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India Under Modi: Shrinking Democracy, Growing Inequalities

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Narendra Modi's decade in power has seen an erosion of democracy alongside soaring inequality. While religious nationalism diverts public attention, the super-rich add to their wealth. Economic performance remains lacklustre, welfare spending stagnant, and authoritarian tactics silence dissent.

As was true for Jawaharlal Nehru and Indira Gandhi in the past, Narendra Modi will surely come to be recognized as one of India's epoch-making political leaders. Whether one holds these leaders in favourable or unfavourable light, there is no denying that each of them have left their indelible mark on India's political economy. The Bharatiya Janata Party (BJP) government -- with Modi at the helm -- has now completed more than a decade in office. It is time to take stock of the Modi-era.

In this essay, we evaluate the political and economic developments in India since 2014. We suggest that the defining characteristics of the Modi-era are two developments: erosion of India's democracy; and growing economic inequalities. Moreover, these two trends are not just parallel developments; they are deeply connected. Growing economic inequalities gave us Modi. And Modi, in turn, has changed the political conversation, away from who gets what, when, and how in the political arena, to which gods we should honour. With the public's attention focused on identity politics, the rich in India are becoming super-rich, and the super-rich are becoming world class billionaires. When religious nationalism has not sufficed in subduing political demands, Modi has used authoritarian tactics to stifle dissent in India.

We seek to both explain the rise of Modi and to assess his political and economic policies. Modi's rise to power cannot be understood without revisiting political and economic developments during the two decades preceding 2014. Especially germane were the Congress's failures. India' economy grew handsomely during the rule of Congress and United Progressive Alliance (UPA) governments after 1991 and poverty came down. And yet, the Congress failed to capitalize politically on these economic successes. The underlying reasons were both economic - especially, growing inequalities that were altering the social distribution of power in the country - and political - especially, failure of leadership. These are analyzed first. As the Congress shrunk politically, the better-organized BJP stepped in. While the attention-grabbing Rath Yatra and the subsequent destruction of Babri Masjid in Ayodhya are well known, the limits of religious mobilization are not always appreciated. After its initial success, following the Rath Yatra, the BJP's support plateaued for nearly 25 years. Though it headed coalition governments during this period, it was unable to win electoral majorities on its own. India's political system during this period was highly fragmented, lurching from one crisis to the next, crying out for political direction and stability. This is analyzed second. And then the third step in our analysis of the rise of Modi is how he - supported by Indian business - stepped in to the vacuum created by Congress's failures.

Modi has now been in power for 11 years. We analyze both political and economic developments in India under Modi. There is no denying that democracy in India has shrunk under Modi. What is less clear is why Modi has turned authoritarian. The simple answer is of course that neither the BJP nor Modi are liberals. However, deeper answers also need to take account of the fact that there exist very few forces in India to stop an authoritarian juggernaut: institutional checks and balances are weak; political opposition is fragmented; and focused on profits, powerful business groups are happy to look the other way. Given creeping authoritarianism, the final aspect we then address is what might be called the East Asian question: is some authoritarianism morally acceptable if it delivers superior economic performance? We conclude by documenting that the question is moot for India; neither economic growth, nor India's distributional performance, have been superior under Modi.

The Rise of Modi

What was the context that gave us Modi? The rise of Modi was a product of three circumstances: the Congress's failures; the BJP's advantages; and Modi's leadership qualities.

Congress's Failures: Following the Emergency, Indira Gandhi slowly but surely gave up on Garibi Hatao and prioritized economic growth instead. Rajiv Gandhi continued along this path during the 1980s, even accentuating this shift and largely discarding references to Congress's earlier commitment to socialism. And then, following economic "liberalization" in 1991, the Congress became politically unrecognizable; instead of the old nationalist party, committed to lifting all boats, the Congress now became a pro-business party,

committed to growing the national economy, and hoping for the best. Run by competent technocrats, the Congress's new economic policies helped generate robust economic growth in India, and poverty came down. Between 2004 and 2014, several rights-based welfare schemes were also adopted. However, the Congress's political skills proved to be sorely lacking. The irony could not be more palpable: a product of successful politics in the past, the post-1990 Congress had no idea how to harness the new political forces it had unleashed. These failures in turn paved the way for the rise of Modi.

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India's economy grew handsomely between 1991 and 2013 (Figure 1) and poverty declined (Figure 2). These two decades were mostly dominated by Congress-led governments, except for the BJP-led governments during 1998-1999 and 1999-2004 with Atal Bihari Vajpayee at the helm. The key architects of India's economic policies during this period were such Congress leaders as Narasimha Rao and Manmohan Singh. Not only did the economy grow during their reign, but poverty came down substantially.

Figure 1: India's Annual GDP Growth 1950-2024, (in %)

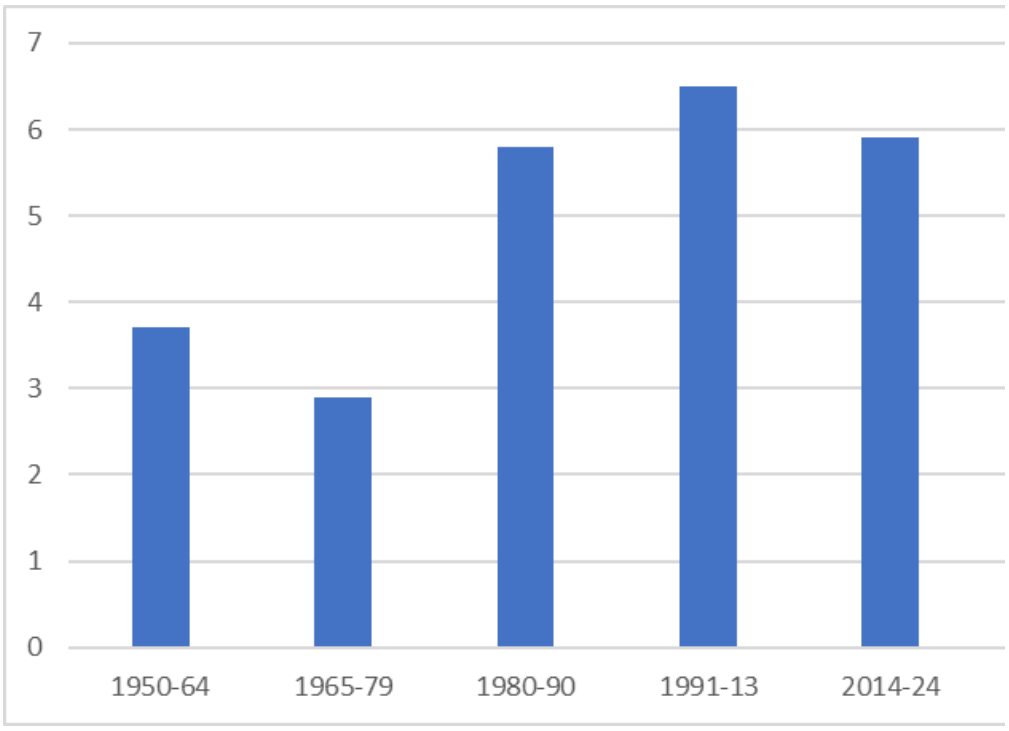
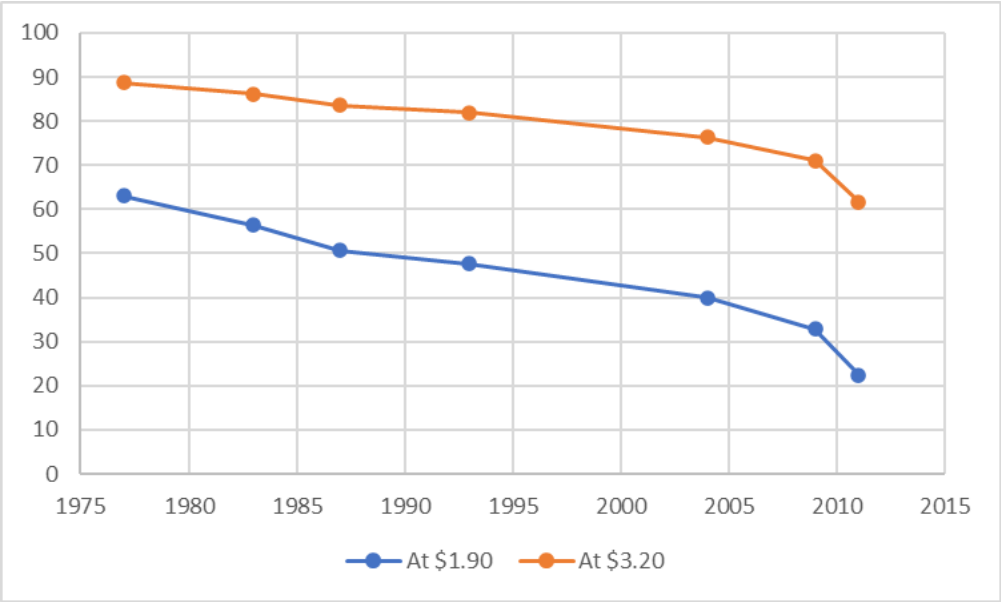


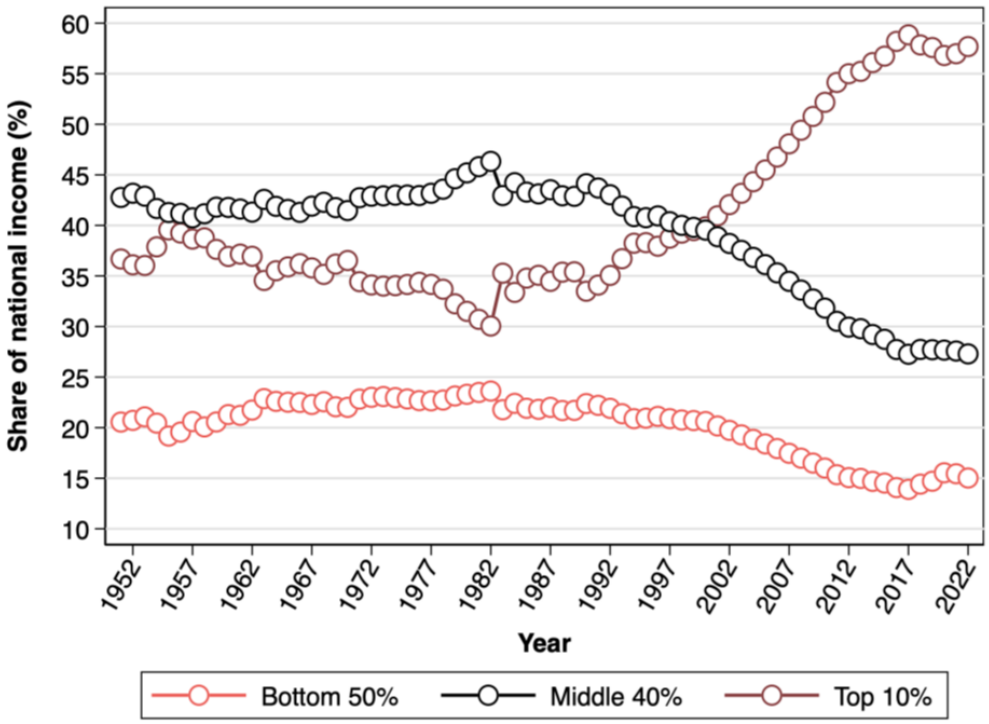
Figure 2: Poverty Levels in India, 1975-2011 (as a percentage of the population)



On the face of it then, good economic growth, reduction of poverty and the introduction of several welfare schemes, should have enabled the Congress to strengthen its political base. And yet that did not happen. Instead, the Congress lurched from one political crisis to the next, giving away the store to Modi in 2014. What happened?

