

LOK SATTA
People Power

Political Reforms – The Other Side of Economic Reforms
8th March 2004, Kathmandu

401 Nirmal Towers, Dwarakapuri Colony, Punjagutta, Hyderabad – 500 082

Tel: 91 40 2335 0778 / 23350 790; Fax: 91 40 23350783; email: loksatta@satyam.net.in; url: www.loksatta.org

The purpose of a government is to make it easy for
people to do good and difficult to do evil.

William Gladstone

Positive Aspects of Economic Reform Process

- Telecom sector
- Railway freight
- Improved highways – rapid execution
- 5-6% growth sustained; may rise further
- Population control in Tamil Nadu, AP etc
- Governance and control of corruption are on the agenda
- States competing for investment and growth
- Young people are ambitious, educated and hungry for success

Big Political Questions

- Political consensus available
- Process irreversible
- Stridency not to be confused with substance
- Continuity of policy
- Young Indians (71% below 34 yrs of age) in favour of markets
- Rule of Law and sanctity of contracts - record is mixed
- Political games do cause delays
(eg. disinvestment)

Big Political Questions - Regional Divide

- North and East lagging behind South and West
- But problems not intractable
- Effective rule of law, population control and infrastructure will alter the scenario

Can Economic Reforms Alone Deliver?

- Smaller and more focused government will help
- But government still has large role

Irreducible Role of State

- Rule of law
- Public order
- Justice
- Education
- Health care
- Infrastructure
- Natural resources development
- Social security

What the Economic Reform Process has not Attempted so far

- Freeing ordinary citizens from shackles of government bureaucracy
- Strengthening agriculture
- Reducing corruption
- Promoting transparency
- Enhancing accountability
- Enforcing rule of law
- Building adequate infrastructure
- Improving public services

Persistent Regulatory Shackles

- The long arm of state hurting economic activity and livelihoods
eg: rickshaw pullers, hawkers etc.
- Extortionary corruption debilitating industry
 - Customs
 - Central excise
 - Commercial taxes etc
- Absence of reforms to generate demand for labour

Problems of Political Economy Hampering Reforms

- Power sector distribution
- Agricultural metering
- Desubsidization painful
- Collective power of government employees
- Problems of rule of law / Judicial failure

Unintended Consequences of Early Phase of Economic Reforms

- One time grand corruption – golden goose effect
- Abdication of state in critical areas
- Corruption shifting to sovereign areas
- Continuing regional disparities

