

## **Life Imitating Art and Deja Vu**

For observers of Indian political and public scene, life does seem to imitate art. Just when you think things will settle down, and the nation will focus on the key goals, there is a new scandal or scam or sensation or drama. Like in a soap opera, week after week we are subjected to titillation, suspense and excitement, sans good sense or clear direction. This week's theme is oil dealerships, and the nepotism and corruption associated with selections. Once again, legislators are up in arms, parliament is paralysed, grave statements have been issued, and speeches have been made. This time around, the dealerships have been unilaterally cancelled, leading to a host of court cases and unending litigation. Parliament has been adjourned sine die. If past experience is any indication, within a week a new revelation or event will captivate us and the cycle will repeat.

It is time we got out of this perpetual déjà vu sensation. Corruption in allocation of scarce commodities and dispensing patronage in awarding contracts and business opportunities are as old as public sector. In our post-independence economy, public enterprises are synonymous with private gain and bureaucratic and political control. The old-fashioned notion that public enterprise is for public good is not believed any longer even by ardent socialists. Obviously the answer lies in state getting out of business, and focusing on its legitimate activities of rule of law, public order, justice, education, health-care, infrastructure and natural resource development.

But such linear logic of elimination of state monopoly as a way of reducing corruption ignores two hard realities. First, the obvious resistance of those in control of state apparatus to any rational economic policies. Even now, the debate is on who gets patronage, and not on how to ensure real and fair competition. Many ministries are fiercely resisting loosening of their hold or diluting state control, let alone divesting their portfolios. We have the same time-worn cliches and jaded arguments of national interest, strategic sectors, core areas, cross subsidies, and so on. Essentially, those who benefit from control of state monopolies are loath to giving up the golden goose. That, despite the avowed objective of rapid disinvestment, and creation of a ministry for disinvestment under the charge of the capable,

and committed Mr. Arun Shourie. If this scandal proves anything, it is that the state cannot be trusted to manage oil companies, or any other enterprises. Yes, there is plunder in private sector too. But public money is not looted, only private investment. If bank loans are swindled, such entrepreneurs ought to be jailed. It is the failure of public sector banks to fund legitimate economic activity, and their largesse to dubious enterprises that created the problem of willful defaults in the first place. And then the state's failure to enforce rule of law, or create a regulatory mechanism for effective debt recovery and a safety mechanism to allow safe landing for failed businesses and bankruptcies is the major cause of the crisis. The failure of state cannot be an argument against competitive and fair markets. In any case, private sector has to compete in the market in order to retain its market share and survive. And with trade barriers crumbling, there is also external competition. The public outrage at the shameless plunder of public assets and rent-seeking should be channelized towards ending state monopolies and encouraging real competition in private sector.

Second, as long as demand for illegitimate funds for political activity and rent-seeking is not curbed, privatization will only shift the burden of corruption from economic areas of decision-making to non-economic, sovereign areas. Appointment and placement of public servants, public order, justice, taxation and revenue collection, crime investigation and execution of public works are all sources of rent for the rapacious bureaucrat and greedy politician. That cannot be curbed until two conditions are met – rule of law must be reestablished, and there must be greater certainty of detection and exemplary punishment for corruption; comprehensive electoral reform should be undertaken to make honesty compatible with public life. The former requires reform of judiciary and crime investigation; and the latter, political reforms. Both upset the status quo, and are painful for incumbents and vested interests.

No matter where we begin, the circle always ends with electoral, political and governance reforms. Tehelka, telecom scam, oil dealerships, Bofors, HDW, urea, and a host of other scandals – all point in only one direction. As long as the political class feigns collective amnesia and cultivated blindness, such scandals will continue in some form or other. Under current conditions, almost no government at any level can afford to be honest. It is

somewhat naïve to expect politicians to give up public office at the drop of a hat. The answer lies not in vilification of the political class, but in comprehensive political reforms. Unsustainability of the status quo is certainly forcing reform. But if we wait for such compulsions, then reform will be chaotic, and sometimes traumatic. We need to take a hard look at our political system and elections and bring about rapid changes in an orderly manner. Until then we cannot escape the periodic déjà vu and unending political soap operas.

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