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Is India Too Big to Fail?

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In his new book, *In Spite of the Gods: The Strange Rise of Modern India*, Edward Luce describes modern India in the manner one might write about one's in-laws: They are family and thus intimately familiar, but the ties are not blood ties, the observations are made from a slightly greater distance, and there is always the possibility of divorce if things don't work out.

That this comparison seems figuratively apt is buttressed by the fact that it is literally true: Luce has married into an Indian family. It flits now and then on the periphery of the narrative, and in the concluding section, he uses his wedding in New Delhi as a metaphor for how things in India can go wrong and how they can go right. In his preface, he cites his wife as, "in many ways, a cause of this book."

Luce has had ample opportunity to consider India from a professional vantage point as well. From 2001 to 2006, based in New Delhi, he served as South Asia bureau chief for the *Financial Times*; he currently serves as that paper's Washington bureau chief. During the latter years of the Clinton administration, he was a speech writer for Treasury Secretary Lawrence Summers.

Given this background, it comes as no surprise that the core animating questions Luce seeks to address are about both economic and political development: "My aim in this book," he writes in the introduction, "is to provide an unsentimental evaluation of contemporary India against the backdrop of its widely expected ascent to great power status in the twenty-first century."

Luce does a superb, nuanced job of looking at contemporary India -- from north to south, rich to poor, illiterate to highly educated -- and he also provides rich layers of history, backtracking a few centuries or a few millennia, as needed, to provide context both for what he observes and for what he argues. While he succeeds in approaching his topic unsentimentally -- he gives us, unflinchingly, the good, the bad, the ugly and the beautiful -- his work is leavened with humor. And he maintains the journalist's habit of documentation. If you take issue with his statistics, you can go back and check his sources. The book is well footnoted.

The Asian Century

For outside observers examining India's rise, comparisons to China are inevitable -- as they are in India itself. In 2005, for example, Indian Member of Parliament Jairam Ramesh published a collection of musings on the subject titled, *Making Sense of Chindia: Reflections on China and India*, which has been [reviewed](http://knowledge.wharton.upenn.edu/article.cfm?articleid=1268) (<http://knowledge.wharton.upenn.edu/article.cfm?articleid=1268>) in Knowledge@Wharton.

Sometimes, when people make this comparison, China is referred to as the inevitable supplier of the hardware of the 21st Century, with India as the supplier of the software. And it is not uncommon for Indian politicians, philosophers and economists to fret about the comparative rates of growth between the two economies -- somewhat ironic, given that India's rate of growth is second only to China's.

How do the two rising giants compare? Part of what is holding India back, Luce argues, is something between an unwillingness and an inability take decisive collective action. This can be ascribed to culture in two important ways. First and foremost, regarding the question of will, he says that "India has given a higher priority to stability than it has to efficiency."

Indeed, India *is* stable in comparison to China, Luce argues. "India faces a Tiananmen-style sit-down protest in one or other corner of the country for one reason or another every other week," he tells us, and this engenders in the Indian government -- local, state and federal -- nothing remotely like the savage response that China had to its one-off protest movement.

On the other hand, of course, no one would argue that India is more efficient than China.

The second reason, the matter of ability, has to do, Luce suggests, with the tremendously rich and complicated multiplicity of cultures that constitute modern India. "To understand why India's decision-making process is slower than China's," he writes, "one should look at India's more deeply entrenched culture of pluralism. China is also diverse. But it has one script, one official language and very little religious division. India has 18 official languages, several different scripts and deep religious and caste divisions."

Preservation versus Modernization

One of the central quandaries for India is the conflict between preserving traditional cultures and adopting a more unified, homogenized approach. One can see the utility of the latter path in the accelerating international success of the country's well educated English and Hindi speaking middle class. This is, of course, and always has been, one of the most painful choices confronting both developed and developing countries alike: What do we cling to at the cost of holding ourselves back? What do we foolishly give up, trading heritage and tradition for a handful of silver?

Luce returns repeatedly to the legacy of Mohandas Gandhi, and while he is respectful of Gandhi's achievement in freeing India from the grip of British colonialism, he lays some of India's post-Independence economic problems more or less at Gandhi's feet. He cites, as an example, "regulations that provide disincentives for textile companies to grow beyond a certain 'cottage industry' size, which penalizes commercial success and protects failure."

