

**Socialist International**  
**2 JULY 2016**

Comrade President George Papandreou,

Comrade Secretary General Luis Ayala,

Brother and sister comrades,

I bring to all of you greetings from the Indian National Congress and its President, Mrs. Sonia Gandhi. Thank you for inviting us to this important gathering.

I listened with the greatest interest to yesterday's progress report on the work of the Commission on Global Inequality set up by Socialist International. The brief summary presented broadly confirms our own impressions of trends in global inequality. We, therefore, look forward to the recommendations that will emerge when the report is finalized to see how, within the framework of democratic socialism, we may work at the international and, more importantly, the national level towards moderating the high levels of inequality in most developing countries, including ours, and the recent tendency towards increasing inequalities in developed countries, even Scandinavia, to which Thomas Piketty has drawn pointed attention. Such increasing inequalities have resulted in serious social and political tensions, thus showing the limits of globalization and the edicts of the so-called Washington consensus - unless accompanied by measures of social security so as to politically sustain the market-based, capitalist growth process by pro-actively responding to the democratic demands of distressed, deprived, and disadvantaged sections of the population. The statistical record shows that inequality between richer and poorer countries continues to grow. There is, thus, rising income injustice within countries, both developing and developed, as also between countries.

The one silver lining is that compared to Africa, Latin America, Europe and North America, Asia as a whole is demonstrating some decline, albeit a very marginal decline, in the Gini co-efficient that measures income inequality. This is principally on account of Chinese growth rates having raised several hundred million Chinese above the poverty line. India too had in the ten years, 2004-2014, when the Congress was leading the government, raised at least 138 million of its citizens above the poverty line.

But before we start celebrating this, we must remember that despite the growth that Asia, particularly China and India, have experienced, the levels of income inequality in both countries remain disturbingly high. India particularly combines high ratios of income inequality with virtual stagnation at a very low level around 135 - on the UNDP's Index of Human Development. Therefore, as a democratic developing country, India's biggest domestic challenge is to reconcile higher growth with widening inequality so that social tensions do not spill over into political unrest that might undermine the democratic process.

The Indian, and specifically the Congress solution, to the paradox of faster growth leading to wider and deeper inequalities has been to posit "inclusive growth", rather than growth *per se*, as the strategic goal of the growth process and to promote inclusive governance as the road to inclusive growth, that is, growth that covers all sections of society equitably and not just a favoured few.

Inclusive governance is based on a major constitutional amendment conceived and piloted by our late Prime Minister, Rajiv Gandhi, some 25 years ago. The amendment aimed at converting India from being merely the "world's largest democracy" into becoming the "world's most representative democracy". This was effected by adding to the central and state tiers of government a third tier of "institutions of local self-government" called "Panchayati Raj".

Let me explain. Whereas before Rajiv Gandhi's constitutional amendment, we had only about 5000 elected representatives in the Union Parliament and the state legislatures together to represent about a billion people, as a result of the amendment, we now have some 250,000 units of democratic local self-government to which we have elected no less than 3.2 million representatives. These include nearly 1.4 million women. There are more elected women in India alone than in the rest of the world put together.

This is an achievement in grassroots political and social empowerment without precedent in history and without parallel in the world. We are now engaged in enhancing the administrative and economic empowerment of the local units of self-government, that we call the "panchayats". This is no easy task because such far-reaching democratic local self-government radically alters political

equations between higher-level professional politicians and the emerging grassroots political class.

The Congress president, Mrs. Sonia Gandhi, has sought to reassure all levels of our political system that what she seeks is not a dismantling of the higher echelons of government to privilege the lowest rung but a governance system that comprises a strong Centre, strong State governments and strong local government. This is not a zero sum game where some will be winners and all others losers. No, the system can be so run as to strengthen all tiers of government. Good governance, therefore, arises from responsive democratically elected, transparent and accountable local self-government in our villages and urban slums.

Rajiv Gandhi had earlier said that to get a responsive administration, which is the most aching need of the people, we need an administration that is responsive to the people's demands. Such a responsive administration is possible only if it is an administration that is responsible to the people at large in the village assemblies of the entire electorate mandated in the constitutional amendment. This, in turn, means a representative local government elected by the people. In other words, a people-oriented administration is one that is held to account by the electorate as a whole, not just at election time but periodically throughout the tenure of the elected local government.

Effective devolution to the lowest tier of local self-government will, we believe, significantly moderate economic inequalities by empowering poor people to themselves undertake the functions, spend the funds and be assisted by the required government functionaries in ensuring the efficient and just last-mile delivery of public goods and services like poverty alleviation programmes, food security, rural employment guarantee schemes, rural social security, primary health, primary and secondary education, sanitation, drinking water, minor irrigation, rural industrialization, financial inclusion etc. One consequence of Panchayati Raj has been the marginal decline in the income Gini co-efficient that we have seen since the Congress put in train a process of economic reforms with a human face.

If Socialist International sees some merit in India's endeavour to meet the challenge of inequality by promoting inclusive growth

though inclusive governance, I would be happy to provide your Commission on Global Inequality with detailed information on using the deepening and widening of democracy as the single most powerful tool to tackle the inequality that economic growth inevitably engenders.

Sir, Comrade President, in 2012-13, under my chairmanship, an Expert Group prepared for our government a five-volume, 1500 page report that your Commission on Global Inequality might find of some use. I would be happy to interact with the Commission, if the Commission so wishes.

Equally, the Indian National Congress that I represent here has long held and propagated the view that inequality in international economic relations can only be tackled by democratizing all the institutions of international economic cooperation such as the World Bank, the International Monetary Fund, the World Trade Organization and various UN bodies. Particularly in the IMF and the World Bank, there is a clear domination of the voices of a handful of highly developed countries. In such an undemocratic international economic order, developing countries end as supplicants rather than as equal participants in deliberations and decision-making. That is why the democratization of the international political and economic order has long been a priority in our foreign policy.

So, Comrades, I conclude, even as democracy appears to be the answer to domestic inequality, so also does democracy seem to hold the key to a more equitable international economic order. Democratic socialism is not a contradiction in terms, as some of our critics, on both the left and the right hold. Rather, it is democracy that strengthens socialism and socialism that strengthens democracy. The Indian National Congress is honoured to partner all of you in this noble endeavor.

Thank you, Comrade President.

-----