India is Broken
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Larry Bernstein:
Welcome to What Happens Next. My name is Larry Bernstein. What Happens Next is a podcast which covers economics, finance, and history.

Today's episode is India is Broken.

Our speaker is Ashoka Mody who is a Professor in International Economic Policy at Princeton. He is the author of the book India is Broken: A People Betrayed, Independence to Today.

I hope to learn from Ashoka about whether India's democracy is working and what are the risks of authoritarianism. I also want to hear about the failures in public health and education and how that relates to India's economic underperformance relative to China and its other Eastern Asian neighbors.

India recently became the world's most populated country at 1.4 billion people and that is 17% of the world. So India is everybody's problem.

Ashoka, in your opening remarks tell us about your new book about India since its independence.

Ashoka Mody:
Larry, thank you very much for having me. It has been a great pleasure. We have done this before on my previous book, and I'm so happy that you have called me up to do another.

The book has three strands that run through the history of 75 years for India. The first is whether the Indian economy has been generating jobs of adequate quality. The fact that it has not been doing so is in some sense the central reason why I wrote that book. The second is the poor provision of public goods: education, health, the judicial system, and the environment, which includes air, water, land, and increasingly climate change.

Public goods are essential, not just to improve the lived reality of people, but also for the purpose of creating good jobs in a healthy economy. The third is the erosion of social norms and public accountability that at some point becomes irreversible. When a lot of people cheat, then it is in my incentive to cheat before you can cheat me.

Larry Bernstein:
India was a British colony before independence. The British were generally successful with its former colonies in providing norms that included democracy, common law, and courts, and preventing corruption. Tell us about British influence after India's independence.

Ashoka Mody:
I think the British left a very weak and unfortunate legacy. The economy had not grown for the previous 50 years. The agricultural sector was in great distress. In terms of institutions,

democracy was not something that came from the colonial masters. Yes, they copied the Westminster style of democracy, but it was a purely Indian invention. Independent India started with liabilities that the British left, and it was then a moment of great exhilaration, which Nehru captured in his opening speeches. He then promised, using the words of Gandhi, to wipe every tear from every eye.

Larry Bernstein:
India is the world's biggest democracy. It is incredible the number of people who vote in each election at both the national and local level. Yet, there is also corruption within the democratic process, tell us about that.

Ashoka Mody:
India has held successive elections on a scale that most non-Indians are not even able to imagine. The early elections were fair and well contested. It is the case also that elections tend to be competitive. But today, they've acquired many U.S.-like features of huge campaign expenditures.

The Indian National Election in 2019, the campaign spending was more than the US election just prior to it. So, the campaign expenditures are vast and almost entirely illegal. Those campaign expenditures is unaccounted for—it is what Indians call black money.

Since the 1980s, but gathering steam ever since, is that some very deep pocketed wealthy people have come into the electoral process. The most frightening element of the Indian democracy is that today in the Indian National Parliament, about 29% of the legislators have criminal charges against them—serious criminal charges against them—rape, murder, extortion, kidnapping. The law says that you can contest and win an election if you're not convicted. The problem with that is that once these guys become politicians, they de facto receive the protection of the state from being convicted. So, they remain politicians for long periods of time, and bringing charges against them becomes awfully hard.

The related problem is that the judicial system is broken. There are people who are under trial, and those trials drag on for decades sometimes. So yes, it is true that India has the framework of a democracy. There is an election commission, there's an auditor general. This is where economics literature says, good institutions help create good democracies and good economic outcomes. And the puzzle for me was why, despite the structure of what appeared to be good institutions, does the democratic process not deliver the public goods that people aspire to? And why does the democratic system seem so unaccountable? And the answer is norms. You can have the rules, but if people disregard the rules or bypass the rules or distort the rules, then you need certain accepted ways of behavior, accepted sense of right and wrong. Unless people adhere to that, the institutions and the rules and the laws do not work.

India has some of the best environmental laws in the world, but environmental degradation occurs at a rampant pace. Nobody cares about those laws. And so having the rules, the laws, and the institutions creates this sense of democracy.

But it does not operate for the vast bulk of people. It operates for those who can use the rules and institutions in their own favor. That is the subtitle of my book, that there is a democracy, but it betrays the people.

Larry Bernstein:
In the United States, we have two major political parties. India has a lot of different parties. Power is diffuse. Why are the parties both so regional and religiously based?

