

Honesty is indivisible

Arun Kumar
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Illegality in India today touches almost every economic activity. It is both systemic and systematic.

The Indian ruling class faced its severest crisis of credibility in 2010. Its past caught up with it and skeletons and scams were spilling out of its closets. The scams have a symbiotic relationship with the black economy. The number of scams is growing and so is the size of the black economy, which has reached a mind-boggling level of 50 per cent of the Gross Domestic Product, that is, it annually generates Rs.33 lakh crore in black income. While the 1980s saw eight major scams, in the period between 1991 and 1996 there were 26 and during 2005-08, there were around 150.

There has been an exponential growth in the average amount of money involved in each scam. Bofors was the biggest scam of the 1980s, estimated at Rs.64 crores. It was dwarfed by the Harshad Mehta scam in 1992 involving a loss of about Rs.3,000 crores (Janakiraman Committee Report). Many felt this was a gross underestimation. In the period between 1991 and 1999, about 2,500 new companies floated in the stock markets disappeared with public money, much like the robber-barons of the United States in the period between 1870 and 1890. The loss to the public ran into thousands of crores of rupees but the governments of the day did not prosecute the promoters of the companies that disappeared. This emboldened the corporates to indulge in even greater manipulations in the just concluded decade. In 1991, when Harshad Mehta was fixing the market and the issue was raised in Parliament, the then Finance Minister said he would not lose sleep over it. This signalled to the speculators that they could manipulate with impunity. One of the biggest scams followed, which impacted the Reserve Bank of India and the entire financial system. The Unit Trust of India crashed in late-1990s due to manipulations by sharp operators.

The Satyam scam in 2009 is estimated to involve upwards of Rs.7,500 crore. The losses due to the mining operations in Bellary and elsewhere are reported to run into thousands of crores of rupees. Finally, the mother of all scams, the allotment of 2G spectrum in 2008, is estimated by the Comptroller and Auditor General to involve a loss of Rs.1,76,000 crore. Even if that is a notional figure, in 2008 itself various analysts had estimated the loss to be upwards of Rs.50,000 crore. Cases of irregularities in land allotment and diversion of food materials from the public distribution system are pouring in and these involve the loss of thousands of crores of rupees.

Clearly, not only is the number of scams growing but the money lost by the public per scam is increasing exponentially. Minor scams hardly draw public attention even though they affect the citizen's daily life, such as examination paper leaks, rotting foodgrain, police recruitment irregularities, and so on.

The other major recent scams pertain to the Adarsh Society, the Commonwealth Games and Madhu Koda. Then there are the Citibank-related fraud, charges against certain former Chief Justices of India, impeachment proceedings against two High Court judges, provident fund scam investigations against High Court judges in Uttar Pradesh, the Medical Council of India fraud, the deemed universities imbroglio, Indian Premier League manipulations, the Sukna land scam involving some of the seniormost Army officers, and so on. The list is endless.

The Bofors case and the Quattrocchi affair were on the verge of closure for obvious reasons, but have erupted in a big way with the Income Tax Appellate Tribunal order implying that bribes had been paid. The cases against Lalu Prasad, Mulayam Singh Yadav, Mayawati and other former Chief Ministers and Ministers are on the back-burner, leading to charges of political misuse of the Central Bureau of Investigation. There is hardly an agency of the government that retains its credibility in the public eye. So, eight agencies are investigating the 2G scam but there is demand for a Joint Parliamentary Committee. Not that the four JPCs that were constituted earlier had achieved much, but the hope is that a determined Opposition would be able to ferret out the truth under public pressure.

Reports that the Emergency-related papers are not traceable, the admission by the Union Home Minister that the Bhopal papers in the Warren Anderson fiasco are missing, the indictment of Vedanta by the Saxena Committee report investigating illegal mining in the Niyamagiri hills, all point to a system that has been so manipulated by the crooked businessmen and pliant politicians and the executive that it is collapsing under its own weight.