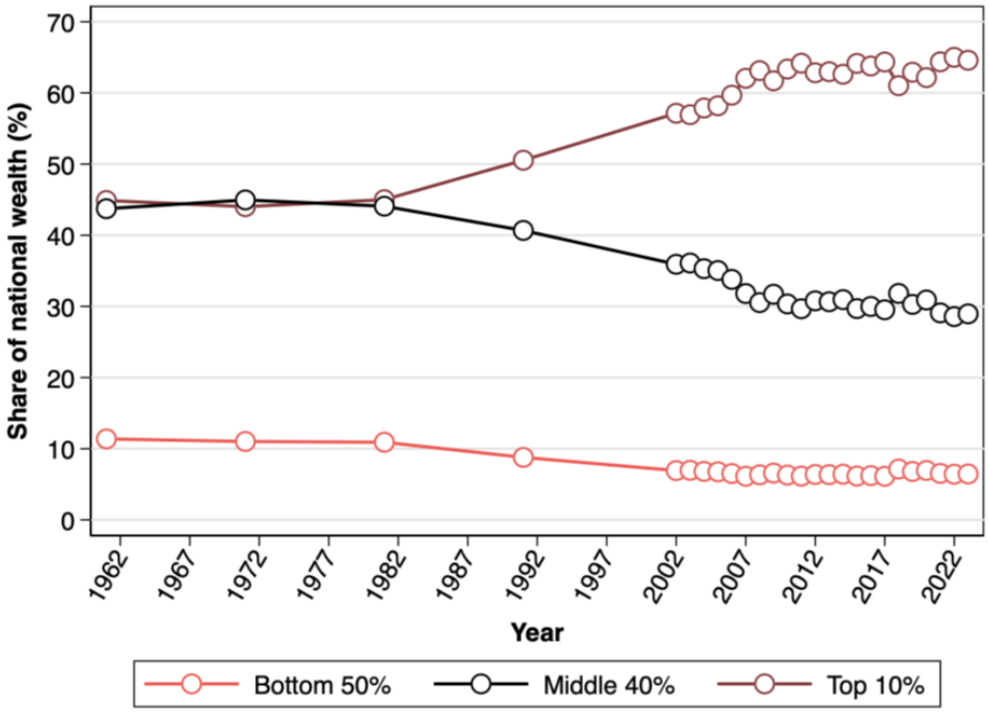
The Congress's failure to capitalize on good economic performance was rooted both in the pattern of economic growth, and in the party's political incapacities. Let us consider each in turn. As is clear in Figures 3 and 4, India's post-1991 growth was accompanied with a sharp increase in income and wealth inequality in India. The income gap between the rich and the poor in India under the Congress widened to levels not seen since the colonial period. Such a remarkable shift was bound to have political consequences. Economic inequalities were growing along three dimensions: city versus the countryside; region versus region; and, of course, along class lines. Each of these changes in turn unleashed new political forces that the Congress failed to absorb.

Figure 3: Income Inequality in India, 1951-2022



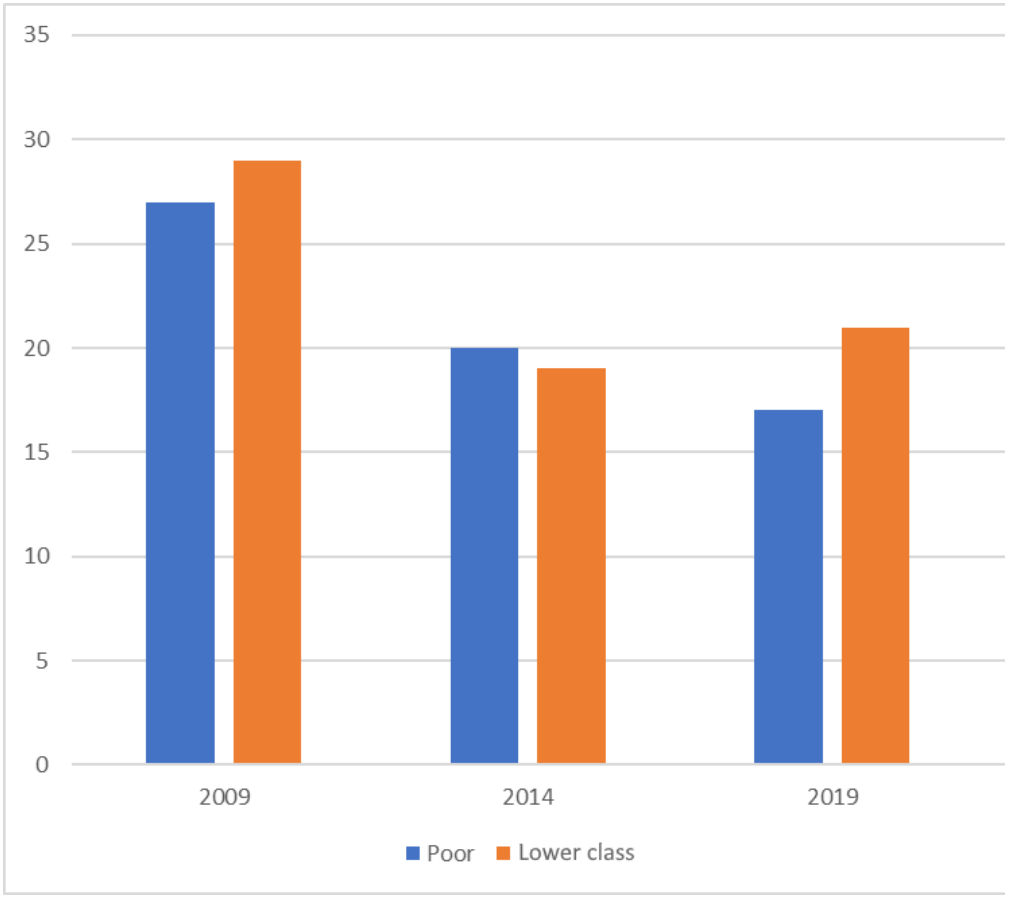
Following the policy changes in 1991, private investments in India grew in relation to public investments. The decline in public investments especially hurt the countryside and the poor regions of India. The political consequences were complex and are still unfolding. At minimum, the poor in the countryside - a substantial portion of the electorate -- became politically adrift. The Congress's abandonment of Garibi Hatao during the 1980s had already weakened the bond between the Congress and the lower classes. Further, the Congress's introduction of rights-based welfare schemes after 2004, such as the Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA), did not represent a substantial shift to a social democratic framework. Rather, the rights-based agenda was a result of a temporary coincidence of civil society activism and political incentives after the Congress' surprising electoral victory of 2004. Indeed, pro-business policies continued unabated even as right-based initiatives were introduced. Given that most parties in post-1991 India eschewed class politics, India's poor were increasingly more amenable to mobilization along the lines of caste or religion. These trends hastened with growing economic inequalities. While the Congress attempted to mobilize along caste and religious lines too, other parties were more adept at winning votes via such appeals. Regional parties often used caste appeals, while the BJP mobilized along religious lines. The cumulative result was that the post-1991 Congress lost political support among India's poor; in the words of one seasoned observer, from 1990 onwards, "the core base of the party among the poor, the SCs (Scheduled Castes) and STs (Scheduled Tribes) began to erode" (Palshikar 2024: 62).

Figure 4: Wealth Inequality in India, 1961-2023



Why did the Congress start losing support among the poor, even though poverty was coming down during this time period? The reason is that growing inequalities matter in politics. Most citizens in most settings evaluate their well-being in relation to the well-being of others in society. A poor person may be glad that they can afford a bicycle but when they see the rich acquire fancy cars and better homes, the very human emotion of envy feeds dissatisfaction. Some such political dynamics seems to have been at work in India, hurting the Congress's electoral fortunes. Notice in Figure 5 that, leading up to the crucial elections of 2014, the share of the poor who voted for the Congress party declined from 27 to 20 per cent and of the lower class from 29 to 19 per cent (See Figure 5). Though the Congress lost support among middle and rich groups also, the loss of support from the poor and lower class was especially consequential for a party that supposedly stood for the lower strata. Also, these groups constitute more than half the electorate. The Congress's loss was eventually the BJP's gain; a significant proportion of the lower strata shifted their support to the BJP, not because the BJP was a new pro-poor party, but because the BJP offered the poor such psychic, non-economic rewards as pride in communal bonds. In addition, Modi's personal appeal and rhetorical skills helped consolidate the support of the poor.

Figure 5: Congress' Support Among the Poor and Lower Classes, 2009-2019 (in %)



The consequences of growing regional inequalities are still unfolding. What began during the 1990s, however, was an important trend: economic power started to shift to richer regions of India, such as Gujarat and Maharashtra on the one hand, and some southern states like Tamil Nadu on the other hand. By the same token, the numerically significant poorer states like Uttar Pradesh (UP) and Bihar started to become more economically marginal. In the past - during the Nehru and Indira Gandhi years - states that were most powerful within the union were often states with most people, producing most seats in Parliament. Some of that is still true. But the power dynamics in India on this dimension became more complex in the era of high growth. Money and talent are now more concentrated in India's better-off states, while a majority of the voters are still in the poor states. The Congress party again did not know how to exploit these important changes. Some regional parties capitalized on these changes, especially in South India. But the growing economic dynamism in the Western India clearly worked to the BJP's advantage; that Modi, Amit Shah, Mukesh Ambani, and Gautam Adani - arguably India's four most powerful men - are all Gujaratis is not a coincidence.