Ashoka Mody:
Remember, country of 1.4 billion people, many of the states are much larger in population in than most European countries. For example, the state of Tamil has 70 million people, which is approximately the size of Germany. That is where the diversity comes in. Each state has a certain regional representation, which leads that state to have its own parties.

Larry Bernstein:
Sometimes in a democracy when a politician is corrupt, they throw the bums out. Why is there escalating corruption in India despite the frequent elections?

Ashoka Mody:
The nature of corruption and norms is what economists call a multiple equilibrium problem. That means that if everyone is honest, then it's in everyone's incentive to remain honest, because you are singled out or because you get punished. But if a sufficiently large section of people, say 20 or 25%, become corrupt, then it is very tempting to be corrupt, because it sees the other 20% getting away with it. It's downhill because you don't stay at 20%, you go to 80% directly. So, either have a Sweden-like system where almost no one is corrupt, and everything is transparent to a system that is vastly corrupt.

The downhill process started from the very beginning. There was a lot of corruption in infrastructure and public services contracts. Even in the British period. By 1964, there was a major report which said corruption is infiltrating the bureaucracy and even perhaps the judiciary. Then Mrs. Gandhi gave that a further knock. Mrs. Gandhi was the third prime minister, also the daughter of Nehru. She was a politician who was extremely focused on maintaining her own power. And in that process legitimized corruption at the highest levels of political leadership. Towards the end of her career, in the early eighties her son, Sanjay Gandhi, began to induct criminals into politics. So, it did not happen in one day. It happened over a significant period. But by the mid-eighties, corruption and crime and politics are deeply ingrained and exceedingly difficult to reverse. That downhill slide continues in large part because campaign finance expenditures are exploding. So together an inheritance of weak norms that have accumulated over a quarter century, and the rising campaign finance expenditures make this a process that is difficult to reverse.

Larry Bernstein:
Next topic is political assassination. Mahatma Gandhi was murdered as well as Nehru's daughter Indira Gandhi who was not related to Mahatma. How important is political assassination in India and how rampant is political violence?

Ashoka Mody:
Two most spectacular cases you have already outlined. Political murders on that scale of that national leadership are an exceedingly rare phenomenon. Political violence in the Indian context must be thought of as a low-grade violence that permeates a broader section of society. It again, goes back to Mrs. Gandhi's period. There was a so-called Naxalite rebellion. Initially, it was a peasant rebellion, then it became an urban guerilla movement. We are talking about 1966, 67, 68, and unable to quell this, Mrs. Gandhi began to use first the police and then the armed forces. Then she instituted something called the Unlawful Activities Prevention Act, which gave the authorities virtually unlimited ability to arrest people on very flimsy charges and detain them for long periods of time without even charging them.

And the easy ability to deny them bail. What I am talking about is this underbelly of violence, which is not every day and, in your face, but it is what anthropologists call structural violence. There is the possibility of being arbitrarily arrested and detained. This was already a low-grade phenomenon for many years. But especially since 2014, the installation of the BJP-led government, that political violence, especially associated with arbitrary detention have become common and are used as a method of suppressing dissent.

Larry Bernstein:
From 1975 to 1977, Prime Minister Indira Gandhi declared a state of emergency and martial law across India. Some of the well-off Indians were happy to see authoritarian rule. Some said that how could a democracy work for over a billion people. Was Indira successful using these emergency powers? Did it set back democratic norms? Was authoritarianism rejected then, and do you think people still look back favorably to a non-democratic alternative?

Ashoka Mody:
The emergency under which Mrs. Gandhi acquired dictatorial powers was an unmitigated disaster. There was no economic initiative that she took that was worth its name. There were these two draconian measures. One was a force sterilization of men, and the other was so-called beautification of urban areas, which meant demolition of various sites occupied by the most vulnerable people. The premise of the forced sterilization was that we need to reduce our population rapidly.

It had things completely backwards. The goal must be to create economic prosperity so that people become forward looking and therefore have an incentive to send their children to school, and therefore to have fewer kids. The process of development that has occurred worldwide in healthy societies gets development to be, in some sense, the sterilization force.

The same thing was true of the so-called urban beautification process under Sanjay Gandhi, where he demolished slums. You may remember the author activist Jane Jacobs of the United States, and she made this statement that if you destroy slums without giving people opportunities, they will just create new slums.

Slum demolition is not an answer to anything. The answer must be more jobs. Jane Jacobs said that people don't want to live there, but they have no choice. Both in terms of essential economic

principle, and in terms of the brutality of its execution, it went the way most authoritarian regimes go, which is they inflict brutality on their people and serve no economic purpose.

