

# Political Reforms and Economic Prosperity

*by*

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*Dr Jayaprakash Narayan\**

Reviewing the health care in the United States twenty-five years ago, the prestigious 'Daedalus' magazine coined the expression "Doing better, and feeling worse". That description certainly fits our economic scene. While on the one hand, when compared with earlier decades, our economy has been doing much better in terms of growth rates, the socio-economic indicators have not changed radically.

The economic reform process started in 1991 certainly yielded good dividends. Growth rate went up. In a country used to the Hindu rate of growth of about 3%, 6 - 7 % growth rate now is widely regarded as unsatisfactory. Consumer goods are better and cheaper now, and there is greater choice on offer. Investment has gone up, and exports boomed for a decade. Contrary to fears, opening up of the economy did not lead to a deluge of foreign goods. The Indian consumer proved to be very discerning, seeking good value for money. Nor did neocolonialism or economic imperialism threaten India's freedom. The percentage of poor people is showing decline, and population is reaching replacement level in the South and the West. Removal of foreign exchange controls did not lead to flight of dollars; reserves actually went up significantly. Reductions of tax rates led to higher revenues, and not lower. Many new enterprises came up significantly, and the young people are more ready than ever before to find jobs outside government. India saw a revolution in telecom and information sectors. Organized workers, who had enjoyed immense protection for long, now realize that their future is linked to the health of their enterprises. The person-days lost on account of industrial strife fell dramatically. The *doomsdayers* who prophesied disaster with liberalization proved to be wide off the mark. Most people are actually better off today than they were a decade ago. By all standards, the reform process has yielded good results.

It is now axiomatic that the government which governs the least is the best government. Public opinion has also come to accept that government has no business to run businesses. Libertarians naturally oppose high taxation or huge public expenditure. As Milton Friedman so succinctly explained, a citizen knows best how to maximize his happiness by spending, as he deems fit, the Rs.100 in his pocket. The alternative of transferring to the State most of it and hoping that someone, somewhere will take sound decisions for him (an unsound assumption), and receiving only a small fraction of it in the form of public goods and services (after transaction costs, leakages, inefficiency and corruption) is clearly unattractive to most of us.

But closer examination of the OECD countries shows that in the real world, most States pursue economic policies that combine the libertarian principle of *laissez faire* with

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expenditure for promoting social good in the form of education, health care and welfare. Notwithstanding Ronald Reagan and Margaret Thatcher, the public expenditure in OECD countries is about 45% of GDP on an average. India's public expenditure as a share of GDP is lower than every OECD country, except the two city-States of Hong Kong and Singapore. The social expenditure alone accounts for 25% of GDP, adjusting for country-variations. The high-income countries spend 5.6% of GDP on public education and 6.4% of GDP on public health. Medium income countries spend only 4.6% and 3.2% of GDP on education and health respectively, while poor countries spend a measly 2.5% and 0.8% on these two sectors.

What does this indicate? Limited government and political and economic freedom to citizens are vital for individual growth and national advancement. But liberty cannot be construed in a very narrow and negative sense of State not abridging individual freedoms. State is not merely a necessary evil to defend our frontiers, maintain public order, protect citizens and ensure justice. State can, and should, also be a positive institution to create basic infrastructure, develop natural resources, and most of all to provide quality school education and effective primary health care. Liberal think-tanks and academics have been vehemently advocating rollback of the State from these areas. While State's role in business is now universally opposed, there are no realistic substitutes to State in school education, primary health care and the like.

It does not mean that State alone should pay for these services. Private and voluntary sectors have a significant role, and nowhere in market economies is that role more pronounced than in India. Nor does it mean that State should necessarily deliver these services. Stakeholders groups and voluntary organizations often do the job much better. But the financing has to come from the State. And, the State does not mean the centralized, remote, big-government, but localized, citizen-centered government starting with a community of stakeholders, and expanding in concentric circles to local, provincial and federal governments based on the principle of subsidiarity.

