

# Trickle-down corruption

The malaise persists at state and local-level governance

Prime Minister Narendra Modi's promise to establish a corruption-free government in India would have come up against a reality check of sorts from the results of the 2019 India Corruption Survey conducted by Transparency International and Local Circles, a social media firm. Although the headline findings of the survey point to a five percentage point drop in corruption levels — 51 per cent of Indians admitted to paying a bribe this year against 56 a year ago — the figure for 2019 was higher than the 2017,

which was 45 per cent. The survey covers 81,000 respondents in 248 districts across 20 states.

The striking point about the more granular findings of the survey is that the bulk of the corruption is at local levels. Thus, even if we assume that Mr Modi is able to make the central government corruption-free, the malaise will persist at the lower levels of the country's governance structure — at state and local government levels. This has critical implications for India's future as an investment destination, since local admin-

istrations are, so to speak, the business end of the ease of doing business environment. For instance, almost half the respondents (49 per cent) said the bribes were for property registration and land-related matters. Only 12 per cent of citizens said corruption on these two accounts had fallen over the past year. Equally worrying is the fact that Indians who admitted to paying bribes said they did so multiple times in the year, suggesting that corruption remains as endemic as ever. The survey also contradicts the common notion that posits technology interface as the optimum bulwark against corruption, especially in citizen-facing services. Some 44 per cent of respondents said they paid a bribe in an office that had computerisation, and 16 per cent said that they paid a bribe despite the office having a functional CCTV

system. That Telangana, one of the first states to introduce a citizens' portal for a slew of common goods and services, figures as India's fifth-most corrupt state tells its own story (Rajasthan, Bihar Jharkhand, and Uttar Pradesh preceded it). It is worth noting, however, that well over a third of the respondents who admitted to paying bribes paid in cash, a potent signal that at least one of the key objectives of the tectonic 2016 experiment with demonetisation had failed.

Although Transparency International's global Corruption Perception Index showed that India had risen three places in the ranks, those results are at variance with the findings of this intra-country corruption survey — some 48 per cent of respondents felt that states had taken no effective steps to tackle corruption. Corruption persists in India

despite the passage of the Prevention of Corruption Act, which deems a bribe an offence attracting seven years' imprisonment or a fine or both. This situation points to the inherently weak institutional foundations of governance in India, which creates a vicious circle of venality. The absence of robust systems to punish bribe givers plays into the hands of the political class. It enables them to enhance their powers by becoming centres of routine approvals and clearances. They may offer investors a degree of certainty in place of the tortuous uncertainties of dealing with wilfully inefficient local officials but it involves an unhealthy element of discrimination and arbitrariness in governance, which are embedded with risks for investors. It is for the political class, then, to set the standard first.

# The rise of counter-revolution

The basic values on which modern civilisation rests are facing challenges across the world. How this will be resolved is one of the most pressing questions of our time

ALOK SHEEL

The common thread stitching together the great revolutions of the modern era, such as the English, American, French, Russian, Chinese and anti-imperial (including the Indian freedom movement) was a virtuous paradigm of basic values on which modern civilisation rests.

This paradigm comprises reason and the scientific method (which accelerated material well-being), individual freedoms (on which democracy rests), the equality of all humans irrespective of colour or creed (which spawned the rule of law and socialist experiments), fraternity (the basis of modern nation states), humanism (which elevates human beings above the supernatural and divine) and secularity (the belief that all religions are equally valid, the end of the divine right of rulers and the separation of Church and State). At the philosophical level, free trade and markets were an application of the concept of individual liberty to economic activity.

The ancient and medieval world embraced some of these basic values, such as logical reasoning (the Socratic method of classical antiquity, the Ajnana school of scepticism in ancient India, and the medieval Islamic Mutazilite rationalist school) and individual liberty (Athenian democracy). These were, however, not part of a virtuous paradigm, resulting in contradictory outcomes. Thus, you had the coexistence of Athenian democracy with slavery. Logic without the experimental approach could not lead to a systematic scientific method that accelerated material well-being.

