

I remember some years ago when international aid and development agencies complained about the rising middle class in India. In the eyes of the IMF and the World Bank, then, the new middle classes were a plague on the land; they were consumers and encouraged consumption; and the little hard currency the country had was being frittered away on trivial things like radios, TVs and motorcycles. The implication of the IMF position was that poor countries should not have inappropriate aspirations. Consumption was for rich countries. Poor countries, like India, should be content with subsistence. The image the notables at the IMF and the World Bank tried to convey, living as they did and for the most part still do in the comfort afforded in the commercial and political centres of Western Europe and North America, was that the middle classes in developing countries were greedy and parasitic. Apparently, in the minds of the IMF and World Bank notables of twenty years ago, those undesirable middle class characteristics featured only in developing countries and not in developed ones: It seems that in their opinion, consumption in Paris, London and New York were, on the other hand, good things.



The US\$2500 Tata Nano, unveiled in India

I now recall reading an article carrying that line and being very upset. After all, I was a middle class person living in a poor country and thought that I too should be allowed access to consumable durables if my personal income could afford it. That my own efforts and earnings should be appropriated for rice for all, rather than a TV for myself was not particularly attractive.

How the world has turned! Even the notables of the IMF and the World Bank now concede that Indian middle class create demand in India for consumable durables, and that satisfying that demand is among the factors spurring economic development in that country. Perhaps even more significant, Indian businesses are developing "fugal innovation", geared at serving the tastes of the local middle class. As a consequence, not only is India developing but poverty levels in India are coming down. This is true even of the rural areas.

There is still income inequality, of course. There is the further challenge of making this development sustainable. Economic development of the type taking place in India require sustained resources. India has not been as aggressive or as effective as China has been in

sourcing and securing those resources. But even those threats do not detract from the fundamental principle: A rising tide lifts all boats. A consuming middle class may appear ostentatious in a poor country, but the demand they generate can spur development, and especially so if the country can engineer fugal innovations: using local technology and resources to meet local demand. If Indian development is to continue, that country needs to concentrate on fugal innovation.

What do I mean by fugal innovation? Obviously, we need to promote and expand the middle class that has discretionary income necessary to spur demand and consumption. Secondly, we need an entrepreneurial class to identify that demand find ways and means to satisfy this demand. Third, and most important, the local entrepreneur must seek out solutions that adds and multiplies local value.