We have to recognize that social goods like school education and primary health care cannot be accessed by most citizens without State's intermediation or funding. And in our country, with vertical hierarchies, caste divisions and moral neutrality to social inequities, State's role is critical. With the State failing in these sectors, the bulk of our gene pool is wasted, and educational opportunities are effectively limited to a quarter of our population; poor people end up suffering and spending much more than the rich in market-driven private health care systems. Making education a profit-making enterprise has resulted in mushrooming of countless colleges that produce mostly literate, semi-educated, unemployable graduates. It is easy for the well-heeled and well-connected to ridicule the role of the State. But the fact remains that the future of the vast majority of our children is dictated by the circumstances of their birth. The potential of most children remains unfulfilled. Opportunities for vertical mobility are severely restricted for the bulk of the population. Paradoxically, in the 1950's and 60's, children had better opportunities. But the decline in public education and health care makes the situation increasingly unacceptable. Abdication of State is no solution.

## State, Resources and Development

As pointed out, the GDP share of public expenditure in India is low compared to OECD countries. But it would be wrong to conclude that State's incapacity to deliver is a result of shortage of resources alone. Indian State was never short of resources to abstain from carrying out vital functions necessary for development. Excluding the local governments' expenditure and inter-governmental adjustments, the combined total expenditure of the Union and State governments, according to the budget estimates is a whopping Rs 2000 crore per day or in terms of purchasing power it is equivalent to \$2 billion a day!

What do we get in return and what do we have to show? Eighty crore children with no access to school education, 70 crore people without access to proper toilets, shortage of teachers and excess of peons and clerks, appalling public services and woefully inadequate infrastructure. Without having to increase public expenditure, without having to seek aid from international agencies, these 8 crore children could all have access to basic school education. It just requires some re-allocation of funds and commitment of the governing class. At 50 children per classroom we need to build 16 lakh class rooms. Each class room can be built at Rs 1 lakh or less. This will incur a one-time expenditure/investment of Rs 16,000 crore. This is equivalent to only 8 days' government expenditure! Running the school — teachers and basic teaching aids — would incur a recurring expense of Rs 8,000 crore; a mere four days' expenditure! A very paltry investment when you calculate the social and economic returns to the country. Similarly, all it takes to provide a safe, hygienic toilet for every household is about Rs 12,000 crores public expenditure (Half the needy households can pay from their own resources if technology and material are accessible, and a campaign is launched to promote proper hygiene and sanitation). This is equivalent to a one-time investment equal to six days public expenditure. Studies have also shown that our public health system can be completely revamped, and health care improved and made accessible to the poor and needy, at an additional cost of about Rs. 10,000 crores per annum.

These examples demonstrate that while resources are scarce, even the available resources are not properly deployed. The Indian State has increasingly become a stumbling block to our economic growth prospects. The State guzzles vast resources and produces very little in return. We have, in all, about 2.7 crore workers in the organized sector, or about 8% of the total workforce in the country. Of them, an astonishing 2 crore, or nearly three-quarters, are in government! About 1.3 crore are directly employed by the government at various levels, and about 70 lakh are in public sector undertakings. This number in the last decade has actually increased by nearly 10 lakhs. The problem is not the size of government employment in absolute terms. Many nations have a larger proportion of population employed by government. Therefore, the solution does not lie in mindless downsizing. What we need is redeployment and greater productivity. Take a large State like Andhra Pradesh with 900,000 employees in government. About 180,000 or 20% are unproductive for the people, as they are engaged as peons and drivers! Another 30% (270,000) are support staff (clerks etc.,) whose only purpose is to allegedly help the decision-makers. There are about 40,000 officials with decision-making power at some

level or other, and they could perform far more efficiently and economically with a well-trained support staff of a total of 60,000. But we have 450,000 of them employed as clerks, drivers and peons! We have about 310,000 teachers, but the State probably needs another 300,000 teachers of good quality to sustain a credible school education infrastructure. The health care system is inadequately staffed. We have a total of about 15000 judges in India. Germany, with a population of 8 crore, has 30,000 judges! We have far fewer police personnel than needed in modern times. All this demonstrates that it is not merely the size of the government, what matters most is the productivity of the government. If government is productive, it creates conditions for economic growth, which in turn promotes employment in private sector. The ratio of government workers then comes down in time.