Today, policy failure is writ large and governance is failing all around. This is due to the growth in size of the black economy from about 4 per cent of GDP in 1955-56 to the present 50 per cent. The implication is that illegality in the country has grown and touches almost every economic activity. This is only possible if it is both systemic and systematic. The public sector and the private sector, that encompass every section of society, are now suspect. It is suspected that many have their hands in the till. Included here are Prime Ministers, Chief Ministers, Ministers, top industrialists, military personnel, judges, bureaucrats, policemen, professionals and so on.

For illegality to flourish on such a vast scale, those involved in overseeing the functioning of society have to be systematically complicit. It cannot be that one day rules are broken but not the next day. Systems have been set in place to routinely commit illegality and make payoffs to the functionaries of the state. For instance, police collect hafta and posts of Station House Officers are sold. Industry plans evasion of output much in advance of production. Thus, tax rates and controls remain immaterial.

Underlying this vast illegality is a 'Triad' involving the corrupt business class, the political class and the executive. Since the mid-1980s, the criminal has also entered this Triad, leading to growing criminalisation. Many businessmen, legislators and so on have criminal cases pending against them. Policemen commit criminality in a routine way, and so on. For such a system, a Binayak Sen who points fingers at them becomes an anti-national. What a shame!

The growing rot over the last six decades has been exposed by the Niraa Radia tapes. They reveal how illegality has become a routine matter for the ruling elite. Glib talk of "15 per cent man" or of fixing Cabinet appointments is not just idle gossip. Those manipulating the system have known this and much more, but the value of the Radia tapes is that there is confirmation of what the public could only guess till now. The tapes confirm the functioning of the Triad.

The lack of independence of some of the media biggies who are now like businessmen, stood exposed with the expose of paid news: but is out in the open more clearly. Their link with the manipulative system and cosy relations with favourite businessmen and politicians are in the open. Those who have not yet been exposed feign surprise and try to cover up for their colleagues by suggesting that the media are not powerful enough to fix things. That is just another fix.

Rivalries amongst politicians, businessmen and media groups have helped lift the veil just a bit, and even that is hugely damaging to the state. Those who have been exposed shamelessly deny wrongdoing, hoping that they would be eventually bailed out since those in glass houses cannot afford to throw stones. They feel that they can cover up and deny wrongdoing till the last — as in the case of the Commonwealth Games scam or the 2G scam. Legal delays, threats and political and money power come into play to keep truth under the wraps. (The Bofors case remains shrouded in mystery since 1987.)

The ruling class knows how to manipulate the system (as in the S.P.S. Rathore case). This is feasible since most of the investigation mechanism and some wings of the judiciary are pliable. Cases can be spoiled deliberately, as the courts have themselves often lamented. Further, the Radia tapes reveal that the intelligence and investigative agencies know a lot about the wheeling and dealing by the Triad; but this information is not made public.

The moot point is whether these agencies have been reporting what they dig out to the higher authorities who should be keeping the Prime Minister briefed. If that is not happening, there is a failure of the system. Alternatively, if the Prime Minister knew but did not act, is he also complicit? Either way, one can infer that scams are allowed to take place. It is also known that information is used politically vis-a-vis opponents and friends. Further, how many more scams are currently taking place, about which the Prime Minister may know but about which he may be keeping his own counsel?

Is honesty divisible among financial, social and political matters? Can one be financially honest but dishonest in other spheres? Is it honesty when scams are allowed to take place but one personally does not take any money? Honesty is not just individual but systemic, and if the number of scams grow in size and numbers, can the head of government escape responsibility given the huge social and political consequences? The scams do not just lead to financial losses but to policy failure (like the current high food inflation) whose cost is a multiple of the direct financial loss. Honesty has to be indivisible.

(The author is Chairperson of the Centre for Economic Studies and Planning, School of Social Sciences, Jawaharlal Nehru University, New Delhi. He is the author of The Black Economy in India (Penguin India). He could be reached at arunkumar1000@hotmail.com)