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 government expenditure
- Recurring expenditure: Rs.8000 crores – 5 days government 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

Contd..
**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

Contd..
Interlocking Vicious Cycles

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

Contd..
Interlocking Vicious Cycles
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

Contd..
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

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