

India Wants More than Crony Capitalism

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While global attention has been focused on recent political change (or lack of it?) in the United States and China, developments elsewhere may be just as significant for geopolitics. The current political churning in India reflects more than just the growing fragility of the government in power: it brings to the forefront shifting equations and changing public perceptions that are likely to define the future political economy of the country.

Two recent tendencies are particularly important: the explosion of [revelations about corrupt practices](#) that point to the worst excesses of crony capitalism in a deeply divided society and increasingly unequal economy; and the associated disarray and lack of energy in the Congress party, which has hitherto represented itself as the natural leader of the "secular" political forces in the country.

While it seems that economic illegality, fraud and corrupt practices have ballooned in recent times, most of the revelations that are pouring out now do not relate to recent events but to things that happened [several years ago](#), precisely in the middle of the boom. The period of most rapid growth turns out to have also been the period of the greatest economic skulduggery.

The past two decades have seen strongly "corporate-led" growth, with massive rises in the ratio of profits and interest to GDP. Much of this was determined by the use of state power (not just central government but also state and local levels) to extract resources and surpluses. This was critical in the handing over of natural resources to private players: land, of course, as the recent controversies about land transfers and land use changes make all too evident; mineral resources; [spectrum](#); water; and so on.

It was evident in tax breaks and other fiscal incentives to encourage higher profitability of corporate investment. It showed in the allocation of financial resources, including credit provided through public sector banks at attractive rates of interest. It manifested in the blind eye that was turned to blatant abuse of many legal provisions and laws that protect workers, local people and other stakeholders, if these were seen to interfere with the aggressive pursuit of profit.

All this was done in the name of growth, because the government's officially stated position has been that GDP growth is the best indicator of the economic wellbeing of the people, that this is best delivered by large private corporate investment – and so the government's job is to encourage and enable such private players.

But this generated Wild West-style economic dynamism: unfettered by adherence to any rule of law that treats all citizens as equal, and reliant on close relations of capital with the state to ensure high levels of surplus extraction. It is obvious how easily and quickly this can turn into a more smelly system of crony capitalism. This was not aberrant behaviour but rather an essential part of the growth strategy.

This strategy is now proving to be unsustainable for several reasons. The social tensions that sharply increasing inequalities generate are less easy to hold in check. Progressive legislation

such as the [right to information act](#) has allowed people to unearth more about the dirt that has accompanied much of the previous boom, and more and more citizens who have finally had enough are empowering whistleblowers and activists to break the "omerta". As the murky links between business and political classes become more evident, there is less willingness to accept supposedly technocratic arguments for economic policies that force most citizens to suffer while a few are rapidly enriched.

The fortunes of the Congress party reflect this process. For a long time, national politics in India was synonymous with the party, as it extracted prolonged benefits from its involvement in the freedom struggle. But from the mid-1970s, its organisational weaknesses became apparent, and the subsequent attempt to rely only on the personal charisma of the Nehru-Gandhi family has generated uneven results.

A new book on the party, [Congress after Indira](#), by Zoya Hasan, highlights that at the moment "Congress has no ideology, only strategy. If there is one ideology that the party continues to represent, it is the ideology of power. Economic liberalisation has accentuated this trend and brought individual and special interests out into the open."

This could still work politically for a while, particularly in the first tenure of the United Progressive Alliance (UPA) coalition government (2004-09), when outside pressure from the leftwing parties forced the government and the Congress party to honour at least some of its own electoral promises and implement some popular schemes like the rural employment guarantee.

But it is less likely to work in future, because the government and Congress party are now more closely identified with the negatives of crony capitalism that underpinned the growth story. Allegations against the "first family" – particularly [Robert Vadra](#), the son-in-law of the Congress president Sonia Gandhi – are now combining with almost daily revelations about other scams and scandals that have cost the public exchequer huge sums and reduced public resources for ensuring the most basic needs of the citizens.

The immediate political decline of the Congress party is increasingly likely, so the question is, what will replace it? The complexity and cacophony of Indian politics suggests no simple answer. But future instability will certainly affect not just the country but the rest of the world, even as it reaffirms the vibrancy of India's democracy.

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