

# Indian 'economic reforms' get ruling party routed at polls

by Ramtanu Maitra and Susan Maitra

The electoral drubbing that the ruling Congress Party received at the hands of dubious political opponents in Prime Minister P.V. Narasimha Rao's home state of Andhra Pradesh, and also in the adjoining state of Karnataka, is a clear indication that the political scene in India will remain unstable for some time to come.

However, the precise meaning of the rout was muddled by the pre-campaign pronouncements by the prime minister and Congress Party leaders that the electoral response must be weighed as the people's verdict on the three and a half years of economic reform process implemented by the Rao government and a referendum on his leadership. True, the country's growing foreign exchange reserves, which the Rao government has projected as the high point of the economic reforms, has failed to impress voters in either Karnataka or Andhra Pradesh, or even in the other two states that went to the polls in November.

## Theater of the absurd

Following the Congress leaders' self-created confusion, and the severe reversal in the polls, what went on in Delhi for more than a week had to be seen to be believed: The Congress Party, still by far the largest party in the country, with a history of 110 years to fall back upon, and having enjoyed a barely interrupted stint in office for 42 out of the 47 years since independence, resembled a ship without a captain inhabited by not too many wise individuals. Behind the concern for the party in the 1996 general elections, a section of party leaders began cloak-and-dagger operations to undermine the prime minister's failing authority. The game was to weaken the prime minister, but not topple him. Toppling the prime minister would mean taking over the reins of the party at a critical period when the party needs massive reorganization through a selfless leadership. And it is certain from the antics of the so-called leaders that they are virtually incapable of even analyzing what went wrong, much less coming up with programs and measures to set the party right over a short or long period of time.

There is little doubt that the problem began with the prime minister himself and his caravan of self-seeking political

hacks who have little political credibility. When the election campaign began in Andhra Pradesh, Prime Minister Rao called it the "acid test" for his government and a vote on the three and a half years of economic liberalization launched by his government in June 1991. Throughout the campaign, the prime minister went on proclaiming the success of the government-initiated economic reforms. Since the reforms have had little positive impact on the economy, and even less on the lives of the poor and lower-middle income families who constitute almost 75% of India's population, the prime minister seized on the \$20 billion in foreign exchange reserves as the yardstick to judge his economic performance. It was not even made clear to the people, and probably it was not an honest oversight, that much of the \$20 billion is hot money which can be pulled out of India in a flash at the first sign of domestic instability or serious perturbations in the international money markets.

More importantly, the prime minister himself failed to realize that the key to success in the Andhra Pradesh elections was either to stoop to the lowest, populist level, which his opponents did with great élan and the Congress Party also tried (unsuccessfully) only at the last minute, or to act as a statesman and detail his plans for the near future to improve the lot of the poor and the downtrodden. Since it is widely known that, during these years of economic reforms, the country's physical infrastructure has worsened, the public health situation has further deteriorated, and the Rao government did precious little to help provide primary education for the growing multitude of children of the poor and not-so-poor, the mere rhetoric that foreign exchange reserves were growing, was worse than useless. It did the prime minister and the party no good to cite the great praises heaped upon the Rao government by the World Bank, foreign bankers, or foreign investors.

This pathetic campaign, probably necessitated by the fact that the party was fragmented beyond recognition in these states and that the authority of senior Congress leaders was simply a myth, was duly exploited by its opponents, whose lack of integrity is a matter of equal concern to that of the devastated Congress Party.

The legendary corruption of the Telegu Desam party, which swept the polls in Andhra Pradesh, could not be exploited by the Congress Party, because there are a number of ministers in the Rao cabinet itself whose integrity has been questioned over the years. What is surprising, however, is that the prime minister, a veteran Congress member acted like a political neophyte, campaigning on the merits of economic reforms which are better appreciated in Geneva, London, or New York, and further antagonizing an already irate electorate. Equally surprising is that, though confronted with the bitter infighting within the party, the prime minister acted helpless. He appears to have gone through the motions without trying to set the house in order, without recognizing that it is the minimum prerequisite for putting up a fight in the polls.

### **Election fallout**

Now the folly is in the open for all to see. The ruling Congress Party in Andhra Pradesh sunk fast and deep. Despite efforts by some pro-Congress media to project an imminent Congress victory in that state, the party came out a poor second, winning 25 of the 292 seats contested. The Telegu Desam, led by a showman and despot, N.T. Rama Rao, won an unprecedented 219 seats, and even the left front, friends of the Telegu Desam, collared 32 seats. As an indication of the size of the defeat, Congress lost about 160 seats, most of which were grabbed by the Telegu Desam.

