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## A Reform Agenda for the Next Indian Government

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### EXECUTIVE SUMMARY

India's economic reforms since 1991 have largely been a tale of private-sector success, government failure, and institutional erosion. Prime Minister Narendra Modi won the 2014 election with the slogan "Minimum Government, Maximum Governance." Many mistakenly thought that he would be a radical reformer who would reduce the reach of government and improve the quality of governance. In fact, he has been only an incremental reformer. He has not done much to reduce the heavy hand of the government over the economy. He has done even less to improve the quality of governance or the supply of high-quality public goods. He has eroded the strength and independence of institutions.

India will elect a new Parliament in May 2019, and

regardless of which party wins, India needs less government interference and better governance. The next government should shift India's policy from its current plethora of wasteful, corrupt subsidies toward targeted cash transfers to the deserving; curb the fiscal deficit; privatize several public-sector corporations and banks; liberalize the markets for labor, land, and capital; and roll back Modi's rising protectionism.

The next government should also improve governance by reforming the moribund legal system; improving educational quality and teacher attendance in schools; improving the provision of basic health and public health services; ensuring security for religious minorities; and ending efforts to subvert independent institutions.

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## INTRODUCTION

When Narendra Modi came to power in the 2014 election, one of his slogans was “Minimum Government, Maximum Governance.”<sup>1</sup> This led some analysts to mistakenly view him as a radical free-marketeer in the mold of Margaret Thatcher or Ronald Reagan. Modi turned out to be, at best, an incremental reformer, liberalizing limited parts of the economy in small steps, even while increasing controls on other sectors of the economy. Indeed, the overall thrust of Modi’s five years was characterized by rising welfarism instead of rising economic freedom.<sup>2</sup> The quality of governance improved in some areas, such as reducing corruption at the top levels of government. But it worsened in several other areas, from the independence of institutions to mob lynching of Muslims suspected of transporting cows for slaughter.<sup>3</sup>

Modi failed to minimize government interventions or maximize the quality of governance. Yet those remain eminently worthy goals for the next government, which will come to power after the general election in May 2019.

## THE PROBLEM OF TOO MUCH GOVERNMENT

India has experienced gradual, erratic economic liberalization since 1991. The path of liberalization has often been two steps forward and one step backward, with several sidesteps. The reforms have enabled Indian GDP growth to average more than 7 percent since 2003, qualifying for the mantle of “miracle economy.” However, the unfinished economic agenda is almost as large as what has been achieved so far.

In its annual *Index of Economic Freedom*, the Heritage Foundation divides countries into five categories—free, mostly free, moderately free, mostly unfree, and repressed. India comes in as “mostly unfree.” In its 2019 report, which uses data from the second half of 2017 to the first half of 2018, India ranks as low as 129th out of 186 countries.<sup>4</sup>

In its 2014 report, Heritage ranked India 120th, nine places higher than it is today.

India’s freedom index score was 55.7 in 2014 and is down marginally to 55.2 in 2019. That is a sad commentary on the patchy progress (or lack thereof) in the Modi era.<sup>5</sup>

A more upbeat assessment comes from *The Human Freedom Index* (published by the Cato Institute, the Fraser Institute, and the Friedrich Naumann Foundation for Freedom), which looks at economic, civil, and personal freedoms. It shows India moving up from the 121st rank in 2014, when Modi came to power, to the 110th rank today.<sup>6</sup> The Fraser Institute also measures economic freedom independently. In this respect, India has improved from the 122nd position to the 96th position. However, its index score has gone up only modestly, from 6.23 to 6.63. Any improvement is welcome, but India remains at a low position in freedom rankings.<sup>7</sup>

India’s performance looks much better in the World Bank’s *Doing Business* index. On this measure, India’s ranking is up from 142nd place in 2014 to 77th place in 2019.<sup>8</sup> However, this has been achieved by the government focusing on reforms in Mumbai and New Delhi, the only two cities from which the World Bank draws data for this index. This cloaks the lack of progress in the rest of the country, and in parameters not measured by the index.