> As the 2014 national elections approached, some of the India's business leaders then took actions that were hitherto uncommon in Indian politics; they signalled their political preferences.

The political consequences of growing class inequalities were probably the most consequential, though not in expected ways. One might have expected such growing inequalities to give rise to old-fashioned class conflict. But not so. Why India's left parties failed to mobilize these inequities is an important issue not addressed here. What is clearer are certain other trends unleashed by the Congress party that helped propel Modi to the forefront. The most important of these was the growing power of business groups. Both direct and indirect power of Indian capital grew in the post-liberalization period (Murali 2019, Sinha 2019). For the Congress to gain politically from its post-1991 economic policies, it needed to win the support of large business houses. But in this the Congress failed, even failed miserably. Congress' leaders basked in what they mistook for political glory; they were feted in world capitals as liberalizers, and India under their leadership was donned on the covers of the *Economist*, with such headlines as "India uncaged."

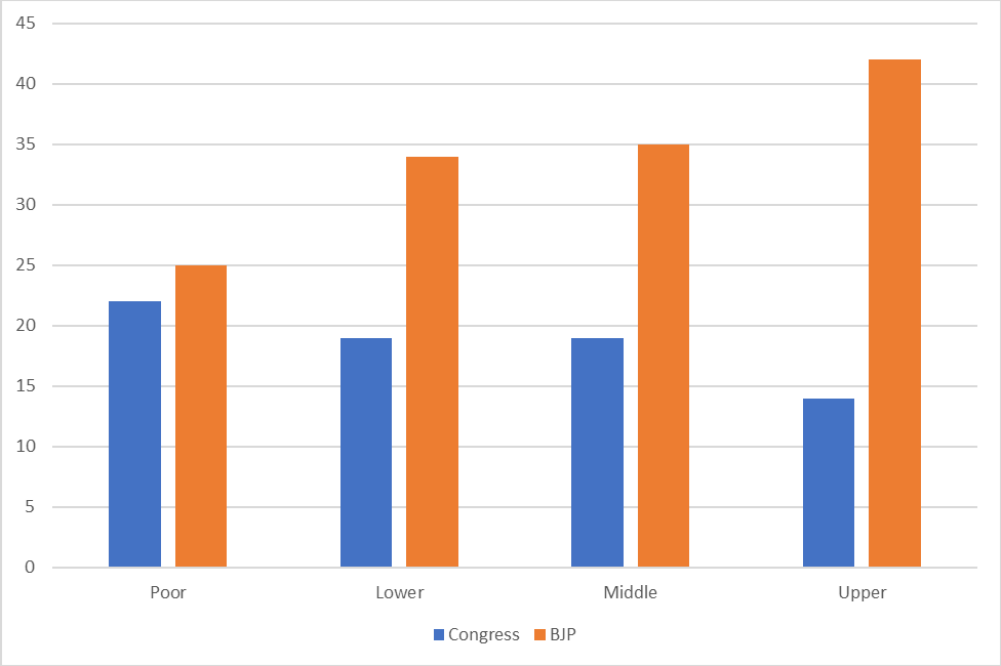


Meanwhile, a new India was being forged in such other locations as the "Vibrant Gujarat Summit," where Modi was successfully persuading business leaders that he offered a better political alternative to the Congress, because of his sharper pro-business proclivities, and because he was more likely to provide a stable, no-nonsense, majority government. As the 2014 national elections approached, some of the India's business leaders then took actions that were hitherto uncommon in Indian politics; they signalled their political preferences. For example, some of the country's biggest industrialists, including Mukesh Ambani and Ratan Tata, attended the Vibrant Gujarat Summit in 2013. More importantly, many of India's top industrialists who attended that event openly hailed Modi's vision and his leadership in Gujarat (e.g, Times of India 2013; Reuters 2013). Though they stopped short of directly commenting on Modi's candidacy for prime minister, such business euphoria was essentially a tacit endorsement of Modi.

> Rapid economic growth in India was then accompanied by sharp increases in economic inequalities along several cleavages: … these included the city versus the countryside; across regions; and along class lines.

If rapid private-sector-led economic growth strengthened the political power of Indian capital, there was no commensurate increase in the power of labour. On the contrary. As is well known, led by the service sector, India's economic growth did not produce ample new manufacturing jobs. The demand for factory and other types of labour then did not grow rapidly. As a result, the bargaining power of labour also did not grow. Congress governments quietly sided with big business to further weaken the power of labour. A key constituency of the traditional left was then quashed. Not only that, a growing number of educated but un- or under-employed youth became available for political mobilization, especially in the slow-growth Hindi Heartland. The Congress again did not have a viable strategy to incorporate these new political forces. Congress's loss of support among young voters is documented in Figure 6. Notice that the preference for the BJP among the young goes up with their income. The preference of the young and rich for a right-of-centre party is understandable. What is especially notable, however, is a similar preference among the young of the lower and the middle classes. While these social strata may not constitute a large portion of the electorate, their political significance lies elsewhere. Dissatisfied with poor life-chances, elements of these younger aspirational groups, especially in cities, have provided the storm troopers who march in yatras, and become vigilantes. Such actions in turn help the BJP project its Hindu nationalist credentials, building electoral support at the expense of the Congress.

Figure 6: Electoral Preference of the Young (under 35) by class, 2014 national elections (in %)



Rapid economic growth in India was then accompanied by sharp increases in economic inequalities along several cleavages: to reiterate, these included the city versus the countryside; across regions; and along class lines. It would have taken an imaginative and a well-organized political party to manage these new forces. It is possible to imagine savvy leadership and a social-democratic party, pulling together business groups and all those being left out of the growing economy into a winning coalition. There were some such beginnings, when Manmohan Singh promised "inclusive growth," or when Sonia Gandhi spearheaded MGNREGA as a tool of inclusion. Unfortunately, some of this was just rhetorical, and the rest was too little. The Congress under Sonia Gandhi was in no position to initiate such a major change; the Grand Old Party instead was a shell of its old political self, incapable of reestablishing a new hegemony.

Notable political problems of the Congress party included convoluted leadership, a hollow organization, and the absence of an inclusive ideology. After Rajiv Gandhi's death, power in Congress party came to be concentrated in the hands of his widow, Sonia Gandhi. Though very powerful, she chose to remain behind the scenes and not assume the post of Prime Minister, leaving aging political figures without an independent base - Narasimha Rao and Manmohan Singh - to be India's prime ministers. These leaders were competent but they also served as place holders for Rahul Gandhi to grow into an heir apparent. This convoluted power structure hurt the Congress party. Those who were running the country were not in a position to broadcast their achievements loudly. Not only were leaders like Narasimha Rao and Manmohan Singh not charismatic, any move by them towards projecting national leadership would have been perceived as threatening by the Gandhis. Unlike Nehru and Indira Gandhi in the past then, or Modi today, the leaders during the interregnum in India were heavily constrained by the nature of the Congress's power arrangement. Successful leaders need to trumpet their accomplishments so as to build their present power position into future political capital. The bifurcation of power at the top of the Congress party got in the way of this normal political evolution. By the time Rahul Gandhi was in a position to step into a leadership position in 2014, he was relatively inexperienced and no match for a Modi.

As an organization, Congress party had already lost much of its downward reach during Indira Gandhi's rule (Kohli 1990). In the aftermath, the organizational structure of the party was never rebuilt. Moreover, the Congress then also lost whatever limited ideological moorings it had. Once the Congress turned pro-business in the 1980s, hoping to generate economic growth, no one was sure what the Congress stood for. Socialism was gone. A pro-business tilt was masked by a newly found commitment to liberal economics in the early 1990s. And then again, fearing an electoral debacle, the Congress embraced the poor once more during the second half of the 1990s. A similar left-of-centre tilt was evident preceding the 2024 national elections. With poor leadership and hollow organization, these ideological gymnastics looked more like opportunism than wise balancing of conflicting interests. The Congress party then started losing its credibility, evident in the steady decline of its electoral base after 1991, culminating in BJP's victory in 2014 (Figures 6 and 7).

BJP's Advantages …. and Limits: Among the BJP's political assets are a relatively coherent ideology and a strong organizational structure. The roots of these developments lie deep in Indian history, a set of issues that need not be discussed here. Suffice it to note that the BJP's parent organization - the RSS - was formed during the 1920s to foster pride in Hinduism and Hindu society. Never could key figures of the RSS in its early years -- such as Savarkar or Hedgewar - have imagined the long-term fruits of their early labour. By now the RSS has nearly six million *swayamsevaks* (volunteers), who attend regular meetings at some 7,000 monthly *shakhas* (branches) across India, and are guided by some 6,000 pracharaks, who more or less form the backbone of the RSS (Outlook 2024). When the BJP government was sworn in in 2019, 38 of the 53 ministers (or 3 out of 4), including Modi, the prime minister, had come up the ranks of the RSS (The Print 2020). Seventy percent of the new ministers appointed by Modi in 2024 again have an RSS background (O'Brien 2024).

Of course, the political ascent of the BJP has been far from linear. The BJP's predecessor, the Jan Sangh, remained a marginal force in India for nearly three decades. Even the BJP - formed in 1980 -- remained a minor player in India's electoral politics during the 1980s. The BJP's first major breakthrough occurred in 1991, following the Rath Yatra in 1990. In order to understand this breakthrough moment, it is important to recall the political context. It was clear to all and sundry by then that the Congress's nationalist hegemony was over. India's major political parties, including the Congress, but also the BJP, the Janata Dal, were looking for new legitimacy formulae to win elections. The Congress hoped to capitalize on its association with the Nehru-Gandhi dynasty. Both the Janata Dal and the BJP, in turn, embraced identity politics sharply, caste politics for the Janata Dal, and Hindu nationalism for the BJP. What the BJP found especially threatening was the acceptance of the report of the Mandal Commission, via which Janata Dal leaders in 1990 sought to consolidate their hold on power by promising reservations to the backward castes. If successful, such a move would have fatally hurt the chances of the BJP to create a Hindu political bloc. As a counter-mobilization strategy, the BJP - supported by the Sangh Parivar -- then organized the Rath Yatra to Ayodhya.

