Global Economic Challenges and Indian Parliamentary System

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Abstract:

Maintaining high economic growth, by improving public health facilities, NPAs' of banks, infrastructure, and tax reform. Despite impressive economic growth trends in recent decades, the country is still relatively poor.

The Constitutional makers designed a democratic form of government to choose representatives. The institution of elected legislatures is core to democracy. These institutions provide a forum to find broadly acceptable paths to complex problems through discussion and negotiation by people representing different interests, perspectives and ideologies. Our democracy rests on the belief of citizens that Parliament will perform this function. The cost of not permitting Parliament to function can be enormous as it puts this belief at risk and thus, attacks the foundations on which our democracy is built.

Keywords: *economic challenges, parliament, cost of vote, value of vote.*

I. Introduction

Democracy is a system of government in which the citizens exercise power to elect representatives. India has a diversity comparable to any continent. It is a sheer wonder that it had been able to develop under a democratic form of governance. Bratton *et. al.* found that popular participation in a democracy is a challenge.[i] The global benchmarks of economy ranks India on third and sixth positions in term of GDP PPP and nominal respectively[ii]. Rodrik argued that even after a lot of globalisation, a nation still have to have its own shock absorbers[iii]. Indian economy being buoyant rides on scale of consumption, such that 2010 Fed crises and global recession could not largely damage India's growth rate.[iv]

Universal-adult franchise is unique in India, unlike other democracies which granted the right to vote post their industrial revolutions, while the world is witnessing, a never before-tried model here.

II. Background

Indian economy from ancient past: Indian subcontinent has witnessed one the oldest civilization the Indus valley civilization. During the early Vedic period, cows and gold were the media of economic-exchange. Later there flourished an extensive inland and foreign trade with Sumeria (Modern Iraq), Bahrain, etc. Through the Iranian, the Greeks came to know about the great wealth of India that led to Alexander's invasion of India.

The medium of exchange and its value suggested the condition of rulers, and thereby the kingdom. *Arthashashtra* by Kautilya deals extensively with the Mauryan administration. Under the patronage of Gupta

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rulers merchants expanded trade to South-East Asia. Sher Shah is credited for issuing the silver coins “Rupia” and fixing standard measures.

In 18th century, the dominant feature of India’s foreign trade was ascendency of the East India Company. One of the early British, Michael Edwards claimed, “the economic and financial organisation of India was far advanced in comparison with Europe”. The country had a favourable balance of trade. The gap between exports and imports was filled by imports of bullion and precious stones. This feature of the Indian economy attracted widespread notice.

European merchants practiced a regular system of piracy in the open seas against which there was no protection. This severely jeopardised the interests of Indian traders who turned to land. The loss of predominance in trade by the Indian merchant, and farming classes checked the growth of capitalist enterprise. Poverty and Un-British Rule in India by Dadabhai Naoroji deals exhaustively over this subject. “The annual drain of £ 3,000,000 on British India has amounted in thirty years at 12 percent, compound interest to the enormous sum of £ 723,900,000 sterling…..such a constant and accumulating drain, even in England, would soon impoverish her.”[v] Dadabhai noted that the taxes raised in one country and sent in another constituted an absolute loss and extinction of the whole amount. An Indian trader dealing internationally was getting less than investments. [vi]

Britain's industrial revolution was structured on the de-industrialisation of India. Destruction of Indian textiles and their replacement by manufacturing in England, using Indian raw material and exporting the finished products back to India and the rest of the world. The Indian Railways built by British was a colonial scam. A mile of Indian railways cost double that of a mile in Canada and Australia. It is exclaimed as ‘Private British enterprise, public Indian risk’. The peasants under various land settlement Acts were forced to grow cash crops like indigo, opium which was bought on flat rates rendering them to live hand to mouth. It is not surprising that at the beginning of the 18th century, India's share of the world economy was 23%, comparable with Europe together. By the time the British departed India, it had dropped to less than 4%.

In recent years, even as the reparations debate has been growing louder, British politicians have been against India getting a basic economic aid at the expense of the British taxpayer. It is to be noted that the so-called aid is less than 0.4% of GDP, which is only a fraction of India's fertiliser subsidy to farmers.

III. Indian economic scenario since 1947

At the time of independence, India was far behind the other European countries in terms of development. The nation had to face the brunt of partition, which had resulted in about 2 to 4 million refugees. Refugee settlement was a considerable economic strain.

