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“The Indian economy under Sonia Gandhi” (S L Rao)

This article starts on the assumption that the authority for the last ten years, above even the Prime Minister, has been the Congress President. Rather than look at the performance of the economy under Manmohan Singh, I am therefore looking at it under the ideas of Sonia Gandhi, that became the directives for government to follow.

Jawaharlal Nehru admired the early Soviet economic progress under centralized planning. He was supported by the Bombay Plan prepared by eminent industrialists. This asked for a key government role in developing basic and key industries and infrastructure. Indira Gandhi increased the role of the state by nationalizing banks and insurance, taking control of declining textile mills, and even trying to take over the wholesale trade in grains. She also had appealing slogans of social welfare measures but in practice, did little.

It took NARASIMHA Rao as Prime Minister to realize that state control and direction of national resources had outlived its utility. It was blocking entrepreneurship and efficiency. He eliminated industrial licensing, import controls, high central direct and indirect tax regime. He was not able to bring about administrative reform neither to introduce individual accountability in government nor to reduce procedural bottlenecks. His tenure saw significant improvement in economic growth. This also helped improve the macroeconomic fundamentals, reduced the government deficit, raised tax revenues in the gross domestic product, significantly improved the current account of the balance of payments, and made India the darling of world economies.

The Vajpayee government continued on the same track. Vajpayee’s road construction initiatives stimulated the economy farther. He introduced relatively modest spending social welfare initiatives in education and health services.

Sonia Gandhi did not accept the Prime Ministerial position. She appointed her nominee instead, a man with no political base whatsoever, a diffident personality, but a clever government operator who held every key economic position in government. As Prime Minister his position has been totally subservient to Mrs Sonia Gandhi.

Especially in UPA 2, Dr Manmohan Singh has taken no initiative in policy. He has followed the directives of Sonia Gandhi and her advisors.

Her political education can be traced to her early days in Communist dominated Italy, where her father was a blue collar worker and thus left leaning. She has the classic communist beliefs in redistribution of incomes, (except to a select few), massive government expenditures, and a lack of faith in growth as the means to reduce poverty.

As Mrs Indira Gandhi's daughter in law, living with her, she was exposed closely to her instinct for power by making promises to poor and vulnerable groups, and building caste and communal coalitions. After she became the Prime Minister's boss in the UPA, she created the National Advisory Council. This is an extra constitutional body that derives its power solely from her Chairmanship. It gave her the ability to make policies that the Prime Minister had to accept and implement. In her economic understanding, she (and the NAC) does not recognize the importance of economic growth in raising government revenues that could be used for the betterment especially of the poor and vulnerable. She has shown no concern about the macroeconomic impact of high government spending.

Instead, she has learnt from the 'garibi hatao' campaign of Mrs Indira Gandhi. The huge revenues because of high growth during UPA 1, led her to push for the national employment guarantee scheme. Since elections came soon thereafter it got her party unexpected (by the opposition) rural votes and power once again. After that she has primed the same pump on that and many other social schemes.

She is no manager or administrator. She does not recognize the leakage and the huge costs of the social schemes. They have led to record government deficits and continuing inflation. Her acolytes have said that inflation is bad but its control must not be at the cost of growth. The UPA 2 has not succeeded on both counts.

She has displayed no interest in issues of attracting investment, making the energy sector viable, introducing measures to control the scams that gave away national resources, nor in enhancing the accountability of Ministers and the bureaucracy (presently non-existent) , in improving urban governance, and the many other important issues that affect many and particularly the poor. This

would not have been important if she were not the Prime Minister's boss.

I welcomed the explicit separation between Prime Minister and the party President when the UPA took office nine years ago. In practice it has clearly been a failure. Whether that is because of the caliber of the party President or the Prime Minister's candidate that she chose, is not the issue here. The separation works in the BJP. Perhaps that is because there are cadres that have a say in both posts. It has not worked in the Congress led UPA. The result is the negation of all the good work in reforming the economy since 1991.

Can the economic situation be corrected from its present dire straits? It certainly can, given the caliber of Indian entrepreneurs, hard working people, a vast domestic market and their desire to live better lives. It is however going to mean some pain for many. This will be in terms of high prices for imports, particularly petroleum products, and perhaps higher taxation. It must mean an end to crony capitalism in the allocation of national and natural resources, so that they are done in the interest of the country and not of individual businessmen, politicians and bureaucrats. It will require administrative reform so that there is individual accountability and penalties for non-performance.

If in the process it also puts a leash on the rampaging politicians and bureaucrats and their crony businessmen friends, it can only get better.

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