.0
<b>Group Z (The Devotees)</b>		
Finland	5.3	7.5
Norway	6.5	7.4
Sweden	9.0	8.3
The Netherlands	7.7	5.1
New Zealand	5.8	7.3
Australia	5.5	5.4
Saudi Arabia	4.1	7.5

The 'Nobel' impact was visible not only in Norway but also in Finland (Sweden's two neighbours which evidenced substantial advancement between 1980 and 1997). Though a close neighbour of New Zealand, Australia continued to lag behind in this Group. However, the worst sufferer in this list of seven happened to be the Netherlands, long known as a powerhouse of knowledge.

According to Jan Tinbergen (1903-1994), the Dutch economist and winner of Nobel Prize in Economics (along with Ragnar Frisch, The Norwegian economist) when it was first awarded in 1969, the percentage of labour force with University education in the Netherlands rose from 0.54 in 1900 to 1.82 in 1970 (Extrapolated to 3.33 in 1980 and 5.00 in 1999). Consequently, the ratio of income with University training to average income recipients fell for the Netherlands from 10.5 in 1900 to 4.5 in 1970 (extrapolated to 2.9 in 1980 and 2.2 *low* or 2.5 *high* for 1990). That is, the land which placed Economics on such a high pedestal was on the road to counter-productivity in the matter of higher education, a stage earlier reached in the USA. The percentage of American labour force with University education had risen from 1.8 in 1900 to 11.0 in 1970 (extrapolated to 14.5 in 1980 and 18.1 in 1990). As revealed by Professor Tinbergen's researches, the ratio of income with University training to average income recipients for the USA had fallen down from 4.05 in 1900 to 1.04 in 1970 (projected to 0.92-0.95 for 1980 and 0.77-0.87 *low* or 0.83-0.94 *high* for 1990) (Tinbergen, 1975).

World Development Report 2005 throws latest light on Adult Literacy Ratio (percentage of people 15 and above) for the year 2002. Here, China (91) is very much above India (61), even though the proportion of public expenditure on education had been phenomenally lower in the case of former, both in 1980 and 1997. Countries with 100 percent Adult Literacy Ratio in 2002 include the Russian Federation, Estonia, Lithuania, Belarus, Latvia, Ukraine, Slovenia and Slovak Republic, followed by 99 percent record of Albania, Armenia, Uzbekistan, Tajikistan, Kazakistan, Hungary and Italy – *mainly* the (erstwhile) Communist World (Socialist Societies). Other countries with high score (above 75 percent) include

Argentina (97), Mexico (91), Malaysia (89), Indonesia (88), Brazil (86), South Africa (86), Myanmar (85) and Iran (77). These down-the-hill (below 50 percent) include Nepal (44), Ethiopia (42), Bangladesh (41), Mali (19) and Niger (17) (World Development Report, 2005).

On August 15, 1995, Narasimha Rao announced a magical scheme of mid-day meals for eleven crore children in the school-going age (on *all* the 365 or 366 days in a year) from the ramparts of Red Fort (his last Independence Day Speech as India's Prime Minister). On a quick estimate, it was found to cost Rs. 40,000 crore (at ten rupees per meal if it was to be meaningful, and not just an apology). The annual revenue receipts of the Government of India were just about Rs 67,000 crore at that time. If a sum of Rs. 27,000 crore was to be set apart for Defence as a first priority, the provision for midday meals would have left nothing for any other revenue expenditure, not even the salaries of Government servants. So, the euphoria was reduced to less than an apology. Teaching stood virtually suspended in many schools for enabling staff members to cook "Ghoogri" with stray fuel which students were commissioned to collect (unmindful of the damage to nearby vegetation, environment and their own studies). The final scene in the drama was even more painful when quite a few kinds fell ill and refused to accept this mismanaged meal. Of course, much of the music had to be faced by the Prime Ministers who inherited the Rao legacy. Another educational discomfiture came to the fore in July 2004 when P. Chidambaram introduced an Education Cess of two percent (a *de facto* surcharge on many other taxes). It was recovered *retrospectively* (an enigma of public finance under a democratic set-up) from the first of April, 2004. A leading English Daily carried the following front-page headline on December 10, 2004; "It's all cess, very little education. Despite Rs. 2,723 crore collected till Oct, nothing spent on Learning." The collection target for Education Cess during the financial year ending on March 31, 2005, was placed at Rs. 4,910 crore. However, as reported by the newspaper, "the department of elementary education is yet to see any of the money earmarked for the Sarva Shiksha Abhiyan (Education For All Movement) and midday meals" (with allocations of Rs. 3,057 crore and Rs. 1,232 crore respectively). So, the funds (under the garb of Consolidated Fund) could get diverted to some other more pressing political purpose "despite the fact that the Prathamik Shiksha Kosh was collected for parking the cess collected" (TOI, 2004).

