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Political stability and Economic Growth: Time for Political parties to junk their ostrich like attitude:

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Political uncertainty, no doubt, is an investor's nightmare. It does disturb the flow of foreign direct investment plans both into the private sector as well as the government owned public sector units and that surely affects economic growth.

However, this argument is good only to a limited extent. Political stability is not necessarily an essential pre-requisite item for good economic growth. In actual practice, it is the other way around as it can be argued, that it is good economic growth, that essentially leads to political stability.

Therefore, when the Congress spokespersons talked of political stability without mentioning its correlation with economic growth, their apprehensions of coalition governments appeared misplaced. Further Congress talking political stability was like "the devil quoting the scripture". One can not but remember that it was the Congress that destabilized the governments of 5 Prime Ministers, viz. Mr. Charan Singh, Mr. Chandrashekar, Mr. H. D. Deve Gowda, Mr. Inder Kumar Gujral and of course Mr. Atal Behari Vajpayee. Every one, of these governments, was toppled on flimsiest grounds. Indeed, they could have easily lasted their full term, if and only if politics had taken the back seat.

The politicians should realise that in the last decade or so, the scene in the country has undergone a sea change:

- India is a young country, where the average age is less than 26years.

- The literacy rate is continuously rising.
- The Primary Health Care services are improving.
- Female life expectancy rate and infantile survival rate are improving.
- There is a growing awareness of the need to let market forces decide on their role in the development of infrastructure projects.
- The power distribution has shifted from a centralized command structure to one where even the leader at local level has an opportunity to address his local aspirations at the national level.

Being the oldest party, one would expect the Congress to take the lead to *junk this Ostrich like attitude* and function like a mature political party instead of being a spoilsport.

Coalition Governments: Political Stability Vs Stable Economy

In their pre-occupation to provide a stable government, some of the parties have failed to take reference to the successful coalition arrangements prevailing in Italy, Germany but has instead generally rejected coalition arrangements.

In fact, stable governments do not necessarily lead to higher economic growth. Our own performance on the economic front in the first 30years of Mr. Jawarhalal Nehru's post-independence era, which epitomized political stability, exhibited the lowest level of economic growth (some 3 – 3.5% growth rate: the lowest in the last fifty years). Compare this growth rate with the levels (some 6-7%) achieved in the last 10 yrs period of maximum political instability, when we have seen as many as 4 Prime Ministers. Industrial growth rates jumped to double digits, something that had not happened before. From as low as 500 or so at the beginning of the decade, the Bombay Sensex went on climbing from one high to another, breaking several records on the way. Last month it almost pierced the +5000 ceiling. In fact, too much of stability may actually be a liability. A scenario of political stability suits only the politician and not the common man on the street. Stability only allows the politician to relax for the 5-year tenor of the Parliament.

The National Democratic Alliance has called for a fixed-tenure for the Parliament to suit their own convenience and for this, they need a constitutional amendment. The Congress, as a mature party, should take this issue on its merits and turn the NDA's argument on its head.

Economics with accountability

This election has rendered the economic issues to recede further to the back burner than the previous election. This was mainly due to the failure of the middle class intelligentsia to see the reality. On the few occasions that these issues could have been raised at the national level, the effort was instead limited to giving it a non-economic character. When imports, per se, ought to have been discussed, the debate was instead limited to import of sugar from Pakistan.

In the case of WTO's insistence on India's removal of its quantitative restrictions, there has never been any attempt by any political party, media or the bureaucrat to publicize the list of involved items, that the government has submitted to WTO. Therefore, the manufacturers and consumers of such items are unable to prepare themselves to accept the free market situation well in advance. The official secrecy on this front and elsewhere suits the politician to hide his own shortcomings. The parties in the opposition should have invited a proper national debate on this subject and conducted a massive public education program.

Privatization and Disinvestment

Vajpayee had a vision of the 21st century information age. So, he privatized the Internet, reformed the flawed telecom policy, opened radio broadcasting in 40 cities and allowed up-linking facilities to satellite channels. Congress has yet to realize the impact of global market and address issues on taxes, subsidy etc so that the effects of globalization do not come as a jolt to the common man in the street. Mr. Narasimha's government approach on globalization lacked this humane approach.

There was progress on other incremental reforms - cut the diesel subsidy, de-licensed petroleum products and oil refining, set up a power regulatory authority, threw open transmission to the private sector. Moreover, he surprised us by squashing the irrational swadeshi forces within his own party.

Hindi lobby for reforms

With 400 million speakers, Hindi is probably the 3rd largest spoken language in the world. However, it should be realized that even the Hindi speaking elite is migrating towards English language. In fact, those who swear passionately by Hindi are sending their children to English speaking schools. True, post liberalization Hindi newspapers are receiving heavy dosage of advertising budgets. Nevertheless, premium advertising still refuses to go to Hindi papers and without the support from big advertisement revenue, there cannot be quality Hindi newspapers. English language is the language of globalization. An ocean of opportunity is missed-out to those who are not proficient in English. A classic example is the lead of many miles gained by Indians over the Chinese in the software exports' business.

It is important that even the most ordinary municipal school should offer quality teaching of English so that premium commanded by English medium education establishments will disappear and the best of the Indian start absorbing Indian culture.

Political leaders of BIMARU states like Mulayum Singh, Laloo Yadav, Murli Manohar Joshi should also wake up to this reality.

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