Led by Advani - with Modi as a principal assistant - this march yielded rich political dividends for the BJP. Religious polarization helped the BJP enhance it political support among Hindus, especially in Uttar Pradesh. As is clear in Figure 7, the BJP's electoral fortunes jumped following the yatra, from some 11 per cent of popular support in 1989, to more than 20 per cent of support in 1991.

Figure 7: Share of Votes in National Elections, Congress and BJP, 1980-2024 (in %)

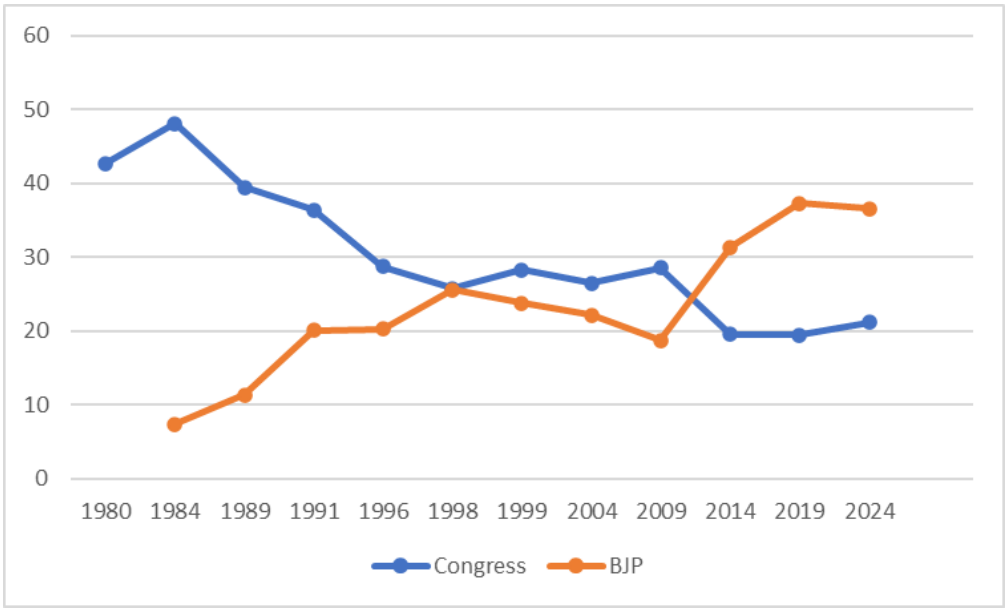
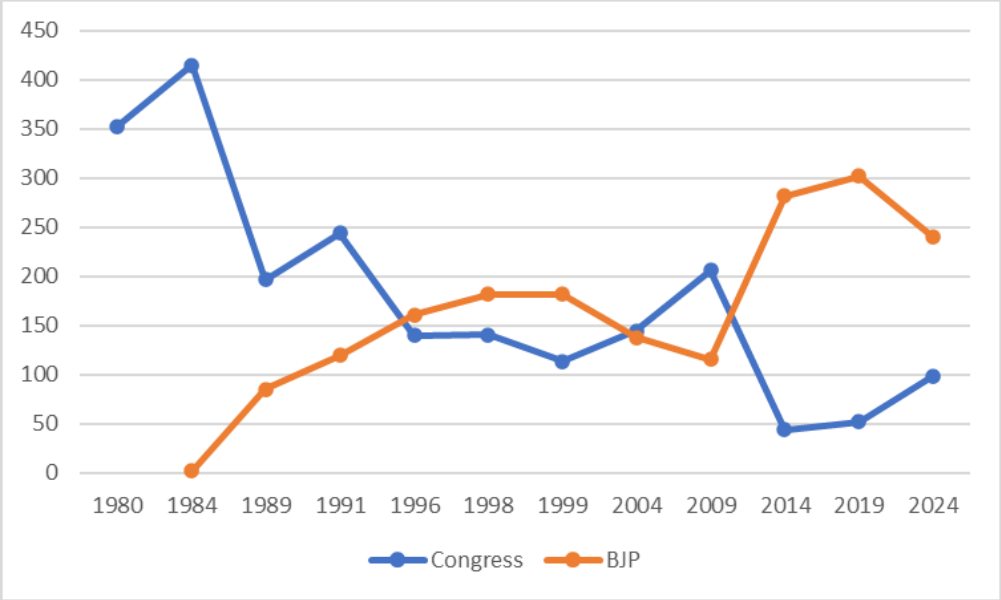


Figure 8: Lok Sabha Seats, Congress and BJP, 1980-2024



Religious mobilization around the Babri Masjid then catapulted the BJP into India's main opposition party. It also raised the political stature of Modi within the BJP, from an RSS functionary to a political leader with organizational skills, who within a decade would go on to become Gujarat's chief minister. What is also important to note, however, is that, following the 1991 national election, and prior to 2014, the year in which Modi propelled the BJP to become India's dominant party, the BJP's political fortunes were nearly stagnant. For example, notice in Figure 7 that Congress's share of the vote in India between 1991 and 2009 elections averaged some 30 per cent and that of the BJP hovered around 22 per cent. Even a stint in power at the turn of the century - with Vajpayee as the prime minister - failed to improve the BJP's mass support.

What the BJP's electoral ascent in 1991, but subsequent stagnation till 2014, then underline are both the strengths and the weaknesses of the BJP as a party. The ideology of Hindutva and a significant organizational structure enabled the BJP to become India's main opposition party. However, beyond anti-Muslim mobilization, the BJP's political tool kit was nearly empty. During numerous elections between 1991 and 2014, the BJP had nothing else to offer to Indian voters to improve its electoral base. It was, as if, the BJP had succeeded in creating a Hindu bloc of vote in 1990 via the yatra but was then stuck at that level - about 22 per cent of the popular vote -- for more than two decades. These figures suggest that only one in four or five Indian voters was a hard-core follower of Hindutva. For the rest, the BJP needed something else to become India's ruling party; that "else" was Modi's leadership.

Enter Modi: Prior to his national rise, Modi was mainly an organization man. He rose steadily within the ranks of the Sangh Parivar, from an RSS pracharak, to the BJP's organizing secretary in Gujarat. He helped the BJP organize successful municipal elections in Ahmedabad. He then spent several years building up the party within Gujarat. This brought him to the attention of Advani, who recruited him to help lead the Rath Yatra in 1990. Just as the yatra proved to be a turning point in the emergence of the BJP as a national political force, it was also a turning point in the political career of Modi. In addition to his organizational skills, the yatra proved Modi's bona fides as a committed and tough Hindu leader. He then moved up within the ranks of the BJP, first helping win elections in Gujarat, and then becoming a national secretary of the party. As the BJP leaders in Gujarat squabbled, it was from his senior organizational position within the party that Modi was selected by the BJP's leadership to become the chief minister of Gujarat in 2001. It is important to underline that, prior to his ascendance to a leadership position, Modi had never run for, or won, an election. He first won a secure seat in a by-election, following his appointment as Gujarat's chief minister.

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Modi's national rise was then propelled by his leadership of Gujarat. As the chief minister of Gujarat during 2001-14, Modi cultivated the image of a no-nonsense leader, who could get things done. Since Gujarat's economy did well during these years - as it had done even in pre-Modi years - Modi's image as an effective leader had some credibility. However, the two deeper leadership traits that truly propelled him to power were different: he was a committed Hindu nationalist; and he was sharply pro-business. Modi's pro-Hindu credentials were strengthened further in the aftermath of the massacre of Muslims in Gujarat in 2002. Religious polarization then helped Modi consolidate his base of support in post-2002 Gujarat. While Modi was criticized for his role as a bystander in that massacre, most

of that was set aside over time, and then even forgotten, once the courts acquitted him of charges of conspiracy in 2012. What endured within the Sangh Parivar instead, as well as among BJP supporters, was the image of Modi as a tough organization man, a crafty politician, and now a leader, who was also a war-hardened champion of Hindutva.

While mobilizing identities has become essential in contemporary India to secure power, when it comes to everyday tasks of governance, identity politics is but a side show. The real challenge of governance instead is managing the economy, especially relations with business groups, who head the private firms at the heart of the economy. As Gujarat's chief minister, it was in this critical area that Modi gained the reputation of a sharply pro-business leader. Modi's support of business groups was both personalistic and institutional. On the one hand, he facilitated the further growth of fellow Gujarati business tycoons such as Adani. On the other hand, beyond such crony capitalism, Modi also helped create general policies and institutions that encouraged private investment and growth in Gujarat (Murali 2017). Business groups, in turn, reciprocated, heaping praise, and raising resources to support Modi's continued political ascent. The political support of such key Indian industrialists as Ratan Tata and Mukesh Ambani prior to the 2014 election was already noted. Also, as Modi campaigned vigorously, crisscrossing the country, he travelled in private planes provided by Adani. It is not an exaggeration then to suggest that Modi was the first prime minister of India who was nearly anointed by India's increasingly powerful business class.

The mix of Hindu-nationalism and pro-corporate commitments was a new and a heady brew for India. Once the BJP projected Modi as its leader in 2013, Modi turned the 2014 election into a presidential style contest between him and Rahul Gandhi. Rahul was no match. As important, Modi had a powerful support system. While the RSS had initially resisted Modi - too independent - they soon fell in line. The dense network of the well-organized Sangh Parivar, especially in north-central and western India, was then at Modi's disposal. Modi's key assistant, Amit Shah, whipped this organizational network into an effective mobilization team. Business groups generously provided financial support. Massive advertising that projected Modi as right for a new India followed. Young, tech-savvy graduates of Indian technology institutes and MBAs from overseas universities also saw in Modi a promise of a new India, proud of its heritage, but moving forward in the march of globalization. They provided enormous support - often voluntarily -- to Modi by shaping mobilization strategies, especially using social-media (Ulekh 2015). The excitement that Modi generated was certainly something quite distinct from what many Indian voters associated with the tired Gandhi dynasty, and even with the aging Vajpayee-Advani combine.

> By 2014, Indian elections were nearly presidential. The choice in India was really between Modi and Rahul. And for many Indians, this was not a real choice.

When the results of the 2014 elections came out, even the BJP may have been surprised: the party's share of the popular vote had jumped by more than 10 percent (Figure 7), and Modi had led the party to a clear majority in Parliament (Figure 8). While the BJP gained support across social classes in India, the rich tended to support them more than the poor. If one combines class and caste data, the support for the BJP among the rich upper-castes was even more sharply skewed; nearly 55 per cent of such privileged voters supported the BJP in 2014. By contrast, hardly any Muslims voted for the BJP. That the BJP was - and remains -- most attractive to rich, upper-caste Hindus is thus hard to deny. However, this much was true for the BJP even before its spectacular victory in 2014. Between 1991 and 2009, the upper class and caste support notwithstanding, the BJP's popular vote was stuck at some 22 per cent of the total. What then helps explain the sharp upward swing - from 22 to more than 31 per cent -- in its electoral fortunes in 2014?