A dangerous dimension of this counterproductivity is the fuel which is being provided to the fire of inflation following the introduction of Education Cess compounded by the widening of Service Tax (both levied retrospectively with effect from the first of April 2004). The truckers' strike of August 2004 had a shattering impact on the Indian economy. More such simmerings, damaging the cause of education, may be in store.

## Government and Business

The Government-Business relationship appears to be ironical in the LPG era. On the one hand, it is trumpeted that commercial activity should be freed from licensing, price control and other governmental interventions, at the same time, on the other hand, one witnesses the emergence of powerful statutory bodies like SEBI (after the elimination of less potent offices like the Controller of Capital Issues) for the regulation of business. Worse still, these Regulatory Bodies (held out to be autonomous) were left to be manned by that very bureaucracy deliverance from whose procrastinating regime had been heralded as the avowed objective of LPG philosophy. So, very often, such exercises amounted to locking the stables after the horses had been stolen. For example, the ban of acceptance of fresh deposits was imposed on CRB Capital Markets (the Business Group under lens) *retrospectively* when the duration of the ban was nearly over.

More recently, the constitution of an autonomous Competition Commission provides baffling evidence of how politicians, cutting across party affiliation, can display unusual love for their bureaucrats. Under the regime of National Democratic Alliance (NDA) led by Atal Behari Vajpayee as Prime Minister, the name of the (then) Commerce Secretary was proposed for the Chairmanship of the Competition

Commission. This initiative of NDA Government was condemned in unequivocal terms by the Hon'ble Supreme Court of India. Chief Justice Khare went to the extent of expressing his fears that, some day, the Government might even replace all the 26 Judges of the Supreme Court by 'Babus'. Yet, when the United Progressive Alliance (UPA) came into power, the Government of India led by the Dr. Manmohan Singh as Prime Minister, lost little time in reviving that very proposal in favour of the same bureaucrat (even though, since then, he had retired as Commerce Secretary). While many other initiatives of the NDA Government (like linking of major rivers, still favoured by the President of India, Dr. APJ Abdul Kalam) were shelved, dropped or negatived by the UPA Government, there was surprising unanimity in favouring a particular person of bureaucratic background for such a crucial job of freeing the economy from monopolistic shackles.

In some of the developed countries like the UK and the USA, such autonomous positions have often been given to economists and other professionally-oriented persons. Even in India, academicians like Professor B.N. Dasgupta (Head of the Commerce Department in Lucknow University) have adorned bodies like the Tariff Commission (with functions comparable to those of the proposed Competition Commission). But, off late, India's political lobbies seem to have developed a formidable allergy against University Professors and others possessing professional competence, aptitude of giving independent advice, specialised knowledge and capability for prudent as also timely decision-making.

