

### **The *neta babu raj* and governance**

The recent debate over the autonomy of financial regulators from the *netas and babus* needs to be looked at in the context of the remarkable immunity from accountability the latter enjoy – even from the media. Take for instance the accountability of the bureaucrats, whose actions, or inactions, surely contributed to the Bhopal tragedy – the factory inspectors; those supposed to be monitoring hazardous chemicals business and ensuring that safety regulations are rigidly followed, so that such terrible tragedies do not occur; those who allowed the land surrounding the factory, which was supposed to remain vacant, to be occupied illegally; etc. Were they there only to take *haftas*?

Contrast this with the sharp criticism of the politicians, the distrust of the profit motive, of big business, particularly multinationals, so amply evident in the media commentary. This distrust is amazing in a country whose majority belong to perhaps the only major religion in the world which worships *Laxmi*, the wealth Goddess. If the economy has been liberalised since 1991, our mindsets are perhaps still to be! The “satisfaction” over Mr. Mahindra getting a jail sentence is in sharp contrast to the way the chairmen of the Railway Board or Air India escape any demands for punishment after the accidents, despite their being executive chairmen unlike Mr. Mahindra. Too often, there is no accountability for the public sector, even less so for the *netas and babus* who control them – just look at the mess in BSNL, MTNL, Air India itself, much of it due directly to the control exercised by the *netas and babus*.

Recently, Mr. Bardhan, the CPI General Secretary, ascribed the failure of the Left Front in the West Bengal local elections to the “bureaucratism (that has) crept in” in its functioning. If bureaucratism is bad for the functioning of the Left Front, how can bureaucratisation of the state be virtuous? And yet, for decades, we continued to place our faith in the *netas and babus* to manage a highly complex organism like the economy. The result was the “Hindu” rate of growth! It is sad that even highly educated and otherwise brilliant people like Jairam Ramesh,

from a different generation, also have the same touching faith in the bureaucracy and public services. Recently, Mr. Ramesh said that helipads in Mumbai are fine if owned by the public sector but, on environmental grounds, he would not permit helipads owned by private entities – obviously, the former are somehow less polluting than the latter. This view is on par with his statement about the Bt Brinjal controversy: he refused to allow the seed because the tests had not been done in a government owned research centre! (What a contrast to the way President Obama publicly stated recently that there was no point in the government taking over the management of the oil spill in the Mexican gulf, as BP had better experts.) Clearly, he seems to have no faith in the honesty and technical knowledge of the 95% or more of us outside the public sector, without guaranteed government jobs or pensions. (Incidentally, about the environmental impact of the new Mumbai Airport about which Mr. Ramesh is so concerned, has anybody calculated the pollution effect of say 50 aircraft circling over Mumbai for 6/8 hours a day – obviously not the same aircrafts – because they do not get landing slots, for an indefinite period? But, for environmentalists, the *status quo* is always benign; they do not mind giving up the “better” in pursuit of the “ideal”.)

As the economy was liberalised and “independent” regulators appointed for different industries, the *netas* and *babus* octopus has made sure that not only are the posts occupied by retired bureaucrats, and the bureaucratic culture maintained, but have also ensured that their independence remains only on paper – recall the supposedly independent telecom and petroleum regulators, the *Lokayukts* and many others: and the *netas* and *babus* combining with big business is even more dangerous. The reappearance of the old Press Note 1 on FDI is a classic example of the way the *netas* and *babus* articulate policy – this ghost has been dug up to haunt foreign investors within a couple of months of the introduction of a comprehensive policy which was supposed to remain unchanged for six months.

And, the complexity and delays in governance seem to be growing instead of getting streamlined, partly because of the compulsions of coalition politics which necessitates the formation of new ministries to satisfy the aspirations for ministerial posts. And the paralysis in the cabinet system is amply manifested in the appointment of one group of ministers (GoM) after another to handle tricky

issues. Good old Parkinson had so accurately diagnosed decades back what happens when committees grow too large!

I propose to return to the issue of regulator autonomy for the oldest and most powerful public institution and regulator, namely the central bank, next week.

Tailpiece: A report in The Economic Times (July 3) says that “*the department of public enterprises is considering a proposal to reduce the period of audit pendency for public sector undertakings (PSUs) to seven years.*” Any comment is superfluous.

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