



What the future holds for India

Jayant Bhandari

Recently I heard a very well-known American economist comparing India with China, as is common practice. He said that China lacks property rights, making it easy for their government to confiscate. In India, he said, the government must rely on time-consuming due process and the rule of law. The result, in his view, is the difficulty India faces in acquiring land to develop infrastructure.

Many people uphold India as being the biggest democracy in the world, with solid common-law traditions, and an English-speaking population. Some people believe that India has become a nation of IT professionals and call-centres. Some others see it as a land of spirituality. All these largely imply that—unlike China—growth-factors of India are humane and despite that they will take a while to kick-in, but when they do, India will not only out-pace China but will do so sustainably.

All the above are not only grossly wrong and utterly misleading, but also wrong at many levels.

What rights?

As I write this, elections are happening in five provinces in India. This is also the wedding season. People had booked wedding-halls months in advance as a part of their painstaking, elaborate arrangements. But at the last moment, government passed an executive order to **takeover those halls**. What happens to people's plans for weddings and hundreds of guests who are arriving is none of government's problems, except that a large bribe to the bureaucrat might help. Also, all schools and colleges, and most offices, are closed, many forcibly acquired



by the government under the threat of severe punishment for any failure to comply. Buses owned by private organizations have been confiscated by the government for election duties.

For several months, scientists and professors, among others on government payroll, have been deployed on election duty, until late at night and during the weekends, mostly to just sit. In general, you can never lose your job with the government, but if you fail to do the needful for the sake of democracy, you are suspended before you are asked a question.

There are random check-points all over the city of Bhopal in central India, where I have been for the last two months. You are not allowed to carry more than \$600 in cash. You can be held up for hours without explanation and no judicial recourse. Of course, if you look well-connected, you can transport a ton of hashish without ever-being stopped or get away with murder. I always dress up well when I go out.

A few days back, I was at a party where I talked with some politicians and activists. They openly talked about their criminal activities, with a hint of pride. They exuded deep-respect for a politician who had apparently murdered someone. Election-eering is a competition between who gives out the



most cash, alcohol and bicycles to voters. All this is done openly. Bureaucrats are supposed to monitor and implement a “moral code.” In practice, power to enforce this code is nothing but power to exchange favors, or to build a favor-account. Indeed, this is a great time for goons, busy-bodies, police, politicians, and bureaucrats to rejuvenate their connections.

To build a road, a close relative has had a part of his property taken over by the government. He never received any notice; no one ever does. You are just expected to know. In a very perverse way, this relative is proud of the confiscation. Apparently confiscation shows that the leftover property has value and as a result the price of what is left has gone up so substantially that it makes up for the seized part. Even if he wanted to, there is no legal recourse.

I only shudder to think what happens to poor, uneducated people.

A few years back, I met a director of one of the top infrastructure companies. He very proudly told me how he had managed to acquire a lot more farmland than he needed to build the highway, by paying virtually nothing as compensation to farmers. He wanted to build residential and commercial buildings. Indeed, India has **no fundamental right to property**.

A few weeks after my meeting with the Director, I read news that farmers had got hold of a policeman who was in the team enforcing the seizure order, and scooped out his eyes with a spoon. The

only choice farmers have is to gang up and elevate their worst sociopaths as their leaders, keeping in place the entangled, amorphous institution of tyranny.

The local policeman in tribal areas pretty much reserves the right to wake people up late in the night and expect to be served what he wants.

Those who romanticize and glorify democracy of India just haven't a slightest clue

what democracy means here. Moreover, given a choice, Indian companies prefer to **invest in China**. I certainly feel more at home and much more free in China than I do in India.

The madness of modern-day India

I have never met a public servant in India who does not ask for a bribe. In a country where people hardly report a crime, **31% of Indian legislative members** have murder or rape cases against them. The problem is not just about the cost of corruption.

Goons, politicians, and the police reinforce each others' positions. As a businessman you must have connections. Those who had reserved wedding-halls and did not have connections certainly regret today. You must help the power to-be, if you want to pre-empt problems. Once you have corrupt connections, you also understand that you can now ruthlessly exploit vulnerable people, including women.

Rural people, who are given cash and alcohol to vote, have ended up getting the mind-set of beggars. Indians don't operate from a sense of right or wrong, for it does not work. In such a system, people fail to understand how wealth is created, for incentive structure forces people to make money using connections.

In my experience, the concept of “the rule of law” and “due process” in India is a complete myth.

The total number of people working in high-paying IT jobs is negligible, fewer than the number by which India's population increases each year.

India is an abysmally poor and wretched country, with a GDP per capita of a mere \$1,491 per year. The average guy in Ghana, Nigeria, Bolivia, Sudan, and Papua New Guinea is richer. You witness non-stop tyranny, chaos, environmental tragedies, and extreme poverty. Indian air chokes, despite very limited industrialization. Water systems are heavily polluted and garbage litters the country everywhere.

A few days back, not too far from where I am, **a stampede killed 115 people**. Allegedly the cops threw live children into the river. It is hard to know the truth but such events are not surprising. For example, recently a crowd and the police participated in **beating a mentally-challenged person to pulp**. For what purpose? Trying to find a rational explanation could drive you mad.

The top national headline recently has been about the federal government digging for a 1,000-ton gold treasure. This is not a result of some technical survey or some historical records, but the fact that this "information" was relayed by a long-dead king to **a holy-man through a dream**.

More than half of Indians have **no access to toilets**. They must defecate in the open. Disinterested in hundreds of millions of malnourished children, image-conscious middle-class Indians feel proud that the Indian Space Agency has sent a 15 kilogram toy towards Mars. Most of this toy is made of imported parts and is for now stuck in earth's atmosphere. Before it was launched, the Agency sent **miniature rockets to temples** around the country to seek divine intervention. One must ask if these are

astronomers or astrologers.