The euphoria for privatisation created during the earlier part of LPG era would appear to have subsided substantially. For example, attempts to privatise (truncate or bifurcate) State Electricity Boards in India have often aggravated the power crisis. Electricity tariff for domestic consumers have gone up roughly four times from around One Rupee only to about Four Rupees per unit whereas the general price level as Measured by WPI (1993-94 = 100) was still below the twofold mark. The Price Index for the week ending December 4, 2004, was only 189.1 (actually a shade lower than 189.6 for the previous week). The World Development Report 2004 starts with the finding that "Services can work for poor people but they too often fail"; it suggests the "Governments should make services work". The Report presents contrasting case studies of two States – Kerala and Uttar Pradesh (UP) – vis-a-vis the Indian Union as a whole (World Development Report, 2004).

**Table 2: Selected Indicators of Development**

	<b>Kerala</b>	<b>UP</b>	<b>India as whole</b>
Infant Mortality Rate (per 1,000 live births)	16.3	86.7	67.6
Total Fertility Rate (per women)	1.96	3.99	2.85
Female School Enrolment Rate (6-17 years)	90.8	61.4	66.2
Male School Enrolment Rate (6-17 years)	91.00	77.3	77.6
Immunization Coverage Rate (12-23 months)	79.7	21.2	42.0
Medical Expenditure per Hospitalisation in Public Facility (Rs.)	1,417	4,261	1,902
Rural Population in Villages with an All-Weather Road	79.1	46.0	49.2
Poorest 20% of Households that Prefer a Public Health Facility	55.7	9.5	32.8

Source: World Development Report, 2004.

It is noteworthy that the poorest 20% have *marked* preference for public health facility in Kerala, *moderate* preference in India as a whole, and virtually no preference in UP (with a population bigger

than that of Pakistan or Bangladesh or any other country of the world except a few biggies like China, the USA, Indonesia and, of course, India wherein UP is the most populous state, besides near equality with Brazil.

Thus, there is clear need for strengthening the foundations of Government and Public Sector Agencies for spending wisely, curbing corruption in delivery of services, managing transitions and overcoming reform hurdles. In fine, only the state may be able to cater to the needs of the poor, particularly in respect of education, health and basic amenities like water and electricity.

### **Business and Education**

In a recent thriller entitled *Maximum Leadership 2000*, the authors observe: “If nothing else, the executives in this book illustrate how complicated effective leadership can be, but their stories also illustrate the following five ways to approach the challenge”. These are (Farkas, 1997):

- (1) The Strategist Approach, in which the chief executive says he manages for success by acting as the company’s top strategist, systematically envisioning the future, and specifically mapping out how to target there.
- (2) The Human Assets Approach, in which the chief executive manages for success through policies, programmes and principles.
- (3) The Expertise Approach, in which the chief executive manages for success by becoming the champion of a specific proprietary expertise, and using it to focus the organisation.
- (4) The Box Approach, in which the chief executive manages by building a set of rules, systems, procedures and values that essentially control behaviour and outcomes within well-defined boundaries.
- (5) The Change-Agent Approach, in which the chief executive says he manages for success by acting as an agent for radical change transforming *bureaucracies* into *organisations* that embrace the new and different.

The authors claim that, while they addressed the issue of maximum leadership mostly in large, established, usually global, and publicly traded companies, the five approaches under reference were virually universal to all organisations – small enterprises, family-owned ones, not-for-profit organisations, educational institutions, hospitals and many others. For example, *Harvard Business School* was run for fifteen years by the then Dean John H. McArthur using the human assets approach.

It is important to remember that ‘success’ appears to be the primary focus in these *ways* with the possible exception of the box approach wherein *procedures* and *values* seem to score over *outcomes*. Accordingly, business education can be substantially relevant only if it can establish a high degree of positive correlation with the parameters of success (wherein, chance and luck may have their own significance). Industry-specific education may be meaningful for organisations run on the expertise approach. To an extent, this may hold good for the votaries of the box approach also. For the other three approaches, the cardinal requirement may be the development of a broad vision through enlightened general education, experience, refresher programmes and other means.

