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India's de facto royal family includes Sonia Gandhi, head of the Congress Party, and her son Rahul and daughter Priyanka. Rahul is considered a prime-minister-in-waiting, with Priyanka ready to step in if he fails. Their father, grandmother, and great-grandfather all served as prime ministers.

INDIA'S FECKLESS ELITE

Its political class may not be up to the task of leading India toward prosperity.

BY **SADANAND DHUME**

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JUST THE OTHER DAY, IT SEEMED AS IF India could hardly put a foot wrong. Annual economic growth averaged above eight percent between 2003 and '08, and the country was one of the world's few major economies to escape more or less unscathed from the global financial crisis. In November 2010, President Barack Obama made the longest foreign visit of his presidency to India. There, in a rousing address to Parliament, Obama declared that "India has emerged," and pledged to back New Delhi's quest for a permanent seat on an expanded United Nations Security Council. By then, authors and analysts had already churned out a small rainforest worth of books and articles asserting that the 21st century belonged to Asia's two giants, China and India.

Two years later, India's rise looks a lot less certain. Economic growth slowed to an annual rate of 5.5 percent in the first quarter of the current fiscal year, and few independent analysts expected it to top six percent in the rest of the year. For a country still at an early stage of development—in dollar terms, the average Indian earns about as much as the average Chinese did in 2004—this augurs ill. Most economists believe that India needs to grow by more than seven percent annually merely to keep pace with the 13 million new entrants into the job market each year. (China's growth rate, even after declining from its former torrid pace, is eight percent.) Pratap Bhanu Mehta, president of the Centre for Policy Research, in New Delhi, says India is "flirting with social catastrophe."

Flagging growth isn't the only cause for concern. Foreign direct investment plummeted 67 percent in the first quarter of the current fiscal year, to $4.4 billion. The rupee has spent much of 2012 touching historic new lows. (By mid-September, it had lost 20 percent against the dollar over the past 12 months.) Though arguably a one-off event, the massive power outage in July that left 600 million people without electricity dramatized the parlous state of Indian infrastructure to the world. The blackout was a powerful follow-up to a stark warning from ratings agency Standard and Poor's the previous month—that India risked becoming the first "fallen angel" among the BRIC economies (Brazil, Russia, India, and China).

In September, the government raised the price of diesel fuel and announced a rash of long-awaited economic reforms

in the retail, aviation, and power sectors. For the first time, big-box retailers such as Walmart will be allowed to own a majority stake in their Indian operations. But it remains to be seen if even these limited reforms, eight years in the making, will take hold amid a firestorm of protest by both the opposition and allies within the ruling coalition. As protestors take to the streets and coalition partners threaten to bring down the government, they highlight the unpredictability of Indian democracy and foreshadow a chaotic alternative to the smooth arc of progress assumed by many.

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Meanwhile, Parliament has been paralyzed by a series of high-profile corruption scandals. Violence between Muslims and indigenous people has flared in the northeastern state of Assam and between Muslims and Hindus in the Hindi heartland state of Uttar Pradesh. In August, some 50,000 migrants from the northeast who had come to western and southern cities such as Pune, Hyderabad, Bangalore, and Chennai in search of better lives abruptly fled homeward, fearing retaliation for anti-Muslim violence in Assam. In a panic, India's government blocked more than 300 Web pages, only a handful of which would be considered inflammatory in most democracies. This action, along with a ham-handed attempt to shackle social media sites Twitter and Facebook, and the brief jailing of a political cartoonist under a colonial-era sedition law, casts doubt on the depth of the world's largest democracy's commitment to freedom of speech.

This catalogue of setbacks raises questions about the health of India's polity. Are the country's ruling elites up to the task of piloting a staggeringly diverse nation of 1.2 billion people, half of them under the age of 25, out of poverty and toward prosperity? Can economic reforms be pushed through in an era of dynastic politics, fragile coalitions, and powerful regional satraps? Can India's institutions rein in resource grabbing of the sort once associated with postcommunist Russia or Suharto's crony-ridden Indonesia? Can politicians rise above appeals to caste, religion, and language

and begin to debate the country's future in terms of ideas? In short, will politics, in the broadest sense of the word, enable India to achieve its potential, or choke it?

To be sure, it's far too early to write off India. It has confounded naysayers before. As far back as 1960, the journalist Selig Harrison famously predicted, in *India: The Most Dangerous Decades*, that the country would likely fragment or take an authoritarian turn. Except for a 21-month interregnum in the 1970s, when Indira Gandhi halted elections and suspended civil liberties, it did neither. Before India's green revolution in the 1960s and '70s, some doubted that the country would be able to feed its burgeoning population. It now grapples with the problem of surplus grain rotting in storehouses. And one year of slower growth hardly alters the broader fact that since the advent of economic reforms in 1991, things have been getting better faster than at any other time in Indian history. In this period, India has pulled more than 200 million people out of poverty. According to the World Bank, the share of the population living below the poverty line has declined from more than half to less than a third.