The critical difference in 2014 was leadership. By 2014, Indian elections were nearly presidential. The choice in India was really between Modi and Rahul. And for many Indians, this was not a real choice. Rahul Gandhi was viewed at this early stage as the inexperienced scion of the ruling family. Moreover, Modi characterized him as a princeling, a child of privilege, while he himself had risen from a mere *chai wallah*, followed by years of service to society in the RSS, and then a successful politician, who had governed one of India's most industrialized states, Gujarat. This leadership contrast stuck, at least for a decade. Modi was moreover a powerful orator delivering speeches in *shudh* Hindi. The leadership factor was thus heavily skewed in favour of Modi. Rahul Gandhi was significantly outmatched in this contest. Prior to the election, for example, most Indians in January 2014 preferred Modi over Rahul as the next prime minister by 13 percentage points, 34 to 21 percent. The eventual share of the votes secured by the BJP and the Congress in the April 2014 election - 31.4 and 19.6 per cent respectively - were very much in the same range as for the preferred leader. The "Modi factor" then helped propel the BJP to power in 2014 (Chhibber and Verma 2014: 51).

Modi in Power

Modi has now been in power for more than a decade. He has won three consecutive national elections, a significant political achievement by any standard. Leaving aside the issue of fluctuations in electoral performance during this period, how does one assess Modi's decade in power? One clear trend is growing authoritarianism. After discussing this, we ask: does this heavy-handed state have any redeeming features? To paraphrase an old adage, do trains now run on time? Our answer is a clear "no". We document that India's economy has not performed any better under Modi than in the recent past, inequalities have continued to grow, and welfare expenditures are flat. When systematic hype is peeled away, what emerges is continuity in major economic trends in post-1991 India. For those who value democracy then, growing authoritarianism in India under Modi is a net loss; harsh politics serves narrow political ends, without any benefits to the broader society.

Growing Authoritarianism: If one thinks of democracy mainly in terms of winning power via elections, democracy in India is alive. However, if one also values democracy for the quality of rule offered by rulers, then Indian democracy under Modi declined, maybe even sharply. According to most international observers of democracy - such as V-Dem in Sweden - India's democracy has eroded seriously over the last decade; V-Dem now labels India an "electoral autocracy." The Intelligence Unit of the *Economist* characterized India in 2024 as a "flawed democracy," about as flawed as the United States. As to why observers agree on this assessment of Indian democracy under Modi, two interrelated political developments in India deserve special attention: vigorous pursuit of Hindu nationalism; and the undermining of checks and balances on the power of leaders.

The BJP is both a product of the ideology of Hindutva and seeks to promote the goals of that ideology further. While there is some vagueness as to what constitutes the core elements of Hindutva, it is fair to suggest that modern-day proponents of Hindutva share the belief that India is primarily a nation of Hindus. As such, the BJP and its affiliates wish to pursue goals that further the cause of Hindu nationalism, including consolidating a Hindu state. Over the last decade, this consolidation has often been at the expense of Indian Muslims. As the examples below will clarify, some of these actions followed state policies, while in other cases the BJP in power either encouraged or provided a permissive context for members of the Sangh Parivar to pursue vigilante violence.

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After coming to power the second time in 2019, Modi pushed through important policies that appealed strongly to the BJP's core Hindu supporters. These included a change in the status of Kashmir, and the amendment of India's 1955 Citizenship Act. Modi revoked the special status of Jammu and Kashmir and divided the state into two union territories; a move that gave the central government more control over the region. While resented deeply by many Muslims of Kashmir - a large Indian military presence and repression was needed to maintain order - these actions appealed to proponents of Hindutva. To them, the Congress leaders in the past had pandered to Kashmiri Muslims. The new thinking of BJP supporters was instead that such an accommodative and democratic approach was not necessary: Indian Muslims either needed to accept the hegemony of a Hindu nationalist state, or the might of the state will ensure their compliance.

A second example of a significant state action in the pursuit of Hindutva was the amendment of the Citizenship Act, also in 2019. This amendment enabled migrants to India of six religions from Pakistan, Bangladesh and Afghanistan -- except Muslims -- to acquire Indian citizenship. In conjunction, the BJP also attempted to push for the National Register of Citizens (NRC) across the country. These two actions together created an enormous fear that the BJP was out to create a two-tier citizenship in India, whereby many Muslims might become second class citizens, or worse, be deported to Pakistan or Bangladesh. Moreover, it was the first time in independent India's history that citizenship was linked to religion. Protests followed. As did state repression, especially against Muslims. The BJP eventually softened some of its rhetoric but the amendment to the Citizenship Act remains. The composition of the new post-2024 coalition government in India is such that the BJP is unlikely to be in a position to implement the NRC. But still, the BJP has already made a strong political statement: in an India run by Hindu nationalists, Muslims will not be treated equally.

The construction of a Ram Mandir in Ayodhya on the site where the Babri Masjid stood previously is another well-known example of the unfolding of the Hindutva agenda. As discussed earlier, Modi's political ascendance is closely tied to the Ayodhya controversy. Since the destruction of the Babri Masjid in 1992 by the activists of the Sangh Parivar, the legality of who owned the piece of land, and whether a Hindu temple could be built on the site of the mosque, continued to simmer in the courts. Once Modi returned to power, the issue finally came to a head, with India's Supreme Court deciding that a Hindu temple could indeed be built on the site of the destroyed mosque. Muslims were given a different piece of land to rebuild their mosque. This decision satisfied one of the long-standing demands of the Sangh Parivar. When the temple was finally opened in 2024, Modi acted as the "grand priest." The ceremony

was reported on social media and television widely. Major Indian business groups like Larsen and Toubro and Tata Consulting Engineers were designated as consultants to the project. Business tycoons eventually joined Modi at the inauguration of the temple.

What these three examples - two pushed by the BJP-controlled state and a third that has long been on the agenda of the BJP as a party - suggest is that a Hindu nationalist agenda, aimed at marginalizing and persecuting India's Muslims, has been deliberately unleashed in India from the apex of the polity. Below the national level too, numerous anti-Muslim activities have been undertaken by Hindu vigilantes while the national leaders have looked the other way. A typical pattern involves mobilization by Hindu vigilantes around some local issue - charges of cow slaughter by Muslims; "love jihad" or blaming inter-faith romance as Muslim efforts to convert Hindus into Muslims - followed by the use of social media to rapidly publicize the issue, and then outpouring of anger by young vigilantes that lead to riots, or worse. While this sort of vigilantism is not new in India, it has spread since the BJP came to power; in the words of one scholar, "Hindu vigilantism has become more systematic" since 2019 (Jaffrelot 2021: 249).

The targeting of basic rights of Muslims by India's Hindu nationalists is thus one important aspect of the assault on Indian democracy during 2014-2025. The other set of developments eroding Indian democracy can be summarized under the label of erosion of checks and balances. Up until 2024, power was highly concentrated in India in the person of the Prime Minister Modi, and a handful of his acolytes, like Union Home Minister Amit Shah. Checks on the power of the top leadership were minimal because many of India's political institutions have been rendered ineffective (Manor 2021, Tudor 2023). For example, Parliament has never been all that effective a policy making institution. Under Modi it became even less salient in the governance of India during 2014-2024; main policies were made by a small group of politicians and loyal bureaucrats, often concentrated in the Prime Minister's Office. Even members of the cabinet, where power in the past used to concentrate, found out about key policy decisions via the media. The BJP party and its key affiliates like the RSS were also not in a position to influence Modi. This is especially surprising because the BJP and RSS have considerable organizational clout. The reason Modi was able to free himself from such organizational constraints was because of his personal appeal to the electorate. While Modi is a product of the RSS and the BJP, it is also the case that during 2014-2024, Modi enjoyed an upper hand in the internal power tussles involving Modi, the BJP, and the RSS. With the BJP and Modi's failure to win a parliamentary majority for the BJP on its own in the 2024 elections, some of these power dynamics may change.

During the decade of democratic decline, Modi and his acolytes used their enormous concentration of power ruthlessly to weaken other institutions, as well as to silence those in opposition. For example, the Election Commission of India used to enjoy the reputation of being a neutral and fair referee in managing the world's largest elections. In recent years - including in the period prior to the 2024 elections -- there has been a growing fear that this neutrality may be endangered. The Supreme Court and media are two other institutions that can potentially check the power of a powerful executive. While the record of both is far from unblemished in India - especially during the Emergency of 1975-77 - most observers of Indian democracy are likely to concur that, until recently, India enjoyed an independent judiciary and a vibrant media. Both institutions have in recent years exhibited signs of deep partisanship. Evidence suggests that the Supreme Court seems to react to the changing winds of power (Mehta 2020).

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It needs to be reiterated that dissenting journalists have been systematically harassed. Moreover, the media is largely privately owned (Reddy 2019). Though the main motive of media moguls is profit, they also see in Modi a friend of the private sector. The media also depends heavily on government advertising for its revenue. While some papers and on-line publications have maintained a critical edge, an overwhelming proportion of the mainstream media, especially television, have fawned over Modi; they have also spared Modi critical scrutiny, even when his policy decisions were patently disastrous, such as demonetization, the military buildup vis-à-vis Pakistan in the run up to the 2019 election, and the poor management of Covid-19.

The Modi government has also systematically pursued politics of fear and lies. Of course, overt coercion has been used, e.g. via the use of sedition laws against activists, dissenters and student leaders. Similarly, for 18 months between 2019 and 2021, the government denied access to the internet in Kashmir so as to discourage information dissemination and collective action (Reuters 2022). However, authoritarian leaders who wish to stifle opposition also understand that overt suppression can only be used sparingly in a polity where elections are still the route to power; in such a setting, legitimacy and popularity matters. Overt repression is thus often supplemented by generating fear so that individuals and groups understand that opposing the regime will be costly; liberal niceties aside, it is best under these circumstances to self-censor rather than risk mob anger or the heavy hand of the state. India's new rulers have thus also pursued numerous other less overt acts to stifle democratic free expression: select dissenters are singled out for harsh treatment; non-

governmental organizations (NGOs) that might champion human rights or rights of minorities are shut down; text books that promote official history are promoted; regime supporters are appointed to important positions in universities; and even overseas critics of the government are threatened by denial of entry into India.