According to the late Mark H. McCormack (who died on the 16th of May, 2003, at the age of 72 in New York), “As an introduction to business, an MBA – or an LLB – is a worthwhile endeavour. But as an *education*, as part of an ongoing process, it is at best a foundation and at worst a naive form of arrogance.” He concludes: “I do not have an innate prejudice against intellect, intelligence, or, for that matter, graduate degrees, but they are not substitutes for common sense, people sense, or street smarts” (McCormack (1990).

My own experience during lectures delivered under MBA and other Management Development Programmes goes to suggest that most students/trainees find it difficult to give instant response to any business situation or problem posed before them. Even while answering class tests, case studies or question papers in an examination hall, many of them are inclined to use “inadequacy of data” as an alibi for not coming out with any solution as such. Of course, quite a few examiners, purposely, leave some gaps in data to enable the students to exercise their independent thinking. Their usual ambiguous answer is “It depends”.

Yet, the hard fact remains that, in most of the real-life situations, we may not be able to provide the complete facts on every count even in military operations, despite the staggering advances in the domain of information technology. The recent war in Iraq leading to the collapse of Saddam Hussain’s regime is a case in point. The Anglo-American expedition failed to discover the weapons of mass destruction they suspected to exist. Likewise, most of the business decisions have to be taken on the basis of facts which are incomplete in one respect or another. Herein lies the value of a leader’s vision.

## Findings

Public expenditure as a proportion of GNP was highest in Sweden, both in 1980 (.9.0%) and in 1997 (8.3%). India registered a marginal improvement from 3.0% (1980) to 3.2 (1997). The UK suffered marginally, the USA by a substantial margin, and Japan to a staggering extent, while France fairly improved her position. The Russian Federation remained static at 3.5%, while China witnessed a marginal decline from 2.5% (1980) to 2.3% (1997). Yet, the Adult Literacy Rate of China for the year 2002 was remarkably higher at 91% as against India’s 61%. In certain countries like the USA and the Netherlands, University-level education had moved on the road to counterproductivity in the matter of income level. The Government of India had collected about three thousand crore Rupees *retrospectively* with effect from April 2004 (Upto October 2004), but not a single paisa had been spent out of this earmarked fund during this period. This, along with a widened Service Tax of two percent, also levied *retrospectively*, was adding fuel to the fire of inflation.

In some of the developed countries like the UK and the USA, economists and other professionally-oriented persons have been invited to head governmental agencies set up for regulating business. But, India presents an ironical situation in this regard. Here, the so-called autonomous regulatory bodies are often manned by those very bureaucrats from whose shackles commercial activity was sought to be freed. There is the glaring case of the Competition Commission for which the NDA Government proposed the name of the Commerce Secretary (for the Chairmanship, of this Commission). Despite unequivocal condemnation at the level of the Supreme Court, the UPA Government (notwithstanding its usual opposition to NDA moves) sought to revive that very proposal even though the person to be chosen had retired in the meantime from his position as Commerce Secretary. That Governments can do a lot for people’s welfare, or fail miserably, is revealed by two case studies of Kerala and Uttar Pradesh vis-a-vis the Indian Union as a whole. Infantile Mortality Rate in Kerala had fallen down as low as 1.3 against 8617 in UP and 6716 (per thousand) for the whole of India (besides such other glaring contrasts).

Five managerial approaches can be identified to meet the challenge of education for business: (a) Strategiest; (b) Human Assets; (c) Expertise; (d) Box; and (e) Change Agent. Though initially designed for Big Business?MNCs, the classification can be taken to be of universal application – for small enterprises, family businesses, not-for-profit organisations, educational institutions, hospitals and other entities. Thus, *Harvard Business School* was run for fifteen years on Human Assets Approach by the then Dean John H. McArthur. While MBA degree may be a global *passport* for a job, its value as a *visa* for organisational success may be rather limited. Industry-specific education may be mainly relevant for (c) Expertise or, to an extent, for (d) Box. For the other three categories, enlightened general education could be more meaningful. And, above all, it is the leader’s vision (besides the elements of chance and luck) which counts for organisational success.

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