Moreover, many elements of India's relative success story since 1991 remain in place. The middle class, estimated to

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number between 60 and 300 million, depending on who's counting, provides a vast consumer market. Unlike most developing countries, India is home to a clutch of ambitious companies with global reach. This year, 48 Indians made *Forbes* magazine's list of the world's billionaires. Mumbai-headquartered Tata Motors has defied skeptics and turned around the fortunes of Jaguar Land Rover after buying it four years ago. Anil Ambani's Reliance ADA Group owns a 50 percent stake in the Hollywood studio DreamWorks. In 2010, Mahindra and Mahindra took over South Korea's Ssangyong Motor Company. India is also set apart from most developing countries by its deep domestic financial markets, which give business ready access to capital.

Although India's savings rate has declined somewhat over the past three years, at 31 percent it remains higher

than it was in the 1990s and not much below the rates that powered the economic miracles of East Asia's "tigers" in the 1970s and '80s. And while company executives often gripe about education standards, only China churns out comparable numbers of engineers and management graduates each year. A large and prosperous diaspora—more than three million strong in the United States alone—acts as a bridge of ideas and innovation between India and the West.

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As for India's rickety democracy, on the positive side, a few relatively well-governed states such as Gujarat on the west coast and Tamil Nadu in the south have discovered the benefits of running business-friendly administrations. More competition among the country's 28 states could lead to better governance over time. Last, but perhaps most important, for all its flaws, India's democracy provides it with great structural stability. Unlike their counterparts in many countries at a comparable level of development, Indians can take the peaceful transfer of power by the ballot for granted at all levels of government.

Nonetheless, no country is immune to dysfunctional politics, and, looked at dispassionately, the odds aren't exactly stacked in India's favor. As Brown University political scientist Ashutosh Varshney notes, "India is attempting a transformation few nations in modern history have successfully managed: liberalizing the economy within an established democratic order."

In other words, India embraced universal suffrage (at independence in 1947) at a much earlier stage of economic development than the most successful Asian economies—Japan, South Korea, and Taiwan. (Tiny Singapore can still be called quasi-authoritarian; the ruling People's Action Party has held power continuously since independence in 1965.) Although India's democratic experiment has worked remarkably well in many ways—not least by empowering those at the bottom of the social pyramid—the system also makes it extremely difficult to carry out important but unpopular reforms, such as slashing

fertilizer subsidies and ensuring that farmers pay market rates for electricity.

It's hard to argue that, on average, Indian politicians are fully equipped for this challenge. Sixty-five years after independence, for example, India's democracy appears to reward educational merit less than the British Raj did in its final decades, when it allowed Indians a measure of self-government. At independence, India's ruling class was arguably the best educated in the developing world. The father of the nation, Mohandas Gandhi, was a lawyer educated at London's Inner Temple. The first prime minister, Jawaharlal Nehru, studied at Cambridge University, and the chief drafter of the constitution, B. R. Ambedkar, had a doctorate from Columbia University. Simply put, in both erudition and probity, India's founders were on average several notches above their present-day successors. Today, nearly a third of state and national legislators have criminal charges pending against them, including serious ones such as murder, kidnapping, and extortion.

Over time, the odds of an idealistic young man or woman acquiring a world-class education and aspiring to public life in India have become vanishingly small. Many of the most talented instead look toward the private sector or emigrate to the West. Indian elections are usually decided by an electorate that votes primarily on the basis of identity—caste or religion. Moreover, most political parties in India have morphed into family fiefdoms handed down from parent to child like an heirloom. In many ways, the parties resemble personality cults more than organizations of individuals motivated by similar ideals and policy prescriptions.

The best known of these families is, of course, the Nehru-Gandhi dynasty, rivaled in longevity only by North Korea's Kims or Saudi Arabia's House of Saud. Sonia Gandhi, the daughter-in-law of Indira Gandhi, is president of the ruling Congress Party and is India's most powerful politician. Manmohan Singh, her mild-mannered and technocratic prime minister, is widely seen as a seat warmer for Gandhi's 42-year-old son, Rahul. Should he become prime minister, Rahul Gandhi will follow in the footsteps of his father, grandmother, and great-grandfather. Should he fail to ascend to the top post, the party, conditioned by decades of loyalty to bloodline rather than ideas, will almost certainly turn to his 40-year-old sister, Priyanka.

