



# POLITICAL REFORMS IN INDIAN POLITY

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**ABSTRACT:** Since initiation of Economic Reforms, India has moved towards adopting the market economy model. We now stand at the threshold of what is called the Second Generation of Economic Reforms. But in order to precipitate it, India requires efficient Government machinery and administrative set-up which is able to initiate, facilitate and drive this process. This ultimately requires the political structure and process to act as the driver of economic and social change. But far from being a change drier, the political class of India actually poses a potent threat to establishment of a mature market economy in India. The need then is to reform the political structure, accompanied by reforming Government machinery and Administrative set-up. The Political reform process would involve changes at different levels brought about in a sequence of phases. Each generation would involve a revolution at a different plane, from ideological to strategic and operational. I have attempted to analyze the genesis of these reforms and the role they would play in establishment of a robust market economy model in India.

**KEYWORDS:** Economic Reforms, Political Reforms, G.D.P., World Bank, I.M.F.

**INTRODUCTION:** “No power on earth can stop an idea whose time has come”. When Dr. Manmohan Singh quoted Victor Hugo in his famous 1991 Budget speech, he was ushering in a paradigm shift in India’s economic existence and worldview. The economic reform process which he

started has, in subsequent years, established the pre-eminence of market-economy model in India. A decade and a generation of economic reforms later, as India awaits the second generation of economic reforms, the existing Political Class comes out as its biggest threat. One



doesn't have to look beyond the recent deferral of the oil company's disinvestment process to understand the potential of the political class to create hurdles in the path of reforms and establishment of market economy.

**ROLE OF POLITICAL CLASS IN FIRST GENERATION ECONOMIC REFORMS:** It would suffice to say that India's political structure has been forced to accept reforms and it has not taken an initiative towards it. The process started in 1991 under abject economic conditions. The current account deficit was 3.5% of GDP, Central Govt. Fiscal Deficit was 8.5% of GDP and India had foreign exchange reserves to account for no more than two weeks of imports (PBS.org). Reform process started when World Bank and IMF decreed their unwillingness to help unless the then existing economic structure was changed. Throughout the 1<sup>st</sup> generation reform period, the attitude of political class can be termed as grudging acceptance rather than enthusiastic support.

**NEED FOR CHANGE IN POLITICAL STRUCTURE:** The role of government in a market economy cannot be overemphasized market cannot run themselves. They need a well-tended legal and institutional setting. They have failures that require regulatory correction and externalities that need to be internalized also, India's size poses much of the threats towards efficient functioning of a free and transparent market in India. A giant system like India has an inherent, intrinsic tendency to be cumbersome. System management, in such a case, becomes the chief responsibility of government. The political structure determines the government of a country. Thus there is a need in India to align the political structure in a way that it provides a government which is capable of acting as the guiding light of the economic reform process. I firmly believe that the present political structure is unsuitable and incapable of initiating, establishing and maintaining a vibrant market economy model in India. What is required then, is a Political Reform Process in India.

## 1<sup>ST</sup> GENERATION OF POLITICAL

**REFORMS:** The first generation of political reforms would prepare ground for the second generation of economic reforms to run its due course. I hereby present the reforms needed in this phase.

**2.1 Modifying Socialist Worldview:** The first step in the first generation of political reform in India would involve modifying the mindset of the political class so that it becomes tuned to receive the positive signals that market economy radiates for India. The economic worldview of India's political class can be categorized into the following categories:

### **Nehruvian Socialism**

Radical Socialism of Ram Manohar Lohia and Jayprakash Narayan

Communism, and

RSS School of Swadeshi Thought

The predominant view in India has been Nehruvian Socialism as it was the way India took after independence. This school of thought, which its planned industrial development model and state – control gave rise to the License – Permit Raj in India. While this system had its strengths in the initial phases of its

existence, it has clearly lost its relevance long back.

The point to be noted in the above categories is that while their form and magnitude of opposition might be different, none of these schools is a proponent of the market economy. The attitude of India's political class can be best summarized in terms of the concept of "Market Phobia" (Sen et. al.) which says "giving greater room to the market mechanism invariably exacerbates economic inequalities". To expect the political class to act as a driver of the market economy.

The most urgent need then, is to bring about a change in this mindset. And this is the most difficult task as well. The only possible way to do it is to educate the masses about the benefits of a market economy. The political class derives its strength from the electorate, and if the electorate accepts reforms, the political class would have to fall in line. This job is far easier said than done though. Till now, reformers have championed their cause passionately in CII meeting while the opposition has chosen election rallies

to be its battles ground. The need is to have the pro – reform minority among the political class stand up and be counted. The industry too has a responsibility to spread awareness. No longer can it sit back and blame the political class for lethargic pace of reforms.

**Constitutional Reforms:** One of the major actions to be taken by the political class is in the field of constitutional reforms. The economic bills – Insurance Regulatory Authority Bill, The Patent Amendment Bill and the Companies Bill still need a lot of work. Labor reforms, one of the most urgently required constitutional amendments, needs to be expedited. All this is possible only if there is a positive urge in the political class towards reforms. Such positive urge would be the chief objective of the first generation of political reforms process in India. It is this positive energy which would drive the second generation of economic reforms in India.

The Second Generation of Political Reforms in India Moving Towards Govt. of India Inc.:

The second generation of reforms would unleash the resources capped under the carpet of controls. These resources would then be available for further development. Efficient handling of these resources would then be the biggest responsibility of the Govt. at this stage. The second generation of political reforms would enable the government to become an efficient manager of development and would bring about the idea of Govt. of India Inc. to reality. The second generation political reforms would be far more comprehensive as compared to the first generation (as is the case with second generation economic reforms vis-à-vis first generation reforms). This phase would involve the following aspects.

**Bureaucratic Reforms:** A bureaucratic apparatus is a means of attaining the goals prescribed by the political leadership. Those at helm of affairs exercise apical dominance by dint of their political legitimacy (Singh 2000). Bureaucracy executes the functioning of the government. In such a scenario, the bureaucratic system too needs to be



reformed as a part of the overall political reform process. The bureaucratic reforms have to be undertaken on two levels. First is the lessening of political power over bureaucracy. This involves a revamping of the whole politico-bureaucratic nexus and changing the power balance to eliminate unfair uses of powers of transfer of personnel etc. This requires constitutional modification which again is based on political will.

**Conclusion:** As stated above, the whole process of economic, political, administrative and social reforms in India has the ultimate aim of improving the quality of life led by Indians. The blueprint that I have provided in this paper provides a broad understanding of the phases which would be involved in attainment of this objective. Also, once these phases are complete, India economy, armed with its huge human capital, market power and consumption potential would make rapid strides towards becoming an economic superpower. The blueprint provided above has taken a bird's eye view of the issues, owing to restrictions of space. It

might seem to be too simplistic, even naive. It might see to have more than a dash of optimism about India's potential to reform itself and develop. But if India has to become an economic superpower, the most important entity required right now is optimism. One has to firmly believe that the idea of India Inc. gaining superpower status is here to stay, and after all

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