### **Fiscal Rigidities and Indian State**

The other important aspect that is curtailing productivity of Indian State apparatus is the rigidities that characterize the fiscal planning in India. One of the recurring themes of Indian public expenditure and budget making in the last decade is the fiscal rigidities making it difficult for governments to change policies and priorities. In the Union budget, interest payments, defence expenditure, transfer of resources to States and wages are more or less inflexible, and there is no room for manoeuvring. It is now axiomatic that subsidies cannot be removed without incurring high political and social costs. Similarly, in States too, repayment obligations, wages, administrative costs, expenditure on ongoing schemes and projects, State's share in centrally-sponsored schemes etc., are inflexible, leaving little room for innovation. Again, subsidies are hard to cut. The result is less than adequate social expenditure and poor quality infrastructure.

As early as in 1992, Dr Manmohan Singh as Finance Minister lamented the shackles imposed by these fiscal compulsions. The only two changes subsequently are, defence expenditure shot up significantly in recent years, and wage expenditure of both the Union and State increased greatly with the acceptance of Fifth Pay Commission recommendations. Economists, analysts and politicians owe it to the country to evolve mechanisms to break this logjam.

However, there are realistic and effective options still available. But we need courage and skill to exercise them and achieve tangible results. Let us take subsidies as an example. For fiscal 2002-03, major Union subsidies account for Rs 37,392 crore. Food subsidy alone will cross Rs 21,200 crore. Power subsidies and losses (which will eventually be subsidized) in States will probably account for Rs 40,000 crore. And there are other subsidies in States too. Is there a way of reducing these subsidies, retargeting them without inviting massive social unrest and political opposition?

But there are ways of reducing subsidies in a politically acceptable way. Let us suppose the administration of food subsidy (the consumer part of it) is transferred to local governments. We can actually quantify the amount of subsidy based on the food grain offtake and price differential at the local level. Then the Union or State can ask the local

government to retarget the subsidies to reach the deserving poor and cut down on leakages. This will work if the subsidy amount so saved is made available to the local government for other desirable activities, say infrastructure building or social expenditure. Once local government is assured of additional resources based on performance (cut in subsidies), it will have an incentive to reduce subsidies and unlock these resources. The money saved can thus be used for schools, drains, water supply, roads, health centres and sanitation. Since there is a clear link between subsidy reduction and alternative public goods and services, a powerful local constituency will be built favouring reduction in subsidies. In centralized administration, there are only losers in subsidy reduction, and no corresponding gainers. But once it is decentralized, and savings are alternatively deployed, the same family which loses a subsidy will gain directly through better public goods and services. Or there will be as many or more gainers as losers. We will then have achieved two objectives. Subsidies would be reduced, and expenditure is directed towards more desirable goals. This principle can be applied to several subsidies – food, agricultural power, irrigation etc.,

### **Public Sector Management and Indian State**

The third important question pertaining to the productivity of government is the role of government in running enterprises, and the plight of infrastructure sector. It is by now well-recognized that public sector is often a euphemism for political patronage and private aggrandizement. Politicians, in power or out of it, and career bureaucrats as a rule have no respect for economic logic or wealth creation. A few more jobs to cronies, promise of illusory gains to constituents, cushy rehabilitation for favoured sidekicks, luxurious jaunts, and kickbacks in contracts and purchases are the golden eggs which make PSUs so attractive. In this anxiety to make a killing while the going is good, if the golden goose itself perishes, well, it's too bad! In any case, that is the problem for successors.

This cynical approach has been the hallmark of management of public enterprises. For decades, State monopoly in telecom sector held back services and growth and caused misery to hapless consumers. All this in the name of protecting the revenues of inefficient State monopolies and private oligopolies. Airlines have been managed as private fiefdoms of the presiding ministers. Any attempt to inject competition and efficiency, and invite investment is resisted fiercely with predictable invocation of pride in national carriers. Oil sector has suffered decades of loot by meddlesome politicians, and even now monopolies continue despite the facade of opening up. Steel plants were once the favoured trophies. But again, decades of wasteful practices and sloth led to disastrous consequences. And when a competent manager makes valiant efforts to improve efficiency and profitability, he is often victimized.