## A CORNUCOPIA OF SUBSIDIES AND FISCAL DEFICITS

In most democracies, political parties compete for votes mainly on the basis of rival policies. In India they compete mainly by offering subsidies, freebies, and caste-based quotas rather than in broad policy issues. This is best illustrated by the state of Tamil Nadu, the champion of freebies. In the last state election in 2016, the winning party, the All India Anna Dravida Munnetra Kazhagam, offered free cellphones for ration-card holders; free laptops with internet connections for 10th- and 12th-grade students; maternity assistance of \$257 (Rs 18,000 (rupees)); an increase in maternity leave from six to nine months; one hundred free electricity units

every two months; waiver of all farm loans, at a cost of \$5.7 billion (Rs 399 billion); assistance to fishermen to be hiked to \$71 (Rs 5,000); a 50 percent subsidy to women to buy mopeds or scooters; an eight-gram gold coin for women getting married; free women's hygiene kits, including sanitary napkins; and much more. Earlier competition between parties had already yielded 20 kilograms per month of free rice, free color TVs, a free mixer-grinder, and a free fan per family.<sup>9</sup>

Almost half the population is still dependent on agriculture, and canal water and electricity for pumping groundwater for irrigation are free or highly subsidized in most states. Urea, a nitrogenous fertilizer, is provided to farmers at just \$4 (Rs 280) per 50-kilogram bag, one-fifth the commercial price, thus encouraging its diversion to chemical industries and smuggling into neighboring countries, such as Bangladesh.<sup>10</sup>

Central government subsidies include seven kilos of rice or wheat per member of supposedly poor families for a few cents per kilo. In practice this covers more than half the population. Subsidies of petrol and diesel have been abolished but continue on cooking gas and kerosene.

Subsidies are warranted for merit goods, such as basic education and health services, and for safety nets for the poor and disadvantaged. But a recent research paper showed that subsidies, broadly defined, were more than 12 percent of GDP in 2015–2016. Half of these were merit subsidies (on items such as basic education, basic health services, and sanitation) but 6 percent represented nonmerit subsidies. To put these figures in perspective, the entire tax revenue of the central and state governments is only 17 percent of GDP. So nonmerit subsidies claim a big share of tax revenue that could better be spent on improving the woeful state of public goods, such as security, justice, and basic infrastructure.<sup>11</sup>

Competition between political parties ensures that subsidies are not channeled to only the needy but are typically spread over the bulk of the population in order to try and get

more votes. What economists often decry as the leakages of subsidies to the undeserving are viewed by politicians as a desirable electoral strategy. One consequence of the freebie culture is that, despite efforts to reduce the fiscal deficits of central and state governments, the combined total deficit remains at roughly 6.5 percent of GDP—one of the highest levels in the world. Moreover, creative accounting hides the true extent of deficits. A more comprehensive measure of deficits, the total Public Sector Borrowing Requirement, which takes into account borrowings by government corporations and trusts, is estimated at more than 8.2 percent of GDP. This again is among the highest rates in the world and is roughly equal to the entire net tax revenue of the central government.<sup>12</sup>

A high fiscal deficit erodes the capacity of the government to provide essential public goods and infrastructure. It is also one reason for high real interest rates in India. Consumer price inflation in the last year has been no more than 2–3.5 percent and has averaged around 4 percent in the Modi era. Yet the central bank's repo rate—its collateralized lending rate to commercial banks—is 6.5 percent; companies borrow from banks at up to 18 percent, and shadow banks lend at up to 24 percent. High real interest rates increase the distress of poor indebted families, exacerbate already high corporate defaults to banks, and discourage investment.<sup>13</sup>

An aggressive drive to open bank accounts for every family has, in practice, covered 80–90 percent of families. This has made it feasible to give direct cash transfers to the needy. This, in turn, has sparked competition between parties to give bigger and bigger cash handouts. The ruling Telangana Rashtra Samithi in the state of Telangana gave an outright grant of \$114 (Rs 8,000) per acre to farmers before the 2018 state election, and swept the poll. This was not because of the freebie alone—the party also swept urban constituencies. But it established a trend that others are fast following.<sup>14</sup>

