Power Blackout in India, Part II

Arvind Subramanian says that the recent power outage in India symbolizes the country's deeper problems of poor infrastructure, corruption, and profligate use of subsidies for those who should be paying for their energy.

Steve Weisman: This is Steve Weisman with Arvind Subramanian at the Peterson Institute, discussing the implications, in the second part of our conversation, of the massive power failure in India in the first week of August. Arvind, you see this power blackout as kind of symbolic of many larger problems of governance corruption in India.

Arvind Subramanian: Right.

Steve Weisman: Explain that.

Arvind Subramanian: Just to begin with, infrastructure is a big issue in India. And deficient infrastructure is a big problem in India. And in some ways, power is the most important sector there. So power is integral to India's growth, because it's a key infrastructure sector. Power has also become essential to the aspirations of the rising middle class in India. So it's become an essential thing.

Third, in some ways, the problem of power is symbolic of the problem of weak governance, corruption, venality that afflicts the Indian economy generally. Finally, I would say perhaps the most symbolic aspect of this is that in some ways, the politics of power has been about populism, i.e., some of our politicians have always felt that if they came into power, they promised either free power or cheap power. And that's always seemed to be a vote winner in India.

The paradox is that for 50 years they've promised free power and subsidized power, and we've had no power or interrupted power. So why voters buy into this nonsense of a promise is the big question.

Steve Weisman: In Washington, the voters, according to the Washington Post, don't want to pay for utility lines to be buried, even though that would reduce power failures of the kind we've had in the Northeast. Maybe it's not surprising that politicians don't want to confront voters with the choices that you outline here.

Arvind Subramanian: Yes. I think the problem is that it's kind of like a chicken and egg situation.

Steve Weisman: Right.

Arvind Subramanian: If politicians could deliver reliable and steady power, people would be willing to pay for it. But unless that is shown to be possible for three, four, five years, I think voters will not buy any promises. So it is therefore much cheaper and much easier to say, "Oh, we'll provide you free power," and the status quo continues.

Steve Weisman: The people getting free or highly subsidized power are businesses, farmers, all of the above?

Arvind Subramanian: I think one important constituency that gets free power is the farmers. And that's been catastrophic for India's environment because you use tube wells for irrigation; the aquifers are drying up. The water tables are plummeting, so India's facing a big environmental catastrophe from cheap and subsidized power. That's one big concern.

The other constituency is just those who are favored by the politicians in power, who kind of steal the power or don't pay for it. These laws are never enforced against them.

Steve Weisman: India has some prosperous agricultural areas, like Punjab, which is often called "the breadbasket of India." Are they also getting subsidized power? They're actually fairly well-to-do.

Arvind Subramanian: Yes. In fact, they are the ones who are getting most of the subsidies. In fact, the tragedy of this is that this is a measure that is supposedly aimed at the relatively less well off. But all these are almost invariably appropriated by the more affluent. The guys who can use the tube wells are by definition the richer farmers and who have the finance to buy the tube wells and so on.

Steve Weisman: What about the problem of corruption? A huge amount of power, I think you've said, is drained just by people illegally tapping into the power grid.

Arvind Subramanian: The following statistic I think is quite striking. As a share of power that's produced, the amount that's lost to what is called euphemistically "transmission and distribution losses" -- which is basically a euphemism for theft and looting -- India is substantially worse than most other countries, especially the competitive countries.

For example, in India, about 30 percent of power produced is lost to all of this. In China, it's like 5 percent; Singapore is like 5 percent. Even Indonesia or Brazil are much better than India. So in some ways, it also shows how far behind India lags these countries in terms of its infrastructure. And this is a good metaphor for that.

Steve Weisman: Thank you very much, Arvind.

Arvind Subramanian: Thanks, Steve.