

STATIST ECONOMICS, DIVISIVE POLICIES, POPULIST POLITICS

By P. Unnikrishnan

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The multi-sided crisis in which India finds itself in mid-1991 is the cumulative consequence of certain economic and social policies – initially well intended – that have been followed by the Central and by most of the State governments over the last four decades.

These policies were influenced on the one hand by the pre-Gorbachev Soviet model of the State's dominant role in the economy, and, on the other hand – and in utter disregard of Marxist class analysis – by the religion-based and ethnic-based approach to social problems which the British rulers of India had found convenient to adopt.

On the morrow of independence, these policies were perceived as being necessary for making the country economically self-reliant and prosperous, to widen educational opportunities and bridge the gap between the rich and the poor. If, on the contrary, India today is among the poorest countries of the world (whether in terms of per capita GNP or any index of human development, with half of the population still illiterate and with glaring disparities in the standards of living), the reason is mainly that many political parties and politicians have found a State-controlled economy and socially divisive policies profitable—both literally and in terms of gathering votes.

When Jawaharlal Nehru, the first Prime Minister, got the Indian parliament to enact legislation in the mid-1950's for nationalising life insurance business, his action was impelled by the desire to stop financial malpractices that had come to light, — malpractices by some of the industrialists who controlled the then insurance companies. In his own lifetime it became

apparent that State control over investible life insurance funds could be utilised to promote private rather than public interest. One of Nehru's Finance Ministers had to resign on this account.

Garibi Hatao

By the time of the nationalisation of major commercial banks towards the close of the 1960's, it was clear that the motivation was populist politics. Prime Minister Indira Gandhi was engaged in a tussle with the old guard of the Congress



Socially divisive policies—the BJP

party, and she found it useful, in order to establish her supremacy, to take a radical stance. She promised 'Garibi Hatao' (removal of poverty) through bank nationalisation. Bank frauds have continued to be reported from time to time after nationalisation, as before. Control over bank funds, as of insurance funds, is a potent means of patronage – be it of captains of industry in the private sector, or of the rural and urban poor, perceived as voters open to inducement, to whom loans are advanced without serious expectation of repayment.

Alongside nationalisation, there has been a proliferation of government regu-

lations governing industry and trade. An early critic of the regime of licences, controls and permits was C. Rajagopalachari, founder of the Swatantra Party which stood for free enterprise at a time when socialism was the vogue. It is now increasingly realised that G. K. Chesterton was right when he wrote in the early part of this century: "The mere proposal to set the politician to watch the capitalist has been disturbed by the rather disconcerting discovery that they are both the same man. We are past the point where being a capitalist is the only way of becoming a politician, and we are dangerously near the point where being a politician is much the quickest way of becoming a capitalist."

Besides nationalisation and controls, the growing public sector of industry and trade has been a happy hunting ground for politicians and bureaucrats. Chairmanship of a public undertaking, of the central or of a State government, is the next best for a politician who has failed to become a Cabinet Minister, Minister of State or even Deputy Minister. He may not draw a salary as Chairman of a Public Sector Undertaking (PSU), but he can have free, furnished residential accommodation, chauffeur-driven car, and free travel by air and by rail among other perquisites. If he has no compunctions about exercising his power and influence for improper ends, the sky is the limit for aggrandisement.

The public sector is equally attractive, and for the same reasons, to the high ranking among bureaucrats who are appointed as Managing Directors of PSUs. For the very large numbers of the middle ranking and lower bureaucracy too, the public sector is tempting. An official can jump the queue and reach the next higher level by appointment to a PSU on deputation, pending absorption. Employees of the public sector, like those of the civil, military and para-military services, are among the occupants of the islands of security and privilege in the ocean of Indian poverty. For the government calendar is littered with holidays, apart from paid annual leave and provision for encashing leave not availed of, and leave travel concession. They enjoy virtually free medical aid, house rent allowance, dearness allowance which

acts as a hedge against inflation, annual bonus, periodic upward revision of emoluments, and terminal benefits including gratuity or pension. Such social security is certainly desirable, provided it is available to all who work for a living – including landless agricultural labourers – and not only to a privileged few.

