
THE PERIODICAL OBSERVER

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India After the Gandhis

A Survey of Recent Articles

Little was expected of Indian Prime Minister P. V. Narasimha Rao when he came into office last June. Sixty-nine years old and ailing, with a reputation for caution, the former foreign minister was thrust into office by the assassination of former Congress (I) Party Prime Minister Rajiv Gandhi in the midst of the nation's parliamentary elections. Yet Rao's government has acted with stunning boldness to deal with India's accumulated economic woes.

"[T]he pace of reforms has been breathtaking," the *Economist* (Mar. 7-13, 1992) reports. "The Rao government has slashed red tape, liberalized trade, made exports attractive through devaluation, wooed foreign investment, loosened interest rates and encouraged private business to replace the public sector as the dynamo of the economy." In just months, University of Pennsylvania economist Alan Heston adds in *Current History* (Mar. 1992), the Rao government "has done more... to bring about real reform than other governments have in the previous 45 years."

India's most urgent economic problem, in the view of Mohammed Ayoob, a Michigan State University political scientist writing in *Foreign Policy* (Winter 1991-92), is a foreign debt estimated at \$70-80 billion, up from \$21 billion in 1981. Only loans from the International Monetary Fund (IMF) have staved off default. The balance-of-payments problem, Ayoob says, threatens to "Latin Americanize" the economy.

Seeking to escape the legacy of colonialism, India for decades has shunned foreign trade and investment. But Finance Minister Manmohan Singh, in presenting a free-market reform package to Parliament in February, said it was time for the nation to overcome its fears of foreign domination and join the global economy.

During the 1950s and '60s, protectionism for Indian manufacturers and subsidies for a huge and inefficient public sector seemed to work. But their costs have become increasingly apparent since then, Ayoob notes. They "destroyed the ability of India's manufacturers to compete internationally and to generate sufficient hard-currency earnings through exports."

The Rao government's remedy is promoted by the World Bank, the IMF, and more and more Indian economists. By devaluing the rupee, reducing the budget deficit (from 8.4 percent of gross domestic product in the last fiscal year to 6.5 percent), cutting subsidies, and liberalizing the economy through a reduction of licensing requirements and the promotion of foreign investment, the Rao government has undertaken "a dramatic reversal of the... policies of 'the license-permit raj' that were the hallmarks of India's commitment to socialism," writes Robert L. Hardgrave, Jr., of the University of Texas, Austin, in *Current History* (Mar. 1992).

But the reversal has met some opposition—from bureaucrats, intellectuals, and

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politicians who, Alan Heston notes, "believe that some control system is necessary to achieve India's socialist goals." The reforms' links with the World Bank, the IMF, and multinational enterprises give foes a weak point to attack.

India's economic problems, Ayoob says, are ultimately political problems. Rao's Congress (I) Party government is the latest in a succession of minority governments in recent years and the first without a committed majority in Parliament. The party has ruled India for most of the past four decades, Princeton's Atul Kohli observes in *Journal of Democracy* (Jan. 1992), but its electoral victories since 1967 have not come easily. "As the major nationalist party and leader of the successful struggle against British colonialism, the Congress was India's 'natural' ruling party in the 1950s," asserts Kohli. But opposition grew in the 1960s and the party nearly lost its parliamentary majority in 1967. Two years later, the party split. The Congress (I) faction led by Indira Gandhi—who had inherited the mantle of her father, Jawaharlal Nehru—"never acquired the hallmarks of an organized party, such as regular membership, internal party elections, or a lower tier of leaders with genuine grassroots support. Instead, Indira Gandhi adopted a populist slogan, *garibi hatao* ('Away with poverty!'), and appealed directly to India's poor majority." She rode a populist wave to power in 1971. But the party became an organization whose principal purpose was to keep Indira Gandhi and her coterie in power.

This, Ayoob says, was even more destructive to Indian democracy than her imposition of a state of emergency in 1975. "Her era of personalized rule eroded democratic state and party institutions that had been nurtured with great care by modern India's founders," he writes. The same pattern of personalized rule continued when Rajiv Gandhi came to power in 1984 after his mother's assassination at the hands of her Sikh bodyguards. Voters turned him and the Congress Party out of office in 1989. After his murder last year, party functionaries tried to persuade his Italian-

born widow, Sonia, to accept at least symbolic leadership of the party in order to perpetuate the Gandhi magic. When she turned them down, the party turned to Rao.

Rao may be a pleasant surprise, but India's future (and his) remains highly uncertain. In the elections that brought him to power last year, the Hindu revivalist Bharatiya Janata Party (BJP) muscled past former Prime Minister V. P. Singh's centrist Janata Dal Party to become the nation's principal opposition party. The BJP captured 117 of the 543 seats in the Lok Sabha (lower house). Ironically, the BJP owes much to Mrs. Gandhi. In the early 1980s, when her political support was faltering, Kohli writes, she "sought to mobilize support around issues that set India's Hindu majority against various minority groups. For the first time since independence and partition in the late 1940s, religious themes figured prominently in national politics."

Unlike many other observers, James C. Clad of the Carnegie Endowment for International Peace contends in the *Washington Quarterly* (Winter 1992) that even a BJP-ruled India would "not necessarily court disaster." In any case, the BJP's rise, Hardgrave points out, could act as "a powerful force to consolidate at least the 'secular' parties of the center. Beyond Congress (I) itself, these centrist parties and their leaders are splinters of the Congress party, alienated by Nehru or by Indira or Rajiv Gandhi, and they could well return to the fold The dynasty gone, Congress could well reemerge as the majority party."

The Rao government's economic reforms for the most part have won tacit support from the BJP as well as part of the Janata Dal. However, the *Washington Post* (Mar. 1, 1992) reports that the Hindu revivalists "recently have joined leftist groups in loudly denouncing proposals to lay off state workers and open the Indian economy to multinational corporations."

Fate has ended the long reign of the Gandhi dynasty; whether Indians will end the rule of long-held economic ideas is now the question.