It bears reiteration that the great divergence between east (China and India) and west (Europe and the "white" settler colonies) opened up only after the west embraced this virtuous paradigm, collectively known as the "European enlightenment". The movement towards convergence between east and west commenced when the former started adopting this paradigm.

Not all these values were adopted in equal measure in all western societies, and later modern eastern societies, at all times. There were also unresolved tensions between the basic values. Social Darwinism legitimised slavery and imperialism. The Russian and Chinese revolutions rejected individual freedom and free markets. The political and social structures arising from such tensions, such as slavery, empire, and dictatorships, ultimately failed, or reformed radically, as these tensions were resolved. Social Darwinism was a travesty of the scientific method, which was quite different in the physical and human sciences. Imperialism privileged economic freedom over political liberty and fraternity, while Left wing dictatorships privileged equality over individual liberty.

These values are basic and not arranged in any hierarchy. The resolution of these tensions, first with the end of imperialism in the mid-twentieth century, and later following the fall of the Berlin wall towards its end, infamously led to an influential belief in the "end of history" — meaning that this virtuous paradigm had triumphed not once, or on multiple occasions, but for all time. Some tensions however remained unresolved.

While most political groupings, from the left to the centre to the conservative right, have accepted the virtuous paradigm, it has not gone unchallenged. The counter-revolutionary far right comprehensively rejected the basic values of the European enlightenment. It seeks to benefit from the fruits of modern science without genuflecting to either reason or the scientific method; it holds the concepts of individual liberty and equality in contempt; it disregards humanism, and where its beliefs are secular, it elevates the leader to a god-like status.

Mostly seen as a lunatic fringe through much of the last two centuries, there are two historical phases where it appeared that the counter-revolution might turn the clock back. The first attempt during the interwar period in Europe failed spectacularly. The concept of Hindutva, an extension of this counter-revolution in



Bringing down the Berlin wall. The fall of the wall thirty years ago led to an influential belief in the "end of history", meaning that civilisational values had triumphed, not just once, but for all time

India, could not also prevail over the revolutionary movement led by Mahatma Gandhi. Over the last two decades radical Islam has gone down the same path.

This paradigm is again under major attack, including in India, for the second time since the nineteenth century. This belies the belief in the end of history, as it is by no means self-evident that the virtuous paradigm will prevail. Unlike the interwar period, the major challenge this time round comes not from newly established countries like Germany and Italy, but long-established democracies such as Western Europe and the United States, where the paradigm originated, and the oldest major democracy in the former colonies, India. As before, the philosophical roots of this challenge lie in tensions among the basic values of the virtuous paradigm, this time not between but within two basic values.

The first tension is between political liberty and economic liberty, manifested through trade and markets. Once considered indivisible, and vindicated by the fall of the Berlin wall, the attractiveness of the East Asian — including the reformed Chinese — model (which privileges economic freedom over political freedom) has steadily grown, as western capitalism flounders with declining growth and widening inequalities.

The second tension lies within the basic value of fraternity, between the inclusive and exclusive aspects of nationalism. The former gave rise to modern nation states on the back of the breakup of the old-world

empires, and later to the nationalist revolt against imperialism, itself an expression of the exclusive aspect of fraternity. Whereas the tension between liberty and equality was resolved through social democracy, even though inclusive nationalism had a synergy with humanism (which exclusive nationalism did not), this tension was never resolved despite the end of imperialism. This tension has unsurprisingly resurfaced, as the rising tide of migration pitches residents against non-residents.

Ironically, even as classical socialism got the balance between liberty and equality wrong, it got the balance between inclusive and exclusive nationalism right, as its original impulse was to strive for "permanent revolution", which did away with nation states. Might this permanent revolution apply to its *bête noire*, capitalism, which remains unstable with national borders?

Both the major challenges to the virtuous paradigm arose in the wake of heightened globalisation accompanied by major crises of capitalism, the first following the Great Depression of the 1930s, and the second following the Great Recession a decade ago. There is, however, a fundamental difference between the globalisation of the late nineteenth century and that of a century later. The former was not virtuous as it was enforced, being violative of both liberty and fraternity. The latter is virtuous, based on both economic and political freedom, and fraternal in every sense.