The analysis so far has demonstrated that the resources are not a vital constraint and yet the State apparatus regularly fails to provide basic services. Centralized governance has made it increasingly difficult to control fiscal profligacy and the State apparatus has become a dispenser of patronage, resulting in institutionalization of corruption. Most

Indians share a sense of unease and disquiet. Our potential remains unfulfilled even today. Impressive as they are by global standards, our growth rates are insufficient to make a significant dent in poverty, or to absorb the millions of youngsters joining the workforce. Fiscal deficits stubbornly remain at the 10% GDP level. Government continues to be wasteful, inefficient and corrupt. As a consequence, there are many who ask: how come our political class is not displaying courage and skill to achieve tangible results? But political skills of individual leaders alone is not sufficient. There are large numbers of politicians who have consistently displayed courage in taking decisions that are bold and imaginative. Yet the crisis of bad governance persists due to distortions in our political process. What are these distortions? Huge, illegitimate election expenditure has resulted in money power becoming dominant in elections. The social divisions and the electoral system have facilitated rise of fiefdoms and legislator to become a disguised executive. The centralized governance system and vast bureaucracy are having pernicious impact on fiscal health of States and the Union. With these distortions, the State apparatus can never function in a productive manner. And an inefficient State apparatus will act as an impediment to economic prosperity. Hence, an exploration into causes of distortions in political process and reasons for absence of good governance will provide us with the keys to economic prosperity and political transformation of India.

### **Vicious Cycles**

The distortions of our political process have significantly eroded the State's capacity for good governance. First, the positive power to promote public good has been severely restricted; while the negative power of undermining public interest is largely unchecked. Authority is delinked from accountability at most levels, and in respect of most functions. As a result, most State functionaries have realistic and plausible alibis for non-performance. Second, while the electoral system has demonstrated great propensity to change governments and politicians in power, the rules of the game remain largely unchanged. Increasingly, honesty and survival in political office are incompatible. Third, all organs of State are affected by the malaise of governance. Political executive, legislators, bureaucracy and judiciary – no class of functionaries can escape blame. For instance, 2.5 crore cases are pending in courts, and justice is inaccessible, painfully slow and costly. Fourth, at the citizen's level, there are no sufficient incentives for better behaviour. Good behaviour is not rewarded sufficiently and consistently, and bad behaviour is not only not punished consistently, it is in fact rewarded extravagantly. As a result, deviant and socially debilitating behaviour has become prevalent, and short-term individual interest has gained precedence over public good.

### **Interlocking Vicious Cycles:**

In a well-functioning democracy, the political process ought to find answers to governance problems. Every election holds a promise for peaceful change. People in India have been voting for change time and again. But the political process is locked into

a vicious cycle, and has become a part of the problem. There are several factors complicating the political process, perpetuating the status quo.

First, election expenditures are large, unaccounted and mostly illegitimate. For instance, expenditure limit for Assembly elections in most major States was Rs 6 lakh until recently, when it has been revised to Rs 10 lakh. In reality average expenditure in most States is several multiples of it, sometimes exceeding Rs 1 crore. Most of this expenditure is incurred to buy votes, bribe officials and hire musclemen. Sadly, the Southern States, which are hailed for better governance, have the dubious distinction of being the worst offenders in this regard. The expenditure incurred in Andhra Pradesh in the current Assembly and Lok Sabha poll is estimated to be about Rs 800 – 1000 crores. On an average, the leading candidates for Assembly spend Rs. 1 to 1.5 crores each, and those for Lok Sabha about Rs. 3 – 4 crores each. The expenditure in the Kanakapura by-election (in Karnataka) for Lok Sabha held in 2003 was estimated by knowledgeable people at about Rs. 20 crores! The eventual winner was reported to have been heavily outspent by his nearest rival. Curiously, the stakes in that by-election were limited: only a few months of Lok Sabha membership was at stake, and both the leading contenders would have to sit only in opposition! Saidapet byelection in Tamil Nadu Assembly too was said to have broken records, with expenses exceeding Rs. 10 crores!

