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# **BOOK REVIEW**

HINDU 18.1.11 BOOK REVIEW

### **Essays on public economics**

C. T. KURIEN

The objective has been to take forward some of Amaresh Bagchi's initiatives in the realm of public economics

**PUBLIC ECONOMICS** - Theory and Policy: Essays in Honour of Amaresh Bagchi; Edited by M. Govinda Rao, Mihir Rakshit; Sage Publications India Pvt. Ltd., B1/I-1 Mohan Cooperative Industrial Area, Mathura Road, New Delhi-110044. Rs. 795.

Amaresh Bagchi, who passed away in 2008, was one of the foremost contributors to academic discussions on public finance as well as to the formulation of fiscal policy in our country. Among other things, he played a prominent role in the introduction of Value Added Tax (VAT). Through his published papers and as a member of the 12th Finance Commission, he also enriched our understanding of the issues involved in federal finance.

This book is a collection of essays by eminent scholars, who were closely associated with Bagchi, as a tribute to his memory. The general objective has been to take forward some of Bagchi's initiatives in the realm of public economics. Advanced students of economics will find the essays challenging and rewarding, although the general reader will have difficulty following them.

If taxation is the main element of public finance, discussions and

debates about it — and even written material on it — preceded the emergence of political economy as a special branch of enquiry. Adam Smith, whom latter-day enthusiasts project as the champion of the 'free market', devoted a substantial part of his *Wealth of Nations* to discussions on the role of the state ('the sovereign' in his words), its expenses, revenues, and even debt. However, while public finance always occupied the central part of applied economics, there were serious doubts and questions about its theoretical underpinnings, particularly after 'theory' became merely an explication of how the market works. With the spread of Keynesian economics, it became impossible to neglect the role of the state in the economy, and considerations of surplus/deficit in the (state's) budget entered as an important aspect of public finance.

### Public goods

Another major input to the theoretical rationale was Paul Samuelson's 1954 paper on 'public goods' that didn't quite follow the laws of the market because the consumption of them (take street lighting, for example, at the local level and defence at the national level) by some does not diminish their availability for others. This is to say that such goods do not come under the principle of 'exclusion', on which the logic of the market is based. It means also that their cost will have to be met by an 'external' agency, the state, which also has the power to impose taxes.

In recent years, the notion of publicness has come to occupy a prominent place in the literature on public finance, now more appropriately designated 'Public Economics'. In a sense, this volume is concerned with the publicness of public goods. In a review of the literature, U. Sankar features the attempts to refurbish the concept of publicness and to emphasise its multidimensionality. Goods can be put in the public domain by public choice and it can

be done at different levels.

If dumping waste on the road side is a public 'bad', arrangements made to clear it can be thought of as a public 'good'. Defence can be viewed as a public good at the national level. By the same token, there are global public goods (GPGs) as well. Says Sankar, "Examples of pure GPGs are knowledge, ozone restoration, reduction of greenhouse gases, biological diversity, sound trading regime, stable financial markets, and peace. All persons benefit in varying degrees..." The U.N. Millennium Development Goals of 2000 can be treated as one of the most comprehensive GPGs of our times.

Relying on this approach, Ehtisham Ahmad and Nicholas Stern examine effective carbon taxes (part of environmental taxes) and public policy options. It involves designing appropriate instruments in terms of the carbon content of different goods and activities and evaluating the effects on people in different circumstances.

Treating primary education as a public good by public choice, Arnab Mukherji and Anjan Mukherji discuss whether allocation of public funds results in more days of instruction.

Fiscal systems

Another major area in public economics now is fiscal federalism. Federalism here denotes not only the formal constitutional relationship between governments at different levels (the Centre and the State, for instance) but all patterns of multilevel fiscal systems, including fiscal relationships between the government and state enterprises in planned economies.

Such relationships have different nuances in planned economies, transitional economies, and mixed economies because the institutional mechanisms for the allocation of finances and

resources are different. Govinda Rao makes a comparative study of such situations by examining the budgetary systems, controls over prices, and a host of other related factors.

Mihir Rakshit's critical study of the Fiscal Responsibility and Budget Management Act (FRBMA), 2003, merits special attention. Rakshit insists that static targets for deficits are inappropriate when the economy is faced with business or agricultural cycles. On the whole, the essays open up many new areas for study and research and constitute a fitting tribute to one of the pioneers in studies on public economics in India.

HINDU 18.1.11 BOOK REVIEW

**Structural reform is the need of the hour**

V. K. SRINIVASAN

**PEOPLE'S PARTICIPATION IN RURAL**

**DEVELOPMENT IN INDIA — Rhetoric and Reality:**

Durgadas Roy; Copies can be had from Animas Biswas, Gangchil, 'Matir Bari', Onkar Park, Ghola Bazaar, Kolkata-700111. Rs. 550.

Over 60 years ago, the Indian Constitution, recognising village panchayats as an essential form of self-governance and as a potent instrument of social and economic uplift, declared — in the Directive Principles of State Policy — that the state “shall take steps to organise village panchayats and endow them with such powers and authority as may be necessary to enable them to function as units of self-government.” The basic idea is that the panchayats should, in the true democratic spirit, derive their authority from the local communities and work collectively for the betterment of the people.