In an industrialized international economy, Luce argues repeatedly, a commitment to small scale enterprise -- coupled with a strong ethos of self-reliance, which substantially isolated India from global competition for decades -- is a liability rather than an asset.

In the matter of obstacles to progress, growth and success, Luce regularly returns to a handful of themes, paramount among them the law of unintended consequences: He lists myriad examples of government programs that have been put into place to elevate the poor but which have often had the opposite effect.

Numerous initiatives in India, for example, provide either free, or heavily subsidized, electricity and water to farmers. Most of the farmers are poor. Making these resources available to them *should* provide a way for them to begin to lift themselves out of poverty. That is not what has happened, however, according to Luce.

Only the more affluent farmers have the capital and the expertise to take advantage of these subsidies. They can buy pumps, drill wells, run pipe and electrical cable; the poor majority can do none of these things. Given this perverse set of incentives, in many regions, water has been pumped at such a rapid clip that the water table has fallen drastically, drying up the more shallow traditional wells and irrigation systems. "In the name of the poor," Luce writes, "the poor are deprived of water."

Government as Problem; Government as Solution

A great deal of Luce's attention and ire is aimed at the Indian government at a variety of levels -- what it does too much of, what it doesn't do enough of. He focuses repeatedly on "the License Raj," under which a central planning commission ran India's economy according to five-year plans. The term was coined by Chakravarti Rajagopalachari, who founded the Swatantra Party in 1959. The party (the name means "independence") was meant to combat the planned economy put into place under Nehru and maintained until an economic crisis in 1991.

Luce ascribes India's progress in the past 15 years to the fact that, under reforms initiated by Manmohan Singh, government made some progress in getting out of the way of private enterprise. (Singh is now Prime Minister, but at the time of these reforms he was the finance minister in the government of P.V. Narasimha Rao.) Luce doesn't think the reforms have gone far enough yet. And, in a related criticism of the government, he cites graft and corruption at every level as a tremendous drain on the economy, and, in particular, a serious obstacle to addressing the problem of poverty.

Just as programs to get water to the poor often don't get much water to the poor, programs to get food to the poor often don't get much food to the poor. "Rates of theft vary widely from state to state in India," he writes, "with the better states, such as Kerala and Tamil Nadu, getting more than 80% of subsidized government food to their poor. Meanwhile in the northern state of Bihar, India's second poorest with a population of 75 million, more than 80% of the food is stolen."

Here, as elsewhere, Luce is direct and to the point, concrete in his images, statistics at the ready. Tonally, however, this approach is mixed with a lighter touch. That's necessary, and for the most part it is welcome: We are seeing India over his shoulder; he is a part of the story. He signals in the first few lines of the book that this is his intent, writing in part: "When reporting on India for the *Financial Times* I usually adhered to the detached and impersonal style that journalists follow. But a book is different, and much of what follows is in the first person."

Sometimes, however, he seems a little flippant or a bit melodramatic. Writing about an India/Pakistan crisis in 2002, for example, after a terrorist attack on Indian army troops quartered in Kaluchak, Luce says, "The mercury shot back up. The world's eyes were on General Musharraf to see how he would respond [to Indian talk of a punitive strike across the line of control which divides Kashmir]. I flew to Islamabad to interview Pakistan's leader. Conflict was expected to break out at any moment." One can almost see him dashing up the stairs of the *Financial Times* Lear Jet, buttoning up his flak jacket as he goes.


Challenges and Opportunities


Luce titles his final section "Hers to Lose." There are a lot of factors which weigh in India's favor, he tells us, and many indicators suggesting that India may rise to the status of a world power in years to come. But there are no guarantees. The present holds opportunities, but it is fraught with challenges as well.

He cites four major problems that India will have to deal with effectively if it wants to continue its rise: "The challenge of lifting 300 million people out of absolute poverty and of providing the remainder with a more secure standard of living ... overcoming the dangers of rapid environmental degradation ... the specter of an HIV/AIDS epidemic ... [and threats to] India's system of liberal democracy."

On the positive side of the balance sheet, the English-speaking, educated, Indian middle class numbers some 300 million, the same size as the entire U.S. population. And the U.S., Luce notes, while sometimes evincing some worry about competition, is actively interested in promoting India, both economically and strategically, as a counterweight to the rising power of China.

Will India succeed in transitioning from a colony to a regional power to a global superpower in the space of less than a century? Only time will tell.

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