

## Democracy First, Capitalism Afterwards

*Reformers have the idea that change can be achieved by brute sanity.*

—GEORGE BERNARD SHAW

Perhaps because I am one of “midnight’s children,” I have always felt a certain amount of pressure to join politics and *do* something. In recent years this has grown because I have found it frustrating to live in Delhi and sit on the sidelines, watching the painfully slow progress of liberalization. It has been distressing to get up each morning, open the newspaper, and read about the appalling state of our governance. The Election Commission estimates that forty members of the Parliament and seven hundred members of state legislative assemblies across India face criminal cases, many for assault and murder. A few individuals have also goaded me on, including John Pepper, the CEO of Procter & Gamble, who in his idealistic way always thought that I was meant to enter politics in India. Elections, too, have come around with surprising frequency, thanks to coalition politics and fractured electoral mandates; so there have been plenty of opportunities.

With some misgiving I decided to do something about it. I had several meetings with leaders of the Congress Party and very quickly discovered that they had no use for me. I also found that the Congress culture was feudal, reeking of sycophancy. It was all too distasteful and alien, and I fled. The only other viable alternative was the BJP. But I have been “genetically programmed,” as it were, against identity politics. Still, I overcame my inhibitions and went to meet several BJP leaders. Initially they welcomed me, thinking perhaps that I might help them in raising funds from industry. I spoke to them of the urgency of pushing the reform agenda, and invariably they seemed to agree—they were politicians after all—but I could tell from their eyes that they were humoring me, and reforms were not their priority. I persisted, against my better judgment, with both parties over several months. Eventually, I think I became such a nuisance that they were happy to promise me anything as long as I would go away. I concluded that neither party had any use for a reform-minded manager in politics. Today, a lingering sense of defeat gnaws at me. My conscience tells me that politics is abrasive everywhere and has always entailed sacrifice, and I wonder if I have chosen the safer, but less courageous, route in opting out.

Many would agree that 1991 was a great milestone in India’s history. Another observer of the past decade, however, might easily conclude the opposite—that 1991 was only a small kink. He would argue that the economic reforms of 1991 were due entirely to pressure from the International Monetary Fund. When the economy bounced back, the pressure went away and India returned to its old ways. This would explain why the reforms slowed after 1994. There were no reformers, only pressures. The year 1991 was not a permanent break with the past, just one of those oscillations of democracy Democracies, in any case, are known to swing between wanting to contract government

activity and seeking to expand it, between deregulating and regulating the market.

This is a plausible reading of history and many in the Indian political class might be tempted to buy it, especially the old Congress guard. It is easier to see the world in continuous rather than in discontinuous terms; Indians also tend to be conservative by nature, and conservatives find continuity reassuring; moreover, it is difficult to see a revolution when one is in its midst; a contemporary observer in early eighteenth-century England would not have seen the industrial revolution—he would have seen only vigorous textile exports. Nevertheless, I believe that this is a misreading of history, one that does not give due credit to the historic nature of the acts of 1991. The IMF pressure was certainly real, but the reformers went much further than what was needed to satisfy the Fund. The macroeconomic stability that the IMF wanted could have been bought by tried and tested formulas that our finance ministry knew only too well: brutally cut imports and expenditure, raise taxes, cause deflation, and the economy might stop growing for a few years, but the exchange crisis would come under control; so would the fiscal deficit and the balance of payments. But the reformers did the opposite—they opened the economy to imports, lowered tariffs and tax rates, and decontrolled industry; they gambled for investment and growth, and they got it. This was a new approach for India.

Communism also collapsed in the world around the same time, and this too had an impact. Indians began to realize that political and economic freedoms were linked, and our dirigiste policymakers were put on the defensive. We could not escape the liberal revolution sweeping the world. The worldview of young Indians and the business class was the first to change after 1991. Slowly it infected the political class as well. This explains why every party that has come to power in the last decade—and every single major party did—followed a reform agenda. Each one, as it changed from the opposition to a ruling party, maintained a strong rhetoric of reform while in power, even though it managed to achieve only slow incremental change.