Larry Bernstein:
Next topic is the Indian diaspora. Indian Americans are the wealthiest group in the US as their median family incomes are twice the nationwide average and 50% more than whites. If India cannot provide basic public services for their people, why don't they leave and come to the West or anywhere else?

Ashoka Mody:
Look, 1.4 billion people is going to create some people of exceptional talent. You have all the CEOs in Silicon Valley and so on. Once in these societies, everyone has an incentive to follow the norms of that society. The ability to infect a society with norms of the parent country is going to be difficult. I'm not sure that we would expect the Indian norms to transfer with the diaspora.

I'm looking at why people are exiting. In my day, which is about almost 40 years ago, it was mainly young people coming for education. Increasingly, we are seeing young parents leaving India because they know that their children will not get a good education and healthcare in India. People are buying so-called golden visas where they buy their visa in the United States and there is a similar visa in the UK. There is a similar visa in the UAE. I do want to be sure I'm not overstating my point. The numbers are still small.

People live in gated communities within India. There are some extremely high-quality schools in India, which are run for people who can afford them, who pay almost international prices for them. So, the exit is not a necessarily always a physical exit. The exit is from the process within the nation. If, for example, I'm taking a helicopter flight into downtown Mumbai, then it's not particularly urgent for me to improve the traffic conditions to come from the suburbs into the city.

The same is true for education as today, more and more parents who can afford it are sending their kids for undergraduate education to the United States, Australia, the UK, something that was virtually unthinkable in my time.

There is one last more insidious form of exit, and that occurs in water. Water is a chronically under-provided public good, and the rich and privileged will often appropriate for themselves the scarce water resources of a city and have swimming pools and water theme parks while there's water shortage in the rest of the city. Their interest in providing their voice for a broader public welfare is extremely limited. I use the term exit in a sweeping sense to ask the question, is there an interest in the Indian elite for a broader upliftment? Or is the interest mainly in making sure that the poor and vulnerable get which will appease them and therefore keep the discontent at a low level?

Larry Bernstein:

Next topic is sewer systems. Public defecation has been a major public health concern. The current Indian Prime Minister Modi announced that he was going to provide millions of new public toilets. Why does India have this profoundly serious defecation and public toilet problem?

Ashoka Mody:
To be fair to the Prime Minister, it is important to acknowledge that there has been progress. There has been a tendency in the current administration to vastly overstate its performance. So, there is a fog of data on this whole issue of open defecation. Many states in India claim that they are free of open defecation. People who are on the ground will tell you that there are problems of lack of water, broken toilets, which continue to persist.

The historical sources of this are extremely hard to identify in any precise way. It has been a function of poverty. But it is probably also a function of historically grounded norms in different functions of different casts. But we must see the problem in the broader context of health and nutrition. In that broader context, the stunting of Indian children, anemia amongst pregnant women, and good nutrition remain a very serious problem. And open defecation is a small part of a much bigger issue that has not been handled.

Larry Bernstein:
Public education in India at the grade school, high school and college levels is a catastrophe. The quality of the typical education is abysmal. Teachers rarely show up for work. In your book you mention that capable and well-educated Indians cannot find employment. But why can't they find decent educators who will do their job?

Ashoka Mody:
This is an area where the breakdown of norms has had its most deleterious effect. There is a recognition that this is a problem. Sometime in the late 80s, teachers' salaries went up. To qualify as a teacher, you need a teacher certification. What happened then was that several local politicians bribed the regulatory authorities to set up teacher training institutes where they charged large fees to prospective teachers but gave them a poor education. They then certified poorly trained teachers. Now, everyone who is a part of the system benefits; the regulators benefit because they are getting a take from the politicians and notables, the politicians and notables are charging fees to prospective students who they certify without teaching them to teach. And the teachers are poorly trained, and therefore their interest in teaching is limited. If they can get away with not teaching, they are cool doing so. It's not that this country cannot create capable people, it's just that in this system, it seems to people that it is easier to succeed in life through cheating, and that cheating equilibrium creates the problem.

Larry Bernstein:
You did not mention that the real losers are the parents and their children who are denied an education. Why don't they revolt against this nonsense? Even if the K-12 is corrupt, the colleges charge the parents and students. Why is there a market failure for a college education in India?

Ashoka Mody:
Lots of garbage colleges producing garbage degrees and therefore producing unemployable young people. You have this one thin slice of extremely elite schools. And as you know, Larry, I've been a beneficiary of that.