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offered outright cash grants of \$143 to \$179 (Rs 10,000 to Rs 12,500) for all rural families owning fewer than five acres; the amount depends on whether these families are farm owners, tenants, or landless workers. Modi has decided to follow a similar populist path at the all-India level. In preparation for the coming election in May 2019, his budget in February provided for a cash grant of \$86 (Rs 6,000) per year to all farmers holding five acres or less.<sup>15</sup>

The Congress Party has promised the mother of all freebies in its election manifesto. If elected, it promises \$1,029 (Rs 72,000) to each of the poorest 50 million families, at a cost of nearly 2 percent of GDP. This is in addition to giving farm loan waivers throughout India, and almost doubling health and education spending. The party does not say how this will be financed.<sup>16</sup>

There are sound economic arguments for replacing the vast array of subsidies with a cash grant instead. Idealists on the left have long argued for a universal basic income for all citizens, simply as a dividend for being citizens. On the market-oriented side of the spectrum, Milton Friedman argued that instead of giving a multitude of badly designed and distortionary subsidies, governments should replace these with cash grants.<sup>17</sup> Thus, the idea of some sort of universal basic income has backing across the ideological spectrum. Unfortunately, political competition between parties in India makes it electorally risky to abolish any existing subsidy, so the cash being offered will be in addition to, not in place of, the existing plethora of freebies.

This is the wrong approach. The next government should slash subsidies on many goods and services and convert these into cash grants. That will mean bribe-free and rapid distribution of benefits, fewer opportunities for middlemen to siphon off benefits meant for the poor, and an end to distortions such as the smuggling of subsidized urea to neighboring countries. Such an approach also requires a concerted effort to open bank accounts for all those who are left out today.

## **PRIVATIZATION: GRASP THIS THORNY NETTLE**

“Minimum government” should have meant the privatization of some of the hundreds of public-sector corporations in India. Modi set up a think tank, Niti Aayog (which in Hindi means Policy Commission), that prepared a list of more than 40 corporations for privatization, including Air India, which has lost enormous sums over the years. Modi attempted only one privatization, that of Air India, but he attached so many conditions on it that there were no bidders.<sup>18</sup>

Modi has sold minority stakes in several government corporations to try and reduce the fiscal deficit, but he has maintained government control. Often government corporations with high reserves have been asked to buy out the government’s stock in other corporations. This balance sheet jugglery changes nothing in reality, but it cuts the fiscal deficit on paper.

The right way forward would be the outright sale of government corporations to the private sector. Once a few sales take place, the entire process will gain credibility, and future sales will become much easier. That will release funds to be invested in public goods that are badly needed.

## **THE FACTOR MARKETS: LABOR, LAND, AND CAPITAL**

Since 1991, the product markets in India have been liberalized to a substantial extent. But the factor markets—for labor, land, and capital—remain highly constrained.

India has more than 200 labor laws, 52 of which are central government laws. The two most restrictive ones are the Industrial Disputes Act and the Industrial Employment (Standing Orders) Act. The Industrial Disputes Act requires companies with 100 or more workers to get government permission to downsize or lay off any worker, and this is rarely granted. As a result, firms are reluctant to hire workers for fear of being stuck with excess labor if business conditions change. Many industries (such as the garment industry) are

seasonal, but companies dare not hire the number of workers needed for peak demand. The Standing Orders Act requires employers in firms with 100 or more workers (50 or more in some states) to seek permission for changing the job description of any employee (i.e., reassignment to a different task).<sup>19</sup>

Modi has encouraged states to liberalize labor laws but has avoided doing so at the national level. The Industrial Disputes Act threshold for sacking workers has been raised from 100 to 300 workers in several states. But such modest steps are not remotely enough to persuade companies to set up giant factories employing tens of thousands of people (in garments, footwear, and electronics) as in China or Bangladesh.<sup>20</sup>

Most Indian garment factories are tiny: nine-tenths deliberately remain in the “unregistered” sector to avoid compliance with sundry labor and industrial laws. An estimated 78 percent of firms employ fewer than 50 workers, and only 10 percent employ more than 500 workers.<sup>21</sup>

The next government should overhaul India’s labor and industrial laws to allow entrepreneurs to build giant factories that can compete with India’s neighbors. The sharp rise of wages in China is a golden opportunity to attract investment moving out of China, but so far very little of that investment seems to be migrating to India.

