LOK SATTA
People Power

An Agenda for Democratic Reforms

Hyderabad, 8th June, 2003

The purpose of a government is to make it easy

for people to do good and difficult to do evil.

Sir Gladstone

Irreducible Role of State

- Rule of law

- Public order

- Justice

- Education

- Health care

- Infrastructure

- Natural resources development

- Social security

Governance at a Glance

- Governments spend Rs. 1800 crores every day

- Out of 27 million organised workers, government employs 70%

- Fiscal deficit (Union and States) remains at 10 % GDP

- 50% Union tax revenues go towards interest payment

Is Money the Issue?

School Education

- 1.6 million classrooms needed
- Capital cost : Rs.16,000 crores – 9 days govt. expenditure
- Recurring expenditure : Rs.8000 crores – 5 days govt. expenditure

Sanitation

- 140 million toilets needed
- Cost: Rs 35000 crores
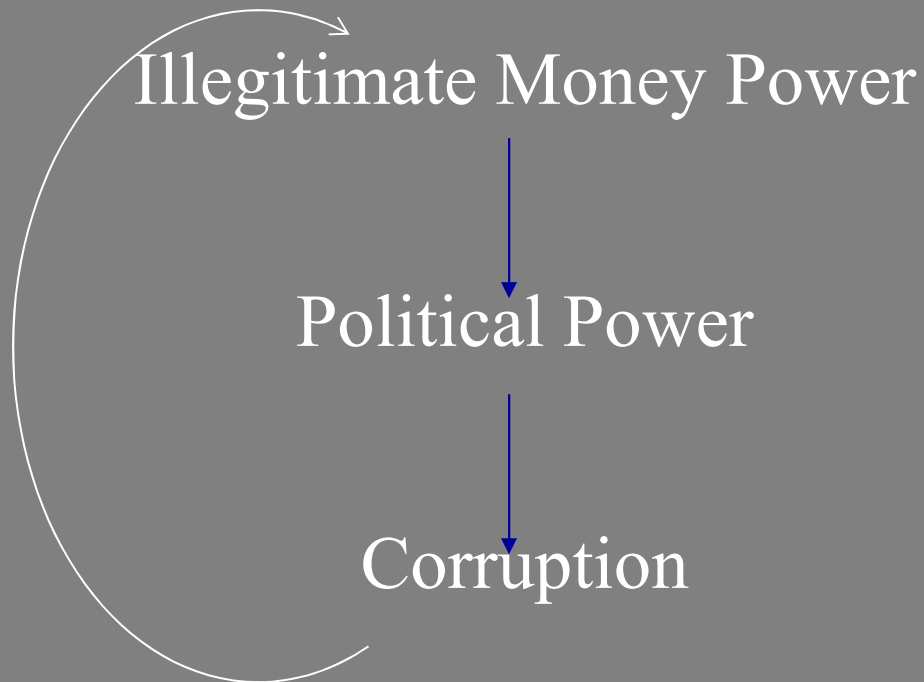- Equals just 20 days expenditure

In a Sane Democracy

- Political process should resolve the crisis

- Parties, elections and public office are the route to

  reform

- In India a vicious cycle operates

Failure of Political Process

Interlocking vicious cycles

Inexhaustible demand for illegitimate funds

Illegitimate Money Power

Political Power

Corruption

Interlocking Vicious Cycles

Most expenditure is to buy votes

Voter seeks money & liquor

More expenditure

Large spending may or may not lead to success, but failure

to spend almost certainly leads to defeat

Greater corruption

Greater cynicism

Voter seeks more money

Interlocking Vicious Cycles

Rise of Political Fiefdoms

Need for money, caste and local clout

Parties are helpless in choice of candidates

Rise of political fiefdoms

Absence of internal party democracy

Competition among a few families in most constituencies

Oligopoly at constituency level

Interlocking Vicious Cycles

Vote delinked from public good

Centralized polity

Money, liquor, caste, emotion and anger become dominant

No matter who wins, people lose

Vote does not promote public good

Voter maximizes short term gain

Vicious cycle is perpetuated

Interlocking Vicious Cycles
Taxes delinked from services

Only 16 % of GDP collected as taxes (union & states)

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Fiscal deficits and crisis

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Higher Taxes	Desubsidization	Wage Reduction
↓	↓	↓
Unacceptable because of corruption and poor services	The poor do not see alternative benefits for the subsidies given up	Centralization and Art 311 preclude it

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Deeper fiscal crisis

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Poorer services and public goods

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Perpetuation of poverty and backwardness

Interlocking Vicious Cycles

Political survival and honesty not compatible

Parliamentary executive

Government survival depends on legislative majority

Legislators spend a lot of money to get elected

They need multiple returns to sustain the system

Corruption and misgovernance endemic

Government has to yield to legislators' demands

Corruption is perpetuated even if government has the will

Honesty not compatible with survival

What Ails Bureaucracy

- Life time security of bureaucracy

- Penchant for centralization and secrecy

- Lack of professionalism and specialized skills

- Absence of incentives for excellence

- No accountability

- Corruption and maladministration

Distortions of State Power

- Positive Power restricted
  Negative power unchecked

- All organs are dysfunctional

- A system of alibis
  Victims of vicious cycle

- Change of players
  No change in the rules of the game

- Political process ought to be the solution
  But has become the problem itself

Keys to Resolution

- Crisis is systemic

- Most players are victims of a vicious cycle

- Change of players not enough

- Change of rules of the game needed

- Institutions are the key

- Resources are not a problem

- The way they are deployed is the key

Key Reforms

Electoral reforms	Funding
	Criminalization
	Voting irregularities
Electoral system	Proportional Representation
	Separation of Powers
Decentralization	Local Governments
Rule of Law	Judicial reforms
Accountability	Right to information
	Citizens' charters
	Independent crime investigation