bankruptcy is illustrated by the gratuitous encouragement of travel by government employees and their families when every drop of diesel refined from imported crude oil needs to be conserved. An official Press release in New Delhi on 24th June 1991 said: "The Government has decided to further extend the grace period

devised policies designed to divide India and set Indian against Indian. Separate electorates were created for Muslims under the Indian Councils Act of 1909. The Government of India Act of 1919 extended separate electorates to the Sikhs in Punjab and Indian Christians in Madras Presidency. The Government of India Act of 1935 extended the principle of reserved seats to the Depressed Classes (the so-called untouchable castes) and to women, with some constituencies reserved for Muslim women.

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White Elephants

If a PSU runs on a loss – and few show a profit unless they enjoy a monopoly in a product or service, or on the basis of administered prices – critics are told that the Public Sector is for the Public Good and therefore the profit motive is not primary. Whether it has promoted the public good may be debatable, but there is no doubt that the public sector has been for the employees' good. Interestingly, just when the country is waking up to the contribution of the public sector white elephant to national insolvency, officers of Central PSUs have reiterated a familiar plea: "The much criticised public sector had gone into areas which did not attract the private sector, and for this reason it cannot be expected to be guided solely by the profit motive." This passage occurs in a letter addressed towards the close of June 1991 by the National Confederation of Officers' Association (of some 125 Central public undertakings, with a membership of about 150,000) to Dr. Manmohan Singh, Finance Minister in the new Government formed by Mr. P. V. Narasimha Rao on the return of the Congress to power following the elections to the tenth Lok Sabha. In the first place, official policy had over the decades forbidden the entry of private enterprise into certain areas. Secondly, private enterprise has been forcibly pushed out of certain areas. An example is the nationalisation of retail liquor trade in the capital city, much to the chagrin of the consumer who is no longer king but beggar.

The persistence of profligacy in public spending despite the threat of imminent

for availing the Leave Travel Concession (LTC) for the four-year block 1986-89. Accordingly, those Government servants who are eligible for the LTC to visit any place in India but could not avail of the facility up to June 30, 1991, can now do so up to September 30, 1991".

Fortunately, the date of the announcement makes it clear that the decision was taken before the new Government got down to business. It is said that it is darkest before the dawn. Hope for India pulling itself out of the economic morass lies in the increasing recognition on the part of the intelligentsia that, irrespective of any conditions that may be imposed by the IMF for extending another massive loan, India needs to observe rigorous fiscal discipline. Characteristic of this realisation is the comment made by Dr. K. N. Raj, leading Left-Wing economist, during a television interview when the election results were coming in, that the Left parties need to shed some of their ideological baggage if they are to make a contribution to India's recovery.

The 1950 Constitution of free India did away with separate electorates based on religion. However, government policies as well as certain provisions of the Constitution have served to preserve and to accentuate the sense of the separate identity on the part of the religious minorities, specially Muslims.

In the 1950's, Jawaharlal Nehru confined the reform of laws pertaining to marriage, divorce and inheritance to the Hindus. This was despite Article 44 of the Constitution, in the Chapter on Directive Principles of State Policy, which reads: "The State shall endeavour to secure for the citizens a uniform civil code throughout the territory of India." After the reform of Hindu family law, bigamy is an offence for a Hindu, but a Muslim may take up to four wives at a time. A Hindu wife can seek divorce on the ground of adultery, desertion, cruelty, insanity or incurable disease. But a woman governed by Christian law must prove a double offence – adultery with cruelty etc. In the words of Dr. S. Gopal, biographer of Jawaharlal Nehru: "In his keenness to win the confidence of the Muslim community he failed

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Socially Divisive Policies

Unfortunately there is little sign of a similar realisation of the danger of socially divisive policies. The British, in order to win support for their rule from religious minorities and from the so-called lower castes of the Brahminical Hindu social hierarchy, cynically and systematically

to provide equality before the law to all Indian women."