By way of concretising the Directive Principle, there have been a series of attempts to democratise the socio-economic development process, through decentralisation of power, devolution of responsibilities, and distribution of resources. But the policy shifts, organisational changes, and programme innovations have not succeeded in ensuring a higher degree of self-governance at the grassroots or the satisfactory delivery of benefits to the target population. Durgadas Roy's study,

presented in 10 chapters, provides a broad-spectrum critique of planning, direction, and implementation of rural development schemes. Discussing the various impediments the rural development programmes meet with, the author points out how the public policies have failed to remove them and makes out a case for structural reforms at various levels and in diverse sectors.

### Historical overview

While the first few editions of the Five-Year Plans envisaged decentralised, participation-oriented planning, Roy argues, the subsequent ones switched to centrally directed, and administered, intervention strategies. The key to enabling people's participation in the development-related decision-making process lies in reordering the policies so as to make self-government a reality at the local level. Apart from outlining the concepts of rural development, Roy gives a historical overview of the major programmes launched and funded by the Centre and implemented by the State governments at different points in time. They include: the Community Development Programme (1952); the National Extension Service (1953); the Intensive Agricultural District Programme (1960); the Intensive Agricultural Area programme (1966); the Small Farmer Development Agencies (1972); the Integrated Rural Development Programme and DRDA (1979); and the National Rural Employment Programme (1980). Drawing heavily on official evaluation reports as well as independent critical studies, he highlights the areas of weaknesses and shortcomings both at the planning stage and in the implementation process. He is critical of the civil administration system obtaining in India where there is an obsession with quantitative targets and all the efforts are directed towards achieving them, while the equally important

parameters such as the quality of the results and sustainability of the programme are ignored. The changes brought about by the Rural Employment Guarantee Scheme, the Sampoorna Gramin Rozgar Yojana, and the Food-for-Work Schemes in recent decades are highlighted to demonstrate how the crucial decision-making power has shifted to the Government of India.

After traversing the familiar area of Panchayati Raj as an instrument of rural development and the role of voluntary agencies, Roy dwells on the need for decentralised planning at the district and local levels and proceeds to discuss the three components of participatory development. He goes on to trace the importance given to them from the First to the 11<sup>th</sup> Five-Year Plan before drawing attention to the need for the development of human resources and motivation. Not unexpectedly, he emphasises the need for focussing on the education system as a key agent of change in power and society. In Roy's view, the 73<sup>rd</sup> and the 74<sup>th</sup> Constitution Amendments (1992-93) have not resulted in any radical change in the ground situation. He argues that professionalisation of civil services, with accent on performance, productivity, and empowerment of the downtrodden, can make a difference to the five clusters of disadvantages that constrain rural development. There is a fleeting attempt to spell out the disturbing trends and the organisational gaps in the execution of rural development programmes in the third world countries. The study shows clarity and observational academic orientation in analysis. Its prescriptions would have gained more weight had greater attention been paid to the operational experience in various States. That would have sharply brought out how decentralisation of formulation and funding of schemes could

help the authorities in dealing effectively with the diversified resource endowments and the disparities in the levels of development.

# **CORRUPTION**

## **The losing battle against corruption**

R.K. Raghavan

*In order to curb corruption in public service, including in the judiciary, the procedure that can now halt swift cognisance needs to be changed through legislative means.*

There are very few people in India who believe that New Delhi, as it is presently organised, is either capable or willing to go the whole distance to bring to book those who are suspected of having committed irregularities in handling state funds. This has particular reference to the scams related to the 2G spectrum and the conduct of the Commonwealth Games. The much-talked-about action plan to tackle corruption on a war footing appears to be a non-starter, going by the fact that there has not been even a whisper about it over the last few days. Even if such a plan is to be grudgingly unveiled soon, it could at best be old wine in a new bottle.

Two officials handpicked by the UPA government are under the scanner. They are the Chairman of the National Human Rights Commission (NHRC) and the Central Vigilance Commissioner (CVC). There are no direct allegations against the former. But his close relatives are being investigated. Such a probe will first have to prove that they acquired assets in a wrongful manner, and which they cannot account for. Only then can the allegations be taken forward to probe whether their proximity to the NHRC Chairman when he was the Chief Justice of India gave them any advantage in the matter, as has been alleged.

This will be a long-drawn-out process. There is everything in the procedure established by law and convention that can halt swift

cognisance being taken of judicial corruption. This fact spells unmitigated danger to the whole polity. You could imagine how a lowly official in the bureaucracy would feel about this travesty. Actually he would be able to rationalise any corrupt conduct thus: if people in high places could indulge in large-scale corruption and get away with it, why could he not emulate them, hoping that he would not get caught either?

Was it not the former CVC, N. Vittal, who said that corruption in India was a low-risk and high-profit activity? How appropriate are those words in the context of the alarming decline in India's public life, where good people shun public office and the rapacious ones swarm around it with great relish!