More difficult to understand is why there has been almost no appetite for education reform when there is universal consensus that education is not only good in itself but also helps a nation become competitive. India followed a socialist path before 1991 but has progressed slowly in education over the past fifty years. This is almost incomprehensible: education is, after all, one of the few things that socialists around the world generally have done fairly well. The answer may well lie in the liberal fallacy—that is, the naïve assumption that reasoning will prevail over interests. For the opposite happens too often in the real world, whether in democracies or in autocracies. The road to power is through satisfying interests. It is not enough to point out what the wrong policies are, as liberals tend to do: one has to go beyond the irrational policies and trace them to the interests—both economic and political. The agenda of the state is set by interest equations, and the discourse of knowledge is effective only to the extent that it is congruent with the discourse of power. Reasoning about right and wrong policies, while not entirely irrelevant, is of limited use if one's agenda is to shape a new reality. For this one has to come to grips with the interface of democracy and capitalism.

There are only two nations, as far as I know, where democracy preceded capitalism—the United States and India. The United States is the oldest modern nation, and India is one of the oldest civilizations. The United States got democracy in 1776 but did not embrace full-blooded capitalism until the early nineteenth century with the industrial revolution. India gave itself democracy in 1950,

but capitalism only came in 1991 with the reforms. For the rest of the world it has been the other way around. This historic inversion has made all the difference, and it goes a long way towards explaining these two noisy democracies.

India's democracy, however, has an overwhelming majority of poor voters. This too makes a difference to the way things work. The journalist T. C. A. Srinivasa-Raghavan points out that in the long run the forces that drive markets and democracy will converge; in the short run, these forces often tend to pull in opposite directions. Since politics is a short-run game and growth is a long-run one, there will never be a situation that is completely optimal, with the result that at every point in time most of the people will be disappointed. No one bothers about education because results take a long time to come. When a politician promises rice for two rupees a kilo when it costs five rupees in the market, he wins the election. N. T. Rama Rao did precisely that in the 1994 state elections. He won the election, became the chief minister, and nearly bankrupted the state treasury. He also sent a sobering message to Prime Minister Narasimha Rao in Delhi, who, according to some observers, slowed India's reforms because he realized that votes resided in populist measures and not in doing what is right for the long term. Since the 1980s politicians have vigorously competed in giving away free goods and services to voters. When politicians do that, where is the money to come from for creating new schools or improving old ones?

I became thoroughly depressed the day the Punjab chief minister, Prakash Singh Badal, gave away free electricity and water to farmers in February 1997. He had lived up to his electoral promises, but twelve months later the state's fragile finances were destroyed and there was no money to pay salaries to civil servants. It was a poignant moment, because the state had everything going for it. Peace had returned after more than a decade of Hindu-Sikh troubles and terrorist violence. Investors were ready and waiting to come in. When this largesse was announced, they turned shy. I felt that competitive politics had again failed us. It taught me that the demand for publicly provided goods and services is insatiable in a democracy. Mancur Olson, the social scientist, makes the same point. He says that the behavior of individuals and interests in stable democracies inevitably leads to collusive lobbies that make their economies less dynamic and efficient and their politics less governable. Democratic societies tend to foster special-interest groups, which subvert the dynamism of capitalism. Writing in 1982, Olson compared the experiences of postwar Britain with those of Germany and Japan. Narrow-interest groups were destroyed by the war in Germany and Japan and they had to begin from scratch; in Britain, however, a powerful and dense network of trade unions and professional associations created "institutional sclerosis" that dragged down the economy. Germany and Japan created miracles of economic growth in the postwar decade, while the British economy remained slow, even sick in some years. Olson hoped that a public educated to the harmful effects of special interests might begin to resist such behavior. This is what eventually happened in Britain: tired of its unions, high taxes, and overregulation, the British voter brought in Margaret Thatcher to right the balance. Does this mean that we have to wait for a Thatcher or a Reagan to come to power in India?