But why focus on Congress alone? Akhilesh Singh Yadav, chief minister of Uttar Pradesh, is the son of former chief

SAURABH DAS / AP IMAGES

Women wait in line to vote in Manglipattu, north of Madras. Indian voters generally turn out in large numbers, but in many places, long-ruling parties nominate candidates from only a handful of families.

minister Mulayam Singh Yadav. Another son of a former chief minister heads neighboring Uttarakhand. Politics in Punjab, India's breadbasket, is largely a battle between two powerful clans, one representing a former royal family, the other usually backed by the Sikh clergy. Sons of former chief ministers run Orissa and Jammu and Kashmir. Until 2010, another ran Maharashtra.

Parliament is no exception to the nepotistic norm. Seven in 10 of its female members, notes historian Patrick French, owe their entry into politics to family ties. Two-thirds of members of Parliament under the age of 40 are "hereditary MPs" from political families. In short, while the right name gives a politician a leg up in other countries, in India it's more like two legs and an arm. Fifty-odd families effectively run much of the country. Traditionally, the Communists and the Hindu nationalist Bharatiya Janata Party (BJP), each disciplined by a distinctive worldview, have been better than others at nurturing talent. But nowadays the BJP's most prominent young MPs look remarkably similar to their entitled peers in the unabashedly dynastic Congress Party.

Smaller caste-based and regional parties, such as Yadav's Samajwadi Party, are typically personality cults run by a maximum leader who pays lip service to some variant of socialism while drawing electoral support based almost entirely on identity politics.

Arguably, this system fosters corruption. Lacking a culture of transparency, virtually all parties use slush funds for campaigns, which in many parts of the country consist of promising voters free kitchen appliances or laptops, or delivering cash-filled envelopes to them the night before voting. In the absence of intraparty competition, the party leader effectively controls both campaign cash and, when in power, the state's goody bag of handouts. It's hardly a surprise, then, that politicians have developed a symbiotic relationship with crony capitalists in mining and real estate, fields in which access to decision makers is the single most important element of business success. In some cases—as in the ongoing "coalgate" scandal, in which government auditors claim that the national exchequer lost $34 billion by selling valuable coal reserves at throwaway prices—the politician and the crony businessman are the same person.

Neither dynastic politics nor corruption is uniquely Indian. The former hasn't appreciably hindered Singapore's progress, nor the latter South Korea's. But India also bears the harmful legacy of past mistakes that have not been fully acknowledged, and therefore not fully repudiated. India's first prime minister, Jawaharlal Nehru, was a Fabian socialist who was contemptuous of markets and enamored of state planning. His daughter, Indira Gandhi, raised rabble-rousing to an art form and turned the crude license-permit system she inherited from her father into a refined instrument of economic torture. In her time, the marginal tax rate rose to 97 percent, and thanks to the license system even the most routine economic decisions, such as where a business could build a factory or how much it could produce, were made by bureaucrats.

Under Gandhi's rule, which spanned most of two decades until her assassination in 1984, India fell steadily behind its East Asian peers on measures such as the growth of per capita income and human development. Between them, Nehru and Gandhi ruled India for all but four of its first 37 years of independence. They created a political discourse centered on government intervention and largesse that persists to this day. So pervasive is this discourse that even the opposition BJP, ostensibly a party of the

Right, often espouses economic views that are indistinguishable from those of India's Marxists. Though it pushed reforms when it was in power (1998–2004), in opposition the BJP has led the charge against fuel price rationalization, opposed foreign investment in retail, and stalled the implementation of a modern goods-and-services tax to replace an inefficient patchwork of levies.

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Thanks to this legacy of mistrusting markets, no Congress-led government, including the one that was compelled to launch reforms in 1991 against the backdrop of a balance-of-payments crisis, has treated liberalization as something to celebrate or explain to the masses. Most seem to view it as bitter medicine to be taken in the depths of a crisis—as with the most recent batch of reforms in September. For others, it's a somewhat distasteful means to acquire the resources to fund welfare programs that guarantee subsidized grains or government jobs for villagers. No wonder that the handful of reformers in government usually operate by stealth, preferring to tweak policies on the margins rather than make a full-throated case for privatizing money-losing companies or streamlining subsidies.

In economic terms this may put India on a fiscally unsustainable path, but in political terms it makes perfect sense. Indeed, the current Congress-led coalition returned to power in 2004 on the strength of a factually incorrect but electorally appealing argument: that liberalization had not helped India's poor. Not surprisingly, it interpreted its mandate as an excuse to boost often wasteful welfare spending and put the brakes on reforms such as the privatization of state-owned enterprises. The party's reelection in 2009 with a larger parliamentary mandate cemented the widely held belief in Indian politics that only handouts guarantee electoral success. Only the economic slowdown, and perhaps the threat to Singh's international image as an economic reformer earned as finance minister in the 1990s, has forced the government to partially change course.

