

**LOK SATTA**  
*People Power*

**Getting the Governance Indians Deserve**  
**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.

**Sir Gladstone**

# State and Liberty

- **Defend Freedom**
    - Laws to regulate conduct
    - Laws to protect liberty (child labor etc.)
    - Laws and systems to protect property rights
  - **Common Services**
  - **Facilitate enjoyment of freedom**
    - Public order and peace
    - Education
    - Health care
    - Elimination of drudgery
    - Conditions for economic growth
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# State vs Citizen

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



# 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
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## 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
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## 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
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# 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
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# 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
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# Failure of Political Process

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

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# 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%)
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# 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
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# Key Reforms

<b>Electoral reforms</b>	<b>Funding</b>
	<b>Criminalization</b>
	<b>Voting irregularities</b>
<b>Electoral system</b>	<b>Proportional Representation</b>
	<b>Separation of Powers</b>
<b>Decentralization</b>	<b>Local Governments</b>
<b>Rule of Law</b>	<b>Judicial reforms</b>
<b>Accountability</b>	<b>Right to information</b>
	<b>Citizens' charters</b>
	<b>Independent crime investigation</b>

## 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
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# 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
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# 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)
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# 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?

## Political Parties

- Monopoly or oligopoly
- Represent history, memories, aspirations of millions
- Seek power over all people
- Cannot be easily formed or built
- People and members have no realistic alternatives
- Vehicles for political participation of citizens

## Societies

- Free choice
- Mere organisations of convenience
- Pursue members' collective goals
- Can be formed and dissolved at will
- Members have multiple options
- Vehicles for voluntary pursuit of individual / group goals

# 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
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## Choice of Candidates

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

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\$ 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



Rs 10 crore returns

(to cover ROR, Interest, personal upkeep, supporters, family's future, next election costs)



Rs 100 crore collected through bureaucracy

(for every legislator, there are 2000 employees who need to collect 'rent')



people suffer ten times more.

Payment extorted, on pain of delay, harassment, humiliation, anxiety and greater loss.

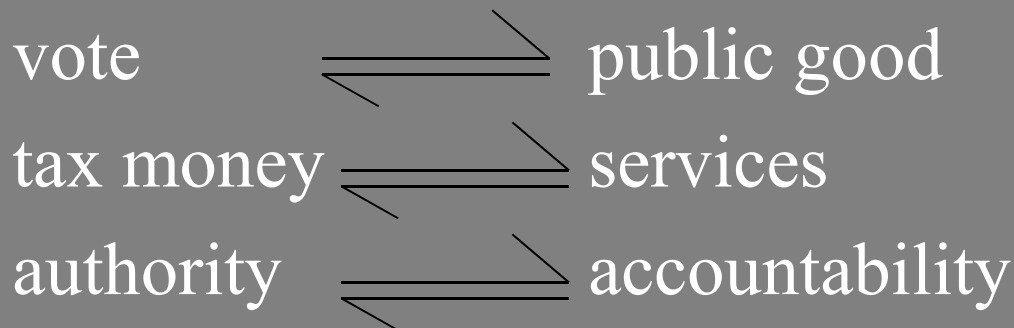
# Political Funding

- 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
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## 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



- 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)
  - 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 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

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# 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
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# 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
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## 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)
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# National Platform

## Electoral reforms

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

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## 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
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# 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
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# 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