The list of recent authoritarian actions would be incomplete without noting that India under Modi has distorted information to a level hitherto unknown in India. Ideological regimes of the BJP type desperately need to control the political narrative so as to stay in power. As a result, they seek to stifle facts that vary from the official mindset. Some of these efforts are nearly comical, if they were not so dangerous: for example, the suggestion that Ganesh - the elephant- headed Hindu deity - proves that genetic engineering and plastic surgery existed in ancient India. Such efforts to create a sense of the greatness of the Hindu past aside, much more pernicious are efforts to not release data that might hurt the record of the government or even dole out false data. Thus, the Modi government has at times withheld such economic data as on employment and consumption expenditure. False - or faulty -- data on India's economic growth has especially hurt India's credibility as a source of reliable data. Truth is an enemy of ideological regimes.

Erosion of checks and balances further enabled the Modi regime to pursue new levels of anti-democratic politics during the run-up to the elections in 2024. For example, government agencies arrested opposition politicians - such as Delhi's Chief Minister, Arvind Kejriwal - on flimsy charges and shut down some of the bank accounts of the Congress. These actions - coming as they did, just before the elections - were clearly brazen acts of fear and hubris; they were also just as clearly aimed at altering the level playing field that democracy needs. Such overt anti-democratic moves clearly threaten the future of Indian democracy.

Authoritarianism and Economic Development: It was Lee Kuan Yew of Singapore who famously argued that his brand of 'soft authoritarianism" was good for economic growth. Leaders of contemporary China would want the world to believe that Xi Jinping's harsh authoritarianism is necessary for China's continued ascent. And even as well-known a liberal as John Rawls argued: "Now it is possible, at least theoretically, that by giving up some of their fundamental liberties men are sufficiently compensated by the resulting social and economic gains" (Rawls 1971: Section 11). While the scholarly jury on the significance of authoritarianism for economic growth is out, we can definitely probe: how well has Indian economy performed under Modi's growing authoritarianism? The evidence suggests that the performance of the Indian economy under Modi has been mostly lacklustre; more than anything, it is characterized by continuity with the post-1991 Congress period (Chandra and Walton, 2020; Echeverri-Gent et. al., 2021; Ghatak and Mukerjee, 2019; Lamba and Subramanian, 2020; Nagaraj 2019, Nagaraj 2025).

In the run up to the national election in 2014, Modi suggested that, if elected, he will scale up the successful Gujarat model and put the Indian economy on a similar trajectory: pro-business, pro-industry, and focused on rapid economic growth. What Modi failed to mention was that these were also the goals of the preceding Congress governments. When he came to power in 2014, Modi then repackaged Congress' economic policies in a confused amalgam, and loosely labelled them, "minimum government and maximum governance," as well as "Make in India." What direction of change did these slogans indicate? The idea of "minimum government" presumably appealed to some free-market sensibility, aimed at appeasing both foreign investors and those indigenous businessmen who complain about too much government interference in the economy. What exactly "maximum governance" might involve was not at all obvious, except that it probably appealed to those who wanted a tough law-and-order government, especially aimed at controlling corruption. The promise of "Make in India" then moved in a totally different direction; instead of championing freer markets, the aim here was to boost national production, especially industrial production, presumably with the help of such state intervention as protectionism and industrial policy. This nationalist tilt, in turn, appealed both to the BJP's base, and to those segments of Indian capital who want Indian market protected for their wares. Now, it is the case that politicians all over the world create ambiguous slogans so as to appeal to a diverse set of citizens. Modi's economic ambiguity, however, turned out to be especially problematic because, strategic politicking aside, they foreshadowed confused economic policy making, without any real coherence.

> All in all, then, Modi's overall economic approach to growth-promotion and to provide some benefits to India's poor followed very much in Congress's footsteps.

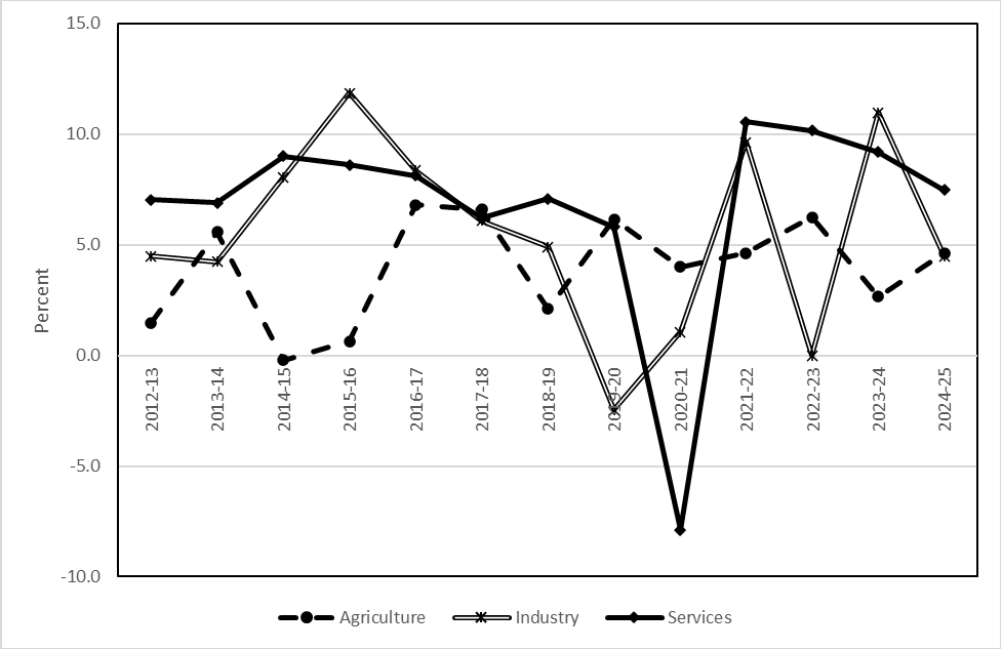
Once in power, Modi continued many of the policies initiated earlier by post-1991 Congress governments. The overall approach to economic development was nearly identical: prioritizing rapid economic growth, with private Indian business groups in the lead. Indian business groups, especially large business houses from Western India, had supported the rise of Modi. It was now Modi's turn to reciprocate: offering public support to these groups was not only part of the political quid-pro-quo but also a possible recipe for economic growth. In addition, Modi courted foreign investors and kept up public investments, hoping to maximize economic growth. The pro-business Congress governments that preceded Modi had initiated a number of policies to rationalize the economic role

of the Indian state. These included: reforming India's complicated system of indirect taxation; transparency in how publically-controlled resources are allocated by open auctions; and a bankruptcy code. To give credit where credit is due, Modi government brought these initiatives to completion; we will return to the issue of their mixed impact. And finally, after some early hesitations, the Modi government continued the Congress's flagship poverty-alleviation programme - MGNREGA. All in all, then, Modi's overall economic approach to growth-promotion and to provide some benefits to India's poor followed very much in Congress's footsteps.

One dramatic new economic policy that Modi implemented was of course demonetization, the 2016 move to make large banknotes null and void. The policy appeared to be a clever one but it created enormous chaos in the economy, eventually hurting India's economic growth and the well-being of the poorer segments of the population (discussed in detail further below). Another policy innovation that has had more success was a nationwide campaign to build toilets so as to eliminate the problem of open defecation across the country. The massive public works programme has indeed led to the creation of a large number of household and community-use toilets, though their success in reducing open defecation in India remains uncertain.

The impact of Modi's economic policies can be understood by focusing on three areas: economic growth; inequalities; and welfare provision. Let us begin with growth. It is clear in Figure 1 that the rate of economic growth in India during the Modi years (2014-2024) has been a shade lower than during the preceding Congress-led period (1991-2014). Setting aside the controversies about the quality of data on India's economic growth, what is clear is that the rate of economic growth in India did not accelerate under Modi. By global standards, a growth rate of nearly 6 per cent per annum is nothing to scoff at. And yet, Modi had promised to out-perform the preceding Congress government, especially boosting India's industrial performance; this was the central focus of his key slogan of "Make in India." What happened?

Figure 9: Gross Value Added Growth in India, by Sector (2012-13 to 2024-25, in %)



Overall economic growth reflects underlying growth of output in industry, services and in agriculture. In 2024-25, the service sector contributed 64.1 per cent of gross value added (GVA), industry contributed 21.5 per cent while agriculture contributed 14.4 per cent. How these three sectors of the economy performed during the Modi years is made clear in Figure 9. Ignoring the disruption caused by Covid around 2020, there was a steady deceleration in industrial growth between 2012-13 to 2019-20 (Nagaraj 2025). Since 2020-21, there have been fluctuations in industrial growth. Industrial growth in India during the Modi period has averaged 5.7 per cent per annum and the share of Industry in the GDP was lower in 2024-25 than in 2014-15. The causes of this sluggish performance, however, are not easy to ascertain. Some of it may have been beyond the control of Modi: for example, global GDP growth was a little lower in the post-2014 period than it was in the period prior to the global financial crisis in 2008. This global slowdown might have hurt the growth of India's industrial exports. Competition from the global powerhouse in manufacturing - China - also deters new industrial initiatives in India; India's imports from China have also continued to grow (*The Economist* 2024). Nevertheless, India is a giant economy that consumes much of what it produces at home; the roots of economic slowdown in India are thus likely to be located

within the country. It is thus fair to suggest that sluggish industrial growth was induced by Modi's sins of omission and commission.

Among the main omissions, Modi really did not have a viable strategy to promote rapid industrial growth in India. The goal of "Make in India" then turned out to be a house of cards. Having promised a resurgence in manufacturing - both output and jobs - Modi did very little. In the early years, he focused on helping improve India's global standing in "ease of doing business index" (Nagaraj 2019). The underlying assumption was probably that, given better reputation of a less-obstructionist government, private investment will pour in. In addition, there were quiet but significant efforts to create a more "flexible labour force;" again, the assumption was that unionized labour force in India discouraged private investment in manufacturing. However, the behaviour of Indian private investors belied these neo-liberal assumptions. If anything, private investment in India declined during Modi years, contributing to the growth slowdown (Chandra and Walton 2020; Nagaraj 2025).