None of the costs of democracy are unique to India. But together they add

up to a disquieting possibility—that there's a fundamental mismatch between the country's economic aspirations and its political culture. On the surface, India may be a democracy like any other—with an elected government, a professional civil service, and a legal system inherited from the British. But unlike its counterparts in almost any other advanced democracy, much of India's political class represents values at odds with those of the most productive element of society: the educated middle class. The middle class seeks order; the political class thrives on chaos. The middle class embraces hard work and thrift; the political class has become synonymous with theatrics and public theft. The middle-class dream rests on a sound education; a career in politics usually takes flight on a famous last name.

This dysfunctional polity accurately reflects the current Indian electorate. Higher-end estimates of the size of India's middle class (as many as 300 million people) are based on a person's capacity to afford basic consumer goods such as a cell phone, a television, or a motorcycle. But while 300 million consumers may mean a lot to Samsung or Honda, they represent only a quarter of India's population. Moreover, it's not clear how many of them oppose the status quo. Bluntly put, you may have a cell phone in your pocket and sneakers on your feet, and still think of burning a bus as a legitimate form of political protest and some form of Nehruvian socialism as the ideal economic system.

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Nonetheless, there are glimmers of hope. About 60 million Indians are middle class by global standards, not merely Indian ones. With rising incomes and greater awareness of the outside world—spurred in part by television news, social media, and foreign travel—this cohort is most likely to begin to question the peculiar honor code of Indian politics, under which a party stands to lose face, and with it influence, if it can't marshal the street muscle to bring ordinary life to a halt.

But even this group, roughly the well educated and the professional class, faces formidable challenges. Already

Above the fray: The more affluent they are, the more Indians are likely to remove themselves from politics. Here, an office complex in Chennai.

KUNI TAKAHASHI / THE NEW YORK TIMES / REDUX

hobbled by relatively meager numbers, they are also shut out by the dynastic nature of most political parties. A culture that equates dissent with disloyalty precludes competitive internal party elections of the sort that are commonplace in the industrialized world. It's true that with the right combination of backroom maneuvering and administrative skill, a talented lawyer, doctor, or journalist may yet ascend the greasy pole of power. But this will demand a willingness to wade into the muck of a notoriously corrupt system, and to play permanent second fiddle to a party's chosen princeling. Not surprisingly, the most ethical, talented, and ambitious prefer to make their mark elsewhere.

Nonetheless, those locked out of the political process also have themselves to blame for their predicament. With their resources, capacity for organization, and access to the media, they ought to punch above their weight rather than below it. Unlike in America, in India, the richer you are, the less likely you are to vote. In the richer neighborhoods in Delhi, Mumbai, and Bangalore, and in the gated apartment complexes springing up in satellite towns such as Gurgaon, outside the capital, people have chosen to secede from Indian democracy rather than to

fix it. On-site generators provide power. Private guards take care of security. The kids study in private schools and visit private doctors. For the most part, politics belongs to a distant world, glimpsed on television news, gossiped about at parties, and, at best, participated in only when national elections come around every five years.

In the long run, however, this apathy is untenable. For India to get the leadership it deserves, the educated must not only vote in larger numbers but also seek a way to enter active politics. The quixotic attempt by Meera Sanyal, a senior banker with the Dutch multinational ABN Amro, to run for a seat in Parliament from South Mumbai in 2009, ought to serve as a symbol of inspiration rather than a cause for derision. (Sanyal won only about 10,000 votes out of 640,000 cast.) Before he tarnished his image by getting involved in a cricket scam, Shashi Tharoor, a former top official at the United Nations and a Congress member of Parliament from the southern state of Kerala, showed that Indian voters are willing to give an outsider a chance. Baijayant Panda, an articulate politician from the eastern state of Orissa, has found a way to blend traditional constituency politics with a forward-looking view of policy.

In the long run, time may well be on the outsider's side. If the economy picks up again, the numbers of those with a regular job, a home loan, and a sense of professional purpose will continue to swell. According to the consulting firm McKinsey & Company, by 2025 India's middle class will expand roughly tenfold, to 583 million people, or more than 40 percent of the population. At that time, presumably, politicians will no longer find it necessary to whip up mobs against big-box stores or bring traffic to a halt in the national capital over the price of fuel.

If more politicians could think beyond the inherited template of identity politics and government handouts, they would see the enormous potential—for their parties and for India—of locking in the support of the middle class. In a properly functioning democracy, political arguments are won in newspapers and on television, and through orderly grassroots expressions of dissent. For India to join the developed world, it needs to drag its politicians into the 21st century. Or else, they may just drag India down with themselves instead. ■

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