Another official who is in deep trouble is the present CVC. By all accounts P.J. Thomas was a distinguished civil servant with a good record of service once upon a time — at least till he was made Telecommunications Secretary under Minister A. Raja. He was a candidate with some merit when he was considered for the CVC's position.

But he had two problems. It was widely alleged that while filing an affidavit before the court when the issue became contentious, he had deliberately justified whatever Mr. Raja did in the matter of allotting spectrum. Despite the fact that the allotment took place before Mr. Thomas became Secretary to the Ministry, there was a feeling that he took little note of the wrongful actions and even justified them. The allegation, therefore, is that he was made CVC only to whitewash the monumental scandal. Then there was the palmolein import case in Kerala in which he was cited as an accused.

So, when his name was proposed, surprisingly, by the government for the CVC's job, the BJP smelled a rat and opposed the move tooth and nail. The Leader of the Opposition, Sushma Swaraj, refused to endorse

the choice but, strangely, the government went ahead with the appointment, even ignoring the fact that Mr. Thomas was facing a criminal trial in Kerala.

Now Mr. Thomas is an albatross around the government's neck. There is speculation over why he is sticking on to his post even after the subsequent development of his trial in the palmolein import case being cleared by the Supreme Court of India following the death of the prime accused in the case. The lurking suspicion is that Mr. Thomas' nomination was made under political pressure. It is not illogical to believe that there is again a political hand behind his decision to stay on. If that be so, it is a clear indication that corruption among public servants in India is fostered by political parties. Against this setting, the common man can very well forget the prospect of ever having an honest government.

There are three specific issues that are of utmost relevance to this debate. The first is already engaging the Supreme Court's attention. The so-called Single Directive of the Union government that requires an investigating agency to obtain government approval before proceeding against a civil servant of and above the rank of Joint Secretary has many holes, including a negation of equality before the law. There is also the definite risk of a delinquent civil servant getting advance notice of proposed action, which could facilitate his destroying or secreting out valuable documentary evidence. After this directive was struck down in the 'hawala case,' the National Democratic Alliance government, in a dubious move, revived it and gave it legislative backing — possibly at the instance of some top bureaucrats. It constitutes an untenable fetter put on the Central Bureau of Investigation. The agency is even otherwise weighed down by an unsupportive government and a hostile group of influential bureaucrats who have the ears of the Ministers.

The next issue of importance is the monitoring by courts of

investigations in crucial cases such as that concerning the spectrum scandal. There is a point of view — aired with great clarity by the former CBI Director, C.V. Narasimhan, known for his sharp mind and utter integrity — that for such monitoring to be effective, the Supreme Court could consider entrusting the arduous task of overseeing progress to a small group.

This group should comprise a former High Court Judge, a former Joint Director of the CBI and an expert from the area of economic crime belonging to one of the revenue services of the government. This group could report to the Supreme Court from time to time, thereby helping the court to come to its own conclusions without losing valuable time. This experiment can possibly be tried, first in the 2G spectrum case, and its utility evaluated.

Another suggestion from Mr. Narasimhan relates to the framing of a law by the Central government titled the 'Criminal Misconduct of Public Men.' It should incorporate all the offences that come under the ambit of the Prevention of Corruption Act, 1988, but give more powers to the investigating officer. These powers should include competence to record signed statements from witnesses and confessions that are valid in law, both of which are now prohibited by the Code of Criminal Procedure (CrPC) and the Indian Evidence Act respectively. This will be on the lines of pieces of legislation such as the Maharashtra Control of Organised Crime Act, 1999 (MOCOCA), which relatively frees the investigator from the curbs imposed by the Evidence Act. These suggestions made by Mr. Narasimhan could go a long way to tackle corruption by public servants with greater speed and certainty.

The third problem relates to how governments could be prevented from misusing the authority to block appeals against acquittals. Instances are legion where a government that is interested in protecting a favourite, applies the guillotine and successfully stalls further proceedings in court. This is done by denying a request from the investigating agency

to take an acquittal on appeal. The CrPC arms the government with such power, and it is often blatantly abused. There is a definite need to divest governments of this undeserved power. For this to happen, all political parties need to come together to bring about an amendment to the CrPC.

In the present situation, there is little hope of such a consensus emerging. This is because, at present, there are no saints in politics when it comes to battling corruption, and softness towards corruption cuts across party lines. India's best bet ultimately are its citizens, who will resolve not to submit to demands for illegal gratification on the part of any public servant, or vote for the corrupt leaders of the land in the general elections.

(The author is a former Director of the Central Bureau of Investigation.)