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Had Modi really wanted to accelerate India's industrial growth, he should have looked to East Asia, where active government intervention has often accompanied rapid industrialization. Modi had certainly concentrated enough power at the apex to pursue an East Asian type of rapid industrialization. What was lacking were both imagination and state capacity to direct economic change. As to imagination, it was clear that Modi really did not have a coherent economic strategy. He appointed internationally recognized economists as advisors, who unfortunately pulled in different directions, a neo-liberal economist here, and a heterodox economist there. It was, as if, the appointment of key advisors was itself driven by political needs, rather than by clear economic goals. The real economic work was directed by Modi's favoured bureaucrats in the Prime Minister's Office, some of whom he brought with him from Gujarat. India, however, is no Gujarat. What was needed to move a complex and giant country like India forward was visionary economic leadership, a valued commodity that the organization man Modi - whose political career was built around mobilizing Hindu militancy -- lacked.

Even if Modi had a coherent strategy to direct rapid industrialization of India from above, it is not clear that he had the capacity to do so. Unlike countries like South Korea (during the 1960s) and China (during the 1980s), India by now has a powerful indigenous business class. This class propelled Modi to India's political forefront. Modi is quite beholden to these groups. For state-directed industrialization to succeed, however, political leaders need business groups to fall in line with state directives, directives that may benefit some businessmen more than others, and over a time horizon that is often longer than favoured by most businessmen. The power balance between state and business in India has by now shifted in favour of business groups, especially big business. Instead of pursuing a national project of economic development then, Modi government caters to big business groups in India; Hindu nationalism notwithstanding, class in Modi's India is favoured over the nation. The results include respectable - but less than stellar, or what might be achievable in India -- economic growth led by services, failure to create productive jobs, and sharp concentration of the benefits from job-less growth.

Among the important sins of commission was the 2016 demonetization. This sudden and secretive policy move hurt the Indian economy significantly. The decline in growth in both industry and in the service sector (nearly 80 per cent of the economy) that followed is clear in Figure 9. Rapid withdrawal of cash from the economy, and a concomitant failure to promptly replace old bills with new currency, created a shortage of cash in the Indian economy in the subsequent period. This shortage, in turn, led to a deceleration in economic activities, especially in India's large informal sector, as well as among small enterprises that do much of their business in cash. As economic activity contracted, so did growth in production and employment. Chaos followed: for months citizens lined up for blocks hoping to exchange their old bills for new ones at banks; ATM machines ran out of cash; the informal economy came to a near halt; farmers dumped their products because there were no buyers. Scholars have estimated that as a result of demonetization Indian GDP probably contracted by one to two percentage points. While some of these estimates are controversial, there is no denying that demonetization led to economic contraction in India. Especially hurt were small business and the rural sector which depend on cash transactions to sustain their business.

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Modi's pro-business proclivities tend to be partly policy-based and partly of the crony capitalism variety. Among Modi's new policies, a few of his industrial policy interventions are beginning to bear fruit. For example, government supported production of small electric vehicles (mopeds and three wheelers) has taken off. This clearly has potential for growth. On the crony capitalism side, Modi has

supported the largest business houses of India, such as those led by the two fellow Gujaratis, Mukesh Ambani and Gautam Adani. The dominance of these business houses over the Indian economy has led observers to characterize the Indian economy as "the AA economy". The relationship of Modi and Adani especially has personalistic overtones (Jaffrelot 2019); in recent years, with Modi at the helm, the government has chosen Adani to manage numerous new airports that were built under public-private cooperation, leading to suggestions of favouritism. *The Economist* estimates that the business houses led by Ambani and Adani account for nearly 25 percent of India's capital spending (The Economist 2022). While overall private investment in India in recent years has remained sluggish, growth of large business houses then contributes, not only to the growth of Indian GDP, but also to increasing concentration of wealth and incomes.

The trend towards growing wealth and income inequalities were depicted in Figures 3 and 4 above. These trends began in the 1980s and have continued. If the sharp growth of income and wealth inequality gave us Modi, what has happened to inequalities under Modi? India's income inequality data, especially data based on consumption data (along with poverty data) since 2011, is not reliable. Disaggregated data for wealth inequality data are instead provided in Table 1. What this data demonstrates is that wealth inequality in India has continued to grow dramatically during the Modi period (also see, Ghatak 2021). Wealth of individuals and households includes land, real estate, liquid and invested capital, as well as other accumulated valued commodities, such as gold or silver. Since wealth accumulates over time, wealth inequalities generally tend to be higher than income inequalities in most societies. However, the sharp increase in India over the last few decades is rather remarkable. Several trends are worth underlining.

Table 1: Wealth Inequality in India: Wealth Shares per Adult (1961-2023, in %)

	Bottom 50%	Middle 40%	Top 10%	Top 1%	Top 0.1%
1961	11.4	43.7	44.9	12.9	3.2
1991	8.8	40.7	50.5	16.1	4.4
2013	6.4	30.7	63.0	30.4	18.8
2023	6.5	29.0	64.6	39.5	29.0

First, notice again that the rich and the super-rich in India - say, the top 10 per cent and the one per cent, respectively - gained dramatically during the 25 years following the Congress's opening of the Indian economy in 1991. The wealth share of the top one per cent nearly doubled in this period. The gains of the rich came at the expense of the rest of India. Of course, the share of the poor - the bottom 50 per cent - declined but, if the poor are to survive, they can only lose so much. The gains of the rich and the super-rich then came mainly at the expense of the middle class (the middle 40 per cent). The political impact of these economic shifts was already discussed above. It only needs to be reiterated that the disaggregated evidence also supports the claim that the Congress's version of liberalization gave us sharp economic inequalities, and that these inequalities, in turn, tilted the political balance towards a leader like Modi.

The major trend during the Modi period are the gains of the super-rich, again at the expense of the middle class. The share of India's wealth controlled by the top one per cent jumped by some nine per cent during the Modi-decade. And nearly all of this came because the middle classes lost their relative share in the national wealth. Not only that, even the share of the rich - the top 10 per cent - did not change all that dramatically. Nearly all the gains from the new growth have instead been monopolized by the top one per cent. If the share of national wealth in the hands of the top one percent is used for international comparisons, India is now one of the world's most unequal countries in the world, only behind such famously unequal countries as South Africa and Brazil. Moreover, the concentration of wealth within the top one per cent in India is also remarkable: nearly 22 per cent of the national wealth is controlled by the top 0.01 percent, and 16 per cent of national wealth by the top 0.001 per cent (Bharti et al 2024, Figure 15b, pg. 21, pg. 63). This last figure suggests that, in a country of nearly 1.5 billion people, some 15, 000 people own 16 percent of the country's wealth. Nearly 200 of these are dollar billionaires (New York Times 2024).

> Modi's great accomplishment seems to have been to divert the political attention of Indians to matters of religious and national pride while the super-rich continue to accumulate more and more wealth.

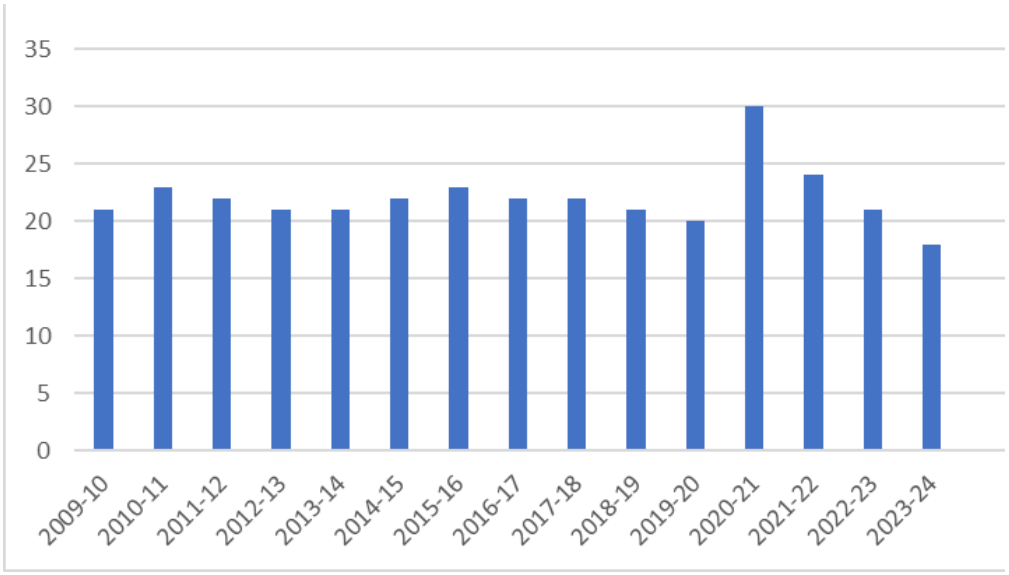
The forces that are driving these sharp inequalities are of course complex, but the state's role has often been a key factor. High rates of return on accumulated wealth, permissive context in which new wealth accumulates readily, the design of the tax system, and active support of the mega-rich by the government, are all contributing factors behind the concentration of wealth at the very apex. Modi's cozy relationship with Adani - probably the world's third richest man in 2022, behind Elon Musk and Jeff Bezos - exemplifies how

systematic public policies, as well as crony capitalism, is producing numerous world-class billionaires in India. That the middle class is being left behind is in turn a key outcome of India's jobless growth. All the talk of creating manufacturing miracles have come to naught. If anything, India in recent period has undergone "deindustrialization" (Nagaraj 2025). And the neglect of the countryside and of the poorer regions contributes to the poor barely holding their own. Modi's great accomplishment seems to have been to divert the political attention of Indians to matters of religious and national pride while the super-rich continue to accumulate more and more wealth.

Some observers of India might argue that growing inequalities are par for the course with rapid economic growth, that they ought not to be a matter of great concern. For them, the more important issue may well be creating equal opportunities and reducing absolute poverty. Implicit in such arguments might be a belief that, not only will economic growth help reduce poverty directly (say, by creating more jobs and higher wages), but also indirectly: that is, inequalities notwithstanding, higher rates of economic growth will provide more government revenues (say, through taxation) that can in turn be used to enhance the provision of education, health and welfare. How valid are such beliefs? The issue of poverty trends in India under Modi remains mired in controversy. The data released by the Modi government is not consistent/comparable to earlier poverty data. Related debates have been well discussed in the pages of this journal (Himanshu 2022 and 2025; Ghatak and Kumar 2024). Our own judgment is that poverty in India has probably come down but by how much remains unclear. This lack of clarity notwithstanding, what nearly all observers can agree upon is that enormous poverty remains visible to the naked eye in India; according to UNICEF, India also contains the world's largest number of malnourished children (e.g., Down to Earth 2022).

