

Political stability a big positive for india - essay



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The relationship between political stability, freedom and economic performance has raised many debates in economic literature in the past decades. There is a commonly perception that the reliable political environment is a necessity condition for economic development, many researchers tried to examine such a perception empirically both in a global and regional context, they suggest that political instability, by creating uncertainties in political and economic environments, distorts economic decisions, including investment, production, and labor supply, and thereby reduces long-run growth. However, much of the empirical literature has failed to find a significant, negative relationship between political stability and growth. In the other hand, democracy is valued independently of its effects on material well-being. Equal participation in elections (voice) and in the evaluation of government officials (accountability) is universally perceived as a precondition for social justice. Studying the effects of democracy on economic growth, because it focuses on its material consequences, is often deemed a futile endeavor.

The purpose of our paper is to examine the effects of political stability and democracy on economic growth as an indicator of economic performance in the Mediterranean Sea countries . We have used panel data technique to estimate our model for 21 countries in the region during 1996-2004 period.

The paper is organized in 5 sections. The next section is review of literature, then we would introduce our model and data collection, in the fourth part the results of estimation have presented and finally we indicate our concluding remarks.

What is political stability?

The political stability is “ generally speaking political stability is positive factor for the sovereign ratings. Because of strong mandate, next government will have a better opportunity to execute its policy agenda”.

Economist conferences today successfully organized the first INDIA FORECASTING FORUM. The conference themed ‘ Taking charge in Turbulent Times’ presented a unique opportunity to hear experts from the Economist Group assess the actions and policies of the new Government during its first 150 days. The conference saw the presence of various business leaders discussing the impact of the global downturn and the policies and reforms required to put their respective industries on track for rapid & sustainable growth.

The report released by EIU today stated, “ The Economist Intelligence Unit believes that there is unlikely to be a sudden rush to implement comprehensive liberalizing policies. This is not only because the government’s foremost concern is maintaining domestic economic stability in a time of general economic uncertainty, but also-perhaps more importantly-because there remains resistance to reform within Congress and among its core supporters, particularly in rural areas. Indeed, support for maintaining the status quo has risen in some quarters because India has weathered the global recession far better than most countries, bolstering the argument that India’s slow and at times unsteady process of liberalization is in fact a blessing rather than a curse.”

In short, the reconfirmation of the Indian National Congress as the main governing party means that economic policy will remain broadly consistent with the direction that has been pursued over the past five years. The administration's top priorities will continue to be mitigating the effects of global economic recession on India and delivering populist measures designed to help the common man.

MATERIALS AND METHODS

Measures of political stability: This study created an index using proxy variables for political stability during 1990-2005. Our purpose is to measure the effect of political instability on growth related variables through this index. This study used the following measures to create the index for political stability in a long period 1990-2005 in selected ten Asian economies at various income levels.

Longevity of the government: – stands for the number of times the ruling party was changed during the selected period. It indicates the continuity of government policies. When the number of time increase political stability decreases. It indicates that the stability of the government is weakened. How much time a party take to rule over the country.

Election density ratio (EDR):- election density ratio = the research period is divided by number of times general election were held. A country that holds several elections in a given period is politically unstable. Higher the value of EDR greater the country's political stability. Lower the value of EDR the political government's instability is greater.

Increase in the number of political parties: – The increase in the number of parties or alliances, having at least two seats in the national assembly also indicates political instability.

Strength of ruling party: – average of the percentage of the seats the majority party that was in power for more terms during the period had in the national assembly. It indicates that within the period, what percentage of the total seats it got in the national assembly. And finally we take the average of the percentage. It indicates the strength of leading party in a country.

Military expenditure as a percentage of GDP: – military expenditure is an indicator of peace, thus political stability, in a country. We take the change in military expenditure as percentage of GDP between 1985 and 1995 fiscal years for all countries.

Index of democratization: – it measures the extent of democracy. Higher the degree of competition and participation, higher the level of democratization in a particular political system. Competition is defined as the electoral success of small parties. Percentage of the population that actually voted in this election is used as the measure of the degree of electoral participation. Generally, in middle income developing countries, greater democracy indicates higher instability of the government and less democracy greater stability.

Number of persons internally displaced: – it indicates that the country is afflicted with internal social political problems. Higher number indicates political instability and less number the political stability.

All the above variables of measures which determine the political stability of country are transformed as a one index called index for aggregate political stability.

What is the cause of political stability?