The Planning Commission era:

In a bipolar world with US backing Pakistan, India was naturally inclined to USSR. On the same lines India adopted a model of planned economy hailed as Nehru-Mahalanobis model. This was an unique attempt for rapid industrialization within the parliamentary – democratic framework.

India saw a growth in 1947-50, but in 1950, this was paralysed by the trade deficits that

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increased in the 1960s. As a result, they issued bonds to the Reserve Bank of India, which momentarily increased the money supply but caused inflation. The aftereffect of Chinese aggression in Ladakh resulted in 200% increased defence expenditure by 1965-66.[vii] [viii] This was done to modernize India's World War II vintage military equipment.

Pakistan tried to take advantage of India's weakness in 1965-66. Although the Pakistani aggression met a befitting reply, but it led the US and its allies to withdraw foreign aid from India. We were told to liberalise the trade before aid could resume. The response was devaluation, and part-liberalisation. The drought of 1965-66, further worsened the economic situation. The government was forced to declare 'plan holiday', and deploy annual plans between 1966 to 1969.

In the 1970s, the country faced a dismal economic situation due to successive monsoon failure, low agricultural output, rising petroleum prices because of Yom Kippur war of 1973. India carried out caesarean operation to deliver a new nation Bangladesh. The cost of this operation was huge in terms of millions of refugee exodus entering into the eastern India. The fifth plan (1974-1979) was pegged growth down to 4.4% instead of 5.5%. This was due to uncertain political situation because of declaration of emergency. Main objective of this plan was poverty –eradication and achievement of self-reliance. This plan delivered the required growth rate but there was no significant decline in poverty and unemployment. In 1978-1980 government started with a new pattern of rolling plan. This was intended assess the ongoing plan before drafting a new plan for the forthcoming year.

The Sixth Plan envisaged Minimum Needs Programme, economic and technological self-reliance, and Integrated Rural Development Programme (IRDP) aimed at improving the quality of life of the poorest. This plan overshot the targeted growth of 5.2% and achieved 5.7% annual growth rate. However, this growth was short lived. The volatile political situation in centre with Khalistani-terrorism in Punjab, insurgency in Assam and J&K, Peacekeeping force in Sri Lanka resulted in unplanned expenses to meet short-term goals.

Till 1979-80 India's revenue expenditure generally matched the receipts and the fiscal deficit was maintained at a manageable percentage of GDP of 5 percent. Indian economy, which was under great pressure throughout 1980s, became worse by the fiscal 1990-91. This was, due to anomalies in financial planning, increase in government expenditure and poor return from the 'Central Public Sector Enterprises', the rate of growth of expenditure grew at a much faster rate vis-a-vis the rate of growth of receipts.

Paradigm of LPG:

In 1991, with only 3 weeks of forex reserves the Indian government pledged a massive 46.91 tons of gold with the Bank of England and Bank of Japan to raise $400 million. This was done to save India from a situation of default in payments. There was an excessive domestic expenditure on income, due to which fiscal deficit of centre and state reached to 11% in 1991. India faced a double-digit inflation. The balance of payments crises had over-protectionary policies, improper fiscal management, import-substitution, red-tapsim at its core.

India was forced to open her market for Liberalization, Privatization and Globalization, popularly hailed as LPG. This consisted of a series of fiscal and economic

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reforms advised by global finance agencies IMF and World Bank. Subsidies on fertilisers, sugar etc., were reduced or phased out. The system of quota and license raj was abolished opening up domestic markets for foreigners and vice-a-versa.

Government promoted the participation of private entities in businesses, services and transfer of ownership from the public sector to the private sector. The direct control of government over capital markets was removed and Monopolies and Restrictive Trade Practices (MRTP) Act, 1969 was repealed. Also, regulations for opening a new enterprise were eased.[ix] Though this was a crisis, the country capitalised this opportunity to overhaul its economic policies which are transforming India into an economic-superpower.

The tenth plan had a phenomenal rate of growth of the GDP. A record level of $185 billion in foreign exchange reserves in February 2007. However, the Rupee was plagued again in 2012 by balance of payment crises owing to record deficit in trade balances reaching all time high $ 185 billion in FY 2011-12 against $10.69 billion of 2003-04.

