

**Deccan Herald**

**RAHUL CONGRESS**

**The looming defeat**

**S L Rao, March 26, 2014**

**Dynastic rule by the Congress has killed any strong alternative leadership either at the Centre or in the states it governs.**

**For decades the Congress party has run the Central government, though, as leader of a coalition for the last ten years. The short period when the Janata Party ruled under four coalitions led by M/s V P Singh, Chandra Sekhar, Dev Gowda and Gujral, made voters prefer stronger governments at the Centre. So in the last 15 years we have had coalitions led by the two major national parties. National Democratic Alliance (NDA) gave six years of good governance (though the Centre could have handled the Gujarat riots better).**

**In the last ten years the United Progressive Alliance (UPA) led by the Congress has also given good governance overall. It would be surprising now if the electorate did not choose a similar coalition model in the forthcoming parliamentary elections.**

**Regional parties in Uttar Pradesh, Bihar, West Bengal, Orissa, and Tamil Nadu, and now the two new Andhra states, show no consistent trend. Though UP has been badly misgoverned, the others have benefited from their regional parties. We must wait to see how the two Andhra states do.**

**Congress from Nehru onwards has stood for state ownership and control of national resources, a key role for the state in industry and infrastructure, and central planning of the economy. Indira Gandhi introduced considerable expenditures on social welfare.**

**Narasimha Rao in his tenure focused on controlling the deficit, reducing the controls and constraints on the Indian economy. He changed the ideology and policies of the Congress party. But he did not change the ideological inheritance of the first family. The Sonia Gandhi-Manmohan Singh duo was more focused on social welfare and the 'rights' for the poor. They call it the 'rights approach to welfare'.**

**The Congress translated 'socialist' to mean state ownership, control and regulation of resources. So we still have 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 took her understanding of 'socialism' even farther by the nationalisation of banks and insurance.**

**Congress opened infrastructure investment to the private sector since it did not have the funds for the unmet demands. The private sector also did not have the funds to finance the normal 40 per cent or more as equity.**

**Government allowed these new projects debt of 66 per cent to 80 per cent, all sourced from nationalized banks. As the investments have not delivered, nationalized banks are left holding with large (over Rs 250,000 crore in infrastructure, as unserviced debts.**

**State ownership and government regulation have caused inefficiencies and delays in the economy. Independent regulation of many of these sectors, ostensibly separated from ministers and bureaucrats, has been brought about. But these regulatory agencies are staffed by the same officials who ran them in governments and in practice there is little difference. Demonstrated incompetence in government's management of many of these infrastructure sectors has weakened the economy.**

**Promoting welfare**To promote social welfare, the Congress party has encouraged 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 amounts given by banks as loans to farmers, thus reducing agricultural investments and leaving a weak agricultural infrastructure. Delivering the actual goods and services physically either free or below cost, causes thefts, diversion and missing many who should be beneficiaries. Food grains, kerosene, diesel, yarn, for a while cloth, etc, and services, to the targeted groups is expensive and gives opportunities for stealing.

**Similarly, services like electricity where the distributing company sends a lower bill to some and recoups the cost from better-off customers, demand complicated procedures and are easily subverted. These 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.**

**The bureaucracy in government also takes away a great deal of the benefit by thieving by diversion to markets. In many government schemes over half the government expenditures do not reach those it is meant to benefit.**

**Despite introducing many reforms, (RTI, RTE, MGNREGS, expansion in educational institutions at all levels, a skills development programme, etc, there is general dissatisfaction.**

**Congress/UPA has not demonstrated commitment to macroeconomic balance: low fiscal deficits, moderate inflation, low current account deficit, rising employment, a stable value for the rupee, moderate inflation, industrial growth, rapidly rising and better employment, rising savings and investment.**

**Dynastic rule by the Congress has killed any strong alternative leadership either at the Centre or in the states it governs. Congress encourages old servitors even when they have poor reputations, especially for probity.**

**Expected to win less than 100 seats in the new Parliament, many will defect (as has already started, and many seniors will withdraw, (some have already done so). There is no alternate leader with enough support to split Congress. The Family will stay. It has nowhere to go.**

**Rahul Gandhi will succeed his mother and openly take control of the party. Will he change its ideology and the organisation? Will Rahul Gandhi move from state ownership of key sectors and Rights for**

**Welfare to better macroeconomic management, industrial and economic growth, less emphasis on Rights and Welfare? Technology to improve government delivery and implementation is good but people are the answer.**

**He will need a new cadre of younger and better educated leaders. He has to improve the grassroots of the Congress.**

**The coming defeat will split the Congress rump, leave the dynasty in charge. It has to build people and alliances, as well as change ideology. It must accept that people, politics and economics are one package.**

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