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"Spot the Difference" by SLRAO

"How do India's top two political parties measure up against each other? In practice, the BJP increasingly seems headed the Congress way**Congress and BJP-brief review of their**

The Congress has ruled in Delhi except for twelve years from the time of the interim government in 1946. National Democratic Alliance (NDA) led by the BJP in six years of power, changed India's military outlook by exploding the nuclear bomb, tried hard for reconciliation with Pakistan, pursued a "Look East" policy, and expanded on the Narasimha Rao economic reforms by beginning the process of privatization of state owned enterprises. It was not firm in its handling of the Gujarat riots in 2002 under a BJP government. The last ten years had the Congress for the first time form an alliance of like-minded parties under the United Progressive Alliance (UPA). It has for eight of these ten years, given good economic growth, introduced many rights for citizens including Right to Information, and spent heavily on social welfare schemes including a Right to Work scheme that guarantees employment to an adult in every rural household, for a minimum period. The national electorate has in three elections now shown its preference for coalitions at th4 Centre, led by one of the two national parties. We can expect similar coalitions from future elections. There are also many regional parties, and excpet for Uttar Pradesh, they have given good governance in their states.

Congress since independence has stood for socialism in a mixed economy. Indira Gandhi added "socialist to the words in the Preamble to the Constitution so that we are a "sovereign, secular, socialist" democracy. The Congress interpretation of socialism is state ownership and control of national resources, a key role for the state in industry and infrastructure, and central planning of the economy including the private sector. Indira Gandhi in addition emphasized social welfare schemes. Narasimha Rao was the maverick Congressman who focused on controlling the deficit, reducing controls and constraints on the Indian economy, so that enterprises could operate entrepreneurially with more foreedom. But he continued with state

ownership in many sectors, with monopoly or dominance for the state in some of them. The Sonia Gandhi-Manmohan Singh regime reverted to the Indira Gandhi ideology. With a fast growing economy and tax revenues, they vastly increased the number and expenditures on social welfare. They could not introduce methods for proper identification of targeted beneficiaries and in ensuring minimum theft and wastage. Their 'rights approach to welfare', did not put priority on growth or macroeconomic balance. Like the NDA they also opened hitherto closed sectors to private investment in order to maximize investment. Centre, led by one of the two national parties. We can expect similar coalitions from future elections. There are also many regional parties, and except for Uttar Pradesh, they have given good governance in their states.

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The Congress emphasis on socialism meaning state ownership, control and regulation of resources has left us with government monopoly over coal, dominance in oil and gas, refining, generation, transmission and distribution of electricity, railways, roads, and continuing ownership in telecommunications, aviation, steel, copper, zinc, etc. Indira Gandhi nationalized banks and insurance, basically to get control over the economy's financial resources. Nationalized banks are dominant today and also have a high proportion of "stressed" assets. When in the early 1990s, Congress opened infrastructure investment to the private sector, the private enterprises were allowed debt to equity ratios of 66-34% to 80-20%. Thus the maximum funds came from nationalized banks as debt. Delayed government clearances for land acquisition, environment and forests, fuel supplies, and a changing financial environment for interest and exchange rates, delayed or stopped many projects. Nationalized banks are left holding large (over Rs 250000 crores) in infrastructure, as un-serviced debts. The Indian banking system is now appearing undercapitalized and uncertain.

State ownership and government regulation have caused inefficiencies and delays in the economy. Statutory independent regulation of many of these sectors has been introduced. They are supposed to be distanced from

government Ministers and bureaucrats. Since these regulatory agencies are staffed by the same officials who ran them in government, they are amenable to political and bureaucratic pressures. The best example is power distribution, mostly owned by state governments, who do not allow tariffs to cover costs. The cumulative loss of state electricity boards in the last ten years or so is Rs 190000 crores. Similarly road projects are delayed and bank moneys locked up in them.

To promote social welfare, the Congress party encourages subsidies to the poor and vulnerable sections of society, mostly by distributing physical goods and services to those identified as deserving. It has also written off huge bank loans to farmers, instead of using the money for agricultural investments. Physically distributed and free or subsidized food grains, kerosene, diesel, yarn, etc, and services like electricity, to the targeted groups is expensive. Procurement, handling, transport, storage, ration cards, etc, provide ample opportunities for falsification and theft. These pricing practices have distorted markets, price mechanisms, and vitiated competition. Since governments have no foolproof methods for selecting the target beneficiaries, the subsidies or free goods and services get to many who were not intended to benefit. Politicians and bureaucrats also take a great deal of the benefit by thieving and by diversion to markets. In many government schemes over half the government expenditures do not reach those it is meant to benefit.

The Congress ideology and policies of subsidies, charity from government, and erratic attention to economic growth, is the dynastic thinking of the party from the time of Indira Gandhi. Technology solutions to reduce leakage and wastage in social programmers with UID (Aadhar), Bank correspondents in villages who can use the UID to accept and disburse small amounts as deposits, direct cash transfers instead of physical goods and services, have yet to prove themselves. Aadhar has now been made a non-starter by the Supreme Court making it voluntary. Social reforms, (RTI, RTE, MGNREGS, expansion in educational institutions at all levels, a Skills development programme, etc), do not seem to have reduced general dissatisfaction. High fiscal deficits, high long-term inflation, record current account deficits, static employment growth, a fluctuating Rupee, poor industrial growth, declining savings and investment need to be reversed.

Congress dynasty has also destroyed alternative political leaderships in the party. Congress encourages old servitors even with poor probity. The party does not reward its effective politicians (at critical times, Sheila Dixit for example, was abandoned). Congress political practice is also to encourage dissidents against their own Chief Ministers in every state, to keep the C.M. on his toes.

The Congress needs to rethink its ideology and political practice, though it may not give up the Dynasty. The BJP in political practice appears to be moving in the Congress direction. Its new Leader has become a one-man show. He is intolerant of dissent and eliminates seeming rivals. He has strong views on how to accelerate development, since he has done it in Gujarat. He centralizes all power with himself. On economic ideology, foreign policy, relations with Pakistan, national security, if he follows the Vajpayee blueprint, he can succeed. But he has to change as a person and become more trusting of his Cabinets and top partymen.

As of now, the BJP appears more likely to win, and to deliver growth for India. But whether it can be sustained and how we will fare on other aspects of governance is still a wide open question.

(1262