

**LOK SATTA**

*People Power*

Conference on the Politics and Economics of Liberalization  
in India

**People's Movements and Reforms**

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# Contours of Economic Reforms Attempted

- Dismantling the old LPQ regime
- Macro economic stabilization
- Removal of trading restrictions
- Privatization of PSUs

## **What the Reform 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

## Resistance from Certain Groups

- Leftist and anti-reform groups
- Anti-corruption – Enron etc
- Environmental and green brigade
- Farmers against globalization
- Hindutva
- Swadeshi
- Trade unions
- Women’s groups against ‘cultural imperialism’
- NGOs constituting “global civil society”
- Political opposition to desubsidization

# Groups which have not Resisted

- The poor and unorganized
- The consumers
- The unemployed youth
- The small entrepreneurs
- The middle classes
- The dalits

## **Resistance to reform – Paradoxical Alliances**

- Left and religious right
- Farmers and left
- Protected industry and labour
- Feminists and traditionalists

# Resistance Fuelled by State's Blunders

- Bad sequencing of reforms eg: Power Sector
- Rapacious grand corruption: eg: Enron
- Inadequate reform process
- Poor quality services
- No concomitant democratic reform

# Why Resistance Groups Appear Bigger than their Strength

- Slackening growth
- Middle class angst at coalition politics
- Parties' failure in interest aggregation
- Opposition vacuum as all parties are now “establishment”
- Anti-establishment sentiment projected as anti-reform
- Public discourse dominated by marxist paradigm



# Resistance Petering Out

- Ignored lessons of past experience
- Not validated by current experience

Eg: fears of inundation of markets

fears of massive unemployment

- Consumer is happy
- LPQ was clearly counterproductive

# Persistent Regulatory Shackles

- The long arm of state hunting economic activity and livelihoods rikshaw pullers, hawkers etc.
- Extortionary corruption debilitating industry
  - Customs
  - Central excise
  - Commercial taxes etc
- Absence of reforms to generate demand for labour

# Bottlenecks for Sustained High Growth

## Weak role of state

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

# 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

## 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

# Need for Genuine Governance Reforms

- Electoral reforms
- Empowerment of local governments
- Judicial reforms
- Instruments of accountability

# Electoral Reforms

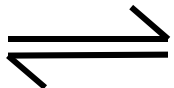
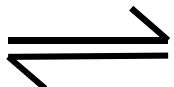
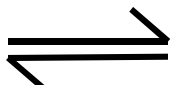
- Political funding
- Decriminalization
- Fair polling
- Regulation of political parties
- Proportional representation
- Separation of powers



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# Decentralization

- Vote  Public good
- Taxes  Services
- Authority  Accountability

# Judicial Reforms

- National judicial commission
- Reforms in procedural laws
- All-India judicial service
- Special tribunals for frauds
- Increase in the number of courts
- Independent crime investigation
- Speedy justice through rural courts

# Instruments of Accountability

- Right to information
- Citizen's Charters
- Empowerment of stakeholders
- Independent crime investigation
- Independent appointment of constitutional functionaries
- Independent and effective anti-corruption mechanism

# Dangers of Status Quo

- Fiscal collapse
- Anarchy
- Authoritarianism
- Balkanization
- Unfulfilled potential
- Avoidable suffering

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

Plato