IV. Parliamentary System: A boon or bane for its economy?

What comprises of Parliament in India? The Lok Sabha, Rajya Sabha including the President of India comprises of the Parliament. The Constitution requires expenditure from the government's Consolidated Fund of India to be approved by the Lok Sabha Art. 266 (the Rajya Sabha does not vote, but can suggest changes). The Parliament acts as a trustee to the consolidated fund of India. The advantages that a parliamentary setup provides:

1. Public representation- Members of parliament are chosen by every adult citizen (voter) of India. Hence, in a public democracy these members act as representative of people's voice and expectations.

2. Platform to discuss- The Parliament provides an exclusive platform to discuss the economy of India. Members can raise questions and move motions. Our Constitution lays down tabling of Annual Financial Statement, AFS under Article 112. AFS provides for the estimated receipts and expenditures of the Government of India for the coming year, previous year and the actual amount of preceding year. There is no mention of the word 'Budget' in the constitution but budget is synonymous to AFS for public.

3. Sessions of parliament- Monsoon, winter and Budget session. The budgetary session begins with tabling of Economic Survey. It is a review of developments over the preceding year. After the Finance Minister presents the Union Budget, a general discussion followed by a detailed discussion and vote for demands for Grants is carried out.

4. Finance commission- Under Art. 280 the President is empowered to appoint the finance commission. NK Singh heading the fifteenth finance commission has to recommend for devolution of taxes and other fiscal matters for five fiscal years.

5. Committees of Parliament- Indian parliament has, three financial committees: Public Accounts Committee, Estimates Committee, Committee of Public Undertakings. These reports on condition

of economy, improvements in organisation, efficiency, administrative reform. They examine whether the money is well laid out within the limits of the policy implied in the estimates.

6.Review Process- The purpose of the Outcome Budget is to link budgetary provisions to development outcomes of government programmes. It is modern budgeting tool for monitoring the implementation of the budget.

Issues of present parliamentary trends affecting the economy of the nation:

1. Paucity of Time- Due to increase in volume of work, parliament spends less time in discussing important matters. This added with disruptions & confrontations in the parliament further reduces effective-discussion time. The time devoted by parliament for discussion is decreasing with every passing session each year. In 1950s, the Lok Sabha used to meet for an average of 120 days in a year. In contrast, during the last decade, it has met for an average of 70 days a year.[x]

2. House disruptions- As per the report[xi] every minute of a parliamentary session charges more than ₹2 Lakh to the exchequer. With 25% productivity of Lok Sabha in budget session 2018, a whopping amount of ₹ 190 Crores has been wasted.[xii]

3. Member absenteeism- National average of MP's attendance in parliament (2017) is 70%.[xiii]

4. Passing bills without discussion- Since 2000, on an average, Lok Sabha has spent 53 hours discussing the Union Budget, while Rajya Sabha has spent 23 hours. While in 2018, only 15 and 11 hours were spent by Lok Sabha and Rajya Sabha, respectively discussing the Budgets. The Finance Bill was passed in 2018 budget session of Lok Sabha in 18 minutes, without any MP's participation.

5. Ineffective supervision by the committees- The Committees were formed to share parliament's workload and increase its efficiency in detailed scrutiny of the bill. However, committees are handicapped by lack of specialist advisers and research support.

6. Inactivity of members, in terms of discussions, debates etc. - The parliamentary members are expected to take active part in proceedings of the house, irrespective of their personal bias. In an alarming report, 15th Lok Sabha's has been found to be worst productive since independence.[xiv]

7. Raising less no. of questions- Question Hour in Lok Sabha functioned for 11% of its scheduled time, and for 3% in Rajya Sabha, due to repeated disruptions in 2018 monsoon session.

8. Corruption- Raising questions in parliament in lieu of money, vote-for-note, horse-trading in a hung assembly, are a handful examples of grave personal misconduct by members of parliament/legislative.

9. Member of legislature with criminals cases - 1,580 MPs and MLAs or one-third of legislators in Parliament and the various state assemblies have declared criminal cases against them.[xv] The Supreme Court observed in the course of a PIL, 'the criminalisation of politics was striking at the very root of democracy'.[xvi]

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10. Salary and allowances of the legislative members – They are empowered to decide their own salary and allowances. This creates a conflict of interest, with a sharp contrast in their basic pay among states.[xvii]

V. Implications

Continuing twin balance sheet owing to stressed assets of banking and financial institutions is a bottleneck in sustained growth-rate. Employment opportunities in formal sector, over-pressure on agriculture, small size of land holding, is resulting in disguised unemployment. Strained balance of payment module owing to rampant oil, electronics and gold imports. Rising fiscal deficits of states due to fall in revenue caused by demonetisation and GST implementation.