The first major challenge was resolved after a devastating war. How might the tensions underlying the second end, or be resolved, is arguably one of the most pressing questions of our time.

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# How to transform Indian Railways

RAGHU DAYAL

The beleaguered Indian Railways (IR) has now appealed for corporate benefactors to step in, to get its trains and stations cleaned, according to recent newspaper reports. Caught in a low incremental growth trap, and continuing to live beyond its means, IR appears to be going the Air India way.

How could the IR management remain oblivious of the gathering storm? Freight output and passenger traffic recorded a dismal 0.26 per cent and 0.53 per cent compound annual growth rate (CAGR) over the period 2014-19; but its working expenses clocked 5.54 per cent CAGR, far beyond its gross earnings, at just 4.09 per cent. In the first five months (April-August) of FY20, freight receipts are short by 15.6 per cent and passenger earnings by 5.1 per cent of the budgeted amount; gross revenues are 14.1 per cent less than budgeted, but working expenses are 2.7 per cent higher than budget estimates.

IR's ills are both multifarious and well-known — acute capacity crunch on arterial routes, overstrained terminals, irrational fare and freight structure haemorrhaging its finances, and warped investment priorities. Its capital expenditure of over ₹5 trillion in the last four years shows no respite despite the capacity crunch. IR is moving towards a debt trap. Its lease hire charges keep mounting — the provision of ₹11,489 crore for FY20 amounts to 5.6 per cent of working expenses. The wage bill, budgeted at ₹86,554 crore, along with ₹50,100 crore appropriated to the pension fund, accounts for 66.9 per cent of working expenses (₹2.05 trillion for 2019-20).

IR has failed to follow simple business norms of optimally pricing its services and judiciously restructuring investments. Its passenger business consumes two-thirds of its resources, but yields one-third of revenues. Cross-subsidisation of passenger services means it is out-priced in the freight market. Scarce resources are spread thinly on scattered projects, providing little tangible relief on congested routes. Important capacity-enhancing corridors, if fast-tracked, would yield the desired benefits.

A rigid bureaucratic structure is antithetical to a business ethos. Most railways the world over, including in Russia, China, Germany, France, and the UK, are autonomous corporate entities. IR must shed the ambivalence inherent in its willy — and mistakenly — perceived role of a departmental undertaking with a public service obligation.

The IR management has just introduced ten "Seva Service Trains", most traversing only 30-100 km. Such short-distance "regional" trains devour scarce track and terminal capacity, and cause maximum losses among passenger services. Non-suburban commuters availing of season ticket concessions for

up to 150 km travel constituted 22.8 per cent of total non-suburban passenger traffic in 2016-17, but yielded only 1.2 per cent of revenue! Besides systematically discouraging short rail journeys, IR needs to corporatise "regional" and suburban services.

Despite the steady induction of expensive technologies and the outsourcing of a slew of activities, IR is over-stuffed. It has as many as 150 officials of the level of joint secretary and above, crowding Rail Bhawan. The shears should have been wielded first in Rail Bhawan and then right across the system.

IR should immediately corporatise its production units and construction wing, segregate its passenger and freight businesses, and restructure the Railway Board. It could integrate civil engineering with signalling, mechanical with electrical, and merge material procurement with, say, finance. To enhance the Board's cohesion, one member each should be made responsible for (a) freight logistics services along with information technology; (b) the passenger business; (c) infrastructure — track, signalling, electrification, land and buildings; (d) rolling stock and equipment; (e) HRD, including industrial relations, vigilance, and safety; and (f) finance, including accounts and material management). The chairman would be the CEO, handling overall coordination, planning, R&D, and external relations.

Also, senior general administration positions in IR, such as heads of divisions/zones and members of the Board must be manned only by those who are exposed to the rigours of operations in the field and interaction with customers.

The Bibek Debroy Committee found that "IR's efficiency was better with 9 zones than with 16". It would be prudent to restructure the organisation, including streamlining the traditional four-tiered organisation into a three-tiered system. If required, IR could thereafter re-draw the geographical areas of its 16 zonal administrations, even increasing their number to, say, 22-25. Concomitantly, large station complexes, major freight centres, maintenance depots and installations should be placed under empowered area managers.