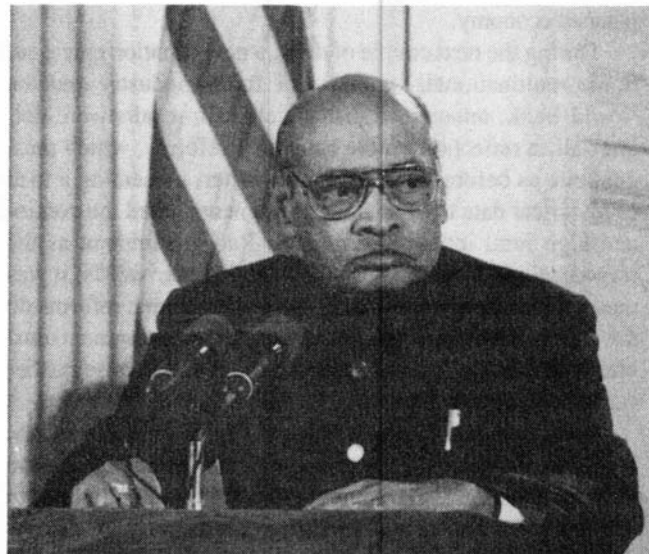
The results in Karnataka were equally sad from the Congress Party's point of view. The Congress won only 35 seats out of 224, and the victorious Janata Dal won 116; moreover, the Hindu chauvinist Bharatiya Janata Party (BJP) won 40 seats, a tenfold growth over the last assembly election, to push the Congress Party into the ignominious third position. In the state of Sikkim, where the Congress Party could win only 2 of the 32 seats, the victor was the Sikkim Democratic Front (SDF), headed by a defector from the earlier ruling party, the Sikkim Sangram Parishad (SSP). In Goa, the Congress came back with a curbed majority.

Even if the recent state assembly election results are deemed an aberration, what followed in the aftermath of the poll results in Delhi is not only byzantine but indicative of the deep malaise that has set in.

### **The spectacles**

First, the activities of the front-rank and second-string Congress leaders following the debacle resemble scenes from a medieval court where knives were kept sharpened for use in the hour of opportunity. Particularly pathetic was the spectacle presented by the leaders from northern India, where the party is slowly sinking into oblivion and the leaders cannot even get themselves elected despite spreading money far and wide. These leaders began issuing threats to further weaken a weakened prime minister.

The second spectacle was offered by the scandal-tainted ministers in the Rao cabinet. Two cabinet ministers, B.



*Indian Prime Minister P.V. Narasimha Rao acted like a blundering neophyte in some recent state elections, leading his Congress Party to a historic defeat.*

Shankaranand and Rameshwar Thakur, named by the Joint Parliamentary Committee in its report on the multibillion-rupee securities scam, and Minister of Food Kalpnath Rai, named by the Gyan Prakash Committee as a principal in the recent "sugar scam" (which jacked up prices of sugar domestically by 50% over a few weeks, blocked the proposal to import sugar to bring the price down, and thus engineered a windfall profit to the sugar merchants), have refused to step down despite pressure from their own colleagues. Prime Minister Rao even worked out a plan whereby other ministers in the cabinet would resign, forcing the three, and a few others, alleged to be tainted with money corruption, to step down. Incredibly, the three stuck to their chairs while the prime minister looked on helplessly. Failing to obtain the tainted ministers' resignations, the prime minister went on to absolve all of them of all wrongdoing.

The third spectacle was just as absurd. Having hitched its wagon to the success of the economic reforms, and having been routed in the elections, the party had to shift its stance. First came statements that the party would take a second look at the reforms. Soon enough, statements were issued which indicated that the economic reforms in the next period will have a "human face." Prime Minister Rao on Dec. 14, four days after the rout was confirmed, continued with the same theme, admitting that the reforms must have a pro-poor "look." He also admitted that the reforms in their present form have failed to find popular acceptance, and said they needed to be "repackaged" because the elections were an eye-opener for the party. The Congress Working Committee said the same thing and concluded that the fruits of reform have to go directly to individuals and not to the communities only—a formulation which could mean buying votes, a common phenomenon in the bygone days of so-called

planned economy.

During the next couple of days, a new situation emerged. Some multinationals, captains of Indian industry and the World Bank, announced that the election results were not, after all, a reflection on the economic reforms, which must continue as before. One economic writer, presenting a load of historical data to validate his arguments, cited the continued high rural inflation during the Rao government as the reason behind the ruling party's rout. In other words, it was made clear by the "reformers" that the economic reforms do not require a "human face," but instead, the government must blame high inflation for its electoral rout and impose further curbs on public spending.

Soon enough, during an election rally in Maharashtra, one of the five states going to the polls in February, the prime minister announced that the reforms would continue as before and the real reason behind the defeat was party infighting. Party statisticians, whose political analysis does not go beyond caste or ethnic lines, blamed the demolition of the Babri Masjid mosque by a Hindu mob in Uttar Pradesh as one of the reasons behind Congress's poor showing. (See *EIR*, Dec. 18, 1992, p. 38, for a detailed report on this event in December 1992, which led to hundreds of deaths, and on the British-promoted destabilization of India.)

The party and the prime minister are caught in a bind from which they are finding it difficult to extricate themselves. In

February, five more states will go to the polls, including such populous and important states as Bihar, Maharashtra, and Gujarat, and most observers believe that things will get worse for the Congress Party. Some of the dissident Congress leaders are expecting that another round of electoral defeats will force Prime Minister Rao to resign, and they will then get the leadership without doing anything better.

There is, however, a catch. In the coming polls, the party will have to explain to the voters why the economic reforms are good for them. Another case of amnesia or trumpeting the size of the foreign reserves will not go down well. In answering the question raised by the poor and not-so-poor, the prime minister and his colleagues, and even his foes, will have to say what the government will do to provide fresh employment and protect the jobs of those who are working in the loss-making public sector enterprises; how would the economic reforms provide safe drinking water to a vast majority of people; how electricity can be provided 24 hours a day in the heartland of India's industries and agriculture, and how the government plans to improve the misery of the primary education and public health sectors. The electorate will ask how the dilapidated railroads and the living conditions of the poor can be improved through what the government calls "economic reforms," but which most people consider a policy that is enriching a handful who are already rich. So far, not even a hint of an answer has been heard.

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