LOK SATTA

People Power

Getting the Governance Indians Deserve
Political Reforms

Mumbai, 25th March, 2003
The purpose of a government is to make it easy for people to do good and difficult to do evil.

Sir Gladstone
State and Liberty

● Defend Freedom
  o Laws to regulate conduct
  o Laws to protect liberty (child labor etc.)
  o Laws and systems to protect property rights

● Common Services

● Facilitate enjoyment of freedom
  o Public order and peace
  o Education
  o Health care
  o Elimination of drudgery
  o Conditions for economic growth
State vs Citizen

- Strong State → authoritarianism
- Weak State → anarchy
- Citizen-centered enabling state

Diagram:
- Individual & Family
- Community of Stakeholders
  - Local government
  - State government
  - Federal government
Can Economic Reforms Alone Deliver?

- Smaller and more focused government will help

- But government still has large role
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
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
Bottlenecks for Sustained High Growth

Weak 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

- Parties
  - Autocratic and unaccountable
  - Repel the best
  - A problem, not solution
  - Choice - Tweedledom & Tweedledee

Contd..
Failure of Political Process

- Elections
  - Change of players
  - No change of rules of game
  - Criminalization
  - Money power
- Flawed process
  - Electoral rolls (40% errors)
  - Bogus voting (22%)
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
# Key Reforms

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Why Focus on Politics

• Whatever be the issue, political failure is the starting point
• Every election is a promise of peaceful transformation
• Politician is not the villain – but the responsibility rests with the politician
• If political process cannot deliver on the promise of change, violence and anarchy are the end results
• Freedom and order are the necessary conditions for economic growth and prosperity
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)
What is Wrong with Elections?

- Polling irregularities
- Autocratic political parties
- Money power
- Criminalization
Polling Irregularities

Serious flaws in voter rolls

- Sample survey: 40% errors in urban areas
- State-wide survey: 15% errors in villages
- > 40% errors in towns

21.7% possible fraudulent voting in cities
Simple Solutions

Voter Registration

• Post office as nodal agency

Polling Fraud

• Voter identity card
• Repoll if tendered votes exceed 1 %
• Wide publicity to utilise tendered vote
Criminalization

• Section 8 of RP Act not adequate
• Charges framed by magistrate
• Civil society pressure
• Transparency
• Media exposure
• Disclosure of prosecution, charges, History Sheet, Rowdy Sheet etc.
# Political Parties - Why Regulation?

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<th>Political Parties</th>
<th>Societies</th>
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<tr>
<td>• Monopoly or oligopoly</td>
<td>• Free choice</td>
</tr>
<tr>
<td>• Represent history, memories, aspirations of millions</td>
<td>• Mere organisations of convenience</td>
</tr>
<tr>
<td>• Seek power over all people</td>
<td>• Pursue members’ collective goals</td>
</tr>
<tr>
<td>• Cannot be easily formed or built</td>
<td>• Can be formed and dissolved at will</td>
</tr>
<tr>
<td>• People and members have no realistic alternatives</td>
<td>• Members have multiple options</td>
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<tr>
<td>• Vehicles for political participation of citizens</td>
<td>• Vehicles for voluntary pursuit of individual / group goals</td>
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Political Parties – What 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
Problems with Current Campaign Funding Laws

- Explanation 1 of Section 77 of R P Act, 1951
- No public auditing
- Weak enforcement (non-existent)
- No disclosure norms
- No penalties
- No asset and income disclosures
- No incentive for public funding
Campaign Expenditure – India vs US

Expenditure for Lok Sabha + all Assemblies – all parties + candidates

Estimated: Rs.2500 + Rs.4500 crores
Total: Rs.7000 crores = $1.5 b
70-80% is for vote buying

US election expenditure in 2000
Presidency + House + 1/3 Senate + 1/3 governors

Estimated expenditure: (Soft + issue ads Hard) $ 3 billion
80% is for TV advertising.
Actual campaign expenditure: 50%

$ 1.5 billion

Adjusted to our low per-capita income, and high purchasing capacity of Rupee, our expenditure is 60 times that of US!
Campaign Expenses – Vicious Cycle

• Illegitimate expenses are often 5-10 times the ceiling or more
  (Assembly ceiling: Rs 6 lakhs
  Lok Sabha ceiling: Rs 15 lakhs)

• Every crore spent illegitimately
  $\downarrow$
  Rs 10 crore returns
  (to cover ROR, Interest, personal upkeep, supporters, family’s future, next election costs)
  $\downarrow$
  Rs 100 crore collected through bureaucracy
  (for every legislator, there are 2000 employees who need to collect ‘rent’)
  $\downarrow$
  people suffer ten times more.
  Payment extorted, on pain of delay, harassment, humiliation, anxiety and greater loss.
Political Funding

- Tax credits for funding
- Full and truthful disclosure by donor and party
- Severe penalties for violations
- Compulsory statutory auditing
- Election Commission final authority for determination of compliance
- Public funding indirect – free air time
- Direct public funding – non-discretionary and verifiable norms
Will Vote Buying Disappear?

- Not immediately
- People will continue to take money for voting
- Candidates will spend personal money for sometime
- Severe penalties will force disclosures
- Local government empowerment will reduce vote buying

vote $\xrightarrow{\text{public good}}$
tax money $\xrightarrow{\text{services}}$
authority $\xrightarrow{\text{accountability}}$

- value of vote will then be far greater than the money offered
Other Critical Reforms for Reducing Unaccounted Expenditure

• Proportional representation (German model mixing with constituency election)
  o Incentive to buy votes in a constituency will disappear
  o Interests of local candidate will run counter to party’s need to maximise overall vote
  o Will give representation to small parties and legitimate reform groups, forcing change
  o Voting will be based on party image and agenda, not local expenditure
  o Ignored sections will find voice and get representation

contd..
Other Critical Reforms for Reducing Unaccounted Expenditure

- Direct election of head of government at State and local levels
  - 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
Can Civil Society Accomplish Changes?

- Best practices in India and elsewhere offer us solutions
- Collective, informed assertion is the only means
- Inchoate discontent needs to be channelized into concerted action
- Focus on specific, practical, achievable reforms will yield results
Some Significant Successes

- Disclosure of candidate details (March 13 SC Judgment)
- Funding Reform Bill (now before Parliament)
- Post office as nodal agency for voter registration (agreed in principle)
- Cleansing subordinate judiciary (Maharashtra example)
- Outstanding success in health care (Jamkhed – Maharashtra)
National Platform

Electoral reforms

- Process improvements
  - Preventing polling irregularities
  - Arresting and reversing criminalization
  - Checking abuse of unaccountable money power

Contd..
National Platform

- System improvements
  - Political party reform
  - Proportional representation combined with constituency election
  - Direct election of head of government in states and local governments
National Platform

- Judicial reforms
  - National judicial commission
  - Indian judicial service
  - Procedural changes for speedy justice
  - Local courts for speedy justice
Why Should Business Care

- Good governance is key to prosperity
- Political process is locked into a vicious cycle
- Legislators are disguised executives
- Honesty and survival in power are not compatible
- Politics of fiefdoms operating – with oligopolies
- Politics has become the problem
- Debilitating corruption is the visible symptom of political crisis
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
Two Paths - Choice is Ours

German example  vs USSR example

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

- Tyrannical  
- Chaotic  
- Disintegrating  
- Debilitating
“The punishment suffered by the wise who refuse to take part in the government, is to suffer under the government of bad men.”

Plato