Land markets in India are rigid, opaque, and distorted. High taxes on property sales, exceeding 10 percent in many states, discourage transactions and induce massive underdeclaration of the true sale values to avoid taxes since much of the sale money is being paid under the table in cash. This has made real estate and farmland favorite outlets for crooked people with unaccounted money, thus bloating prices of real estate. In some states, farmland can only be sold to other farmers, or to people from the same state. Land reform laws in the 1950s provided so much security for tenants that they became virtual land owners and impossible to evict. Owners are therefore reluctant to lease out land, fearing they will be dispossessed. The rental market operates largely through

informal, unwritten deals. If taxes on property transactions are slashed and the leasing of land is encouraged, millions of tiny plots could be pooled to create large farms that could compete with the best in the world.<sup>22</sup>

Many government projects, especially roads, railways, canals, and mines, are delayed for years by land-acquisition disputes. The Congress Government in 2013 enacted a law that increased compensation to farmers almost fourfold and added time-consuming procedures. Modi asked the state governments to use their local laws to expedite land acquisitions, but many projects remain stuck because of legal disputes and other problems. The rules should be overhauled to be fair to farmers whose land is being acquired through use of eminent domain, but the rules also need to be simple and quick.<sup>23</sup>

Modernization requires the rezoning of agricultural land into nonagricultural land. Today, such rezoning is a massive racket: politicians extract huge bribes to rezone agricultural land as industrial or commercial land. New laws are required: rezoning should be simple and automatic if it meets certain objective criteria.

India’s capital markets have been liberalized partially since 1991, but public-sector banks still account for almost 70 percent of loans, even though they have a high proportion of bad debts and have required massive recapitalization to stay alive. No political party is willing to privatize these banks, since government ownership enables politicians to direct bank credit to favored lobbies (farmers, small-scale industries). Laws for faster resolution and bankruptcy procedures have been introduced by Modi. They go in the right direction, yet they need to be overhauled to ensure that dud loans are detected early and resolved before the assets of the companies are eroded to almost nothing. The government obliges all banks to lend 40 percent of loans to “priority sectors” (which includes agriculture, small and medium industry, exports, education, and housing), a form of intervention that crimps efficiency and profitability. The priority sectors should be whittled down and gradually dismantled.<sup>24</sup>

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## REVERSE RISING PROTECTIONISM

From independence in 1947 to 1991, India aimed at creating a self-sufficient economy, which was seen as a form of economic independence to buttress political independence. After 1991, a reformist government reduced import tariffs from a peak rate of more than 300 percent to 10 percent by 2008. This period witnessed a surge in Indian exports and competitiveness. However, India remained the biggest single user of World Trade Organization antidumping suits to help domestic producers. Modi's Bharatiya Janata Party is strongly influenced by the Rashtriya Swayamsevak Sangh, a cultural nongovernmental organization that has traditionally been suspicious of foreign investment and trade and that seeks to create and protect national corporate champions. The Rashtriya Swayamsevak Sangh has always favored the slashing of red tape and internal liberalization to assist Indian industry, but not external liberalization. Modi has gone in this direction.<sup>25</sup>

The Modi government wants India to get into global value chains that have enabled China's economy to take off, and so has offered protection through import tariffs and government subsidies to the electronic and solar industries. It has offered a capital subsidy of up to 40 percent for setting up silicon wafer fabrication plants, although this has not yet translated into any major investment. In 2017 India raised import duties on several electronic items, including phone components, TVs, and microwave ovens. This was in pursuance of a so-called Phased Manufacturing Program aiming to check massive imports from China and ensure that cellphone assembly and manufacture are done mostly in India. Protective rates range up to 25 percent for different components, and the government also levies duties of 25 percent on solar panels. In theory, the high duties will be slashed after scale economies are attained and production costs fall, but no sunset clause has been prescribed for the duties. The 2018–2019 budget imposed import duties of up to 50 percent on more than 40 items regarded as “simple manufactures”

that India did not need to import, ranging from candles and kites to sunglasses and fruit juices. The problem is that the definition of “simple” can be stretched more and more, and the risk is that India will increasingly become an inefficient, high-cost producer, wasting national resources and encouraging inefficiency. India has always been a major textile exporter, yet Modi has imposed unnecessary import duties on more than 400 textile items to thwart competition from China and Bangladesh.<sup>26</sup>

