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“Transforming India” by S L Rao

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A BJP government at the Centre has exercised power by itself and with no allies (unlike the Vajpayee government which did not have a BJP majority by itself in Parliament). The earlier non-Congress government (Janata party) was a hotch potch united only by opposition to India Gandhi. It had no unifying set of policies or ideology to hold it together.  Has the present BJP government been strikingly different in policies from the earlier Congress-led governments?

Unlike them, (accept that of Marasimha Rao), the present government has a majority only in the Lok Sabha. Its freedom to pass legislation is severely constrained. Even if it wanted to, dramatic changes would be beyond it. Unlike Vajpayee who had a well networked George Fernandez to liaise with other parties, and Vajpayee’s own long Parliamentary experience which made him known to every political leader and who he treated with respect, the present government has no such liaison. Indeed its attitude to the Opposition veers to arrogance and contempt. The lack of Parliamentary experience among many of its leaders is a disadvantage.

The Congress from the time of Nehru and India Gandhi had clear ideologies. It was “socialist’ in economic policies. This translated into government ownership and control of natural resources, of most financial resources, infrastructure and key enterprises, and detailed control over private enterprises. It was not favourably disposed to foreign investment and placed many blocks to the import of technology. Exports were not a major policy thrust unlike in much of South East Asia and China.

Foreign policy was “non-aligned” with a tilt to Russia and some hostility towards the USA. Towards Pakistan the attitude was patient but firm. It trusted China and paid in consequence. It made little effort to befriend the rest of Asia.

Its social policies were to give subsidised essentials in kind, involving vast procurement, storage and distribution. This extent of government involvement in the economy inevitably led to mismanagement, corruption, and waste.

Vajpayee continued Congress policies but modified them to an extent. There was some privatization of public enterprises (but not of any financial institutions), and disinvestment in others to raise funds while retaining management with government. Considerable investment was made in infrastructure and especially rural connectivity. There was some reaching out to the rest of Asia. Attempts were made to thaw relations with Pakistan. Innovative social schemes were introduced (for example in education), but there was no change in the subsidy culture.

The present BJP government has taken measures to fight corruption. Both the Vajpayee and Modi governments have experienced far less charges of corruption than Congress governments. Agreements to close the money laundering of Havana remittances to Mauritius (and some others). They will bear Indian capital gains taxes within three years (against the earlier zero). The anonymous “participatory notes invested by Singapore banks for Indian havala remitters to Singapore will also go. An amnesty led to over Rs 60000 crores of black money being revealed. Demonetisation of Rs 500 and 1000 currency notes disclosed many thousands of Indians who had evaded taxes. However, the really big fish have not been caught. The attempt to get banks overseas to disclose Indian account holders has not succeeded.

The complex web of rules and procedures in India is the prime cause of corruption. Another is the weak and varying property and sales taxes between state governments. Ineffective and corrupt tax collectors are another. The uniform goods and services tax over all of India, attempts to make uniform and tighten other tax rates and collections, will help reduce corruption. This BJP government has started in a small way to fight corruption. It has a long way to go but has done far more than any previous government.

Ease of doing business has also improved in some respects especially for foreign investors. But without drastic administrative reforms to increase individual accountability (of which here is little sign), there will be little change.

   This government has continued the revenue rising through disinvestment like its two predecessors. There is no sign of giving up government ownership of enterprises and distancing government from their management. It has considerably increased public and foreign investment in infrastructure. However private investment remains in the doldrums. An important reason is the control over financial institutions because of government ownership. On the side of social benefits the earlier schemes continue, some under new names. Direct bank transfer of benefits is talked about but the present administrative system may not be able to handle it efficiently and honestly.

   Agricultural policies have experienced utter lack of coordination between research and development, outreach of new technologies to farmers, coordinating cropping patterns with ground water depletion, electricity at below cost or free, support prices that take account of water usage, etc.

        On the recommendation of the Finance Commission, there is a significant rise in transfer to grants from tax revenues to state governments. Many social schemes are also new directly to be implemented by them. There is no sign of monitoring the fact of spending and its effectiveness.

The most visible difference is in foreign policy. Without saying as much, India has now moved closer to the United states-in defence purchases, becoming a fulcrum against China along with Japan and others. Policies to Pakistan are coordinated internationally and have had carrots and sticks. In this it has moved farther than Vajpayee. On China this government is moving with caution but might be emboldened as President Trump acts against China’s dumping of goods in export markets, and its militaristic ventures.

Unlike the Congress, the BJP has not articulated an ideology or economic, foreign and social policies. There seems little sign of coordination.

During 67 years of independence few governments tried to transform India, perhaps only Narasimha Rao succeeded in releasing the Indian entrepreneurial spirit. Bur Ministries that worked in silos, with no coordination between them, dampened this spirit. The detailed scrutiny by many government departments, the many inspections, rules and regulations, in addition to government ownership and control of most financial and natural resources, introduced by Indira Gandho’s governments, dampened enterprise further. There is no sign of any radical reversal of the mind set and systems she introduced. The wielding of power that she enabled is not something that any government wants to surrender. India’s transformation will come from its people, not from venal political leaderships.

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