There are three features of such skyrocketing election expenses. First, large expenditure does not guarantee victory; but inability to incur huge expenses almost certainly guarantees defeat! There are a few candidates who win without large expenditure, but such constituencies are limited. Also in great waves, expenditure is irrelevant. The Lok Sabha victory of Congress in 1971, Janata in 1977, NTR's victory in AP in 1983 – these are among the many examples when money power had no role. But in the absence of ideology, and increasing cynicism, large expenditure has become necessary to win. Desperate to win at any cost, parties are compelled to nominate mostly those candidates who can spend big money. Such large, unaccounted expenditure can be sustained only if the system is abused to enable multiple returns on investment. The economic decision-making power of the State is on the wane as part of the reform process. But as the demand for illegitimate political funds is not reduced, corruption is shifting to the core areas of State functioning, like crime investigation. Robert Wade studied this phenomenon of corruption, and described the dangerously stable equilibrium, which operates in Indian governance. This vicious chain of corruption has created a class of political and bureaucratic 'entrepreneurs' who treat public office as big business.

Second, as the vicious cycle of money power, polling irregularities, and corruption has taken hold of the system, electoral verdicts ceased to make a difference to people. Repeated disappointments made people come to the conclusion that no matter who wins the election, they always end up losing. As incentive for discerning behaviour in voting has disappeared, people started maximizing their short-term returns. As a result, money and liquor are accepted habitually by many voters. This pattern of behaviour only converted politics and elections into big business. As illegitimate electoral expenditure skyrocketed, the vicious cycle of corruption is further strengthened. With public good delinked from voting, honesty and survival in public office are further separated.



Third, this situation bred a class of political ‘entrepreneurs’ who established fiefdoms. In most constituencies, money power, caste clout, bureaucratic links, and political contacts came together, perpetuating politics of fiefdoms. Entry into electoral politics is restricted in real terms, as people who cannot muster these forces have little chance of getting elected. While there is competition for political power, it is often restricted between two or three families over a long period of time; parties are compelled to choose one of these individuals or families to enhance their chances of electoral success. Parties thus are helpless, and political process is stymied. Absence of internal democratic norms in parties and the consequent oligarchic control has denied a possibility of rejuvenation of political process through establishment of a virtuous cycle.

Fourth, in a centralized governance system, even if the vote is wisely used by people, public good cannot be promoted. As the citizen is distanced from the decision-making process, the administrative machinery has no capacity to deliver public services of high quality or low cost. Such a climate which cannot ensure better services or good governance breeds competitive populism to gain electoral advantage. Such populist politics have led to serious fiscal imbalances.

Fifth, fiscal health can be restored only by higher taxes, or reduced subsidies or wages. The total tax revenues of the Union and States are of the order of only 15 percent of GDP. Higher taxation is resisted in the face of ubiquitous corruption and poor quality services. De-subsidization is always painful for the poor who do not see alternative benefits accruing from the money saved by withdrawal of subsidies. A vast bureaucracy under centralized control can neither be held to account, nor is wage reduction a realistic option.

Sixth, elected governments are helpless to change this perilous situation. As the survival of the government depends on the support of legislators, their demands have to be met. The legislator has thus become the disguised, unaccountable executive controlling all facets of government functioning. The local legislator and the bureaucrats have a vested interest in denying local governments any say in real decision-making. The vicious cycle of corruption and centralized, unaccountable governance is thus perpetuated.

Seventh, the first-past-the-post (FPTP) system exacerbates our social divisions as it tends to over-represent geographically concentrated social groups and under-represent the scattered minorities. This representational distortion leads to ghettoisation and marginalisation of the excluded social groups, which then indulge in strategic voting. This gives rise to vote-bank politics in which obscurantists become interlocutors of the group drowning the voice of reason and modernity. For instance, religious symbolism and not education and job opportunities become dominant issues of public discourse. This pandering of fundamentalism leads to competitive mobilization of various groups based on primordial loyalties, leading to communal polarization and social strife.

