

**Governance in democracies: privilege and responsibility**

For almost 70 years now, the US has enjoyed the “exorbitant privilege” of its domestic currency being practically the only global reserve currency: it can continue to incur external deficits, which the creditor countries are forced to finance by investing in US debt. Should the deadlock between the Obama Administration and the US Congress over the budget and an urgently needed upward revision in the federal debt limit continue, there is a genuine risk of default. The limit is expected to be reached in a week’s time, barring the government from raising further money, and government services are being shut down in the absence of a budget.

There are few signs of a compromise between the Republican Right and the Democratic President. The bone of contention is the Affordable Care Act passed by Congress some time back, and due to come into operation soon. It is indisputable that the US healthcare system needs a radical reform: amongst the developed economies, most of whom take publically funded healthcare for granted, the US spends significantly more on healthcare as a percentage of GDP (double that of Japan, for example) but simultaneously records the lowest life expectancy at birth (78 years vs 82), and the highest percentage of infant mortality (2 years vs 6). No wonder an Australian visitor was astonished at the deadlock, exclaiming “*We can’t imagine not having a national health system ... I just can’t believe they can shut down over something like a national health system Totally bizarre,.... .*”

The problem is that the Tea Party wing of the Republican Party does not like taxpayer funded social welfare measures which help the relatively poor. In effect, it is blackmailing the Democratic Administration into postponing or changing the healthcare law, under the threat of a shutdown of government services, and a default on public debt. President Obama has remarked that, “*one faction of one party in one house of Congress in one branch of government*” should not have the freedom to change the law

against the will of the people as expressed through the constitutional governance process. The fact is that this small faction has already succeeded in limiting food support for 50 mn poor.

Publicly, the case for reducing social welfare programs, is part of the standard Right wing ideology: the need to balance the budget; how entitlement makes people lazy; how high taxes impede entrepreneurial activity; how the huge and growing income disparities merely reflect the value of the contribution of the individual to economic output; etc. (The Right is very critical of the social democratic practices in much of Europe.) One wonders whether the clash is only ideological, or has racial undertones. The fact is that most of the non-white population has lower incomes than the whites, and naturally receive a greater share of the social welfare expenditure. Some numbers are interesting: the percentage of white population in the US has fallen from 69% to 64% between 2000 and 2010, as a result of the changing immigration pattern and differing birth ratios; for the first time, in 2012, the number of non-white births in the US was more than the number of white children born. Clearly, the demographic pattern is changing dramatically and obviously some do not like it. (90% of Republican Congressmen are white males; their percentage in the Democratic Congressmen is less than 50.)

To come back, should the deadlock continue and there is an actual threat of a default on government debt, it could have major impact on global financial markets. China and Japan have publicly warned the US on dangers of debt default

Nearer home, the world's largest democracy has also recently witnessed a major governance problem. The outburst of the heir apparent of the Gandhi family, denouncing an ordinance sent to the President for signature, reminded me of his great grandfather, Jawaharlal Nehru. In mid-June 1946, a plan prepared by the Cabinet Mission from London, for an undivided India, had been agreed to. To quote Maulana Azad, the then Congress President, *"The acceptance of the.... Plan by both the Congress and the League was a glorious event in the history of the Freedom Movement"*

*in India*". Soon thereafter, Nehru took over as President of the Party, and in a press conference in Mumbai on 10<sup>th</sup> July, impulsively and without any consultation with his predecessor or the Working Committee, withdrew the Congress' commitment to the plan, saying, "*We are not bound by a single thing except that we have decided for the moment to go into the Constituent Assembly*". Mr. Jinnah then called for "direct action" aimed at dividing India; the rest is history. The point is that people at policy making level need to be less impulsive, howsoever strongly they may feel about an issue: Mr. Gandhi could have gone to the President privately and suggested that he send back the ordinance for review. A number of India's problems arise from weak, inefficient institutions, and over centralization of power. An improvement in this situation may now become even more difficult.

The other side is that Mr Gandhi is a far better communicator than the Congress President or the Prime Minister; much closer in age to the majority of India's population. What one is not clear is whether he appreciates the need to practice the politics of production, if only to afford the politics of distribution?

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