Now, the question you're asking is why don't people revolt? That is a much broader question, and that is why you were right to begin with the nature of the democracy. The question is, where in the democratic process is there a legitimate ability to revolt against these inequities? In principle, it is through casting my vote.

Here we have this other unfortunate phenomenon, which is that politicians have learned over time to buy people's votes in two different ways. One is giving gifts at the time of election, and there are horror stories about how large these gifts are of cash, of gold, of liquor and televisions and laptops and so on. Then there is a more institutionalized bribery, which is that every politician will promise you that if I'm elected you will get free electricity or you will get free water. Now, free electricity and free water does not come free because somebody has to pay for it. The problem is that in a system where people are vulnerable, appeasing them with gifts buys their loyalty. The vulnerability itself creates the loyalty which attracts the votes.

There are people who will tell you that we want better education, we want better health, and we are going to vote for it. But in the end, the current government is giving free grain of certain amount to every family, and that creates a constituency. It is through that form of appeasement that the authorities are able to buy the votes of people. Large part of the campaign expenditure is devoted to that.

Larry Bernstein:
I have many friends who are Indian Americans. Nearly all of them attended IIT in India. I recognize that this represents an incredibly small slice of Indian society. The graduates of IIT are so bright and capable. Why can’t India scale IIT?

Ashoka Mody:
For IIT to be scalable, you need to scale the primary education first. The scalability cannot start with an IIT. The heart of the problem is at the primary level and at the secondary level. So the primary, sometime in the nineties, India finally achieved a hundred percent primary enrollment. But the quality of education in terms of the ability of students to perform at grade level is unfortunately pathetic. And that gap between a student performance and grade level benchmarks keeps increasing as they go higher up in their school grades.

Something of the order of about 30% of students drop out before they reach high school. And then kids are ill-prepared for college, and they go to these garbage colleges. So, the system is not supportive of people. Replicating an IIT is not really the solution. The solution has to be a much more concerted effort in mass education.

Larry Bernstein:

Zvi Galil is the former Dean of Computing at Georgia Tech. He spoke on What Happens Next previously, and he created an online master's degree computer science program at Georgia Tech that now has a hundred thousand students.

Ashoka Mody:
Oh, wow.

Larry Bernstein:
Georgia Tech is a top 10 engineering school in the United States, a hundred thousand students each pay only $8,000 a year. If the infrastructure in India is so pathetic, should they skip a step and try to teach online? I know the human touch is better than online but the alternative here is so bad.

Ashoka Mody:
The human touch is dominantly important. It is not a minor thing. This guy who has got a hundred thousand students probably has students who are already have crossed many different filters. We are talking about primary secondary education, where the kids need vast amounts of help handholding. Sal Khan, the founder of Khan Academy says that computer aided learning is different from online learning. The computer aided learning is a tool in the classroom that a human teacher uses. And the human interaction is central to the success of Khan Academy. It is not a desirable frill. It is a core requirement. In the Indian context, especially for education, you need the human touch.

Now just broadening this for a second, Jane Jacobs makes a remarkably interesting statement. She says that safe neighborhoods have good schools, and a unsafe neighborhood can destroy a good school. Education is not just about teaching. Education is about nutrition of kids. It's about giving kids a certain degree of safety and a certain degree of self-confidence. It is about parents being educated. It's about teacher motivation. It is a complex of broad collective action within a society that produces education.

Larry Bernstein:
In her book The Death and Life of Great American Cities, Jane Jacobs highlights successful neighborhoods like Greenwich Village. She loves small streets with high density and where at each corner you have lots of choices when you move around that offers a plethora of small store fronts. India is the best at offering high-density living. You spoke about the slums. I think Jane Jacobs would see the beauty of it, the proximity of people, lots of interactions with merchants. Maybe Sanjay Gandhi saw it as a slum, she would see it as a successful human society, obviously limited by their economic opportunities, but it is still a lovely working society. How should we think about high density living in these Indian urban areas?

Ashoka Mody:
I think you characterize the spirit of Jane Jacobs correctly, but Jane Jacobs did not romanticize slums. They are communities, they are support systems and de-slumming must occur by giving economic opportunities. What you need to do is ask the question, why does India not create good jobs? Why today, after all these years, there is still a large job shortage. The Indian jobs problem

cannot be characterized by a number called the unemployment rate, because most Indians cannot afford to be unemployed.

So, they are employed for short periods of time. The real problem is what economists call underemployment. The problem is that India never created a large manufacturing base, which like the East Asian nations, was able to export to the world. The mass job creation in this century in developing nations has come through exports of labor-intensive manufactured products. There is no exception since the industrial revolution of a country being successful without a good school education.