Eighth, the need for money power and caste clout to win a plurality of votes in FPTP system precludes political participation of men and women of integrity and competence.

With their exclusion, bad public policy and incompetent governance become endemic, deepening the crisis.

Ninth, under FPTP system, only a high threshold of voting ensures victory. Usually a party needs 35% vote or more to get reasonable representation in legislature, or social groups with local dominance get elected. As a significant but scattered support pays no electoral dividends, reform groups and parties below the threshold tend to wither away. Voters prefer other “winnable” parties and candidates. This tends to marginalize reform parties, and national parties in many States. It is no accident that the main national parties, Congress and BJP, are directly competing for power in only a few major States. In most States, one or two regional parties are dominant. FPTP thus tends to lead to oligopoly of parties.

Given this complex nature of our crisis, many of the reforms that have been enacted and those in the pipeline are necessary, but not sufficient. Apart from reforms in local governments, judiciary and bureaucracy and effective instruments to enforce accountability and check corruption, we need to pursue systemic reforms changing the nature of elections and process of power. In my considered judgment, there are three such reforms required.

### **1. Mixed Compensatory Proportional Representation**

The first-past-the-post (FPTP) system that India has adopted led to several distortions, given the passage of time and ingenuity of legislators. Politics of fiefdom at constituency level has forced the parties to rely on local strongmen. As a result, the political parties and independent candidates have astronomical election expenditure for vote buying and other illegitimate purposes. This has led to a significant weakening of the party platform and ideology, reducing elections to private power games. In many States, national parties have been marginalized where their voting percentage falls below a threshold. Following this, regional parties have occupied center stage in several pockets, holding larger interests at ransom.

All these failings find expression in serious and long-term predicaments. The inability of all political parties to attract and nurture best talent is the primary issue. Difficulties of minority representation leading to ghetto mentality, backlash, and communal tension form another facet of the problem. Lastly, leadership is undermined by permanent reservation of constituencies (or regular rotation) in order to provide fair representation to excluded groups. The solution to this flawed system is adoption of proportional representation.

Pure proportional representation (PR) in India would invite three legitimate objections. First, in a caste-ridden society PR will lead to further political fragmentation, mushrooming of parties, and greater social schism. The answer to this problem lies in having a reasonable threshold of voting requirement, of say 10 % of votes polled in major States, for representation in legislature. Second, party bosses will become even more

autocratic in nomination of candidates in list system. This tendency can be curbed by political party reform, mandating choice of candidates for elective office by members of the party or their elected delegates through secret ballot at the local level. Third, people are used to a system of territorial representation, and PR snaps the link between the constituency and its elected legislator. This can be addressed by electing half the legislators from single-member constituencies as now, and electing the rest from party lists in a manner that the final composition of legislature is based on the principle of proportionality of votes. The key features of the suggested system are as follows:

- The overall representation of parties in legislature will be based on the proportion of valid vote obtained by them.
- A party will be entitled to such a quota based on vote share only when it crosses a threshold, say 10% of vote in a major State, and more in minor States.
- 50% of legislators will be elected from territorial constituencies based on FPTP system. This will ensure the link between the legislator and the constituents.
- The balance 50% will be allotted to parties to make up for their shortfall based on proportion of votes.
  - eg 1): If the party is entitled to 50 seats in legislature based on vote share, but had 30 members elected in FPTP system, 20 more will be elected based on the party list.
  - eg 2): If the party is entitled to 50 seats based on vote share, but had only 10 members elected in FPTP system, it will have 40 members elected from the list
- The party lists will be selected democratically at the State or multi-party constituency level by the members of the party or their elected delegates through secret ballot.
- There will be two votes cast by voters - one for a candidate for FPTP election, and the other for a party to determine the vote share of the parties.

It needs to be remembered that PR system can be effective only after internal functioning of political parties is regulated by law. Otherwise, PR system will give extraordinary power to party leaders and may prove counter-productive. However, the PR system has one more advantage of ensuring better representation of women in legislatures.

