

LOK SATTA

People Power

Economy, Growth & Political Reforms
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The purpose of a government is to make it easy
for people to do good and difficult to do evil.

– *William Gladstone*

Democracy – Myron Weiner's Four Conditions

- Competitive elections
- Political freedoms for all
- Peaceful transfer of power and no retribution
- Real power with elected governments

Elements of Democracy

- Liberty
- Self-governance
- Rule of law
- Empowerment
- Self-correcting mechanisms

Economic Reform

- Political consensus available
- Process irreversible
- Continuity of policy
- Stridency not to be confused with substance
- 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)

Things are Improving

- Telecom sector
- Railway freight
- Improved highways – rapid execution
- 6-7% growth still sustained
- 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
- Liberalization process has unlocked the economic potential of India

Can Economic Reforms Alone Deliver?

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

Failure of State in Key Areas

- Rule of law
- Public order
- Justice

Inadequate Social Sector Spending

- Education – only 3.2 % GDP
- Functional literacy 30-40%
- Crisis of higher education
- Healthcare – only 0.9% of GDP
- Population growth rates still too high 1.94%

Inadequate Social Sector Spending

- 25 % of hospitalized Indians fall below the poverty line because of hospital expenses.
- 81 % of outpatient care is provided private healthcare
- Only 40% inpatient care is provided public healthcare
- Only 17% of Health expenditure in public sector
- Very high reliance on out-of-pocket expenditure
 - Georgia, Cambodia, Myanmar and Afghanistan

Priorities in Public Spending

Country	PE on Education as % of GDP	PE on Health as % of GDP
United Kingdom	4.5	5.9
Germany	4.6	8.0
United States	4.8	5.8
OECD	5.2	8.1
India	3.2	0.9

What the 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

Unintended Consequences of Early Phase of Reforms

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

Governance at a Glance

- Governments spend Rs. 2000 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

Crisis of Governance

- Increasing lawlessness
- Inefficient state apparatus
- Unresponsive bureaucracy
- Ineffective judicial system
- All pervasive corruption
- Criminalization of politics
- Money and muscle power in elections
- Political instability
- Erosion of legitimacy of authority

Irreducible Role of State

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

Macro Perspective of Indian Polity

- Disaggregate volatility
- Broadly reflective of public opinion
- Ruling parties and powerful candidates do lose
- Rejection/Negative vote pretty common

Micro Perspective of Indian Polity

- Money power dominant
- Criminalization rampant
- Voting irregularities frequent
- People take money to vote
- Caste and divisive impulses are prominent

How is Democracy Surviving?

- A system of compensatory errors (competing distortions neutralize each other)
- Strength of Election Commission
- Tradition of neutrality of officials
- Pre-Polling process scrupulously fair (nominations, ballot papers, appointment of polling officials, etc.)
- Post-polling process - completely non-partisan (transport, storage and counting of ballots, and declaration of results)

Electoral Reform Agenda in 2003 – Major Steps Forward

- Mandatory disclosure of candidate details
- Post office for voter registration accepted in principle
- Anti-defection law
- Limiting the size of Council of Ministers
- Changes in Rajya Sabha election
- Progressive law on political funding

Some Pending Issues

- Free broadcasting time
- Post Office as permanent agency for voter registration
- Anti-defection law makes legislators captives
- Criminalization – disqualification issue
- Public funding models
- Election of Legislative Council

Is This Enough?

- Some of the reforms are in the right direction, but are not enough
- Systemic deficiencies in all spheres of governance left untouched
- If they are not addressed immediately, will undermine the unity of the nation and severely cripple economic growth

Inexhaustible Appetite For Illegitimate Funds

- Shifting Nature of Corruption
 - Telgi stamp scam
 - CAT exam papers' leak
 - Satyendra Kumar Dubey's murder
 - Warrants 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

Failure of Political Process

Interlocking vicious cycles

Inexhaustible demand for illegitimate funds



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..

Contd..

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..

Contd..

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..

Contd..

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..

Contd..

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



Contd..

Social Divisions Exacerbated

FPTP

↓
Scattered minorities unrepresented

↓
Marginalization and Ghettoization

↓
Strategic voting and vote-bank politics

↓
Obscurantists become interlocutors drowning voices of
reason and modernity

↓
Politicians pander fundamentalists

↓
Counter-mobilization of other groups based on primordial
loyalties

↓
Communal polarization and strife

Contd..

Contd..

Competence and Integrity Excluded

FPTP



Need for money power and caste clout



Honest and decent elements have little chance



Bad public policy and incompetent governance



Deepening crisis

Contd..