# **POLITICS AND GOVERNMENT**

## **Reading is basic to democracy**

Krishna Kumar

*The teaching of reading during early childhood — when attitudes, habits and skills acquire life-long foundations — assumes crucial significance for the efficient functioning of democracy.*

Literacy is the foundation of school education but in our country the term 'literacy' is used almost exclusively in the context of adults. This is not surprising, given the embarrassingly large share of India in the global count of adults who can neither read nor write. Why India's share has not dwindled significantly is partly related to the fact that the years spent by children in primary schools do not necessarily make them literate. Many who acquire a tenuous grip on literacy during those years fail to retain it in the absence of opportunities to read, compounded by elimination from school before completing the upper primary classes. Even in the case of those who acquire lasting literacy, schooling fails to impart the urge to read as a matter of habit. Those who learn to perceive reading as a means to expand knowledge and awareness are a minority. Sensational surveys of children's poor performance in reading tests throw little light on the deeper problems that the teaching of reading in India suffers from. If these problems are not addressed in an institutionalised manner, the newly enacted law on the right to education will remain ineffective.

The ability to decipher isolated letters of the alphabet is not a promising beginning in the child's progress towards becoming literate. However, this is precisely what conventional wisdom tells teachers to focus on. The wisdom is based on millennia-old practices which enabled a few

children to become literate. When we apply this wisdom today, we forget that the method worked in a socio-cultural context which was altogether different from our context now. When literacy was confined to a thin upper strata of society, the teacher demanded from his wards a mastery over letters and sounds for its own sake. It took years to acquire such mastery, and the methods used to ensure it included oppressive drills and a punitive regime that can have no place today. When people feel nostalgic about traditional education, they forget that it was based on a view of childhood few would approve today. Moreover, the traditional system had no intention to cover all children. The methods it used for the teaching of reading are unsuitable for a universal system of education. The traditional approach does not recognise the child's nature and agency, nor does it respect individual differences.

### **New approach**

The traditional methods are incompatible with the modern psychology of childhood and the knowledge available today on the acquisition of language-related skills. Contemporary expertise is based on the premise that children have a natural drive to explore and understand the world; hence, reading should give them the opportunity to make sense of printed texts from the beginning. 'Making sense' as an experience involves relating to the text, generating a personal engagement and interpretation. If children are not encouraged to relate to the text, or if the text they are given has little meaning or relevance, the outcome will be a crude kind of literacy, which will remain isolated from their intellectual and emotional development. If this wider meaning of reading is applied to make an assessment, our system of primary education will arouse far greater concern than children's test scores in achievement surveys do. Persistent effort under the pressure to perform does make children capable of reading aloud a written text, but they fail to find any meaning in it. And the ability to decipher a text mechanically does not encourage children to actively look for new texts to read. The anecdote narrated by ChinnaChacko, a former member of

the NCERT, in a paper she presented at the International Reading Association in 1971 continues to hold true. When she asked a child to read aloud, he asked: “With the text or without the text?” Reflecting on the methods used in Indian schools for teaching children how to read, ChinnaChacko wrote: “Many things are done the same way they have been done for centuries and, as a result, our primary teacher-training schools and primary schools are like museums in which old ways are carefully preserved.”

The cost of this museum-mentality is high, if we take into account the role that a reading public plays in a democratic order. The practice of democracy assumes both the habit and the capacity in all citizens to engage with matters which transcend personal or immediate reality. We can call it the metaphysics of daily life under modernity. It compels every member — without exception — to share a collective anguish and to respond to it in one way or another. Engagement with this expanded universe cannot be sustained without the tools of literacy, in addition to — and not as a substitute of — the oral means of interaction. In this model, reading serves as more than a skill; it becomes an aspect of culture. It must enable citizens to reflect on what is going on, not merely a skill to decipher printed texts. From this larger perspective, the teaching of reading during early childhood — when attitudes, habits and skills acquire life-long foundations — acquires crucial significance for the efficient functioning of democracy. This perspective implies drastic changes in the currently practised pedagogy of reading in pre-schools and the primary classes. Instead of letter-recognition and mechanical decoding, pedagogic effort must focus on building bridges between words and meanings, and on nurturing an interpretive stance from the earliest stage. This kind of pedagogy requires meaningful texts and a sustained use of children's literature. The texts used for the teaching of reading should treat the child with dignity, showing respect for the child's inner drive to interpret and relate. The sociology of the text content is equally important. We need texts that make children excited about the social and cultural diversity that they encounter in their ethos.

We also need kind and affectionate teachers who are themselves habitual readers and can encourage each child to perceive reading as a means to pursue his or her own interest.

### **NCERT's role**

A 40-part series of books for beginner readers, published by the NCERT, successfully responds to these various expectations. Entitled *Barkha*, this series was prepared by the department of early literacy and libraries under a special project of Sarva Shiksha Abhiyan. The little books included in this series mark several innovations, including those in design and illustration, and not just in the conception of child-centred narratives. In place of the usual patronising attitude towards children that we see in educational literature, the *Barkha* books present real children, doing the kinds of things ordinary children do at home and in the neighbourhood. A radical attempt has been made in these books not just to move away from stereotypes, but to challenge them. It is the first time in India that a graded reading series, with a literary approach to reading, has been introduced. The early literacy department of the NCERT, which created this series, has been working with several State governments, encouraging them to develop similar material in their languages and to train teachers to adopt the imaginative approach to reading what *Barkha* represents.