## **2. Political Party Regulation by Law**

Political recruitment has suffered a great deal, and bright young people are no longer attracted to politics. Centralized functioning of parties is imposing enormous burden on leadership to manage the party bureaucracy, leaving little time for evolving sensible policies or governance. Party leaders are helpless in candidate selection, and the choice is often between Tweedledum and Tweedledee. An important reform to improve the quality of politics and restore credibility would be a law to regulate political parties' functioning, without in any way restricting leadership choice and policy options. A law needs to be enacted to regulate political parties in the following four key aspects:

- Free and open membership with no arbitrary expulsions

- Democratic, regular, free, secret ballot for leadership election; and opportunity to challenge and unseat leadership through formal procedures with no risk of being penalized
- Democratic choice of party candidates for elective office by members or their elected delegates through secret ballot.
- Full transparency in funding and utilization of resources

### 3. **Clear Separation of Powers at the State and Local Levels Through Direct Election of Head of Government**

The other systemic reform that is needed to isolate the executive from unwanted influences, as has been pointed out, is to ensure direct election of Head of Government in States and Local Governments.

As election costs have skyrocketed, candidates spend money in anticipation of rewards and opportunities for private gain after election. Legislators perceive themselves as disguised executive, and Chief Ministers are hard pressed to meet their constant demands. Postings, transfers, contracts, tenders, tollgates, parole, developmental schemes, and crime investigation - all these become sources of patronage and rent seeking. No government functioning honestly can survive under such circumstances. While the legislators never allow objective and balanced decision-making by the executive in the actual functioning of legislation, their role has become nominal and largely inconsequential. This blurring of the lines of demarcation between the executive and legislature is one of the cardinal features of the crisis of our governance system.

Therefore, separation of powers, and direct election are necessary in States and local governments. At the national level, such a direct election is fraught with serious dangers. Our linguistic diversity demands a parliamentary executive. Any individual seen as the symbol of all authority can easily become despotic, given our political culture. But in States, separation of powers poses no such dangers. The Union government, Supreme Court, constitutional functionaries like the Election Commission, UPSC, and CAG, and the enormous powers and prestige of the Union will easily control authoritarianism in any State. This necessitates adoption of a system of direct election of the head of government in States and local governments. The fundamental changes suggested find mention as under:

The legislature will be elected separately and directly, while the ministers will be drawn from outside the legislature. The legislature will have a fixed term, and cannot be dissolved prematurely except in exceptional circumstances (sedition, secession, etc) by the Union government. The head of government will have a fixed term, and cannot be voted out of office by the legislature. Any vacancy of office will be filled by a due process of succession. The elected head of government will have no more than two terms of office. Even though these changes may not be panacea to all evils in the present

structure of legislature and executive, they will certainly encourage more healthy and vibrant democracy and democratic processes. Further, clear and periodic delineation of functions between Union and States, and among various tiers of local governments, is also a necessary condition for a vibrant democracy. It is only a true federal structure that can ensure unity in this multi-ethnic and multi-religious society.

### **Conclusion:**

The above-mentioned reforms are not panacea for all the ills that are plaguing the society, but they would, if implemented radically alter the political landscape and make good governance possible. These reforms will change the nature of incentives in our political life and will promote choice and political competition. Honesty will once again be compatible with political survival and advancement, and the finest public-spirited citizens can play a meaningful role in rejuvenation of our polity and accelerating our economic growth. Indian society will rediscover its potential, and the nation will have unshackled itself from a moribund structure to play its rightful role in today's world. These reform measures will specifically help us combat the distortions in our political process which are undermining the effectiveness of the State and thereby the economic prosperity. Economic reforms are necessary, but are not sufficient. We need to restructure our governance process to make it supportive of a productive, competitive market economy. Political and electoral reforms, decentralization of power, measures to enforce rule of law, and instruments of accountability – these are the vital tasks ahead. We already lost precious time, and any further prevarication will be costly. It is high time we recognized that good politics, good economics and stable and peaceful society go together. One cannot exist without the others.

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