Oligopoly of Parties

FPTP

Only a high threshold of voting ensures victory

Parties with 35 - 50% vote, or social groups with local dominance get elected

Significant but scattered support pays no electoral dividends

Voters prefer other “winnable” parties

Marginalization of reformers, and national parties

Regionalization of polity & perpetuation of status quo

Representational Distortions

FPTP

↓
Women & deprived sections not represented

↓
Reservation with rotation is arbitrary and leads to proxies

↓
Perpetuation of dominance of traditional groups

↓
Representational illegitimacy

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

Primacy of Politics

- To vilify politicians for the prevalent state of affairs is a knee-jerk reaction to a complex crisis that our democracy is facing
- There is no substitute to politics
- Politicians perform the two most complex tasks
 - Bridging the gulf between limited resources and unlimited wants
 - Harmoniously reconciling the conflicting interests of contending groups
- All this might result in misplaced faith in un-elected bodies

Vilification of Politicians – Distortions

- Increase revulsion among middle classes
- Isolation of honest and competent politicians
- Failure to recruit fresh talent
- Bureaucratic inertia and negativism

Vilification of Politicians – Distortions

- Usurpation of political turf by judiciary and other institutions
- Failure of rational public discourse
- Short-term populism
- Persistent anti-incumbency
- Good performance of individual legislators not rewarded

Politicians and Reform Process

- There is a need for a comprehensive look at our political system
- The governance crisis is not limited to our political process alone
- Our bureaucracy and judiciary too have glaring inadequacies
- Any reform has to begin with the political process
 - Every election is a mandate for peaceful transformation
 - Politicians should drive change in other segments of state

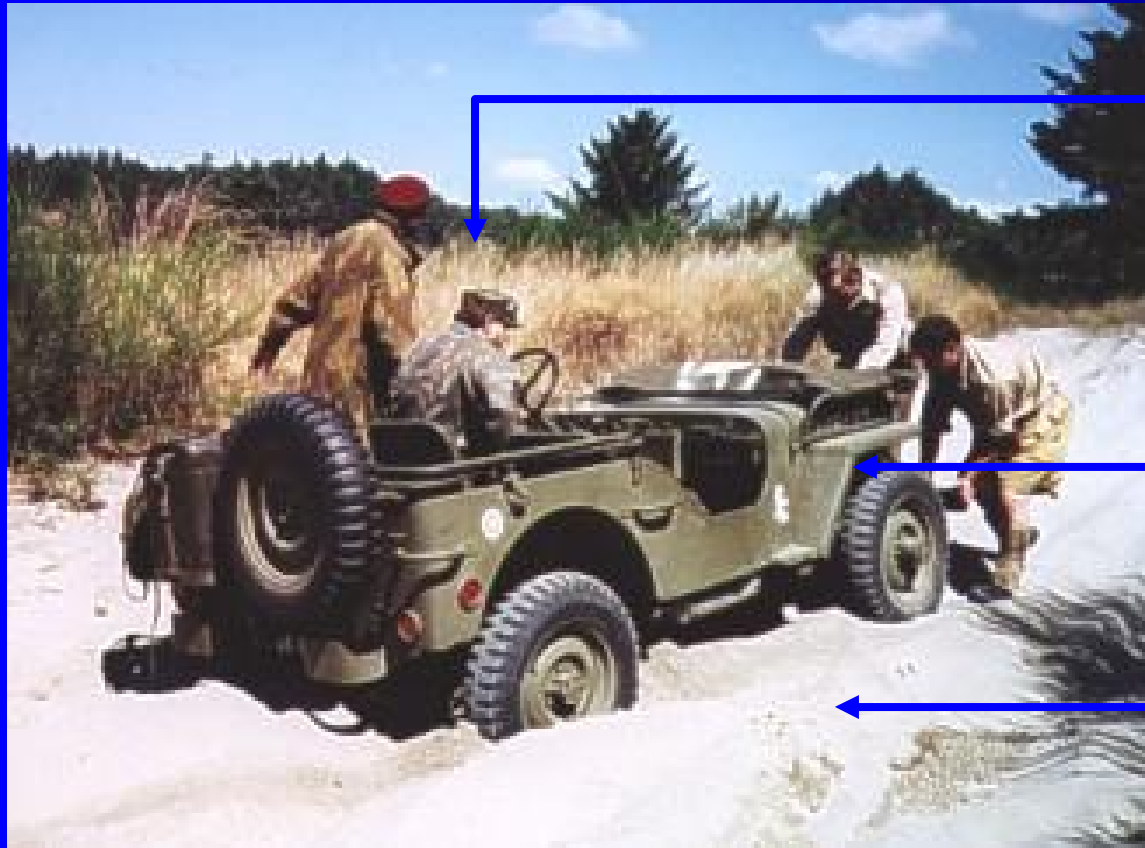
Keys to Resolution

- 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

The Track Which Impedes



Players (drivers)