Strangely enough, the NCERT has decided to close down the department that was promoting this approach. This is not the first time in India, or within the NCERT itself, that a distinct attempt to focus on reading and libraries has been prematurely abandoned. Institutional vicissitudes are much too common to require comment. One can only hope that the Ministry of Human Resource Development, which controls the NCERT, will review this decision and restore early literacy's academic identity. Strong institutional leadership is required to motivate State governments, NGOs and private publishers to take children's literature, especially its neglected aspects like design and

illustration, seriously. The illustration copied here from a children's book recently published by the National Book Trust shows how insensitive even a reputed publishing house can be towards violence on women. After decades of advocacy for gender-sensitive material for children, the larger scenario remains quite alarming. Many NGOs have now taken to publishing for children, and in the absence of expert guidance and institutionalised review processes, they are churning out poor quality material, often with explicit ideological bias. State governments purchase such material with the copious funds that the SSA provides for classroom libraries. The NCERT does need to play a leadership role in this anarchic scene.

## **Democracy as great leveler**

Gautam Mukherjee

**In a twisted way, democracy as we perceive it must lead to the spreading of privileges: Everybody should have the privilege to be less than honest**

True democratisation of a polity gives pelf and power to the underclass. That is its self-evident litmus test, however crudely performed. But the inheritors mostly lack the finesse of their predecessors, long used to their exalted status. The new hands at the controls are generally both *nouveau* and *gauche* as opposed to old, self-assured and discreet.

Of course, it becomes an unfair comparison: Unequal, unlike; apples and oranges from very different orchards. And there can be no honourable contest between such disparate fruit, except in terms of vitality perhaps, till a few generations have gone by and a number of grafts and hybrids have taken hold.

In Europe, this democratisation came about by default in the early and middle part of the 20th century via the final destruction of monarchy, the agrarian economy, Empire and the near extermination of the land/title/privilege holding aristocracy speared on the pike of their noblesse oblige.

This was most poignantly demonstrated by the trench warfare in World War I, when officers from the landed classes on both sides led charges with no more than their service revolvers held aloft. It reminds one of the destruction of the Kshatriya hold on power at the end of

*Mahabharat*, with both the warring sides destroyed and sick-at-heart as if, as ‘charioteer’ Krishna implies a little inscrutably, that it was both preordained and for the ultimate good. Were the noble, warring Kshatriyas evil then at the start of *Mahabharat*? More important, were they more evil than the other contenders for power? The answer to this, in epic fashion, is probably still playing itself out over the *yugas* and *kalpas*.

In colonised America, the British were overthrown first, but the class and racial divides were only sorted to an appreciable degree through the bloodletting of the Civil War and the ongoing Civil Rights Movement. And the Boston Brahmins or the East Coast patrician Establishment haven’t quite given up the ghost as yet.

In recent times India has witnessed pyramid overturning upheaval in the last days of the struggle for freedom, which coincided with the end of World War II, during the radical surgery of Partition. But while that ghastly amputation without anaesthesia divided people along communal lines, it did nothing for the cause of democratisation as such.

Instead it raised the curtain on our independence at the expense of opening a festering, hateful wound that remains unhealed to this day both in India and Pakistan, not to mention the other bits of British India cast adrift to fend for themselves, such as Sri Lanka, Burma and Afghanistan.

Mahatma Gandhi’s pre-independence focus on his beloved ‘Harijans’ is telling. He condescendingly described them as a defanged, docile entity, a species of noble and downtrodden humanity that should nevertheless reconcile itself to its fate in the caste hierarchy. Gandhi’s favourite Harijan was not the erudite and assertive BR Ambedkar, but mute, grateful and huddled individuals bowled over by upper class empathy and compassion.

Nevertheless, because of his enormous influence as the ‘Father of the Nation’ and chief architect of *ahimsa* and *satyagraha*, the Mahatma did move the heavy boulders of neglect and oppression from the newly minted independent India’s policy vision. And considering the majority of our populace today is not from the ‘upper’ castes, that was not a day too soon.

After the Mahatma, Jawaharlal Nehru and Mrs Indira Gandhi did their bit towards righting ancient wrongs by political affirmative action and quotas. Nehruvian Socialism and Mrs Indira Gandhi’s devastating attack on inherited privileges and the freedom of the private sector had their effect, as did the Congress’s collaboration with the various Communist parties extant. Today, we may not still be an equal society, but the ladder of under privilege features the more obscure tribals and not so much the Dalits on its lowest rungs.

But, unleashed, however imperfectly, the Indian hoi polloi, like the tradesmen oriented tinkers, tailors, butchers, bakers, candlestick makers et al of Europe, glaringly lack sophistication and demonstrate a reduced level of efficiency even when given a chance.

Over the years since the World Wars, the Europeans have managed to narrow the gap by dint of exposure and education. The *nouveau* and *gauche* have acquired some class along the way. And the remaindered ranks of the original classes have overlaid themselves with some street credentials for greater relevance. And the underclasses are so astonishingly posh today that it is hard to believe where they were even 25 years ago.