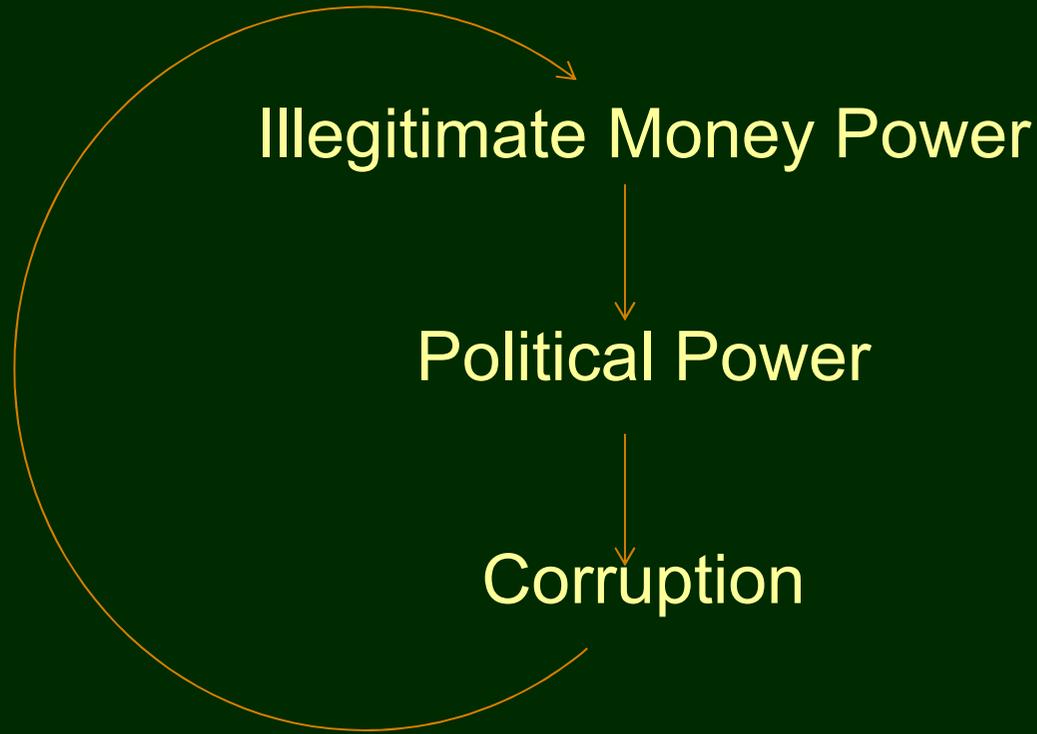
Shifting Nature of Corruption

- Inexhaustible appetite for illegitimate funds
 - Telgi stamp scam
 - Satyendra Kumar Dubey's murder
 - CAT exam papers' leak
 - Warrant against President Kalam and Chief Justice VN Khare
 - CGHS scam

System Caught in a Vicious Cycle

- Inexhaustible demand for illegitimate funds
- Most expenditure incurred for vote buying
- Rise of political fiefdoms
- Vote delinked from public good
- Taxes delinked from services
- Political survival and honesty incompatible
- Social divisions exacerbated
- Competence and integrity excluded
- National parties marginalized

Inexhaustible Demand for Illegitimate Funds



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

Vote Delinked from Public Good

Centralized polity



No matter who wins, people lose



Vote does not promote public good



Voter maximizes short term gain



Money, liquor, caste, emotion and anger become dominant



Vicious cycle is perpetuated

Taxes Delinked from Services

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

Fiscal deficits and crisis

Higher Taxes

Unacceptable because
of corruption and poor
services

Desubsidization

The poor do not see
alternative benefits for the
subsidies given up

Wage Reduction

Centralization and Art 311
preclude it

Deeper fiscal crisis

Poorer services and public goods

Perpetuation of poverty and backwardness

Way Out

- Genuine democratic reforms
- Reinventing the state
- Effective state – not weak state
- Genuine liberal democratic paradigm in public discourse
- High quality scholarship in non-marxist framework
- Special package for low-growth regions

Key Political Reforms Required

Electoral Reforms	Funding
	Criminalization
	Voting irregularities
Electoral system	Proportional Representation
	Direct election of head of government at state level
	Regulation of Political Parties
Decentralization	Local Governments
Rule of Law	Judicial Reforms
Accountability	Right to Information
	Citizens' Charters
	Independent Crime Investigation

Political Party Regulation

Membership

- Free, open and voluntary
- Uniform, objective conditions / no restrictions
- No arbitrary expulsion
- Due process for disciplinary action

Leadership choice

- By regular, periodic, free and secret ballot
- Opportunity to challenge leadership through formal procedures with no risk of being penalised

Choice of candidates

- By members at constituency level through secret ballot
- By elected delegates through secret ballot
- Central leadership cannot nominate candidates

Direct Election of Head of Government in States

- No one can buy a whole state electorate
- Image and agenda of leader will be decisive
- With separation of powers, there will be no incentive to overspend for legislative office
- At state level, there is no fear of authoritarianism as Union government, Election Commission, Supreme Court etc., will act as checks
- Once survival of the executive for a fixed term is guaranteed, there will be no need for compromise and corruption

Proportional Representation

- Competent and honest persons can be inducted into the cabinet
- Incentive to buy votes in a constituency will disappear
- Interests of local candidate will run counter to party's need to maximise overall vote
- Will give representation to small parties, scattered minorities and legitimate reform groups, forcing change
- Voting will be based on party image and agenda, not local expenditure
- Ignored sections will find voice and get representation
- A party's image and platform, not local clout and money power, matter
- Genuine competition among political groups and ideas

Window of Opportunity

- Deepening fiscal crisis
- Citizen's disgust and concern
- Unsustainable status quo
- Relatively sound private economy
- Demographic changes and rising expectations
- Communications revolution