A more recent discriminatory law, brought forward by the Rajiv Gandhi government and enacted by parliament in 1986, is the Muslim Women Act. This followed protests by Muslim conservatives against a Supreme Court decision

of 1985 which held that, like other Indians, Muslim males were liable under the Criminal Procedure Code to pay maintenance to a divorced and needy wife. Nullifying this verdict, the Muslim Women Act makes everybody except the husband responsible for the maintenance of a divorced wife who cannot support herself.

The Constitution itself discriminates between citizens on the ground of religion. Article 28 prohibits religious instruction in educational institutions wholly maintained out of State funds but permits it in other institutions even if they receive aid out of State funds. Article 30 guarantees to religious and linguistic minorities the right to establish and administer educational institutions of their choice, as well as the right of such institutions to receive State aid. Over the years, nearly 200 schools run by the Jammat-i-Islami

mins in recruitment to, and promotions within, the provincial civil services. (The Congress government did not overturn this policy). Preferential treatment was also accorded to non-Brahmin students seeking admission to professional colleges on the ground, which had much justification in social history, that discrimination-in-reverse was necessary in order to correct the monopolisation of learning by the Brahmins over the centuries. The better course have been to open more colleges of medicine and engineering so that all students who qualified for admission could be accommodated.

When the Constitution came into force on 26 January 1950, there was the possibility of preferential treatment on the basis of caste being struck down as violative of the Fundamental Rights of equality and non-discrimination. The Central Government did not wish the

and the least developed among them. One such backward group, the Vanniyars, launched an agitation in 1988 for compartmentalised reservation in proportion to their population strength. The agitation led to large-scale violence.

Mandal

Extension of caste-based reservations to the Central sphere of higher education and public employment was recommended for the first time by the Backward Classes Commission headed by B. P. Mandal in the report it gave in December 1980. The recommendation was kept in cold storage for ten years. It became a burning issue when Mr. V. P. Singh suddenly announced acceptance of the Mandal Report on 7th August 1990. Heading a minority government depending on support from two ideologically disparate non-Congress formations – the Communists and the Bharatiya Janata Party – Mr. Singh, whose own Janata Dal was riven by faction fights, obviously hoped to strengthen his position by winning the support of the OBCs. His decision triggered widespread protest demonstrations and violence, specially in northern India, with many young students, both boys and girls, dying by setting themselves aflame. These tragic events left Mr. Singh unmoved. On the BJP withdrawing its support, he had to resign on 7th November 1990 before completing a year in office. Mr. Chandra Shekhar then formed another minority government, this time supported by the Congress party from outside. But on the Congress making life difficult for him, Mr. Chandra Shekhar turned in his resignation on 6th March 1991 and continued as caretaker Prime Minister till completion of the May-June 1991 elections to the tenth Lok Sabha. What the present Congress government will do with the explosive Mandal report remains to be seen.

In the context of continuing mass poverty and mass illiteracy, there is a pathetic irrelevance about the outbreaks of social violence based on religion and caste. Considering that the children of the poor drop out of school after a few years if they enter school at all, reservations for higher education and public employment have no meaning for them.

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in Kashmir have been conducting fanatical indoctrination in the name of religious instruction. They were belatedly closed down by the State administration in January 1990 following open insurrection by secessionist forces.