In India we are still in a tiresome transitional phase; we haven’t found our *métier* as yet. Nevertheless, it is as if all classes have plunged into the *déclassé* third-class unreserved category, also much beloved of the Mahatma, if the bulk of the media analyses is to be believed.

Without going into the petulance of such perceptions, it might be fair to say that there is too much educated noise about the doings of rapacious underclassmen. It is as if they have no right to be venal and hypocrites. There is also a converse soft-peddling of 'upper' class wrong-doing, as if it were somehow qualitatively better. We Indians, new and old alike, also seem to believe in being above the law in direct proportion to how much pelf and power we manage to accumulate.

In this transition, the formerly privileged are put out and refuse to self-examine. They are insecure, shrill and sometimes illogical. The fact is, the underclass's have as much right to be corrupt, inefficient and self-serving as anyone else, and need to make up for lost time. They are, after all, late arrivals to the party.

In terms of corporate India, not only do we not see many of the top 20 players of the first three decades since independence in contention now, but there seems to be a perpetual churning taking place. Even the rulers of the latter three decades are being challenged by ever nouveau and gauche arrivistes.

This may not suit the well-ensconced Tatas, Ambanis, Mittals and so on, but it is unlikely to make any difference to the eventual outcome. Democracy must spread privilege, like fertiliser on a field, in open competition. And if it succeeds in doing so without blood-letting, we will have to put up with the stink and have much to congratulate ourselves for.

## **Just Path To Development**

Rahul Bajaj

The role of participative plural governance is central to the inclusive growth model that [India](#) has instituted so effectively. It has led to a growth-oriented, investor-friendly and sustainable climate for doing business, one that encourages individual creativity and fosters innovation.

According to [Niall Ferguson](#), there is a virtuous positive correlation between economic freedom and political freedom. India inherited the institutions of democracy at independence, then went on to strengthen and reinforce them in a dedicated manner. This has allowed multiple perspectives to emerge, and enabled each citizen to be an active participant in governance. Today, free and fair multiparty elections are routine at all levels, almost every year several states go to the polls.

To give an idea of the enormity of the task of Indian democracy, take a look at the last parliamentary elections held in May 2009: 420 million voters out of an electorate of 714 million eligible voters cast their votes with the help of 5.5 million officials, 828,000 polling stations, and 1.37 million electronic voting machines. With seven national political parties and over 50 state recognised parties, practically every ideology was represented. Results were evident within a couple of hours of the start of counting through electronic machines.

Participatory governance is most evident in local self-government at the village level, termed 'panchayat'. Across the country, several hundred thousand panchayats represent local voters, develop plans for social and economic development, manage funds and undertake projects. As per the Constitution of India, they are able to directly work in 29 demarcated areas. A key feature is that the government has mandated one-third of panchayat members to be women, with the result that one million women have been thus empowered. Initially viewed with suspicion, women panchayat members have taken up the development agenda in a committed manner, relevant to their own particular electorates.

Apart from elections, India has built up strong institutions that support democracy. Its judicial system allows for rule of law and recourse to justice. Courts at all levels, including special and fast-track courts, hear petitioners and dispense judgments. The media includes a large number of 24-hour news channels and a multitude of newspapers and journals representing each regional language. Often vocal and noisy, the media is one of the main sentinels of our democratic process.

Human rights are protected by the [National Human Rights Commission](#), an independent body well supported by numerous civil rights activists and groups. Minority group interests are looked after by the national commissions for minorities, scheduled castes and scheduled tribes. The relatively recent Right to Information Act is a milestone legislation for transparency and accountability in governance processes. Regulators and government auditors examine economic transactions in a fair and independent manner.

With the aid of technology, India is putting in place e-governance systems that have made delivery of public goods and services more efficient and transparent. Almost every state offers certain services through electronic platforms. The Unique Identification Authority has rolled out the first electronic ID cards and expects to offer a number of social services through smart applications. The [UID project](#) over the

coming two to three years, in fact, promises to be a game changer in governance in India.

The Indian governance system is federal, with responsibilities clearly demarcated among central and state governments. While defence, foreign relations and economic management, among other areas, rest with the central government, crucial sectors such as law and order, education, agricultural and rural development and health are the responsibility of the state governments.

This allows state governments to experiment with novel ideas so that a number of initiatives are underway at the same time. For example, in Bihar, the offer of free bicycles for girls attending secondary school has been so successful that it is being replicated in several other states. With this freedom, some states such as Gujarat and Tamil Nadu, among others, have built enviable investment environments, while others are vying with each other to attract investments.

Today, India can claim stability of government, continuity of policies, strategies and agendas, and a strong mandate for inclusive growth. The strength and resilience of its democracy not only articulates the aspirations of the people, but also sustains an investor-friendly business climate. Institutional capacity has been developed also in the many industry associations such as the Confederation of Indian Industry, which can consolidate and articulate the views of industry and work with government for a friendly policy framework.

With a multiplicity of views and a plethora of opinions, decision-making may often appear to be slow. Implementation, transparency and accountability need considerable improvement. For instance, a number of Bills were held up in Parliament in the last months of 2010. At the same time, allegations of misdemeanours and corruption vitiated the atmosphere. But it is worth remembering that the institutional

mechanisms for uncovering and dealing with such matters are strong and effective.