Most Indian intellectuals would probably say no. Conditioned by years of socialism, they are wary of capitalism and afraid that it may, in fact, subvert democracy rather than the other way around. Like

John Stuart Mill, they think that existing property systems are unjust and that the free market is destructively competitive—aesthetically and morally repugnant—and its excesses have to be controlled. They worry that the large corporation creates a new upper class with an excessively loud voice. In their eyes, executives of large multinational corporations are the contemporary counterpart of our zamindars of the feudal era, except that their voice is amplified by the technology of mass communication. In short, modern global capitalism, powered by multinational corporations, threatens democracy.

Indian intellectuals, I think, need to remember that modern democratic institutions have existed only in countries with privately owned market economies. Socialist countries always had command economies with centrally directed economic orders and were ruled by authoritarian dictatorships. The market economy seems to be a necessary condition for democracy, although it is not, of course, a sufficient condition. Empirical research also suggests that there is a positive relationship between capitalist and democratic institutions. In a major investigation of the social psychology of industrialization and modernization, a research team led by the sociologist Alex Inkeles interviewed several thousand workers in the modern industrial and the traditional economic sectors of six countries of differing cultures. Inkeles found a far greater propensity to participate among modern capitalist workers than among workers in the traditional sector in each one of these countries regardless of cultural differences.

Historically, as I have mentioned, modern democracy came after capitalism in most countries. Suffrage was extended in the last century, and as mass political parties developed, democracy began to impinge on capitalist institutions and practices. The democratic propensity for redistribution and regulation plus trade unions and leftist parties started to constrain the productivity and risk-taking spirits of entrepreneurs. This process culminated after World War II in the welfare state in the Western world and Japan, with social insurance and health care and extensive regulatory frameworks designed to address the shortfalls of capitalism. It can be argued that had capitalism not been so modified by democracy, it might not have survived.

In India, on the other hand, democratic institutions were set up before we had the chance to create an industrial revolution. Two-thirds of the people still live in rural areas, organized labor constitutes less than 10 percent of total labor, and until 1980 the middle class was less than 10 percent of the population. In a sense, we tried to redistribute the pie before it was baked. We set up intricate regulatory networks before the private economy had transformed a rural society into an industrial one. We began to think in terms of “welfare” before there were welfare-generating jobs. The result, as we have seen, was a throttling of enterprise, slow growth, missed opportunities. It is the price we have paid for having democracy before capitalism—or rather too much democracy and not enough capitalism.

Democracy and capitalism are thus both positively and negatively related. I believe, with all its flaws of special interests, populism, and indecisiveness, democratic capitalism is worth fighting for because it offers the promise of preserving and enlarging human freedoms, fostering prosperity, diminishing poverty, and upholding the dignity of a human being, and it does it better than any other system tried so far.

We are used to thinking in terms of dualisms in India—rich versus poor, urban versus rural, upper versus lower castes, and so on. The most striking dualism of today's India is, however, the contrast between the vibrant private space and the impoverished public space. What could stop our future is the latter—our weakness is governance. This is ironic, for we have had much greater experience with the institutions of democracy than with those of capitalism. Yet governance is what is letting us down today. With states bankrupt and pervasive corruption, our confidence in government institutions is at its lowest. Although we may rely more on markets now, we still need clean and efficient civil servants to regulate them. Some economists, I know, secretly hope that the states become bankrupt because this will force the pace of market-oriented reform. However, I wish that Indians would begin to trust the market a little bit more. It will, I think, take time. Over the centuries, the economist Robert Heilbroner tells us, human beings dealt with the problem of survival through tradition or command. They organized society around custom and usage, the son following the occupation of his father from generation to generation. Adam Smith tells us that in ancient Egypt “every man was bound by a principle of religion to follow the occupation of his father.” In India, our caste system assigned us occupations in the same way.