Political stability is the most important attribute of a modern state, save for liberal democracy. In order to analyse and explain the phenomenon of political stability, this paper draws its statistical data from the Norris cross-national subset. However, it needs to be said that a complete analysis of all the factors affecting political stability can neither be collected nor analyzed. It needs to be said that there are a wide variety of variables that influence political stability. The political stability depends upon the rule of law. Political stability is also dependent on economic aspects. The reason is obvious that people are encouraged to invest and trade when they are confident in the future and few things seem more likely to undermine business and consumer confidence than the view of political instability and sudden changes in the economic. Trade is an indicator for how developed the society is; if there are certain goods produced which other countries cannot produce because of their lack of technical advantage.

Political stability and economic growth

The political stability influences economic growth. It is called “ politicalization of the economic growth”. Institutional framework for economic growth can be facilitated by the social capability, social infrastructure, good governance and rules and regulations. The growth of any country depends upon its political stability because development takes place when single party’s

rules over the country, many ruling parties are object to development in their states.

If we want to see the development in our country it's totally depend upon the political situation of that country.

POLITICS OF INDIA

The politics of India take place in a framework of a federal parliamentary multi-party representative democratic republic. India is the world's largest democracy. In India, the Prime minister of India is identified as the head of government of nation, while the President of India is said to be the formal head of state and substantial reserve power, placing him or her in approximately the same position as the British monarch. Executive power is enforced by the government. It can be noted that federal legislative power is vested in both the government of India and the two characteristic chambers of the Parliament of India. Also, it can be said that the judiciary is independent of both the executive and the legislature. Looking at the constitution, India is a nation that is characterized to be "sovereign socialist secular democratic republic" India is the largest state by population with a democratically-elected government.

For most of the year since independence, the federal government has been guided by the India National Congress (INC). In India the two largest political parties have been the Indian National Congress (INC) and the Bharatiye Ajanta Party (BJP). Presently the two parties have dominated the Indian politics. However, regional parties also exist. The year 1996-1998 was a period of turmoil in the federal government with several short-lived alliances

holding sway. The BJP formed a government briefly in 1996, followed by the United Front. Coalition that excluded both the BJP and the INC. In 1998, the BJP formed the National Democratic Alliance (NDA) with several other parties and became the first non-Congress government to complete a full five- year term. In the 2004 Indian election, the INC won the largest number of Lok Sabha seats and formed a government with a coalition called the United Progressive Alliance (UPA), supported by various parties. In the 2009 Lok Sabha Elections, it won again with a surprising majority, the INC itself winning more than 200 seats.

At the federal level, India is the most populous democracy in the world. While many neighboring countries witness frequent coups, Indian democracy has been suspended only once. Nevertheless, Indian politics is often described as chaotic. More than a fifth of parliament members face criminal charges.

Role of political parties

As like any other democracy, political parties represent different sections among the Indian society and regions, and their core values play a major role in the politics of India. The government runs by the representatives of the political parties who have been elected through the elections. India has a multi-party system, where there are a number of national as well as regional parties. A regional party may gain a majority and rule a particular state. If a party represents more than 4 states then such parties are considered as national parties. Formation of coalition governments reflects the transition in Indian politics away from the national parties towards smaller, more narrowly-based regional parties. Some regional parties, especially in South

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India, are deeply aligned to the ideologies of the region unlike the national parties and thus the relationship between the central government and the state government in various states has not always been free of rancor. Disparity between the ideologies of the political parties ruling the center and the states leads to severely skewed allocation of resources between the states.

Political issues

Social issues.

The lack of homogeneity in the Indian population causes division between different sections of the people based on religion, region, language, caste, and race. This has led to rise of political parties with agendas catering to one or a mix of these groups. Some parties openly profess their focus on particular groups and some other parties claim to be universal in nature, but tend to draw support from particular sections of the population. Internal security is also threatened as incidences of political parties instigating and leading violence between two opposing groups of people is a frequent occurrence.

Economics issues

Economics issues like poverty, unemployment, development are main issues that influence politics. The economic policies of most other parties do not go much further than providing populist subsidies and reservations.