In today's age of high-technology, India's poverty and pain does not come easy. Indian society is extremely superstitious and irrational.

An average day

Industry is only 27% of the Indian economy. More than half of Indians in the manufacturing sector work in facilities with no electricity. Cultural irrationality makes it extremely difficult for them to be able to work in factories. Cheating and lack of work ethic is extremely common. They fail to think systematically. Most importantly they fail to understand the sig-

nificance of these, making it virtually impossible to train them.

During my physical absence from India I somehow lose touch with how things work here. When someone gives a time to meet me or makes a commitment, it takes me a while to re-establish in my mind that such "promises" mean

nothing here. When I see poverty and human-rights violations all around me—non-stop, everywhere—my first impulse is to do something. But then after a few encounters I realize that the victim is almost always just the other side of the same coin.

I can get a manual worker to do hard labour for less than US\$5-a-day (much lower in rural areas; and even lower for children). Superficially, it seems that Indian Rupee should increase in value or at least Indian exports should go up significantly. In reality neither is true. Indian market is flooded with Chinese goods, even of the most basic kind. Why?

If I tell a worker to do five very simple things in order, he will invariably fail to do so. So really if they



cannot even do a linear job what about a complex job? Virtually everything is done with a patch-up mentality. India has massive structural problems. The costs of making anything, despite very low labor costs, are very high. As soon as you start going up the value-chain, Indian costs rise exponentially, making Indian exports uncompetitive.

On top of this, middle-class, the backbone of any society, has utterly failed to provide leadership. A few days back, the road in front of our house was blocked off by the police because a well-connected neighbour wanted to have a party in the park. Those invited to the party were bragging about the invitation. They were obviously impressed with the show of connections.

Where is the revulsion they should have felt?

But should bringing an awakening be so difficult?

The sources of India's problem run very deep. On the extremely slippery slope of Hinduism, rationality has an enormously hard job getting a foothold. **Hinduism** is a religion of the majority of Indians. In fact, it would be very erroneous to call it a religion for it is a way of life here. There are thousands of gods and goddess, sects and sub-sects, with several—according to the myths—in conflicts with each other. Given the myths are constantly used in life, their grasp on mind is no less real than “reality.” Rituals, beliefs, the concepts of afterlife and fate are unconsciously imbibed from childhood as tools through which to live, something that leaves one with a very complex pattern of thoughts and perceptions, a sort of medieval, pre-science mindset.

Irrationality does not value reason and evidence, and lacks the differentiation between right and wrong. It lives on subjective whims, not on any kind of moral values. Devoid of anchors, it can rationalize anything it wants. Tens of completely contradictory beliefs can coexist. Truth and honesty have little value. In fact, I doubt if Hindus even remotely make much abstract, principled connection with these words. Irrational people “value” expediency and materialism. When one with such a mindset is victimized he doesn't necessarily “see” the



victimizer. He instead looks for someone vulnerable to him.

You can force rational values on people under threats or financial incentives, but if they process the world based on superstitions and irrationality such feigned values disappear at the earliest opportunity.

Such people simply cannot be trained to work in factories, for Hinduism stands in direct conflict with technology & science. I am not fond of Christianity, but it does have a few moral anchors and a few vague links to rationality.

Economists and analysts who think that corruption and chaos can be removed in India through regulatory means or firm leadership (if at all someone rational can somehow get to the top job) are utterly wrong. They completely fail to understand how very deeply entrenched and entangled these are in the habits and culture of India.

Indian irrationality will not only keep it desperate and poor, but forces at play have brought India to the cusp of a crisis.

The recent past and the future

In early 1990s, a set of new technologies—tele-



phone, internet and computers—triggered economic growth. Prior to those days, a telephone connection was one of the most prized possessions. It would take you a hefty bribe, political connections, and then a wait of many, many years before your telephone got connected. Thereafter there was no guarantee that it worked.

Indian government failed to stop the IT revolution from happening. People got better informed. For several years in the last decade, India's growth rate exceeded 9%. India is relatively a much richer country as a result. In villages, you see women under the veil, but young girls going to schools wearing skirts. Even Jerry Springer show has been of value to raise awareness. People have become much more aware of their rights. They are no longer content with bare-minimum survival, for the TV has conveyed to them that better life is possible.

Alas, the low-hanging fruit have been now picked and today India finds itself stagnating. The growth rate today is 4.5%. Inflation is >10%.

Lack of productivity is now in direct conflict with rising expectations.

About 10 million people add to the workforce each year, but the net workforce is not going up. Crime is on the rise. India must grow faster. It must industrialize and this must accompany job growth. As I show above this requires a fundamental shake-

up in how Indians think. But changing entrenched cultural habits—making people rational—is a job that will take generations, if and when it gets set in motion. On top of this very desperate need is the fact that Indian government has not improved in the last 66 years of so-called independence. It has unfortunately become much more corrupt, exceedingly stupid, and more interfering.

Failure of Indians to self-reflect and become rational and its unholy mix with tools of science, failure of the new youth to get jobs, increasing material expectations without a concomitant increase in productive capacities, and an extremely corrupt government, all exist in a complex entangled mess, pulling in opposite directions, at cross-purposes. I don't know how this will get untangled. There is hardly anything in the human history in which such untangling happened through adoption of rationality. Are massive social upheavals in the offing? Perhaps the earliest signs that India has decided to change will be when Indians have started taking their public servants to the chopping block. Or, perhaps when it starts falling apart because of systemic stresses that have been built-up problems—India as a political unit is indeed untenable.

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