More important, the governance agenda is constantly evolving and there is high awareness of the need for a more responsive, effective and transparent process. In the final analysis, India's growth process under a democratic government is a sustainable, humane and just path to development.

*The writer is former president, CII, and chairman, Bajaj Auto Limited.*

**Will this be the year of reckoning for the UPA govt?**

Khushwant Singh

Since the year gone by is being described as the year of scams, I hope 2011 will go down in history as the year of reckoning. The onus for achieving it rests largely on our judiciary. So far it has allowed scamsters to delay the final verdict for as long as possible in the hope that people will forget what it was all about.

It can be assumed that those who prolong hearings have something to hide while those who expedite court proceedings are anxious to have their names cleared as soon as possible. It is for the government to issue instructions to bring hearings to an end as expeditiously as possible — within a month or two and I am sure the UPA government and the trinity comprising Prime Minister Manmohan Singh, the President of the Congress party Sonia Gandhi and Secretary of the Congress Party, Rahul Gandhi will regain much of the respect they lost in 2010.

Uppermost in my mind is the fear that the Opposition parties, particularly the BJP, may succeed in stalling debate in Parliament and force a mid-term general election. We can't afford it. And it will not solve any problems that face us today whatever the outcome.

It is time that Members of Parliament realise that they have been elected to perform duties expected of them by people who elected them and not render the Parliament ineffective by not allowing it to function. It is a criminal waste of time and money. We may as well admit that the parliamentary democracy does not suit our temperament and try out the Presidential form of democracy by which we elect a President and let him select his Cabinet ministers only answerable to him. It has worked

in the United States and France; it may work for us. Give it some thought.

### Joy of Giving

When it comes to the joy of giving without expecting anything in return, the name of Gene Smith comes up first in my mind.

I met him first when he was a lodger in my friend Prem Kirpal's flat which was across the road from where I live.

Prem was then Chairman of the governing body of the Delhi Public Schools and as such had a servant Mangaram Kashyap allotted to him.

Gene was with the Library of Congress collecting books on Tibetan literature. He was born in Utah into a Mormon family. After being involved in Tibetan writings he converted to Buddhism. Evidently he was very well off. He built a house for Mangaram's family.

When he was transferred to Indonesia, he took Mangaram with him to Jakarta. He invited Prem Kirpal, my wife and myself to stay with him.

When we got there, he invited many Indonesian authors and poets to meet me. Then he lent his car to us to take us down the entire country from Jakarta to Bali with Mangaram as our guide and mentor. After retiring from the Library of Congress he joined Leiden University in Netherlands to study Pali and Sanskrit.

He never bothered about himself. He was diabetic and had problem with his heart. He died in New York on the 16th December last year. He was only 74. As he had wished Mangaram flew to New York to perform his last rites. But for Gene Smith's efforts, Tibetan literature would have been lost in the world for ever.

# **POVERTY**

## HINDU 19.1.11 POVERTY

### **Fighting persistent poverty**

A global report card on poverty eradication prepared by the U.N. Secretary-General shows glaring disparities in performance both across and within regions. Economic growth is one evident reason for the progress in East Asia, particularly China, in reducing extreme poverty and raising living standards, in contrast to sub-Saharan Africa, parts of Eastern Europe and Central Asia, which continue to remain laggards. Yet, large sections of the world's population risk being left out. For instance, of the 900 million who are predicted to be in extreme poverty in 2015, India is expected to be home to more than 300 million, and sub-Saharan Africa would have more than a third of its population in poverty. Not to be forgotten, in the midst of the encouraging global data that point to a world largely on track to meet the Millennium Declaration's target of halving the proportion of people living on less than a dollar-a-day between 1990 and 2015, is that there is a large section that remains vulnerable. Applying the World Bank's \$2-a-day poverty line, for instance, would lead to a dramatic rise in the figures of the poor in developing countries.

While income poverty is a crucial measure, eradicating poverty effectively requires methods that factor in multiple deprivations. Inadequate access to health care services and education are two important factors that work against the poor. The move by the United Nations Development Programme to introduce a multidimensional poverty index is a welcome intervention, as it seeks to fix the paradox of poverty despite rising incomes. That the incidence of multidimensional poverty is higher than that of income poverty in 60 per cent of the countries covered highlights the need for governments to

put in place supportive systems. Of the three policy challenges identified in the report prepared as a document for the 49th session of the Commission for Social Development in early February — economic growth and development, social protection and social policy, and structural transformation — priority should be given to social protection policies, particularly in countries like India that are on a positive economic growth trajectory. Studies by International Labour Organisation in 12 Asian and sub-Saharan countries show that the initial gross annual cost of a basic social protection package would be between 2.2 per cent and 5.7 per cent of GDP, which should be a manageable level of spending. Creating and implementing a basic universal social protection floor will mark a new phase in the world's fight against persistent poverty.

