

# Dhaka Tribune

## Is Modi a false economic messiah?

Citizens have to decide whether a politician so tainted deserves to lead India

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The Indian economy grew just 3.2% in 2012, a steep fall from the 6.3% expansion seen in 2011 and double-digit growth in 2010. Such a decline does not help a government in an election year. The business mood is dismal, and many blame the ruling coalition.

No government can maintain fast-paced growth in perpetuity if it is honest about its statistics, but India is a land of rising expectations. Nearly a quarter of a century after India jettisoned socialistic policies, people increasingly feel the economy should only grow quickly and that everyone has the right to become prosperous.

That is not easy to deliver. India has creaky infrastructure, bureaucratic hurdles, an inflexible labour market, idiosyncratic rules about foreign ownership, and pervasive corruption. These are all reasons why the country has continued to underachieve.

If opinion polls are accurate, this is all about to change. The Hindu nationalist Bharatiya Janata Party, also known as the Indian People's Party, is in the lead and could emerge as the single-largest force after elections in a few weeks. Its candidate for prime minister is Narendra Modi, chief minister of the state of Gujarat. Many hail him as a "messiah" who will deliver a market-driven economy.

### Happy captains

The corporate community adores Modi. His periodic "Vibrant Gujarat" summits boast of the business-friendly regulatory environment of his state, which lies just north of Mumbai.

Captains of industry like Mukesh Ambani and Ratan Tata have praised Modi's rule in Gujarat. Tata Motors in 2008 moved a factory project for its groundbreaking Nano car from West Bengal, where local farmers fiercely opposed the company's use of land, to Gujarat, where Modi offered sweet terms including cheap property and easy access to loans.

Investors, meanwhile, praise the quality of Gujarat's ports and roads and credit Modi with reducing corruption and red tape.

Economists like Columbia University's Jagdish Bhagwati and Arvind Panagariya support the "Gujarat model" and say the state's encouragement of private entrepreneurship, if extended nationwide, could transform India. A new study backed by the Cato Institute ranks Gujarat highest among all Indian states in terms of "economic freedom."

Yet that should not be surprising – Gujarati people are traditionally entrepreneurial and the state has historically been business-oriented. It had superior roads and good ports well before Modi became chief minister in 2001. The Ambani family, for example, made major investments in the state in the 1980s, when Modi was nowhere in the scene.

Some investment projects in Gujarat have the scent of cronyism. A recent article in Forbes Asia revealed how the Adani group, which is close to Modi, has been allowed to lease grazing land in Gujarat at well below market rates, then turn around and sublet it out at huge profits. Modi's fans deny he did anything wrong. His critics say this is just one example of businesses prospering by cozying up to the state government. Does Modi favour capitalism, or certain capitalists?

While Modi speaks with what supporters call Reaganesque verve, and offers pro-market mantras and bon mots, he has also sounded protectionist at times. He has lamented the decline of some industries – such as textile manufacturing in Gujarat – that have failed precisely because of market forces. He has also criticised India's "dependence" on electronics imports. And his party has many politicians who are suspicious of foreign investment.

"India is a country, not a market" was an early slogan of the BJP.

In a damning paper, UK-based economists Maitreesh Ghatak and Sanchari Roy debunk Modi's cheerleaders. They point out that other states have also shown high growth and that Gujarat's rate was already well above the national average in the decades before Modi came to power. In fact, the gap between Gujarat's growth rate and the rest of the country has narrowed during Modi's time at the helm. A rising tide lifts all boats, after all.

The paper also notes that while Gujarat's human development index – a measure that accounts for non-income-related factors such as education and health – exceeded the national average in the 1980s and 1990s, it slowed in the 2000s and fell behind the rest of the country. Similarly, the level of inequality in Gujarat has risen with Modi in charge.

Detractors such as Ghatak and Roy also blast Modi as a right-wing Hindu nationalist who failed to contain the 2002 Gujarat riots. About 1,000 people died, the majority of them Muslims. The violence resulted in a 10-year diplomatic boycott of Gujarat by the UK government, as well as the imprisonment of one senior Modi aide on murder and other charges. A court-appointed investigation concluded there was not enough evidence to prosecute Modi himself, but a victim's widow has appealed that decision.

Citizens have to decide whether a politician so tainted deserves to lead India. In doing so, they will also reveal what kind of nation they want India to be.

- See more at: <http://www.dhakatribune.com/op-ed/2014/apr/10/modi-false-economic-messiah#sthash.x2uScO39.dpuf>