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# Business Line

## Is Thatcher's economic model relevant to India? - YES

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April 12, 2013:

Thatcherism was based on a philosophy of the appropriate role for the state, markets and civil society. The state should undertake only those functions that the market or civil society effectively cannot. And free competition is a better regulator of markets and protector of consumers.

The revolutionary reforms of the Lady Thatcher could be easily understood from this philosophical framework — privatisation of utilities and public sector companies with the establishment of independent regulators such as Ofgas, OfTel and National Rivers Authority; deregulation and trade liberalisation; and reluctance to join the EU, a mammoth unaccountable bureaucracy.

### Privatisation of PSUs

Are these ideas relevant for India today? Let's start with privatisation of PSUs. Instead of getting lost in numbers and talking about the scores of Central as well as State PSUs, let's focus on the details of one small PSU — Scooters India Ltd.

The Government just approved a revival package of Rs 200 crore. In the last five years (2008-2012), the company ran up a net loss per year of Rs 22 crore, Rs 28 crore, Rs 28 crore, Rs 17 crore, and Rs 20 crore, respectively — a total of loss of Rs 115 crore. The company has 1,200 employees.

### Revival package...

A sum of the revival package and the losses of just the last five years is Rs 315 crore. One job at SIL is costing the country Rs 26,25,000!

How many workers would be happy to take this money and retire?

The sale of the land and the equipment will generate income but, more importantly, it will free up the space for a new company to start whose goods have higher consumer demand. Moreover, after five-seven years, another revival package would be required. Is it so hard to judge whether privatisation would be good for India?

The other Thatcher idea — sell-off the PSUs to the larger public and establish independent regulators for those sectors. We are already moving in this direction even without selling off the PSUs.

### Rhetorical tricks

Despite the auction scandals, even the semi-independent telecom regulator has created a regulatory environment where India has the cheapest cell phone service in the world. Imagine what could it be like if TRAI were fully independent and had powers to decide on the spectrum auction!

We can do the same for coal, mining, oil and gas, and other resources that are being wasted under the PSU raj.

Don't be taken in by the facile comparisons of Thatcher with Pinochet or Hitler or Stalin.

They are just rhetorical tricks to hide what actually happened and the positive impact her policies had.

The Institute of Economic Affairs, a think-tank in London, established by a follower of F. A. Hayek, had an immense impact on the thinking of the young Thatcher. India now has Hayekian think-tanks, but it awaits her own Iron Lady.

(The author is President, Centre for Civil Society, Delhi.)

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