Party funding

Political parties are funded by contributions from party members, individuals and organization which share their political ideas or who stand to benefit from their activities or government public funding. Political parties and factions, especially those in government, are lobbied vigorously by organizations, businesses and special interest groups such as trades unions. Money and gifts to a party, or its member, may be offered as incentives. Public financing for parties and candidates during elections has several permutations and it's increasingly common. There are two broad categories of funding, direct, which entails a monetary transfer to a party, and indirect, which includes broadcast time on state media, use of the mail service or supplies. According to the Comparative Data from ACE Electoral Knowledge Network, out of a sample of over 180 nations, 25% of nations provide no direct or indirect public funding, 58% provide direct public funding and 60% of nations provide indirect public funding. Some countries provide both direct and indirect public funding to political parties. Funding may be equal for all parties or depend on the results of previous campaigns or the number of candidates participating in an election. Frequently parties rely on a mix of private and public funding and are required to disclose their finances to the Electoral Management Body. Sometimes the political parties collect their funding by forcing or indulging the common people.

Economy in India

The economy in India is the eleventh largest economy in the world by nominal GDP and the fourth largest by purchasing power parity (ppp).

Following strong economic reforms from the socialist inspired economy of a post- independence Indian nation, the country began to develop a fast-

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paced economic growth. India was under social democratic based policies from 1947 to 1991. Since 1991, continuing economic liberalization has moved the country toward a market-based economy. By 2008, India had established itself as the world's second fastest growing major economy. However, the year 2009 saw a significant slowdown in India's GDP growth rate to 6.8% as well as the return of a large projected fiscal deficit of 6.8% of GDP which would be among the highest in the world.

Indian democracy:

This article is about Indian politics, government and law and relation between them. This article deals with factors correlating the three with each other.

India is a constitutional republic consisting of 28 states and seven center-controlled union territories with New Delhi as the nation's capital. It is the seventh largest and second most populous country with roughly one sixth of the world's population, making it the largest world's democratic country. It is one of the world's oldest civilizations with a rich and varied cultural heritage. It has achieved widespread socio-economic progress during the last 62 years of its independence. From self-sufficiency in agricultural production to space exploration, India is competing effectively with other developed nations.

GOVERNMENT

Constitution

The government of India is framed according to the constitution. The architects of India's constitution, through drawing on many external sources, were most heavily influenced by the British model of parliamentary

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democracy. In addition, a number of principles were adopted from the United States Constitution, including the separation of powers among the major branches of government, the establishment of a supreme court, and albeit in modified form, of a federal structure (a constitutional division of power between the union [central] and state government). The mechanical details for running the central government, however, were largely carried over from the Government of India Act of 1935, passed by the British Parliament, which served as India's governing document in the waning days of British colonial rule.

The new constitution took effect on January 26, 1950 and proclaimed India “a sovereign socialist secular democratic republic.” With 444 articles, 12 (later 12) schedules, and 97 amendments, it is one of the world's longest and most detailed constitutions. The constitution includes a detailed list of “fundamental rights”, a lengthy list of “directive principles of state policy” (goals that the state is obligated to promote, though with no specified timetable for their accomplishment), and a much shorter list of “fundamental duties” of the citizen.

The constitution has fostered an increasing concentration of power in the central government-especially the office of the Prime Minister. This centralization has occurred in the face of the increasing assertiveness of an array of ethnic and caste groups across Indian society. The government has responded to the resulting tensions by exerting authoritarian, albeit constitutional powers. Together with the public's perception of pervasive corruption among India's politicians, the state's centralization of authority and increasing resort to coercive power have eroded its legitimacy.

Law commission

After independence, the constitution's Fundamental Rights and Directive Principles of State Policy gave a new direction to law reform geared to the needs of a democratic legal order in a plural society. Though the constitution stipulated the continuation of existing Laws pending amendment or repeal, there had been demands in parliament and outside for establishing a central Law commission to recommend updating of the inherited laws to serve the new country. The Government established the First Law commission of independent India in 1955. The ministry of law reviews the commission's reports, consulting with the concerned administrative ministries, submitting them to the parliament from time to time they are cited in courts, in academic and public discourses and are acted upon by concerned government department depending on the government's recommendations.

Factors affecting political stability

The success of democracy in India defiles many prevailing theories that stipulate preconditions. Indian democracy is best understood by focusing on how power is distributed.

Religion

Religion is a major cultural influence and also plays an important role in politics. Political party support greatly depends upon religion. The main religions are Hinduism and Islam and many political parties are identified by the religion of their supporters. Unlike religions such as Buddhism, Jainism, and Sikhism, Islam is not based on Hinduism. Many national religious issues are the key points of the success in elections.

Caste

The caste system crosses religious boundaries to infect both Hindu and Islamic peoples. Hindus have four main castes and hundreds of sub-castes. Many political parties draw supporters from specific caste or sub- caste.

