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India teaches America pro-business lessons

By Mona Charen

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Is the election of a pro-business, pro-American, growth-oriented prime minister in the world's largest democracy good news or bad news for the world's oldest democracy? We in that oldest democracy are currently governed by the Democrats, a party that has more in common with the defeated Congress party in India than with the victorious Bharatiya Janata Party. You could tell that the White House was less than overjoyed at the election of Narendra Modi when the spokesman recited boilerplate praise of a "free and fair election."

Are there sensitivities regarding this particular small-government guy? Sure. India is not Indiana. The man who has just been elected prime minister was until recently included on a list of people prohibited from entering this country by the State Department.

His exclusion arose from an ugly episode of ethnic violence and murder in the province he governed, Gujarat state, in 2002. A train carrying mostly Hindus returning from a pilgrimage was firebombed, killing 59 people, including 25 women and 15 children. Muslims were thought responsible, and Hindus responded with a horrific murder spree of their own, killing as many as a thousand Muslims. Modi, as governor of Gujarat state, was held responsible for not doing more to protect the Muslim minority. India's Supreme Court, however, ruled that he was not culpable.

Most of the coverage of India's election described Bharatiya Janata as a "Hindu nationalist" party, so it was surprising to see the party performed well even in regions with large Muslim populations. Reuters quoted a Muslim leader in West Bengal, Syed Mohammed Khalid, who said that Muslim voters were not alarmed by Modi, but in any case: "This (was) not a vote on communal lines. This (was) a vote for development and for jobs."

Looking only at his economic record, Modi appears to be the Margaret Thatcher of India. Like Thatcher, Modi is the child of a small businessman, a tea seller in Modi's case. Like her, he is not from the aristocracy. In fact, he's not above a little reverse snobbery about his lower-caste origins. Claiming that the Congress Party had wondered how a tea seller could be prime minister, he sniped, "I sold tea, not the country."

While most regions have languished under Congress Party rule for the past decade — rule characterized by cronyism, corruption and welfare handouts to various constituencies — Gujarat state has become a powerhouse. Modi has sought to reduce red tape, worked to ensure a functioning infrastructure, including a reliable power supply, and welcomed foreign investment. He has sought out trade relationships with Japan and Israel. Poverty in Gujarat has plunged, and

the state has been listed by the Cato Institute as among the best in the nation for citizens' rights, governance quality and economic growth.

Modi may well boost India's prospects at a time when most of the world's economies are in what economists gloomily label "secular stagnation." If Modi truly implements free-market reforms, he may provide a much-needed object lesson for the rest of the (kind of) free world. Though he won the election in a landslide, there are reasons to keep expectations modest. One is India's entrenched and very reform-averse civil service. The other is the temptation of flashy government-backed projects. Modi has spoken of bullet trains linking Indian cities, which could wind up as expensive white elephants. The key for India's economy, as for any economy, is for government to provide the environment in which private industry can expand and thrive, not to shoehorn investment into particular ventures.

At the World Economic Forum in Davos, Switzerland, earlier this year, the countries listed among the least regulated — Singapore, China, Britain and Germany — also showed the best growth rates. Bumping along on the bottom are France, Spain, Greece, Italy and Brazil. During President Barack Obama's tenure, the U.S. has slipped from 23rd to 80th place in terms of regulatory burden.

Obama was scornful of the Republican critique on regulation during the 2012 campaign. "Cut two regulations and call me in the morning," he mocked. Investor's Business Daily reports that it is now easier to start a business in Slovenia, Estonia and Hungary — all formerly communist countries — than in the U.S.

Obama remains wedded to the kind of anti-business policies that a majority of Indians just rejected. Unlike the voters of India, he seems immune to learning from experience. We'll see whether the same can be said of American voters.