

COMMENTARAO' IN THE "TELEGRAPH" OF MARCH 31 2014

"TIME TO TAKE STOCK

- The future of the Congress Party" by SLRAO

The Congress party first took over the central government in 1946 and has continued since except for gaps totaling about 12 years when the Janata party, coalitions led by V P Singh, Chandrasekhar, Gowda and Gujral, with 6 years under the National Democratic Alliance led by the BJP, ran governments at the Centre. As regional parties gained importance, the Congress party changed its attitude and accepted that it could lead coalitions with other parties. It has now done so since 2004.

Through its years in power and outside, the Congress has stood for state ownership and control of national resources, a key role for the state in industry and infrastructure, and considerable expenditures on social welfare to enable better nutrition and quality of life for the poor. (They now call it the 'rights approach to welfare'). Economic Growth was never its single minded goal. The Narasimha Rao reforms under the Congress were not as much about improving growth as to free the economy from restraints on individual enterprise, and to bring about competition. At no stage did the Congress want to free governments from ownership of industry and infrastructure, though it did introduce policies to enable greater private investment in these sectors. It never forgot that the word "socialist" was inserted by Indira Gandhi in 1976 in the Preamble to the Indian Constitution describing India as a "sovereign, secular, socialist, democratic republic"

For the Congress, 'socialist' has meant state ownership, control and regulation of resources. This has led to government monopoly over coal, or dominance in oil and gas, refining, power (at all stages), railways, roads, and considerable ownership but declining market shares in telecommunications, aviation, steel, copper, zinc, etc. It led to nationalization of banks and insurance, and dominance of nationalized banks over the financial system. State ownership and government regulation have caused inefficiencies and delays in the economy. While independent regulation of many of these sectors, separated from governments has been brought about, these regulatory agencies are staffed by the same officials who ran them in governments.

The Congress party has been a great proponent of subsidies to the poor and vulnerable sections of society. It has written off huge amounts given by banks as loans to farmers when conditions were bad. Its approach to subsidies has been to deliver the actual good (food grains, kerosene, diesel, yarn, for a while cloth, etc), to the targeted groups. Similar is the case with services like electricity where the distributing company sends a lower bill to some and recoups the cost from better-off customers. This involves much calculation, to

ensure full coverage of costs, with migration of better-off customers leaving some subsidy costs uncovered. These below cost supplies are given either free to select groups or at prices well below cost. There has to be much physical procurement, handling, storage and distribution. In the case of services like electricity or water, the service provider delivers it and charges more from his better-off customers (cross-subsidy). These practices have distorted markets, price mechanisms, and vitiated competition. Since governments have few 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 or by diversion to markets. In many government schemes over half the government expenditures do not reach those it is meant to benefit.

Banks are also influenced to lend to weak projects, which require many government clearances that are delayed, causing the projects to become non-performers.

The Congress ideology and policies have been dominated by subsidies, charity from government, and erratic attention to economic growth. This ideology has also been a part of the dynastic thinking of the ruling family, now in its fourth generation of rule over India.

Congress has tried to use technology to reduce leakage and wastage in social programmes. Examples are the UID (Aadhar) that uses biometric measures to establish individual identities, 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. However none of these has yet been widely used effectively to plug holes in delivery, or to improve identification of beneficiaries.

Congress/UPA in ten years has introduced many reforms (RTI, RTE, expansion in educational institutions at all levels, a Skills development programme, etc). But it has not demonstrated commitment to macroeconomic balance: low fiscal deficits, low current account deficit, a stable value for the Rupee, moderate inflation, industrial growth, rapidly rising employment, rising savings and investment). The Congress is also tied to state ownership and control over key sections of infrastructure and industry, as well as over the nationalized banks, insurance, pension funds, etc.

Dynastic rule ensured that strong or popular political persons outside the First Family are not encouraged. Old blood has been preferred over new blood, though Rahul Gandhi has tried to bring in young people. They seem mostly to also be part of ruling families, like him at the Head. The party does not attract outspoken people and it does not reward successful politicians (examples: the Congress over 10 years of UPA has suppressed mention of Narasimha Rao; Sheila Dixit was not supported when there was an agitation after she privatized electricity distribution in Delhi, and abandoned to her own devices by the Family during the 2014 Assembly elections).

The Congress is expected to win less than 100 seats in the new parliament. With no loaves and fishes of office many will defect (already started, many seniors avoiding fighting election). There is no Leader (like Sharad Pawar last time) in sight to carry enough representatives to form a split Congress. The Family has nowhere to go and Rahul Gandhi will take control of the party. The Congress needs reform in ideology and its organization (so does the BJP).

Will Rahul Gandhi move ideology from state ownership of key sectors and Rights for Welfare to better macroeconomic management, industrial and economic growth, less emphasis on Rights to Welfare? He might propose applying technology to improve government delivery and implementation. His recent move to reserve jobs in the private sector for SC/ST'd shows that he is not bothered about the competitiveness of Indian industry but more focused on "rights". He will build a new cadre of younger and better educated leaders. He has to improve the grassroots of the Congress, no match today for the large RSS cadres supporting the BJP. Can the dynasty continue as the cement holding the party together? Instead of true inner party democracy, he could build alliances with regional parties, with agreed programmes. This will strengthen the Congress in some states. The Congress could reach out again to Stalin in the DMK, Jagan Reddi in Seemandhra, Mayawati in U.P. Nitish in Bihar, Mamata in Bengal, all outside the NDA. But he must more strongly (than his mother and grandmother) support Congress Chief Ministers against dissidents, for example, in Maharashtra and Karnataka, and not encourage dissidence as has been Congress party practice. He must not impose unpopular Chief Ministers as he did with Bahguna in Uttarakhand. He needs to weed out the obviously tainted or inefficient ones like Hooda in Haryana, Vir Bahadur Singh in Himachal, and as he should have done with Ghelot in Rajasthan.

Defeat will be good for the party and the nation. The Congress Rump, after splits, will remain dynastically led. It will not aim to move the economy forward. But a two party system nationally, might result in a more productive Parliament. (1279)