

TEMPLETON REPORT

NEWS FROM THE JOHN TEMPLETON FOUNDATION

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India's Path Forward

“The Indian economy is at a crossroads,” says Jagdish Bhagwati, a leading authority on free trade and globalization and a prestigious University Professor at Columbia University in New York. “India is moving from the completion of conventional economic reforms, such as removing industrial licensing requirements,” to what he calls “second-generation reforms” in areas like health care and education. Just how the country’s leaders should proceed is a question that Bhagwati and his colleague Arvind Panagariya, also a professor of economics at Columbia, will be examining over the next four years with the support of a \$3.5 million grant from the John Templeton Foundation.

The two scholars have launched the Program on Indian Economic Policies at the Chazen Institute of International Business at Columbia Business School. Leading researchers from Columbia and other universities and think tanks in the U.S. and India will participate in the program’s work, which will include a data center, field research, and an extensive website. The research will cover five major subjects: poverty, equality, and democracy; specific economic sectors like trade and agriculture; macroeconomic problems, ranging from deficits and debt to capital convertibility; social policy, especially health and education; and economic policy-making among the Indian states.

Bhagwati and Panagariya expect the work of the program to be published in leading professional journals, but they also hope to reach a broader audience with edited volumes and special reports. “Interest in the Indian economy is high right now,” Panagariya told the *Templeton Report*. “Students and faculty at Columbia are very keen on it. No one mentions China by itself anymore.” Entrepreneurs and investors are also interested in the country’s expanding market: “As the Indian middle class grows and we learn the patterns of expenditures, we can predict what kinds of products will be in demand.”



Jagdish Bhagwati



Arvind Panagariya

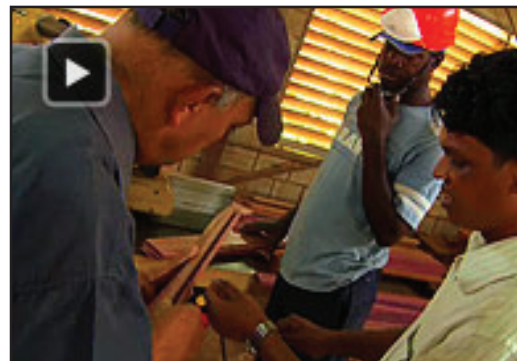
Ultimately, Panagariya says, the new program is intended “to inform and influence policy in India.” He points to labor-market law as an area in particular need of reform. “If a firm has more than 100 workers, it is almost impossible to lay off anyone, even if you’re going bankrupt.” Laws concerning land acquisition are another problem. He notes that Tata Motors, a division of India’s largest and most successful multinational, recently had to scuttle plans to build a plant in West Bengal because the review process there is so vulnerable to political pressure; the plant was relocated to the state of Gujarat. At the state level, he also sees a vast need for reforms in primary education, health, electricity, and rural transportation.

Mauro De Lorenzo, vice president for freedom and free enterprise at the Templeton Foundation, believes that the outcome of India’s economic transformation is “more consequential than that of any other in the developing world because of the durability of Indian democracy.” Bhagwati and Panagariya “understand that the real locus of change—or stagnation—in India lies at the juncture of politics and economic policy-making.” The project is an especially good fit for the Foundation, De Lorenzo says, because it reflects Sir John’s belief that “freedom and free enterprise, taken together, are the best way to prevent poverty in future generations.”

NOTEBOOK

“Pioneers of Prosperity” in the Caribbean

On September 11, the Pioneers of Prosperity program awarded \$250,000 in prizes to three businesses selected as entrepreneurial role models for the Caribbean at a ceremony in Montego Bay, Jamaica. Developed by the Social Equity Venture (SEVEN) Fund, whose core support comes from the Templeton Foundation, the Pioneers of Prosperity aims to inspire small and medium-size businesses in the developing world by rewarding and promoting those with especially impressive track records. The program began in Africa in 2007 (see the January 7, 2009 issue of the *Templeton Report*).



VIDEO: Bulkan Timber Works (Guyana)

For the Caribbean competition, a distinguished international panel of judges chose from a pool of over 580 applicants, comparing them on the basis of their business plans and profitability. The Honorable Orette Bruce Golding, the Prime Minister of Jamaica, presented the grand prize of \$100,000 to Howard Bulkan, the founder of Bulkan Timber Works in Guyana. The company, which was launched in 1997, makes housing materials from sustainably harvested wood for clients across the Caribbean. The two runners-up, receiving \$75,000 each, were Sandra Samuels, the founder of Totally Male Ltd., a salon in Jamaica, and Olivier Barrau of the Alternative Insurance Company, which provides insurance products for Haitians earning less than \$4 a day.

Thanks to a major grant from the Templeton Foundation, as well as support from the Inter-American Development Bank's Multilateral Investment Fund, the SEVEN Fund was able to provide a minimum prize of \$40,000 to each of the competition's ten finalists. Short video clips about each of the finalists can be seen here: <http://www.vimeo.com/channels/pop>.

As Michael Fairbanks, co-founder of the SEVEN Fund, told the *Miami Herald*: “These ten entrepreneurs are role models for all of us. They built new distribution systems, found new and attractive markets, pay high and rising wages to their employees, and are outstanding corporate citizens of their respective nations. And they do this under challenging conditions.”

Templeton Freedom Awards

On October 19, the Atlas Economic Research Foundation announced the winners of the 2009 Templeton Freedom Awards for Excellence in Promoting Liberty, the largest international awards program for think tanks. The sixteen recognized organizations represent four continents and twelve countries—Brazil, Chile, Egypt, India, Paraguay, Peru, Poland, the Republic of Georgia, Slovakia, South Africa, Sweden, and the United States. An independent panel of judges selected winners from more than 130 applicants from 47 countries. Two prizes of \$10,000 each are given in eight categories, including free-market solutions to poverty, social entrepreneurship, ethics and values, student outreach, and initiative in public relations.



For more information, write to communications@templeton.org.

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