

**'COMMENTARAO' in "The Telegraph" of September 30 2015**

**"The BJP's Congress economic baggage" by S L Rao**

**Is there a real distinction between economic policies of the Congress and the present BJP? Agricultural reform (markets, land, subsidies, water), agricultural infrastructure, privatization, administrative reform, procedural reforms to improve ease of doing business, holistic Ministries, are some issues on which much was promised by BJP and little was done. Congress promised much less and did nothing. This BJP government has not been as innovative in actions as the previous one did (for example on infrastructure and privatization). The Congress has the excuse of history and ideological baggage. BJP despite bold talk seems similarly sweighed down.**

**Gandhiji wanted the Indian National Congress to be wound up after 1947. While leading the independence movement Congress leaders had a variety of ideologies. They were all committed to the cause of independent India. Almost all accepted the leadership of Gandhiji. Those he disapproved of were unable to function effectively. Fabian socialist Jawaharlal Nehru, social conservative Vallabhai Patel, activist Netaji Bose (more rebel than follower), economic conservative Rajaji, and many others were loyal followers of Gandhiji's leadership. Gandhiji foresaw that with independence many would go the way their ideologies took them.**

**But the Congress continued as a political party. It appropriated the freedom movement to itself. By marginalizing other past leaders, the Congress party became the Indira Gandhi party, the Congress (I).**

**Nehru built and nurtured the institutions that underpinned democracy, recognized and nurtured the diversity of India. He made mistakes in economic policies that were aggravated by his daughter. These include: a 'socialist' and anti private enterprise mindset by almost everyone; state ownership of almost all infrastructure; their management by civil servants; a pathological fear of military rule that led to excessive civilian control over Defense; civilian delays leading to huge imports of equipment; with large illegal commissions to politicians and bureaucrats; the spread of commission culture to other government purchases; neglect of agriculture and little attention to minor projects to support it. Unwise commitment about a plebiscite in Jammu and Kashmir has given India a dangerous neighbor. The continuing suspicion of and hostility to China (described by Neville Maxwell) was attributed to Nehru's miscalculations. But on balance, Nehru's contributions to keeping together a nation of diverse religions and beliefs, through institutions to protect peoples' rights, must be accepted.**

**In the decade from 1947, India was a relatively inefficient agrarian economy. The "Hindu" growth rate averaging 3% had to be accelerated to create jobs and prosperity. This was Nehru's goal. Indira Gandhi in the late 1960s to mid-70s**

**further increased the role of the state in the economy. This was despite the economy having changed and needing enterprise, technology and capital-foreign and domestic.**

**India was short of food grains and depended on American largesse. Nehru invested government resources to build large hydro electric projects and establish basic industries (steel, aluminum, petroleum refining, fertilizers, oil and gas exploration and production, locomotives, etc), and infrastructure (roads, expanding the railway network, expansion and addition to the port network, shipbuilding, etc). The dominating state owned enterprises were controlled and managed by civil servants. Research and development laboratories were owned and managed by government servants. Specialized institutions for education in technology, management, education, etc) were set up and controlled by government. Nehru developed a large public sector. Indira Gandhi expanded and deepened it.**

**Under Mrs Gandhi, private enterprise was tightly controlled. It remained too small to invest in R & D. or brand building. Government R & D was substantial but to little effect. Government decided where investments in industry would be made. Production capacities, technology, location, etc, were determined by government. Income tax rates, estate duties, import duties, were kept at almost confiscatory levels so that government would have the resources for investment. The Soviet model and the British Labor party idea of a welfare state, dominated Indian**

**thinking. Subsidized supplies of food, cloth, fuels, etc, well below cost and free to some, were paid for by the state. There was poor monitoring and control to ensure that these supports went only to desired beneficiaries. The resulting theft of government resources by politicians aided by bureaucrats is now a major burden on government. Central regulation and controls over investments spawned a complex and comprehensive web of procedures and inspections. They made it very difficult to start and run businesses in India.**

**Indira Gandhi took the economy further on the path of state ownership and control and penal tax rates. Decisions on industry location, type and quantum of technology to be imported and its source, numbers employed, production capacity, etc, were directed by the state. Banks and insurance were nationalized to control direction of investment. Airlines, petroleum refineries, textile mills and many other industries were taken over and managed (ineffectively) by government. Private enterprise had little opportunity to innovate. This centralized regime further complicated the procedures and permissions that have made doing business in India so difficult.**

**The Green Revolution enabled India to escape from American food aid and related bullying. Indira Gandhi used Indian might to dismember Pakistan by the creation of Bangladesh. But she missed the opportunity to close the J and K issue with Pakistan. She exploded India's first nuclear**

**bomb and showed Indian might but without corresponding economic power.**

**Three Congress Prime Ministers who were not from the Indira Gandhi family, were Lal Bahadur Shastri, Narasimha Rao, and Manmohan Singh. Shastri died very early but showed that he had different views on building India. Narasimha Rao halted and reversed the highly centralized economic regime of Nehru and Indira Gandhi. Significant relaxations of industrial and import licensing, and of penal direct and indirect tax regimes were implemented. All this took political courage. But it was no revolution. Rao did not reform the bureaucracy and its systems, begin privatization of state owned enterprises and banks, or make it easier to do business. Narasimha Rao was constrained by the “socialist” mindset of his party, bureaucracy and academia.**

**Sanjaya Baru’s book “The Accidental Prime Minister” describes how Manmohan Singh’s Prime Ministry was under Sonia Gandhi’s direction. Rajiv Gandhi through his Finance Minister VP Singh made some modest improvements in economic policies. He also tinkered with industrial and import licensing and so eased the rise of the I.T. and B.P.O. industries. But he left intact Mrs Gandhi’s structure of controls over the economy.**

**Of the five non-Congress Prime Ministers (VP Singh, Gowda, Gujral, Chandrasekhar, Vajpayee) only Vajpayee served long enough to introduce major departures from the Nehru-Indira economic policies. He began the first major attempt to**

**move the economy forward through substantial expenditures on infrastructure especially in rural India. He began a hesitant privatization of state enterprises, moved forward on universal education, tried to open out to Pakistan, among other initiatives. But he did little to reform the administration, police and judiciary. After him the country reverted to controls, and giveaways (like writing off massive farmer loans, crony lending by nationalized banks, little infrastructure investment, giving valuable natural resources to cronies, massive subsidies, with substantial wastage and theft, and many welfare giveaways).**

**The Modi government was expected to carry the Vajpayee economic philosophy forward. Forthright market orientation, holistic Ministries, administrative accountability, judicial reform, reducing unaccounted money in the economy, labor reforms to enable labor intensive manufacturing on a large scale, making land easier to acquire for industry and infrastructure, single window and time bound government clearances, simplifying and accelerating bureaucratic procedures, inspections and clearances, reducing theft of government funds in projects and social welfare, cutting unnecessary subsidies reaching the undeserving, are only some of them.**

**The Modi government after fifteen months does not display the same assurances the Vajpayee government. Instead it displays hesitancy in radically changing Congress policies. (1287)**