Population

India is the second most populous country of the world after china. The one billion-plus population has challenged the country's ability to provide jobs, health care, and education. Slowing population growth has been a major issue for the government. It's not an issue for the government because they think that the votes being produced.

Development

India is still an emerging country. Making the pace and shape of development a major concern. India began as explicitly socialist nation and continues with a large public sector and many constraints on private enterprise, although the recent government has reduced some of these restrictions. Their reward has been faster economic growth, particularly through the growth of the trade-oriented industry. Some recent governments got removed because economic growth was too low.

Regions

India is very densely populated. Some advocate splitting some twenty-eight states and seven union territories.

International issues

The nation's success in developing an international information technology sector, recent wars with Pakistan, India's role in the world economy and world affairs redefined nationalism in India. People generally support those parties who maintain and enhance India's role in world affairs.

Other factors

Factors such as education, corruption, women's issues, student politics, and criminalization of politics, leadership strategies and the design of political institutions affect national and local politics.

Economic growth:

Economic growth is the increase of per capita gross domestic product (GDP) or other measure of aggregate income. It is often measured as the rate of change in real GDP. Economic growth refers only to the quantity of goods and services produced.

Economic growth can be either positive or negative. Negative growth can be referred to by saying that the economy is shrinking. Negative growth is associated with economic recession and economic depression.

In order to compare per capita income across multiple countries, the statistics may be quoted in a single currency, based on either prevailing exchange rates or purchasing power parity. To compensate for changes in the value of money (inflation or deflation) the GDP or GNP is usually given in "real" or inflation adjusted, terms rather than the actual money figure compiled in a given year, which is called the nominal or current figure.

Economists draw a distinction between short-term economic stabilization and long-term economic growth. The topic of economic growth is primarily concerned with the long run. The short-run variation of economic growth is termed the business cycle.

The long-run path of economic growth is one of the central questions of economics; despite some problems of measurement, an increase in GDP of a country is generally taken as an increase in the standard of living of its inhabitants. Over long periods of time, even small rates of annual growth can have large effects through compounding (see exponential growth). A growth rate of 2.5% per annum will lead to a doubling of GDP within 29 years, whilst a growth rate of 8% per annum (experienced by some Four Asian Tigers) will lead to a doubling of GDP within 10 years. This exponential characteristic can exacerbate differences across nations.

India's Economic Growth since 1980

India Economy Growth: The rate of growth improved in the 1980s. From 1980 to 1989, the economy grew at an annual rate of 5.5 percent, or 3.3 percent on a per capita basis. Industry grew at an annual rate of 6.6 percent and agriculture at a rate of 3.6 percent. A high rate of investment was a major factor in improved economic growth. Investment went from about 19 percent of GDP in the early 1970s to nearly 25 percent in the early 1980s. India, however, required a higher rate of investment to attain comparable economic growth than did most other low-income developing countries, indicating a lower rate of return on investments.

Part of the adverse Indian experience was explained by investment in large, long-gestating, capital-intensive projects, such as electric power, irrigation, and infrastructure. However, delayed completions, cost overruns, and under-use of capacity were contributing factors.

Private savings financed most of India's investment, but by the mid-1980s further growth in private savings was difficult because they were already at quite a high level. As a result, during the late 1980s India relied increasingly on borrowing from foreign sources. This trend led to a balance of payments crisis in 1990; in order to receive new loans, the government had no choice but to agree to further measures of economic liberalization. This commitment to economic reform was reaffirmed by the government that came to power in June 1991.

India's primary sector, including agriculture, forestry, fishing, mining, and quarrying, accounted for 32.8 percent of GDP in 1991. The size of the agricultural sector and its vulnerability to the vagaries of the monsoon cause relatively large fluctuations in the sector's contribution to GDP from one year to another.

In 1991, the contribution to GDP of industry, including manufacturing, construction, and utilities, was 27.4 percent; services, including trade, transportation, communications, real estate and finance, and public- and private-sector services, contributed 39.8 percent. The steady increase in the proportion of services in the national economy reflects increased market-determined processes, such as the spread of rural banking, and government activities, such as defense spending.

Despite a sometimes disappointing rate of growth, the Indian economy was transformed between 1947 and the early 1990s. The number of kilowatt-hours of electricity generated, for example, increased more than fiftyfold. Steel production rose from 1.5 million tons a year to 14.7 million tons a year. The country produced space satellites and nuclear-power plants, and its scientists and engineers produced an atomic explosive device (see Major Research Organizations, this chap.; Space and Nuclear Programs,). Life expectancy increased from twenty-seven years to fifty-nine years. Although the population increased by 485 million between 1951 and 1991, the availability of food grains per capita rose from 395 grams per day in 1950 to 466 grams in 1992.