Larry Bernstein:
150 years ago, half of all Americans worked on the farm, today it is less than one percent. This was made possible because of massive increases in farm productivity: better seeds, fertilizer, and equipment. Today, India still has substantial employment in agriculture. Tell us about that.

Ashoka Mody:
70% of the Indian labor force workforce was in agriculture at the time of independence. Today, that number is 45%. That is a very slow rate of progress. The East Asian nations were about the same as India in the fifties and sixties, and today they have 5%, 10% of their labor force in agriculture. There are direct problems associated with agriculture. Only about 25% of the country has canal irrigation. So most of the irrigation has come in the last 50, 60 years through pumping of groundwater.

But because there are no significant job opportunities in urban areas, people have stayed on farms, and the generational subdivisions have made the farm sizes increasingly smaller.
The problem is that these increasingly small farms just do not have the wherewithal to engage in intensive capitalist farming. The process that you are describing in the United States or in Japan is a simultaneous process of increased productivity in agriculture that releases people from agriculture and brings them to jobs in urban areas.

One of the striking features is the reverse migration. At the time of Covid, millions of people lost jobs. They had limited savings. And a vast trek began back to the farm.

Larry Bernstein:
How do you define underemployment?

Ashoka Mody:
I will give you an example. I go into a store in Sake Market, which is where my parents used to live. I go in to buy a shampoo, and there is a woman sitting over there, and she has obviously come out from a back room somewhere behind the store, and she is sort of the guardian of the shop. I say, “can I have a shampoo?” And she calls out to a little boy who comes from somewhere behind, and he probably was watching cricket on television.

He climbs a ladder, he brings the shampoo down, and he shows it to me. I choose one, I pay her, and I leave. The question I ask my students are the lady and this boy employed? And the technical answer is, they are employed, but they do not do anything for the vast length of the day.

The same thing you will see in college dorms. There are people who will stay for years in college because they have no job prospects. You do not have any clear, productive way of using your time. So, underemployment is a lack of use of available time on the part of people who would like to work more.

Larry Bernstein:
I end each episode on a note of optimism. What are you optimistic about?

Ashoka Mody:
I am looking ahead, what is India's future? And I believe that the best way for India to progress is to move away from the seduction of autocracy, which seems to be a shortsighted kneejerk reaction of Indian elites to a more grounded democracy. I am thinking of going back to the description that Alexis de Tocqueville and then Robert Putnam gave of community-based associations and an institutionalized civic consciousness that emerges from them. We see only a glimpse of this in the southwestern state of Kerala. If I had a hope for India, it would be that those kinds of institutionalized experiments at creating civic consciousness grow and flourish and are copied across the country, and that the norms that they generate at that community level then percolate up into the state and national governments.

When people ask me, so what is the policy you would recommend? I say that there is no policy that I can recommend that will not be distorted. I need a system where there would be a faithful implementation of good policies, and for that faithful implementation, I need a system of norms and accountability. And it is this more grounded democracy that is community driven and anchored. That is my fundamental hope for India. Am I optimistic about it? I am not going to go that far, but that is where the hope lies.

Larry Bernstein:
Thanks to Ashoka for joining us today.

If you missed last week's show, check it out. The topic was Beware Taking Advice from Generals.

Our speaker was Ingo Trauschweizer who is a Professor of Military History at Ohio University. He wrote the biography entitled Maxwell Taylor's Cold War: From Berlin to Vietnam. I am very concerned about relying on the advice of generals in political decision making. Generals often see military solutions to foreign policy problems and that can lead to war.

We used Maxwell Taylor as a case study. Taylor was a famous war hero and later became Chairman of the Joint Chief of Staff and was in the oval office advising JFK during the Cuban Missile Crisis and LBJ during the Vietnam war. Taylor recommended to JFK to destroy the Russian nuclear missiles in Cuba and to LBJ to expand the US military presence in Vietnam.
I would now like to make a plug for next week's show with Edwin Battistella who is the author of the book Sorry about That: The Language of Public Apology.

I am fascinated by apologies and what makes a good one and why some fall flat. It is more than an art because it must include true contrition. God knows we all make mistakes and wish we were better. I look forward to making better mea culpas.

You can find our previous episodes and transcripts on our website whathappensnextin6minutes.com. Please subscribe to our weekly emails and follow us on Apple Podcasts or Spotify.

Thank you for joining me, good-bye.