Since the mid-1990s, China Rail has continuously launched extensive reforms, including drastic restructuring, downsizing, divestment, and stringent accountability. CR, already the world's most dynamic railway system, carries a quarter of the world's rail traffic over six per cent of the world's track length. CR lagged behind IR until some thirty years ago; today, it is the global leader in rail technology. IR needs an innovator's "creative destruction" and leadership aimed focusing its energies.

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## OTHER VIEWS

### Sharp rise in bad loans under Mudra is cause for concern

Reserve Bank of India should step in to examine extent of fallout

The Pradhan Mantri Mudra Yojana has often been held up as the solution to India's job problem. But not only has its performance on creating new jobs been underwhelming — a report in this paper showed that not every loan translated to new jobs — there are now grave doubts over the quality of the loans extended as well, with a sharp rise in the number of loans turning non-performing. On Tuesday, RBI Deputy Governor M K Jain voiced concern over rising bad loans under the scheme. At the end of 2018-19, Mudra loans worth ₹8.93 trillion had been sanctioned by Member Lending Institutions (MLIs), Anurag Thakur, minister of state for finance, said in reply to a question in the Rajya Sabha. Of these, only 2 per cent or ₹17,651 crore had turned non-performing. But, in the subsequent six months, there has been a sharp rise in bad loans.

Poor credit appraisals and lack of monitoring by banks, wilful defaults, and the growing inability to pay back obligations due to a slowing economy could have all played a part. But, coming at a time when banks are struggling to resolve their existing pile of non-performing loans, this spurt in bad loans under Mudra may end up becoming another source of vul-



nerability for them. While the political overtones of the scheme are hard to dismiss, the RBI should examine the implications for the financial system more closely and step in if necessary.

The Indian Express, November 29

### The challenge in Maharashtra

Power-sharing will be a big issue

After a month-long political churn, Uddhav Thackeray has formally taken over as Maharashtra's chief minister. While the Shiv Sena had chief ministers in an alliance with the Bharatiya Janata Party (BJP) in the 1990s, this is the first time a Thackeray himself is leading the government. It is also the first time that the Sena has come together with its arch rivals, the Nationalist Congress Party (NCP) and the Congress, relegating the BJP to the Opposition. There are two issues in particular which will pose a challenge. The first, as in any coalition government, is power sharing. While the three partners have arrived at a broad deal, questions about the exercise of power will be a constant

theme. Who will take the big political decisions?

The second issue is ideological. While the common minimum programme of the alliance mentions its commitment to secularism, it will have to be seen whether the Sena has indeed moved from its Hindutva worldview, or whether the NCP and Congress have moved to a more majoritarian outlook in practice. The government has the numbers and is constitutionally legitimate. But it must always remember that the voters of Maharashtra did not vote for this particular combination to come to power. If it wants to win popular legitimacy, it will have to deliver.

Hindustan Times, November 29

### Illegal immigration continues

Menace is due to government's laxity

Over 3,000 people of Indian origin are lodged in US Immigration and Customs Enforcement detention centres; most of them are accused of violating immigration laws. Last week, the US deported 150 Indians for violating visa norms or illegally entering America. A considerable number of these deportees are from Punjab, including Bathinda's Jabarjung Singh. Sent back for the fourth time, he is still desperate to try his luck yet again. He claims to have paid a total of ₹24 lakh to a travel agent and spent six months in seven US camps. The fact that the unscrupulous operator repeatedly managed to send Jabarjung overseas highlights the abject failure of the Central and state gov-

ernments in curbing these malpractices.

Rather than confronting the problem, politicians have been busy scoring brownie points by "rescuing" Indians who go abroad through unauthorised channels and get stranded there. The menace of runaway NRI husbands also continues unabated. With the US and other countries tightening the noose around illegal immigrants, India — and Punjab in particular — should ensure that the shady agents are brought to book. A nationwide campaign is needed to dissuade people from putting their life savings — and life — on the line in pursuit of dollar dreams.

The Tribune, November 29