

People Power

Change of Players vs Rules of The Game

This month marks the thirtieth anniversary of the most defining event of our republic's history – the imposition of 'emergency' during the midnight of June 25-26, 1975. Thirty years is a long enough period to enable us to take a dispassionate, objective view of the tumultuous events of that period.

Over the past three decades, two distinct mythologies emerged about emergency. The advocates and apologists of emergency advanced three basic arguments. Two of them were explicit : an attack on the then prime minister Indira Gandhi was an attack on the Indian state itself, and therefore democracy had to be defended by draconian means; and liberty degenerated into licence, and had to be curbed in order to restore order. The third was implicit : the poor did not know what was best for them, and needed to be saved from themselves – witness the illiberal restraints on their rights, and the emphasis on forced sterilizations instead of healthcare delivery and education. Obviously, all these arguments are hollow and self-serving in the extreme.

The opponents of emergency were equally wrong in their judgement. They assumed, and continue to assume, that Indira Gandhi was the problem, and therefore her removal was the solution to our crisis. There is no appreciation that Mrs Gandhi was merely the symptom of the underlying crisis. Therefore any means – agitations, court verdicts based on technicalities – could be adopted to unseat a democratically elected government. This fallacy continues even today, and much of our political discourse is dominated by demonizing rival politicians and obsession with change of players, and there is no deeper appreciation of the need to change the rules of the game.

In much of this partisan and emotional debate, the underlying economic and political factors which led to the distortions of state power are ignored. In the ultimate analysis, the roots of emergency lay in the license-permit-quota raj which created a kleptocratic, rent-seeking state in the name of the poor. Nehru's socialism was largely constructive, if deficient. It was constructive because the emphasis was on institutions, infrastructure and core industries; and deficient because there was no space for decentralization, nor sufficient emphasis on human development through education and healthcare. But on the whole, we cannot fault the intentions or actions of the Indian state in the first 15 years of our republic. The next decade which saw the dominance of Indira Gandhi was characterized by populism, state control and corruption.

The failure of the state was inevitable because no legitimate space was allowed outside the state to fulfill aspirations. The role of the state and its limits were never understood, and the only response of the state was to impose ever tighter

controls. The ill-fated and short-lived decision of the government in April 1973 to nationalize wholesale trade of food grains probably marked the height of absurdity. The abnormal levels of income tax rates, which at one stage exceeded 90% on incomes over Rs.100,000 too created a culture of black money and distorted the economy.

The one positive development during that decade was the green revolution heralded under Mrs Gandhi's stewardship, with superb leadership provided by the able team of C. Subramanyam and B N Sivaraman. Enhanced food grain production was possible precisely because millions of peasants, and not the state, owned the land. This perhaps was the crucial difference between the Soviet Union, where collective farming was a big contributor to the collapse of the system and demise of the Union, and India, where food was produced and distributed much better. But even on the agricultural front, markets were completely distorted and the terms of trade were heavily against the farmers. The net result was relative deprivation of villages even as production increased.

With rigidities induced by state policies, and entrepreneurial initiative stifled by design, the economy had no capacity to withstand any shocks. The effects of the oil shock of October 1973 following the Yam Kippua war, and the droughts which periodically plagued our monsoon-dependent agriculture were devastating to our economy. Scarcities, controls, high inflation, low incomes, high tax rates, large-scale evasion, plunder of state resources, and endless corruption were the inevitable features of our economy in those difficult days.

The victory of Janata and dismantling of emergency in 1977 gave India a great opportunity to redefine the role of the state and rejuvenate our economy. In our neighbourhood, Deng Hsiao Ping did precisely that in 1978 by redefining the rules of Chinese brand of communism. The results continue to astound us even today. Despite Morarji Desai's undoubted libertarian credentials, Janata squandered a priceless opportunity, and once focus was lacking, the government collapsed in squabbles. Ultimately it took an unprecedented fiscal and balance-of-payments crisis in 1991 for us to join the bandwagon of reform.

But the real task of reform remains unfinished. What Dr Manmohan Singh did in 1991 was to dismantle the more egregious aspects of our regulatory and licensing regime, which held back our productive potential. But our current growth rates, impressive though by past standards, are well below our potential and insufficient to combat mass poverty and deprivation. But further growth cannot be promoted by more deregulation alone. We need transformation of Indian state through political and governance reforms to fulfil our true potential.

The plight of Bihar, which was at the epicenter of the political convulsions in 1975, as it is now, is a reminder to us of the need for urgent political and governance reform. There are many who dismiss Bihar as an aberration. But that is both short-sighted and inaccurate, because there is a bit of Bihar in every

state of the Union today. In many ways, Bihar is an extreme manifestation of the governance crisis enveloping us today. The kleptocracy and rent-seeking which characterized the state in 1970's continue today in different, in some ways far more pernicious, forms. As the state controls on the economy weakened, rent-seeking in economic decision making diminished. But as the inexhaustible appetite for illegitimate funds continues unabated, thanks to perversions of our polity and electoral system, corruption has shifted to far more dangerous areas from which the state cannot withdraw. Satyendra Dubey's murder, Telgi stamp scam, Sanjeev Don's 'entrepreneurial' ability to make large sums of money by leaking question papers of all kinds, the growing criminal-police-politician nexus, and the distortions of our justice system are but some of the illustrations of the nature of our crisis today.

The thirtieth anniversary of emergency is bound to result in political posturing, emotional outbursts and partisan distortions of history. What we need instead are a sober reassessment of the events of 1970's, a deeper appreciation of the underlying, and continuing economic and political factors, and an earnest, bipartisan attempt to resolve our political and governance crisis through systemic solutions.

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