The whip of authority was the other method of organizing the jobs of society. The pyramids of Egypt and the temples of India were built by the command of pharaohs or maharajas. More recently, the Five Year Plans of the Soviet Union were carried out by the command of the Politburo. It is only in very recent times that human beings invented a third solution to the problem of making a living, the market system, that is, capitalism, which gives individuals the freedom to follow their inclination to do what is in their best interest, and in which lure of gain (not tradition or authority) steers a person to his task or occupation.

Banias and bazaars have been around for thousands of years, ever since there was an agricultural surplus. This began between 10,000 and 8000 B.C., when the first towns emerged as centers of exchange. But markets are not the same thing as the market system. For one thing, it requires that moneymaking be regarded as respectable, and we know that historically, commerce has had a bad odor in all societies, including India. Although we see today the wondrous spectacle of thousands of young Indians starting new business ventures all around us, the idea that their struggle for personal gain might actually promote the good of the whole society is too bizarre for most people. Even the most sophisticated Indians distrust the market—perhaps because no one is in charge. No wonder Samuel Johnson said, “There is nothing which requires more to be illustrated by philosophy than trade does.”

Democracy, in contrast, is easier to understand, but it is more difficult to achieve. Because exchange is natural to human beings, capitalism is easier to achieve, but it is more difficult to understand. The irony is that in India we established the more difficult political institutions of democracy over fifty years ago, but it is the younger institutions of capitalism that are currently more successful. The lesson in all this is that we cannot take democracy or capitalism for granted. Institutions have to be renewed, and it is time we did that with our political institutions. We must also remember that democracy and capitalism do not necessarily go together, even though they have human freedom in common.

We tend to forget that liberal democracy based on free markets is a relatively new idea in human history. In 1776 there was one liberal democracy—the United States; in 1790 there were 3, including France; in 1848 there were only 5; in 1975 there were still only 31. Today 120 of the world's 200 or so states claim to be democracies, with more than 50 percent of the world's population residing in them (although Freedom House, an American think tank, counts only 86 countries as truly free). Clearly there has been a liberal revolution around the globe, accelerated in part by communism's collapse. More than 50 countries are engaged in the transition to open, market-driven economies. India is one of these, and is among the most likely to make a quick and successful transition to capitalism. Unlike Russia, it has had a highly developed national market going back (as we saw in [chapter 5](#)) to the days before the British came in the seventeenth century, which was integrated further when the railways came in the nineteenth century. Unlike China, it has had a robust, indigenous financial system, which was upgraded into a modern banking system in the early twentieth century. Despite Nehruvian socialism, three-fourths of the economy has been in private hands, including all of agriculture. Roads, ports, irrigation, power, banking, insurance, airlines, railways were in government hands, but the public sector accounted for less than a quarter of the domestic product. Unlike Russia and China, India also has clearly defined property rights, well-developed commercial law, and an English-speaking entrepreneurial class. With all these advantages, why does India remain half reformed? Why doesn't it quickly become an attractive place to do business?

The answer partly is that we underestimate the difficulty of transforming a closed, centrally planned economy into an open, market-oriented one. The state cannot merely withdraw from market activities by privatizing them. This is what some liberals think, and their belief is based on what Adam Smith called “man's prosperity to barter, truck and exchange one thing for another.” They think markets are natural and spring up on their own. However, markets do not work in a vacuum. To function smoothly they need a largish network of regulations and institutions; they need umpires to settle disputes. These institutions do not just happen; they take time to develop. For example, with the decision to allow private investment in telecommunications, electricity, and insurance we have set up regulatory agencies, but we are still learning how to make them work. Worldwide experience over the last two decades teaches us that markets generate perverse results in the absence of good institutions.