**Democratic Institutions
(Engine)**

**Railings / Track
(political system)**

Key Systemic Reforms

- Proportional Representation
- Clear separation of powers
- Political party regulation

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

Proportional Representation

- Fair reconciliation of social and political groups
- No 'wasted' votes
- Disenchanted sections will find 'voice'
- Political fiefdoms will disappear
- Political process will get into a virtuous cycle

Problems of Proportional Representation

Problem

- Political fragmentation in a plural society
- Party bosses will be autocratic
- Link between voters and legislator is snapped

Solution

- Reasonable threshold level
- Democratization of parties and choice of candidates
- Mixed system combining Proportional Representation with FPTP

A Suggested Model for India

- Mixed, compensatory Proportional Representation
- A threshold of, say, 10% vote in a major state for Proportional Representation
- State as a unit for representation

Mixed System

- Suitable for India
- 50% seats filled through FPTP system.
- Balance seats filled such that final composition reflects voting percentages of each party – compensatory PR
- Parties with less than 10% vote will be disqualified, and the qualifying parties will share the 50% seats
- Independents, or candidates of small parties (below threshold) may be elected through FPTP. In such cases, those seats will be extra, and supernumerary seats will be created to accommodate them

What will Decentralization Address?

- Illegitimate money power in elections
- Vote buying
- Vote delinked from public good
- Fiscal crisis

What Will PR Address?

- Illegitimate money power in elections (supply side)
- Voter seeks money and liquor (supply side)
- Political fiefdoms (marginal vote not critical)
- Representational distortions (vote share, not local concentration, matters. No wasted votes)
- Competence and integrity excluded (decent candidates can win in list system)
- National parties/reform parties marginalised (vote share gives representation - not constituency victory alone)

What Will Direct Election Address?

- Illegitimate money power and corruption (supply side)
- Voter seeking money (demand side)
- Rise of political fiefdoms (Legislative office and local clout have no bearing on executive)
- Vote delinked from public good (executive unencumbered)
- Deepening fiscal crisis (free from vested interests)
- Political dynasties (term limitations)
- Honesty and survival incompatible (survival depends on people's mandate alone)
- Competence and integrity excluded (State wide appeal matters. Cabinet from outside legislature)

What Will Party Democracy Address?

- Rise of political fiefdoms: Members decide candidates
- Honest and competent candidates will be able to win nomination
- Political dynasties will vanish
- Political process will gain legitimacy

How Will PR, Direct Election and Party Democracy go Together?

- PR leads to fragmented legislature. Direct election will ensure stable executive independent of legislature
- PR has the propensity to make party leadership more powerful. Party democracy gives power to members preventing arbitrary choices.
- Pure PR leads to small, caste-based parties. Reasonable vote threshold requirements will eliminate the danger

What Will the System Look Like?

- Citizens have two votes - one for a candidate in the constituency; one for the party of their choice.
- Party vote determines overall seat share. The party gets seats allocated from the list (Its seat share less seats elected in constituencies)
- In states, citizens directly elect the head of state, who forms a cabinet of his choice, and has a fixed term. There will be term limitations.
- Citizens vote for a party based on its image, platform and the slate of candidates presented in the local electoral district (say, 5-10 seats)

Window of Opportunity

- Demand for reform
- Relatively sound private economy
- Demographic changes
- Large, skilled, young, low-cost manpower
- Communications revolution
- Improved transport
- Power sector reforms in progress
- Road blocks to growth being removed
- Stable polity
- Mature financial system
- National mood upbeat

What Needs to be Done

- Political reforms
- Decentralization
- Judicial reforms
- Accountability measures
- Innovative mechanisms for management of education, healthcare and power sector
- Civil service reform

Two Paths - Choice is Ours

German example

vs USSR example

- Freedom enhancing
- Democratic
- Orderly
- Integrating
- Growth-oriented

- Tyrannical
- Chaotic
- Disintegrating
- Debilitating

“Politics encircles us today like the coil of a snake from which one cannot get out, no matter how much one tries”

- *Mahatma Gandhi*