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Let's keep the faith

The country had been growing at a remarkable 7.5% average rate for nearly 30 years, but signs of economic stress were apparent. There had been an explosion of inequality and growing corruption. The government responded to the resulting rising discontent by launching various entitlement programmes, and borrowing heavily to pay for them.

The country is not India, though it almost could be. It is Brazil circa 1979. What happened afterwards is what worries me. There was a crisis in the world economy in 1979 — because oil prices went up and the United States' economy went into recession. Brazil first went into denial, borrowing to fund continued expansion, but there was no escape. Between 1980 and 2005, the Brazilian economy was essentially completely stagnant.

I recognise that there are important differences between Brazil then and India now. Our government has mostly avoided borrowing in dollars, so the threat to our currency is less immediate. This is a result in part of the fact that we save a lot more than the Brazilians and our banks meekly turn those savings over to the government. It is also probably true that our businessmen are less footloose than their counterparts in Sao Paulo or Rio de Janeiro, so a massive capital flight is less likely. And democracy does give us better shock-absorbers than Brazil had. But the similarities are too glaring (and the implied risks too big) to be entirely ignored.

In Delhi last week, going between ribald discussions of the Radia tapes and more earnest disquisitions about the rights and wrongs of microcredit and the latest Right to X (haircuts are next, one wit suggested), it was hard to escape the feeling that there was a close connection between the two. The attitude of the ruling elites today seems to be that it is too hard to do much about corruption — it is easier to do damage control ex-post, and there a giveaway or two can do miracles. Hence the tacit or explicit collusion with the blatant expropriation of the microfinance institutions in Andhra Pradesh in the name of protecting the poor, hence the recent embrace of the 'rights-based agenda'.

My sense is that this is all based on a series of misconceptions. The voter may decide to vote for the party that gives him the largest give-away but the damage to the system is done. The voter right now is wondering why Manmohan Singh, the man (entirely correctly) reputed to be straightest prime minister in many years, is dragging his feet, about Suresh Kalmadi and A Raja.

And my worry is that it is going to confirm what they always suspected and often express: 'Sab sala chor hai' (all the bastards are thieves). To me this is biggest threat to our democracy, precisely because it is not true — there are many people still in the political system who are there for the best reasons. But once voters assume that there is nothing beyond posturing that differentiates the candidates, they stop being discriminating about who to vote for, and then it is the good guys who lose out.

And it is not only the unwillingness to fight corruption that breeds cynicism. It is also the promise of rights that turns out to be mostly empty — the ration shop that is always closed, the health centre that charges money for 'free' services, the school that does not teach. What I hear on the ground even more than accusations of corruption are expressions of disbelief. And we don't make things better by creating more rights when we have not yet figured out how to effectively deliver the previous ones.

Most politicians are at least half aware of this problem. This is why when they are facing a serious challenge they are quick to reach beyond the rights-based approaches towards more traditional giveaways. The great attraction of loan write-offs just before elections is that unlike most government programmes, they get to the intended person, fast — the bank just takes your loan off its books and it is done. This is also why an embattled chief minister might want to tell his constituents that they no longer need to repay their 'unjust' microfinance loans. It might cross the politician's mind that next time there will be no loans to write off and that one day people may start to rue the fact that no one except the moneylender wants to lend to them, but right now they have a job to hold on to.

The problem is that once voters start expecting these really inefficient giveaways and give up on any other more long-term benefits that they can get from the political system, then that is what politics becomes. If a politician wants to be believed, she will have to offer something quick (and probably dirty). All other promises the voters will discount. The person who will offer the most will win, even if he is just the one who is most willing to mortgage the country's future. This is the politics that kept growth in much of Latin America in its thrall for two decades and more. It is only in the last five or six years that Brazil seems to have succeeded in throwing it off.

I think we can still avoid getting caught, but we have to start building a new politics now. Our senior leaders have to start using the vocabulary of concrete achievements more. They need to go out and say that they stand for long-term investments and not unsustainable giveaways, claim credit for getting every single house in their constituency hooked up to tap water rather than for the loans that got cancelled. The media must play their role too — scams are fun to write about, but someone needs to be out there looking for accomplishments, finding our heroes.

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