However, considerable dualism remains in the Indian economy. Officials and economists make an important distinction between the formal and informal sectors of the economy. The informal, or unorganized, economy is largely rural and encompasses farming, fishing, forestry, and cottage industries. It also includes petty vendors and some small-scale mechanized industry in both rural and urban areas. The bulk of the population is employed in the informal economy, which contributes more than 50 percent of GDP. The formal economy consists of large units in the modern sector for which statistical data are relatively good. The modern sector includes large-scale manufacturing and mining, major financial and commercial businesses, and such public-sector enterprises as railroads, telecommunications, utilities, and government itself.

The greatest disappointment of economic development is the failure to reduce more substantially India's widespread poverty. Studies have

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suggested that income distribution changed little between independence and the early 1990s, although it is possible that the poorer half of the population improved its position slightly. Official estimates of the proportion of the population that lives below the poverty line tend to vary sharply from year to year because adverse economic conditions, especially rises in food prices, are capable of lowering the standard of living of many families who normally live just above the subsistence level. The Indian government's poverty line is based on an income sufficient to ensure access to minimum nutritional standards, and even most persons above the poverty line have low levels of consumption compared with much of the world.

Estimates in the late 1970s put the number of people who lived in poverty at 300 million or nearly 50 percent of the population at the time. Poverty was reduced during the 1980s, and in 1989 it was estimated that about 26 percent of the population, or 220 million people, lived below the poverty line. Slower economic growth and higher inflation in 1990 and 1991 reversed this trend. In 1991, it was estimated that 332 million people, or 38 percent of the population, lived below the poverty line.

India Economy Growth – Farmers and other rural residents make up the large majority of India's poor. Some own very small amounts of land while others are field hands, semi-nomadic shepherds, or migrant workers. The urban poor include many construction workers and petty vendors. The bulk of the poor work, but low productivity and intermittent employment keep incomes low. Poverty is most prevalent in the states of Orissa, Bihar, Uttar Pradesh, and Madhya Pradesh, and least prevalent in Haryana, Punjab, Himachal Pradesh, and Jammu and Kashmir.

By the early 1990s, economic changes led to the growth in the number of Indians with significant economic resources. About 10 million Indians are considered upper class, and roughly 300 million are part of the rapidly increasing middle class. Typical middle-class occupations include owning a small business or being a corporate executive, lawyer, physician, white-collar worker, or land-owning farmer. In the 1980s, the growth of the middle class was reflected in the increased consumption of consumer durables, such as televisions, refrigerators, motorcycles, and automobiles. In the early 1990s, domestic and foreign businesses hoped to take advantage of India's economic liberalization to increase the range of consumer products offered to this market.

Housing and the ancillary utilities of sewer and water systems lag considerably behind the population's needs. India's cities have large shantytowns built of scrap or readily available natural materials erected on whatever space is available, including sidewalks. Such dwellings lack piped water, sewerage, and electricity. The government has attempted to build housing facilities and utilities for urban development, but the efforts have fallen far short of demand. Administrative controls and other aspects of government policy have discouraged many private investors from constructing housing units.

Liberalization in the Early 1990s

Increased borrowing from foreign sources in the late 1980s, which helped fuel economic growth, led to pressure on the balance of payments. The problem came to a head in August 1990 when Iraq invaded Kuwait, and the

price of oil soon doubled. In addition, many Indian workers resident in Persian Gulf states either lost their jobs or returned home out of fear for their safety, thus reducing the flow of remittances (see Size and Composition of the Work Force). The direct economic impact of the Persian Gulf conflict was exacerbated by domestic social and political developments. In the early 1990s, there was violence over two domestic issues: the reservation of a proportion of public-sector jobs for members of Scheduled Castes (see Glossary) and the Hindu-Muslim conflict at Ajothya. The central government fell in November 1990 and was succeeded by a minority government. The cumulative impact of these events shook international confidence in India's economic viability, and the country found it increasingly difficult to borrow internationally. As a result, India made various agreements with the International Monetary Fund (IMF—see Glossary) and other organizations that included commitments to speed up liberalization.

In the early 1990s, considerable progress was made in loosening government regulations, especially in the area of foreign trade. Many restrictions on private companies were lifted, and new areas were opened to private capital. However, India remains one of the world's most