Another reason for our slow pace is that the reform agenda is constantly being derailed by vested interests. Politicians lack the courage to privatize the huge, loss-making public sector because they are afraid to lose the vote of organized labor. They resist dismantling subsidies for power, fertilizers, and water because they fear the crucial farm vote. They won't touch food subsidies because of the massive poor vote. They will not remove thousands of inspectors in the state governments, who continuously harass private businesses, because they don't want to alienate government servants' vote bank. Meanwhile, these giveaways play havoc with state finances and add to our disgraceful fiscal deficit. Unless the deficit comes under control, the nation will not be more competitive; nor will the growth rate rise further to 8 and 9 percent, which is what is needed to create jobs and improve the chances of the majority of our people to actualize their capabilities in a reasonably short time.

“Collective action” is a problem in all democracies. To some extent, we have to be resigned to a

slower pace of reform. But India's problems of governance go far beyond the need to appease interests. The weakening of our democratic institutions since the 1970s has caused widespread corruption, political violence, populist giveaways, and a paralysis of problem solving. Conspicuously absent are disciplined party organizations, which help leaders in other democracies to mobilize support for specific programs. Hence, there is an excessive reliance on the personal appeal of individual leaders to win elections. When in power, leaders find it difficult to push through programs, for when opposition mounts, they find few supporters and tend to take the easy way out, which is not to act at all. For this reason, the Indian state is sometimes called a "soft state."

This diagnosis applies particularly to the Congress Party, which has ruled India for most of the past fifty years. Enormous power has always been concentrated in the hands of the Nehru-Gandhi family, and it became actually negative under Indira Gandhi, who did great harm to institutions; she tried to snuff out democracy itself. The leftish amalgam of Janata parties has not done much better at institution building. Neither have the regional parties. While the BJP seems to have a more coherent organization, it has not been in power long enough to assess its long-term capabilities.

In a perceptive analysis, the political scientist Atul Kohli explains that political institutions are weak because India's democracy came from above and not from below. It was a "gift from the elite to the masses," and the masses are comfortable adoring an all-powerful leader. He shows, however, that even a powerful leader like Rajiv Gandhi, with a vast electoral support in the mid-eighties, could not implement major economic reforms. After a good start in 1985, when he introduced modest fiscal and industrial liberalization, Rajiv Gandhi got scared by vested interests and abandoned these initiatives after two years. Professor James Manor of the University of Sussex does not agree. He thinks that Rajiv Gandhi was not a political leader and that the problem lay "in the former Prime Minister's confusion and his chronic, indeed radical inconstancy." I believe the truth lies somewhere in between. Opposition from public-sector workers and middle peasants did partly force him to back down.

But how was Narasimha Rao able to produce such spectacular results between 1991 and 1993? Why didn't vested interests stop him? There are several reasons. First, all his reforms were "soft reforms": they did not really mean job losses for organized labor or an attack on subsidies. In fact, after opposition from the farmers' lobby to a reduction in the fertilizer subsidy in the July 1991 budget, he backed down. Second, he was able to reform by stealth, as it were, because the nation's attention was diverted by communal passions generated by the 1992 demolition of the Babri Masjid. Ashutosh Varshney, the political scientist, says that this "gave the reformers room to push the reforms." Third, of course, there was the fiscal crisis, and there's nothing like a crisis to focus the mind—even a politician's mind. Narasimha Rao deserves credit for his deft handling of the reform process, especially in sequencing the acts in a politically shrewd manner. India thereby avoided the political damage—or even collapse, as in Russia's case—that many countries suffer after economic reforms. The succeeding governments after Rao's have followed the same strategy—they have continued to reform the "softer areas" and have not confronted the five main interest groups: prosperous farmers, the industrial bourgeoisie, middle-class professionals (including government employees), unionized workers, and the poor (both urban and rural). They have trodden gingerly,

either skirting them or giving them pain in a slow incremental manner. This, of course, does not bode well for the future of reform in India. Who is going to bell the cat? The present BJP-led government appears to be serious—it has announced an ambitious privatization program and made a beginning in the reduction of subsidies. But most Indians remain cynical about its ability to deliver results.

