

Good news: don't waste it

The voters of the world's biggest democracy have given their government a precious second chance.



AFP

INDIA is a land of bright promise. It is also extremely poor. About 27m Indians will be born this year. Unless things improve, almost 2m of them will die before the next general election. Of the children who survive, more than 40% will be physically stunted by malnutrition. Most will enroll in a school, but they cannot count on their teachers showing up. After five years of classes, less than 60% will be able to read a short story and more than 60% will still be stumped by simple arithmetic.

Some 300 parties and numerous independent candidates contested the election that has just ended (see article). They chose a bewildering variety of symbols: a lotus flower, a bow-and-arrow, a ceiling fan, a cricketer pulling the ball to the boundary. Of the 417m people who voted (a turnout of 58%), about 119m pushed the button next to an open hand, the symbol of the Congress party. That was enough to give it 206 of the 545 parliamentary seats. In a country more than twice the size of the European Union, speaking more languages, that is about as clear a mandate as any party can hope to win and—if Congress uses that mandate wisely—a wonderful chance to boost the welfare of the next generation of Indians.

Free at last...

The good news is that Congress has found it easy to form a coalition with what looks like a stable parliamentary majority. It will thus spare the country a repeat of the past five years, in which the party squandered its energies appeasing its allies in an unwieldy coalition. The election was also heartening because it revealed the limits of divisive politics. India's second party, the Bharatiya Janata Party (BJP), remains rooted in the Hindutva (Hindu-ness) movement, which seems to believe that India's 160m Muslims live there on sufferance. The BJP lost ground this time, showing yet again that Hindu nationalism is enough to underpin a party, but not a government.

Still, Congress must not now fall prey to complacency. The party is a big, shapeless tent, tethered to the Nehru-Gandhi dynasty, which has provided three of the country's prime ministers. The courtiers have now turned their attention to the next in line, Rahul Gandhi, the son of Sonia Gandhi, the party's leader. But, following the example of his mother, he is in no hurry to become prime minister. That is commendable. Manmohan Singh, the Oxford-educated economist who has been prime minister since 2004, has business to finish.

Liberals hope that Mr Singh's reformist instincts will enjoy freer rein now that Congress is no longer beholden to the communist parties which abandoned the government last summer and suffered horribly at the polls this spring. But liberalising measures, such as lifting the cap on foreign direct investment in insurance, win few votes in India. Only 0.7% of households own

any of the shares that jumped by 17% on the first day of trading after Mr Singh's victory was declared.

Mr Singh says his aim is "inclusive" growth. He and Mrs Gandhi have shown a taste for redistributing the proceeds of growth to favoured constituencies, some of whom happen to be desperately needy. The government raised the pay of public employees, forgave the loans of small farmers and expanded its public-works scheme for the rural poor.

Congress will find it harder to repeat this trick in its second term. Although the electoral maths is now in its favour, the fiscal arithmetic is less forgiving. The government's budget deficit (including the states') could exceed 11% of GDP this year. If the economy recovers—India, alongside China, seems to be decoupled from the sluggish West (see article)—the government's borrowing will put pressure on interest rates.

To narrow the deficit, it will be tempted to short-change infrastructure spending, an investment that pays off slowly. But this would be a false economy. If India is to grow at 9% a year, it needs to add at least 25,000MW of power a year. It is also bad politics: in the states of Bihar and Orissa, voters in this election proved they will reward state administrations that show an interest in improving their lot. A government with a secure five-year term has a chance to earn votes, not just buy them.

A better way to save money would be to curb government subsidies on fuel and fertiliser. These outlays are wasteful and mostly benefit better-off people who own vehicles, or farm large plots of land. Fuel subsidies, in particular, hold the public finances hostage to the world oil price, which threatened fiscal mayhem when it passed \$140 a barrel last summer. Another crisis beckons if the world economy recovers.

Reforming subsidies would be administratively easy, but politically tricky. The same, alas, applies to India's onerous labour laws. It would take only a penstroke to repeal these rules, which make a tiny fraction of the workforce practically unsackable, at the expense of everybody else. But with exports plummeting and industry shrinking, it would be a brave new government that made Indians easier to fire.

Sadly, Congress has neither the courage nor the mandate to grasp this nettle. Yet some urgent reforms would be politically popular. To reform education or combat malnutrition, for example, the government needs to recruit, motivate and monitor millions of teachers and crèche-workers. Unfortunately, that asks a lot of India's creaking bureaucratic machinery, which is notoriously prone to "leakage", a euphemism for corruption. Mr Singh's failure to repair that machinery explains a lot of his government's failure to achieve much else. It has, for example, dawdled over a bill that would supposedly enforce the right to education, because it fears the practicalities. In India, it can take up to four years to fill a teacher vacancy.

...but no more excuses

In the past five years Congress could blame such shortcomings on the vagaries of coalition politics. But it lost that alibi this week. Unencumbered by its useless former allies, it now has a clear mandate to provide the country with educated minds, well-fed bellies, irrigated fields and uninterrupted electricity, without busting the budget. Promises to do just that featured prominently in Congress's manifesto, just as they did in the election of 2004. If the hand comes up empty again, India's voters will push someone else's button next time.

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