

“In ideal democracies, good economics is always good politics, but rarely such situations exists, otherwise how you can explain farm loan waivers and subsidies instead of investing resources in infrastructure for better quality of life?”

Is Good Economics Bad Politics ?



Gopal Krishna Agarwal,
National Spokesperson for
Economic Affairs, BJP

Basically, economics relates to allocation of resources to various segments of society or the economy. There is always a tradeoff between competing demands. It also relates to managing resources for production, distribution and consumption. Economics can tell you the methodology or means of allocation of resources for enhancing production, efficiency in distribution and equitable consumption. But ultimately it's the political will that plays the decisive role. In a democracy, different stakeholders generate various demands and there is a political cost to every decision, called political economy.

Politics is distribution of political power for decision-making. When politics is for winning elections; disregarding minority interest (not just religious but all stake holders, like caste, creed, religion and regions) it is bad politics; on the other hand good economics means decisions making keeping in mind minority interest, surely there is a conflict.

Economics is basically ensuring larger benefits to the large population. And if politics is winning elections by economic wellbeing of large sections of society then there is no conflict between good economics and good politics. The effective communication with the electorate about the out-

come of economic decisions and level of awareness & education of the citizens, determine, whether good economics is good politics.

As mentioned, there is a political cost to economic decisions. Political parties can reduce this cost through better communication skills of leadership; successful leaders are generally good orators. Cost reduction can also be achieved by increased educational outreach and higher level of awareness amongst the electorate. The time frame for impact assessment of economic decision will also determine the correlation between the economic decision and its political cost. In matured democracies, there is a positive correlation between good economics and good politics.

At times, powerful interest groups with high stakes in maintaining status quo, exists within a Nation. Their own compulsions take precedence over economic decisions leading to bad politics. Sometimes divisive forces in a society raise their head and bog down the decision making process of the State, creating chaos. Existence of strong public institutions and Pillars of Democracy is a safeguard for decision-making process. The selection criterion for the right candidate by the electorate at the elections influences the considerations for decisions of the politi-



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cal parties. In ideal democracies, good economics is always good politics, but rarely such situations exist, otherwise how can you explain farm loan waivers and subsidies instead of investing resources in infrastructure for better quality of life?

Mostly, the form of governance and prevalent political structure, determine, whether good economics is good politics. Nations should build sustainable institutions to safeguard minority interest and maintaining balance of power between Pillars of governance. Nations spending on education, transparency, information sharing and disclosures and free & fair elections establish a healthy and a vibrant political system. Then a positive relationship between good economics and good politics is sustained.

By Political System we mean a system of government. Political System is a complex system of categories involving the question of who should have authority and ownership of resources and what the government's influence on its people and economy should be? And Political Structure refers, to institutions or groups and their relations to each other, their pattern of interaction within political systems and to regulations, laws and the norms present.

Our Constitution specifically says that Political Democracy has no meaning till we achieve Economic Democracy. Economic Democracy means that the benefits of economic development reach to all the segments of society, across caste, religion and geography. This equity can only be achieved by good economics.

In a mature and just nation, Good Economics is Good Politics; Economic Democracy and Political Democracy coexist in an efficient governance model. If this healthy relationship is non-existent, then there is a lot to be desired from the institutions, government, political parties and the citizens, all taken together.