Will capitalism and its cousin, globalization, succeed in establishing a comfortable place for themselves in India? The answer depends on their ability to deliver prosperity broadly. It also depends on leaders in the government and in business to champion the classic liberal premises of free trade and competition. It needs leaders to come out and say that (1) some people will not fare as well in the competitive marketplace; (2) the winners will far outnumber the losers; (3) capitalist democracy is the best arrangement we have found; (4) globalization is not only a good thing, it is a great leap forward in history. My fear is that capitalism's success in India is threatened not so much by the leftists or protectionists as by the timidity of its defenders.

The triumph of market economics and the continued spread of democratic governance through village self-government are reasons for optimism. But twentieth-century history teaches us not to be too enthusiastic about any ideology. Instead of celebrating, our energies should go into figuring out how to make these arrangements more sustainable and stable propositions. How to change the thinking of politicians from territory to trade? Economic integration between India and Pakistan will do more to diffuse political conflict. It is economic integration of the European Union that has ruled out war between Germany and France. South Asian economic integration can do the same for India and Pakistan. India's politicians can learn a great deal from President Clinton's battles over NAFTA—it required huge political skills to win that victory.

Who then will save our capitalist democracy from its enemies? The job usually falls on politicians and businesspeople. But neither seems an ideal steward. Businesspeople are too busy making money and politicians are too busy serving vested interests. Meanwhile, capitalism is socially disruptive. Marx understood this and he made his famous remark in the *Communist Manifesto*—"All that is solid melts into air." Democracy, on the other hand, is messy. But capitalism can succeed if it has the consent of the governed. It requires taking into account the needs and fears of ordinary Indian citizens. Economic growth is the easy part of the equation. Gaining consent from voters is more difficult because there will be stark disparities in wealth. Many Indian politicians recognize that democracy and capitalism are inseparable, but binding them will be crucial if the nation is to succeed.

The great hope of Indian democracy lies in decentralization. This is beginning to happen as governments at the center in Delhi have weakened during the past decade. Since no party has been able to gain a majority in Parliament, leaders have depended more and more on regional parties to survive; neither have there been charismatic and overbearing leaders like Nehru and Indira Gandhi. Hence, the states have grown stronger by default. With liberalization, competition for private investment has also grown among the states. The competition in turn forces them to reform. This is a good thing as the behavior of the state government has a bigger impact on the average citizen's day-to-day life than the center.

The best news for Indian democracy, however, is the revolution at the local level—in the village and in the town. For forty years we did not have local self-government. But during the nineties, local



elections have been held in most villages and municipalities across the country and we have around three million legislators—a world record of sorts—of which one million are women. Local self-government (the panchayat raj) will not immediately transform people's lives, but it has to make a difference in the end. By law, one-third of our local representatives have to be women, and this too will make a difference.

Basrabhai is one such woman. She lives in Mohadi, an impoverished village on the Gujarat coast, where the villagers' straw huts were blown away in a cyclone. Basrabhai is the first woman to be elected chair of her village's local council, or panchayat. She conducts regular village meetings and, with the support of SEWA, a women's nongovernmental organization, has succeeded in getting about a dozen concrete homes out of the state government from its cyclone relief budget. One such permanent structure is the school, but the schoolteacher rarely shows up from the neighboring town. He is accountable only to the state bureaucracy at the capital and does pretty much what he pleases; contemptuous of the fisherfolk in the village, he calls their children "junglee"—animals from the jungle. SEWA is the acronym of the Self Employed Women's Association, and it supports the craftwork of the women in the village, providing microcredit, and marketing support for their embroidered and tie-dyed products, which have become increasingly popular in Bombay and in Western cities.

Govind Nihalani's new film, *Sanshodhan*, describes the arrival of the panchayat raj in a Rajasthani village. In it, a woman member of the local panchayat mobilizes the village to build a primary school and successfully foils the local landlord who is bent on stealing the school funds. It is a simple political film, which explains the magic of civic engagement and the rewards of local self-government. The local elites will almost certainly try to subvert the democratic process when it goes against their interest. They will try to pack the panchayats with their relatives and friends, as they do in Nihalani's popular film, but eventually they will have to reconcile themselves to sharing power.