# **PUBLIC POLICY**

**Ensuring food security  
Will it be for all or only a few?**

Jayshree Sengupta

**HOW** to ensure food security and control inflation has emerged as a major challenge for the government in the New Year. The hangover of food inflation from 2010 cannot be ignored as it is still in double digits. Timely food supply management and imports can help ease inflation in the short term but focus will have to be on increasing domestic food production. This year somehow the burden on the common man has to be lessened because for many months there has been an unabated rise in food prices.

It is not the average middle-income persons who are suffering the most, but the poor and very poor who cannot afford to buy food in the open market anymore and are dependent on subsidised food. Their nutritional needs have to be addressed even though it may mean more public expenditure. The government in its efforts to reduce the fiscal deficit this year is looking for various ways to cut expenditure, including the food subsidy bill which takes up 1 per cent of the GDP (Rs 72,234.98 crore in 2009-10). But can a country like India, which is one of the emerging economies of the world, afford to have so many people going hungry?

According to a survey of the Indian states by the International Food Policy Research Institute (IFPRI), 12 states fall into the 'alarming' category with Madhya Pradesh having an extremely alarming level of hunger. Even Punjab falls below 33 other developing countries ranked by the Global Hunger Index (GHI). India has dropped two ranks to the 67th position among 84 developing countries in the IFPRI's annual GHI for 2010. Sudan, North Korea and Pakistan rank higher than India. The GHI

is based on the proportion of the undernourished in the population, the prevalence of underweight in children and the mortality rate of children. All would agree that with 1.2 billion mouths to feed, India needs to have a good food security system. The poor and the undernourished have been legally promised the 'right to food' by 2014, but they are voiceless against corruption in the public distribution system. Revamping it, making it stronger and plugging all the leakages have been the endeavour of every government in the last 20 years. Yet none have succeeded.

The proposed Food Security Bill (drafted in October 2010) by the National Advisory Council (NAC) headed by Mrs Sonia Gandhi is to be placed before Parliament this year. It intends to legally guarantee food security in two stages. In the first phase, it would be extended to 85 per cent of the rural population and 40 per cent of the urban population. According to the NAC's definition, 46 per cent of the rural households and 28 per cent of the urban households will qualify as 'priority' households, and 44 per cent rural households and 22 per cent urban households will be designated as 'general' households. Who are the 'priority' and 'general' poor? Shouldn't all the poor qualify for subsidised food, especially when huge quantities of foodgrains can be seen rotting in the open after the harvest?

Basically the BPL (below poverty line) category has been called 'priority' and APL or above poverty line 'general' households. The rural 'priority' group or 46 per cent of the rural population would get 35 kg of foodgrains at Rs 3 a kg for rice and Rs 2 a kg for wheat and Rs1 a kg for millets per month. The urban 'priority' group comprising 28 per cent of urban population would get 35 kg of foodgrains at Rs 3 a kg for rice and Rs 2 a kg for wheat and Re 1 for millets per month. The 'general' group comprising 44 per cent of the rural population will get 20 kg foodgrains per month at a price not exceeding 50 per cent of the MSP (minimum support price) and the urban general group comprising 22 per cent of the urban population will be given 20 kg of subsidized foodgrains at a price

not exceeding 50 per cent of the MSP. Thus, the proposed Food Security Bill by the NAC excludes 10 per cent of the rural population and 50 per cent of the urban population.

In a surprise move, the Prime Minister's Economic Advisory Council has recently rejected the recommendations of the NAC on grounds that the government cannot afford to feed so many poor as food production is not likely to be sufficient to provide for both 'priority' and 'general' groups. It favours legal entitlement only for the 'priority' group, covering the rest with varying quanta depending on the availability of foodgrains and through an executive order. It clearly does not favour legal entitlements for 75 per cent of the population, leave alone food security for all.

In the watered down version of the Prime Minister's Advisory Council, the 'general' category would get only 10 kg of foodgrains per family per month — half of what the NAC recommended. The Council points out that the government may not be able to keep its promise in accordance with the NAC recommendations of delivering foodgrains in the case of two successive years of drought as it would have to rely on imports. Massive imports are not a feasible option. It also points out that even the 'priority' sector households will have to buy from the open market at least 25 to 30 per cent of their requirements because 35 kg per household would not be enough.

If the government enters the market with large procurement orders because of its obligation of giving large amounts of subsidized grains to the poor, it would distort open market prices which would adversely impact the 'priority' category households. It points out that not only will the subsidy cost escalate to Rs 85,584 crore in the first phase and to Rs 92,060 crore in the second phase, the other costs due to scaled-up operations of food procurement, including warehousing and supply chain operations, will also go up. It would also mean higher support prices. Clearly, the Prime Minister's Advisory Council is not in favour

of the scheme for the not-so-poor ( APL) ‘general’ category and seems to be more concerned about reducing the fiscal burden of the government.

Why cut corners when the problem of food security and undernourishment is so severe in the country and runs across the entire poor population that includes both the ‘priority’ and the ‘general’ categories? Let us not forget that India is home to 42 per cent of underweight children under the age of five in the world. Why have food security for a few? What the final version of the Food Security Bill will take is not clear at all.