

Bloomberg

Indians Should Separate Modi From the Message

By William Pesek - Jun 13, 2013

Should the U.S. be taking economic lessons from India? Former House Speaker [Newt Gingrich](#) thinks so. Perhaps not from India as a whole, but at least from the booming western state of Gujarat, which has enjoyed 10 percent-plus growth under its controversial chief minister, [Narendra Modi](#).

“If we had Gujarat’s growth rates over the last 10 years,” Gingrich told Modi in a recent Skype video conversation, “we would have been a lot healthier country than we are right now.”

While the “Gujarat model” has about as much chance of gaining traction in [Washington](#) as Gingrich does, its prospects look brighter at home. Modi has just become the main opposition [Bharatiya Janata Party](#)’s pick to lead its 2014 election campaign. With the popularity of [Sonia Gandhi](#)’s ruling Congress party evaporating fast, the BJP leader may soon be in a position to apply his “model” nationally.

Would he succeed? Could Gujarat’s mix of pro-business pragmatism, limited government, hefty foreign direct investment and anti-graft efforts be expanded to the whole country? The task would be Herculean, and pitfalls abound. But India would reap big benefits for trying.

The mere mention of Modi’s name raises [blood pressure](#). Muslims seethe over his failure to stop riots that targeted their community in 2002, leaving more than 1,000 people dead and Modi barred from the U.S. Many see his governing style as autocratic, divisive and ill-suited to running a complex and cacophonous country.

Thatcher Moment

Yet let’s separate the villain from the ideas. Modi harnessed his state’s innovative spirit and didn’t get in the way -- both lessons the current government could stand to learn. Modi’s life story -- he’s the son of a train-platform tea seller -- resonates with a populace fed up with dynastic politics. (Gandhi’s diffident son, Rahul, is expected to be the Congress standard-bearer in next year’s elections.) But what has really turned the Gujarat chief into a hero of the swelling middle class is his Margaret Thatcher-esque principle, “minimum government, maximum governance.”

The current Congress prime minister, [Manmohan Singh](#), has been a surprising failure. As finance minister in the early 1990s, he opened [India’s economy](#) to the outside world. Investors hoped Singh would use a sizable re-election mandate in 2009 to get back to his roots and remove barriers to trade, investment and [job creation](#). Instead, a series of huge scandals involving everything from mobile-phone

licenses to coal assets have hobbled Singh's administration. [New Delhi](#) is gridlocked amid the slowest growth in a decade, just 4.8 percent.

Gujarat's resilience stands in stark contrast. Over the last decade, Gujarat grew 10 percent compared with 7.8 percent for the national economy. Under Modi, Gujarat did four things that the nation, as a whole, can and should emulate. First, the administration has continued to slash away at [India's](#) "license raj," the labyrinthine system of issuing permits that hampers business and breeds corruption. Second, officials revitalized industries from agriculture to manufacturing by improving irrigation, supporting small-share farmers and attracting new factories of companies including General Motors Co. and Hitachi Ltd. Third, the state more than quintupled power-generation capacity by investing in more-efficient grids and building [Asia's](#) largest solar field. Fourth, Modi successfully lobbied for business and infrastructure investment.

"Translating Mr. Modi's success in Gujarat to the national level will be difficult as the bureaucratic impediments and opposition from powerful vested interests will be several times greater than at the state level," says economist [Eswar Prasad](#) of the [Brookings Institution](#) in Washington. "Nevertheless, a leader with a clear vision, strong political will, and broad political support is capable of effecting change."

Strong Hand

That last point is key. Even if India stands to benefit from Gujarat-style reforms, that doesn't necessarily mean Modi is the best man to implement them. In fact, given how distracting his personal controversies are likely to be, he could be the worst.

Part of Modi's popularity goes back to a long-running desire among middle-class Indians for a strong hand at the tiller -- a Chinese-style autocrat who can break the grip of dithering politicians. No, Indians don't want to live under an oppressive regime that jails dissenters and muzzles the media. But a system like India's that can't deliver and represses the economy isn't much fun, either.

The problem is that India's thriving democracy features several potent and independent-minded regional leaders with national ambitions -- a multiplicity of Modis. Its constitution contains strong elements of federalism. It's very hard even for a popular and charismatic leader to ram proposals down the throats of reluctant states, and Modi is no one's idea of a consensus builder. If U.S. President [Barack Obama](#) thinks it's hard to enact change, a domineering and unrepentant Modi could well find it impossible.

India needs Modi's ideas more than it needs Modi himself. Perhaps the leader and the message are inseparable -- that's what Thatcher's supporters would have argued in her heyday. I'm not so sure. In any case, Indians shouldn't let the clouds that linger over Modi blind them to the dire need for change.

(William Pesek is a Bloomberg View columnist.)

To contact the writer of this article: William Pesek in [Tokyo](#) at wpesek@bloomberg.net.

To contact the editor responsible for this article: Nisid Hajari at nhajari@bloomberg.net.

©2013 BLOOMBERG L.P. ALL RIGHTS RESERVED.