Both Basrabhai's tale and *Sanshodhan* tell us that Indian democracy is changing. Despite vested interests and the lack of accountability of teachers and state officials, an explicit affirmative action policy has allowed Basrabhai to become the head of her village and to fight for change. It shows what can be done through state action; SEWA's example demonstrates not only the virtues of civic engagement but also how the poor can make a difference if they organize themselves to defend their rights and take advantage of market opportunities. Basrabhai's story also teaches the crying need for education reform—we have to make schoolteachers accountable to parents and communities rather than to the state bureaucracy. Teachers' unions are fighting this in state after state, but politicians will soon realize that there are votes in enacting this measure.

*India Today*, a widely read national magazine, recently recounted a similar story of community action in Gujarat's drought-prone region of Saurashtra. During four months, between May and August 2000, villagers in six districts of Saurashtra have built ten thousand check dams in response to the state government's "Build Your Own Check Dam" scheme. Mobilized by voluntary organizations like SEWA, villagers provided free labor and the government matched it with 60 percent of the cost of the dam. A few sporadic rains filled the check dams, and as water percolated into the ground, it raised the water table of the region. This simple water-harvesting effort is greening the driest region in the

country. An even more dramatic story is that of the activist Rajendra Singh, who has mobilized people in six hundred villages in the dry Alwar area of Rajasthan. His check dams have made a river flow that had gone dry many years ago, and it has greened the desert.

During the past two decades the voluntary movement has helped to connect the people to their rulers. Literally hundreds of voluntary organizations have become embedded in local communities across the country, and have reinforced the message of self-help, cooperation, and civic solidarity to the villagers; women's and environmental groups have especially made a strong mark in some communities. An urban example is that of "citizen's cards" in Bangalore, which asks citizens to rate the services by governmental agencies. Administered by the Public Affairs Center, a voluntary organization, the report cards assess the quality and cost of citizens' transactions with government departments. The Bangalore Development Authority, responsible for housing and other services, scored the lowest in one of the early report cards, with only 1 percent of respondents "satisfied." As a result, the authority director launched a citizen-government initiative to correct the problems.

A successful nation has three attributes: politically, it is free and democratic; economically, it is prosperous and equitable; and socially, it is peaceful and cohesive. The Indian nation enters the twenty-first century with considerable strengths in all three areas. Despite our frustrations over governance and interests, politically India is unquestionably free and democratic. During the past fifty years, Indians have learned to change their governments peacefully; thanks to a revived Election Commission, all parties have affirmed that elections during the last decade have been fair. Indians jealously value their vigorous free press and television. They have given free rein to their litigious nature in the courts, and justice, while slow, provides an opportunity to right many wrongs. Recently, power has begun to devolve to villages and municipalities, and women especially have shown an eagerness to embrace the fruits of local self-government. A civil society still has to grow to save democracy from electoral populism.

Economically, the reforms are creating the conditions for widespread prosperity as the nation has attained a sustainable 6 to 7 percent growth rate. This could climb to 8 or even 9 with more reform, and once prosperity spreads across all classes, Indians will also gradually lose some of their distrust of capitalism. Socially backward castes have come forward, a more pluralistic middle class is developing, and there is a greater balance of opportunity. No longer does the Indian peasant have to grovel before autocratic zamindars and feudal lords. To be sure, in backward Bihar, bonded labor is not totally erased and the Ranvir Sena terrorizes the Dalits; there is pervasive corruption in the lower bureaucracy and some policemen are venal; and gender inequalities are huge, especially in the north. But all in all, the average Indian has never been as free and can look forward to a better future. Education expansion holds the key, for with it will come better governance, less inequality, and a better quality of life.