The United States has long protested against India's unwarranted protectionism. India has banned imports of dairy products unless they can be certified to be from cattle not fed with animal products. India has imposed stringent price controls on pharmaceuticals and medical implants, especially heart stents. It is now insisting that all data collected by international companies must be stored in India for security reasons. Bilateral Indo-U.S. talks on trade have broken down, and so the United States has recently given notice of its intent to withdraw duty-free treatment of Indian exports under the U.S. trade program's Generalized System of Preferences for developing countries. This will affect no less than \$5.6 billion (Rs 392 billion) of Indian exports. Hopes still linger that the matter can be resolved amicably.<sup>27</sup>

## THE PROBLEM OF TOO LITTLE GOVERNANCE

Modi came to power after the preceding Congress-led government was tainted by many corruption scandals. He promised “maximum governance,” and industrialists say that large-scale corruption in New Delhi has largely dissipated since Modi came to power but continues in state governments and the bureaucracy.<sup>28</sup> The Modi government has enacted a law obliging central and state governments to auction all mineral deposits, ending the earlier corrupt allocations of mineral blocks to cronies in return for bribes. It has reduced the rigors of the “inspector raj,” the old practice of government inspectors

who can close down units with few checks and who demand bribes from industries for allowing them to function. Transparency International's *Corruption Perceptions Index* shows India improving from 85th position in its 2014 report to 76th in its 2018 report. This is positive but far from revolutionary.<sup>29</sup> Indeed, the Congress Party has alleged that a few cronies have benefited greatly in the Modi era, and that high corruption accompanied an Indian contract to buy Rafale aircraft from France.<sup>30</sup>

Good governance is about far more than reducing corruption. It means comprehensive provision of high-quality public goods such as policing, physical security, justice, redress of grievances, basic education and health, safety nets, and environmental protection. It is also about creating strong, independent institutions that can withstand political pressures and private bribes. Indeed, distinguished academics including Douglass North,<sup>31</sup> Daron Acemoglu, and James Robinson have claimed that good institutions are crucial for economic development, especially for moving from middle-income to high-income status (which is what India needs to do).<sup>32</sup>

On these counts, Modi has not performed well. He has done little to improve the abysmal quality of essential government services. For years, the central and state governments have sought to curb their fiscal deficits by simply not filling vacant posts. Today an estimated 2.4 million posts in the central and state governments are unfilled.<sup>33</sup> Some departments, such as the railways and government telecom, are hugely overstuffed. But the unfilled vacancies have arisen in services badly needed by the public—education, health, law enforcement, and the judiciary. Modi has eroded the independence of several national institutions, such as the Reserve Bank of India and the police, making them more subject to political whims. He has instilled fear in Muslims and Christians by failing to protect them from violence by Hindu thugs, who often get implicit protection from the Bharatiya Janata Party (BJP)–ruled state governments.<sup>34</sup>

## THE LEGAL SYSTEM NEEDS DRASTIC OVERHAUL

India holds the world record of 33 million pending legal cases in courts. These could take 320 years to clear, according to Andhra Pradesh high court judge V. V. Rao. The Law Commission of India, which periodically reviews the functioning of laws and their enforcement, has recommended the appointment of 50 judges per million population (in the United States, the ratio is much higher, at 107 per million). Judicial posts created so far amount to just 17 per million, and unfilled vacancies are as high as 23 percent in the lower courts, 44 percent in higher courts, and 19 percent in the Supreme Court. No wonder the staggering backlog of cases does not diminish, and most people are reluctant to litigate to redress their grievances.<sup>35</sup>

Lengthy procedures and constant adjournments mean that cases can linger for decades or even more than a century. In the case of the 1975 murder of L. N. Mishra, a prominent politician, 20 different judges took 38 years to reach a verdict. Of the 39 witnesses called by the defense, 31 died before the case ended. When the accused sought to have the case dismissed on the grounds that the long delay had made justice impossible, the court denied the motion.<sup>36</sup>