Caste has been as divisive a factor as religion. In the pre-independence period the British rulers patronised members of the upper economic strata of the non-Brahmin Hindu castes and the loyalist political parties headed by them, as against the 'Brahmin-dominated' Congress. In Madras Presidency, for instance, the Justice Party was in office, with extremely limited powers, before the Congress contested and won the elections to the provincial legislature held in 1937. The British had encouraged the Justice Party government in its policy of giving preferential treatment to non-Brah-

non-Brahmin Castes to lose the special provision made in their favour, particularly with the first general elections due to be held on the basis of universal adult franchise during the winter of 1951-52. The Constitution was therefore amended in 1951 to protect discrimination-in-reverse in favour of Other Backward Classes (meaning socially and educationally backward castes other than the Scheduled Castes). There was no prescription of time limit, or of a means test so as to deny the preferential treatment to the already well to do. Many States besides Madras (now Tamil Nadu) – but not the Central Government – followed the pattern of caste-based discrimination in college admissions and in public employment. Meanwhile Tamil Nadu faced a further problem in the form of conflict of interests as between the relatively 'forward' among the Other Backward Classes

Music during Hindu processions in front of mosques is an old cause of Hindu-Muslim conflict, accented during the last two years by the Ayodhya temple-mosque controversy. Conflict based on the vertical divide of religion is aggravated by political parties, not out of religious zeal or true concern for secularism but from a cynical calculation of the votes they can garner at election time from one or the other community. The so-called secular parties have not hesitated to treat the Muslims as a sub-nation within the Indian nation, as in the instance of the Muslim Women Act noted earlier or as exemplified by the competitive wooing of the Imam of the Jama Masjid by leaders of the Congress and of the Janata Dal.

The Muslim League has been most often an electoral ally of the Congress, as in the latest elections, and at other times of the Communists. A Communist-led Ministry in Kerala, when in alliance with the Muslim League, carved out a Muslim-majority district known as Malappuram. The BJP for its part has been playing the Hindu card to an extent that must have embarrassed its few Muslim candidates, office-bearers (including a Vice President) and members.

There is, however, a ray of hope. The outcome of the recent elections suggests that the exploitation of religion and caste has perhaps reached the point of diminishing returns. Mr. V. P. Singh's hope of

cashing in on Mandal has been dashed to the ground, with the Janata Dal securing only 55 seats of the 504 results declared. Similarly, the BJP has been able to reap a rich harvest from the Mandir issue only in Uttar Pradesh, the State in which Ayodhya is located, and not everywhere though Hindus, are in the majority in most parts of the country. As for the Muslims, wooed with promises of 'protection' and special assistance by all the three 'secular' formations – Congress, Janata Dal and Communists – it is clear that the Muslim vote has not gone to any single party perceived as the sole friend. The division of Muslim votes, as of OBC votes and of the other Hindu votes, augurs well for the breaking down of the vertical walls of religion and caste which hide inequalities and injustice within each religious community and each caste group. If indeed, as the evidence suggests, the Indian voter has matured, and does not any longer vote as member of an undifferentiated social bloc, the political incentive for aggravating social tensions will diminish.

Moreover, the strength of different political parties in the tenth Lok Sabha – as in the ninth – is so distributed that single-party and single-person dominance has become a thing of the past. The Congress often secured in the past an outright majority of seats – even up to four-fifths – with less than half of the popular vote. This led to the erosion of many

institutions. Through constitutional amendment, the President of the Republic was reduced almost to a rubber stamp. Pliant individuals were appointed as Governors of States where they functioned virtually as agents of the party in power at the Centre, and more especially of the Prime Minister. Decisions on matters of grave national importance tended to be taken by the Prime Minister on the advice of a private coterie, without the benefit of wide consultations to secure a national consensus.

In contrast, the present Congress government (despite the party improving its performance in the June round of voting as a result of the sympathy generated following the brutal assassination of its leader Rajiv Gandhi) lacks a majority on its own, or even with the support of its allies. It may therefore learn to work together with other political parties, instead of riding rough-shod. The other parties, too, may be expected to be reasonable and responsive, since no party is in a hurry to plunge the country again into an election turmoil. A consensual approach to the continuing challenge of insurrection in Kashmir and Punjab has been overdue, and may now be expected to be worked out.

Thus, on all the three fronts – political, social and economic – it may prove (and it is in any case to be devoutly wished) that the worst of the crisis in the world's largest democracy is over.