VI. Results and findings

Things to be done and un-done:

1. Parliamentary Reforms- Regular sessions, technical support office, and decrease in the use of whip to ensure more discussions that are meaningful. This is the need of this hour to ensure proper making of law.

2. Parliamentary Committees should be better equipped with more techniques, external experts to cater to the expanding needs of deliberations. This has to be done in such a way to keep nation at first and party line behind that. Recommendations of committees such as committee on public sector undertakings shall be made binding to the executive. This has to be done to ensure that the ailing CPSEs must not become a '*black hole*' for taxpayers' money.

3. Establishment of a parliamentary budget office (PBO) in India— This will ensure high-quality policy analysis of the budget, fiscal challenges, and budgetary outcomes with a neutral point of view. It is a common feature across developed democracies such as the US, UK, etc.

4. Standing Committee on Economic affairs- Standing Committees are permanent bodies. National Constitution Review Commission, 2002 recommended such a National Standing Committee having a duly-laid process to summon RBI governor, CEA, Chief statistician etc.[xviii] The committee can conduct analysis of ongoing or previous policies of the governments, to recommend important changes to the government while designing future policies.

5. Performance linked emoluments to the MP/MLAs – Present Lok Sabha speaker has raised her voice, in favour of automated suspension of member/s who disrupt the proceedings of house for seventeenth session onwards[xix]. A MP from Odisha, accepts salary only for the actual working hours of the house.[xx] Then why cannot MP/MLAs self-regulate this norm, or a law be enacted to this effect. Moreover, Mahatma Gandhi held that legislators should not be paid regular salaries because representing people is a national service and not an occupation.

6. Morale corruption of people***:*** The constitution in preamble reads, "*We the people of India..."* This implies we as Indians are collectively responsible for the condition of the nation including legislatures. Very few citizen actively engage in democracy.

   This is evident by the fact that on invitation only a few of us provide suggestions over any parliamentary report.

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Not exercising the power to vote or to choose our representative is a curse to the democracy. In this catena, we have attempted to analyse the economic effect of not casting a vote in national and state elections.

In order to analyse we have taken the base year as 2014-15 for national and 2017-18 for the stat of Madhya Pradesh.

The total expenditure presented in the union budget 2014-15 = ₹ 1794892 Crore

= ₹ 1794892×10^7 ....Eq. (1)

The total no. of eligible voters in 2014-15 being = 814.5×10^6 ....Eq. (2)

Hence, the amount of money to be spent decided by each vote = Eq. (1) / Eq. (2)

= ₹ 22,036.73 ....Eq. (3)

Out of these the average voting percent in the national election for the same year = 66.38 %

So, the percentage of voters who didn't cast their votes in 2014-15 = 33.62%

Then, the amount which was not decided by voters will be = 33.62% of ₹ 1794892×10^7

= ₹ 6034426904000 ....Eq. (4)

For state elections, total budgetary allocation for 2017-18 = ₹ 185564.27 Crore

= ₹ 185564.27×10^7 ....Eq. (5)

Total no. of eligible voters in 2018 state assembly elections = 5,04,95,251 ...... Eq. (6)

Voting percent in the 2018 state assembly elections = 74.61%

Voters who didn't cast their votes in these elections = 25.39% ...... Eq. (7)

Then, the amount of budgetary expenditure not decided by citizens who chose not to vot = 25.39% of Eq. (5) = ₹ 471,147,681,530 .... Eq. (8)

Figure 1 Analysis representing budgetary spending power of one vote[xxi]

Equations (4) and (8) from Figure 1, denote -

a. Effect of non-representation in the national and state assembly elections due to non-voting.
b. Non-voters lose the opportunity to decide on amount ranging lakh crores.
c. Hence, a huge chunk of voters who do not vote leads to their lack of participation in parliamentary democracy.

VII. Conclusion

The parliamentary system since inception has played a pivotal role in shaping the economy of the nation. However, some inconsistencies have crept in the system. Alert citizen and responsible legislators can resolve the issues thereby ensuring that, the parliamentary system remains an intangible asset for development of nation in this highly competitive world. Future work will focus on data-set analysis of parliamentary democracy.

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