India has 123 policemen per 100,000 population—little more than half the UN's recommended level of 220 and far below the levels in the United States (352) and Germany (296). Massive unfilled vacancies are common in all states. The police are notoriously inefficient and corrupt. In many states, they will not even register complaints without a bribe.<sup>37</sup>

Those convicted after lengthy cases in the lower courts can appeal to the relevant state's High Court and then to the Supreme Court, all of which have long clogged pipelines of pending cases. The result is that influential people using the best legal advice to prolong proceedings are likely to die of old age before the conclusion of their appeals. The system rewards lawbreakers and penalizes law abiders, eroding fairness and quality in everything from business and politics to education and

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health. A market economy depends on the rule of law and effective enforcement of contracts. If these conditions do not exist, quasi-mafia and crony capitalists will thrive.

Modi has done nothing to overhaul the police or judiciary. That remains an urgent task.

## **EDUCATION AND HEALTH NEED OVERHAUL, TOO**

India has the fastest rate of GDP growth among six South Asian nations (India, Pakistan, Bangladesh, Nepal, Sri Lanka, and Bhutan). Yet between 1991 and 2011, it slipped in social indicators for health and education behind all, save for trouble-torn Pakistan.<sup>38</sup>

School enrollment in India is high but students learn very little. The *Annual Status of Education Report, 2019*, says that one of every four eighth-grade students in rural India is unable to read even a second-grade text. More than half of eighth-grade students cannot solve a problem that involves basic division.<sup>39</sup> India has world-class elite educational institutions (such as the Indian Institutes of Technology) but most government schools and colleges are pathetic, producing functionally illiterate high-school graduates and unemployable college graduates.

Many teachers are connected with political parties and aspire to become legislators. Powerful teachers' trade unions are considered untouchable by state governments. Many teachers do not teach at all: only 48 percent were found teaching at the time of one survey. In a 2009 international competition involving 74 countries (the Program for International Student Assessment) India came next to last, even though it was represented by its two best-educated states.<sup>40</sup>

Two reforms can greatly improve the accountability of teachers to the communities they serve, and hence incentivize greater teaching quality and attendance. One is educational vouchers. The other is a shift from teachers appointed by state governments to teachers that can be hired, fired, and disciplined by local governments.

India's public health spending is just 0.93 percent of GDP, far less than that of sub-Saharan Africa (1.82 percent) or China (2.89 percent).<sup>41</sup> Many Indian primary health centers barely function, with staff and medicines often missing. India has elite hospitals that attract global customers, but basic health in the villages is appalling. The masses are at the mercy of quacks and practitioners of indigenous medicine. Modi has drawn up a plan for affordable hospital treatment of major problems, but basic healthcare remains a huge but neglected issue.

## **INDIAN MINORITIES NEED TO FEEL SECURE**

Hindus constitute almost 80 percent of India's population. The two biggest religious minorities are Muslims and Christians, and both complain of growing violence against them by Hindu thugs, with BJP-ruled state governments doing little to discourage the perpetrators. Modi himself was chief minister of Gujarat when one of the biggest mass killings of Muslims took place in that state in 2002, although he was exonerated of directly encouraging the killing by a special court.

The BJP is a Hindu nationalist party and has carried the Hindu notion of the sacred cow to extremes that encourage mob lynching of Muslims suspected of eating beef or transporting cattle for slaughter.<sup>42</sup> After such incidents, Modi has often, after a long silence, condemned the lynchings. But this has not discouraged the lynch mobs, and BJP-ruled states seem keen on blaming Muslims rather than Hindus when there is communal violence. An analysis by IndiaSpend, a non-governmental organization specializing in fact checking and policy analysis, showed that 97 percent of the cow-related violence that has taken place in India from 2010 to 2017 was reported after Modi's government came to power in 2014—and half of these cases were from states governed by the BJP.<sup>43</sup>

The BJP also accuses Muslims of “love jihad”—trapping Hindu girls into marriage



with the ulterior motive of converting them. When a Muslim boy marries a Hindu girl, the girl's parents often complain that their daughter has been kidnapped or brainwashed, and the police in many states are quick to arrest the couple. In one celebrated case, the couple fought all the way to the Supreme Court to get their marriage validated and the charge of forcible marriage thrown out.<sup>44</sup>

Hindu violence against Christians is largely based on accusations that they are forcibly converting Hindus, whereas Christians say all conversions are voluntary. Religious conversion is legal in India, but not if it is done through inducements or threats. In practice, says John Dayal, secretary general of the All India Christian Council and a well-known TV commentator, charges of forced conversion can mean "anything from praying for Jesus to heal you to offering to put you in a Christian hospital or school, or making a payment in American dollars or British pounds." The violence is worst in BJP-ruled states. Christianity came to India 2,000 years ago with St. Thomas, yet Christians constitute only 2.3 of India's population—an indication of the failure, rather than the success, of Christian attempts at conversion.<sup>45</sup>

India's constitution bars discrimination by the state or individuals on the grounds of religion, and declares that India is a secular country. Under Modi, religious minorities feel insecure and persecuted, a deplorable situation that the next government should redress.

## STRENGTHENING INDIAN INSTITUTIONS

Under Modi, the independence of many institutions has seriously eroded. These include the Reserve Bank of India (the central bank), the police-prosecutor system, educational institutions, and cultural organizations. After two professional Reserve Bank governors refused to toe the government line on a variety of issues (including the demonetization of high-value currency notes, expanding bank credit, and handing over bank reserves

to the government to spend), Modi avoided appointing another professional and instead appointed a trusted bureaucrat to the post.<sup>46</sup> The police have become notorious for being selective in whom they arrest, such as Muslims accused of transporting cows to slaughter. Many Muslim transporters have been lynched, and one was killed by a mob on the mere suspicion that he had eaten beef (a charge that turned out to be false).<sup>47</sup> A judge has complained that public prosecutors in one case let Hindu militants off the hook by deliberately presenting a weak case.<sup>48</sup> Christians say that any criticism of Hindus leaves them open to arrest on the false ground of attempting forcible conversion (which is illegal). Old colonial laws on sedition have been used freely to lock up inconvenient activists and journalists.<sup>49</sup> An 80-year-old writer, Hiren Gohain, activist Akhil Gogoi, and journalist Manjit Mahanta were arrested in Assam for sedition in an attempt to stifle their protests against the national government's proposed amendments to India's citizenship law. Delhi police have charged ex-Jawaharlal Nehru University Students' Union president Kanhaiya Kumar and nine others with sedition merely because of some slogans that were shouted at a student rally.<sup>50</sup> Many media corporations are reluctant to criticize Modi by name for fear of retribution.<sup>51</sup>

In a recent interview, Raghuram Rajan, former governor of the Reserve Bank of India, said that the Modi government had not delivered on its promise of minimum government and maximum governance. He felt that the government had assumed too many new powers without checks and balances. One result was a "dependent and pliant" private sector that felt safety lay in applauding every government decision.<sup>52</sup>

In the run-up to the 2019 election, a new TV channel called NaMo TV (Na Mo in Hindi are the initials of Narendra Modi) suddenly appeared throughout India. It had no license to operate. Yet all major cable and satellite TV groups felt obliged to carry the channel since it was obviously backed by the prime minister. It spouted pro-BJP rhetoric and carried endless

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replays of Modi’s speeches. Neither the police nor the administration intervened. The BJP claimed it does not own the channel and that it merely provides content. TataSky, a cable operator, says it is airing NaMo TV not as a separate channel (which would need a license) but as a “special service.” Opposition parties approached the Election Commission and courts to stop the channel. But the very fact that NaMo TV could start operating with impunity, and that all major carriers felt obliged to carry it, speaks volumes for the erosion of independent institutions and the rule of law.<sup>53</sup>

The Congress Party, which has ruled most years since India’s independence in 1947, was

also guilty of trying to subvert independent institutions in its time. But the problem has worsened under Modi in the last five years. The next government should take steps to restore institutional independence.

## CONCLUSION

In sum, Modi’s 2014 election slogan of “Minimum Government, Maximum Governance” exactly epitomized the agenda that India needs. Alas, he neither minimized government nor maximized governance. Whichever party comes to power after the May 2019 elections needs to do so.

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