In the face of such conditions, what about provision of public goods? Has Modi government devoted a larger share of public resources to expand opportunities and provide welfare for the poor? Once again, all the hype aside, the evidence that we now review suggests that the unfortunate answer is "no." The data on what the Indian government spends on "social services" are provided below in Figure 10. If we set aside the Covid years (2020-2022), during which social expenditure (including expenditure on health and food subsidies) jumped up to meet a health emergency, what is striking is the nearly flat trend between the Congress and the Modi periods. The claims that Modi is creating a new welfare state in India are then certainly not borne out by the resources expended on related programmes.

Figure 10: Social Sector Expenditure of Government of India (2009-2024)



A more disaggregated look at related data in Figures 11, 12, and 13 further supports the suggestion that public expenditure trends under Modi are more or less continuous with those under the preceding Congress period. Education expenditures in Figure 11 show a little decline under Modi but health expenditures in Figure 12 (pre-Covid) show a slight increase. Neither the decline nor the increase is remarkable. What should be added is that India spends a lot less on education and health than most other countries in the world. For example, India's spending on education - 2.9 percent of the GDP - is about the same as that of neighbouring Pakistan but compares unfavourably to 4 per cent in China and over 6 per cent in Brazil and South Africa. What the Indian government spends on health compares even more unfavourably to other countries of the world. Again, for example, India's public health expenditure at some 1.5 to 2.0 per cent of the GDP compares to 3 per cent of the GDP allocated to health in neighbouring Pakistan and Bangladesh, not to

mention some 8 per cent in Brazil. For a country aspiring to be a major global player, these domestic priorities are shameful.

Data on expenditures on major programmes within the social sector are presented in Figure 13. A few trends are noteworthy. Expenditures on the food subsidy - which we know help the poor -- increased sharply during Covid years but then shrunk back under Modi to the levels of the Congress years, or worse. Rural development -- which includes MGNREGA - has also shrunk sharply during the Modi years. Expenditures on MGNREGA had gone up during the early Modi years but have now shrunk in the post-Covid years. By contrast, expenditures have gone up on housing and urban development, indicating an urban bias in the pattern of social expenditures. Similarly, another trend that is not readily noticeable in this figure - because it is buried within the "other" category -- is an increase in expenditures on a variety of more targeted welfare schemes, such as cash transfers, that have grown dramatically. Scholars of political economy understand well that targeted schemes can be politically beneficial to the rulers in so far as they can be readily identified as the state's largesse to be exchanged for electoral support. So, the overall patterns noticeable in Figures 11, 12, and 13 together suggest that the Modi government is no more inclined towards the well-being of the Indian poor than was the Congress, but welfare spending is becoming even more politicized than what it used to be.

Figure 11: Education expenditure in India, national and state level combined, 2009-23 (in % of GDP, total expenditure)

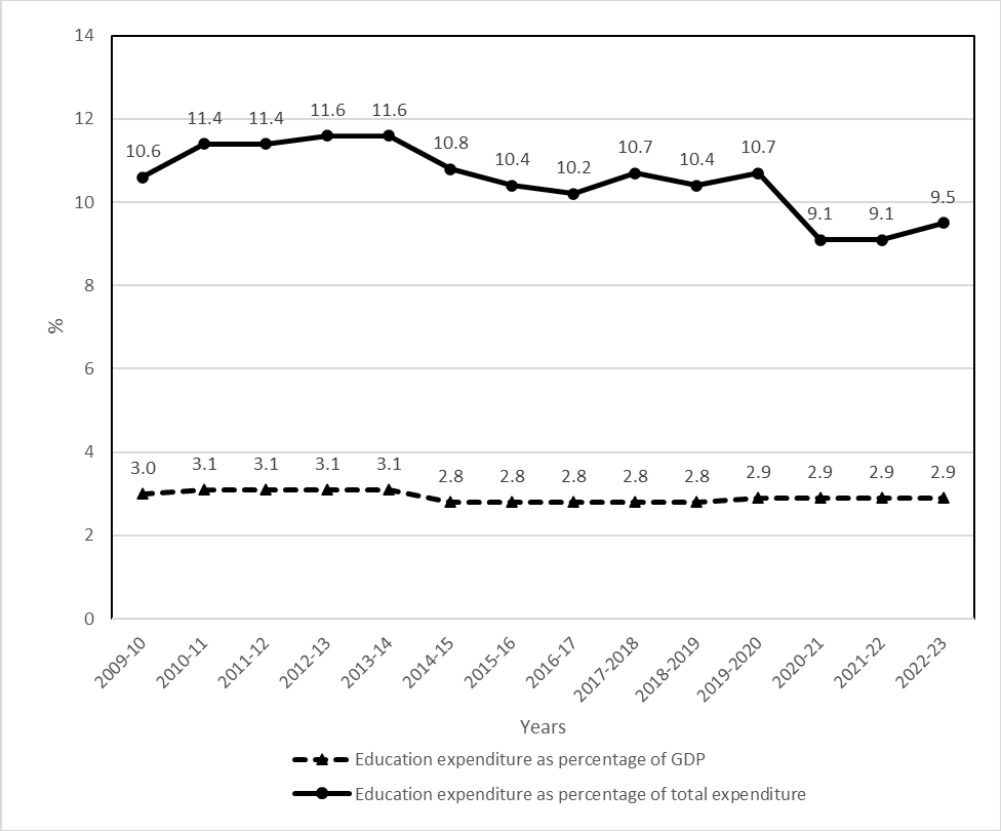
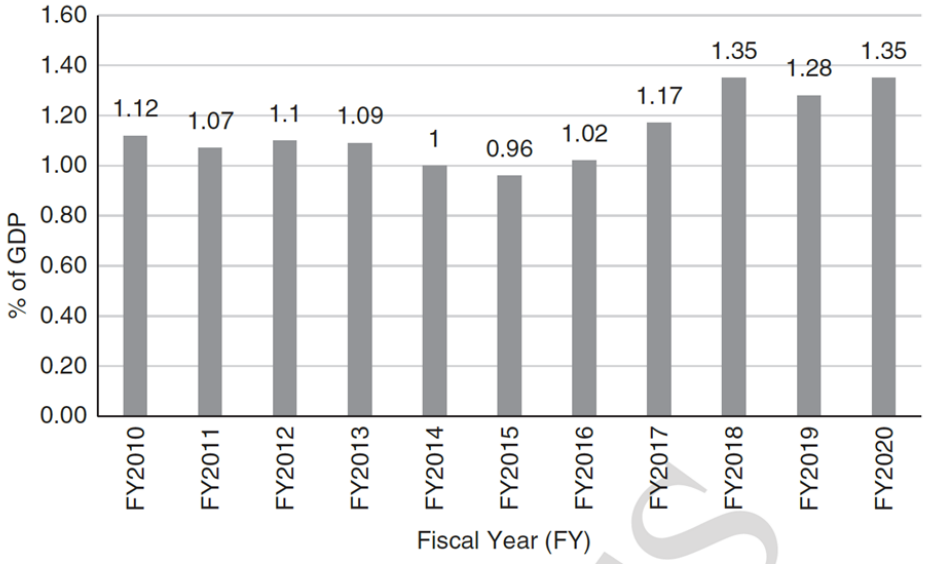
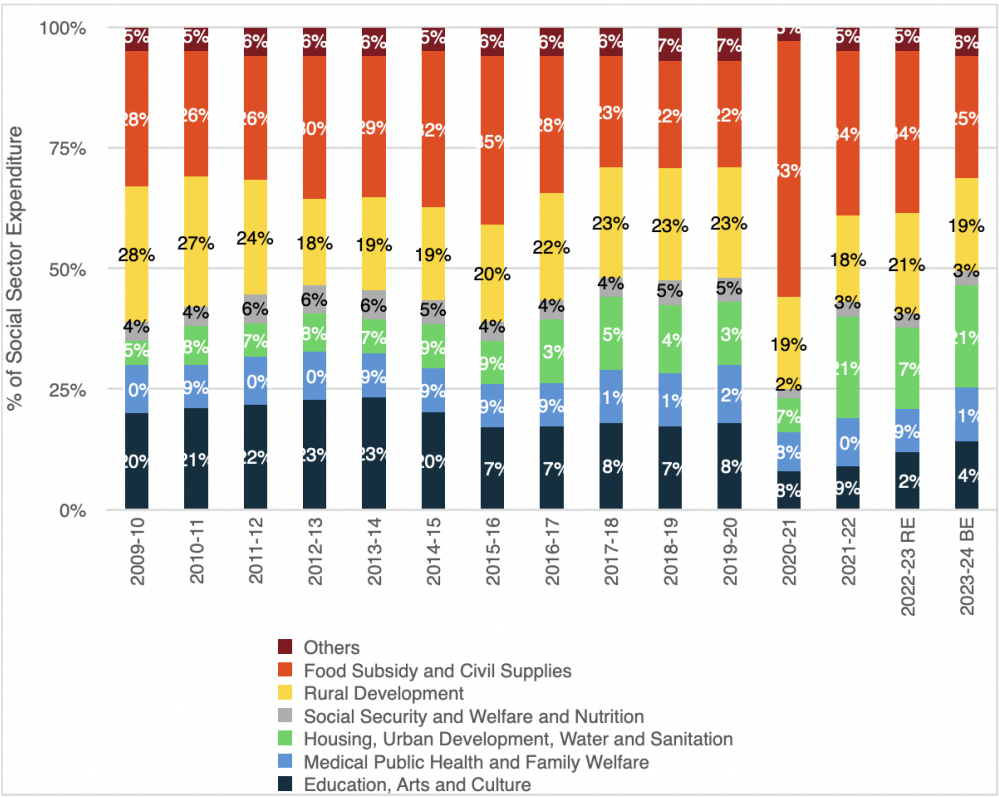


Figure 12: Public health expenditure (centre and states) as a share of GDP (pre-Covid, in %)



The cumulative evidence on economic growth, wealth inequalities, and welfare provision then clearly suggests that Modi's authoritarianism is not developmental. While the rate of economic growth and spending on public goods under Modi is about the same as under the post-1991 Congress and UPA governments, wealth inequalities have continued to grow sharply under Modi. The Congress unleashed these changes but was unable to harness them politically. Modi's political hallmark has been creating hype about his achievements, using religious nationalism and threats to the country's security to divert attention from enormous wealth capture by the few, and silencing any and all who dare to call out that the emperor is naked.

Figure 13: Distribution of Central Government Social Expenditure on Major Programmes, 2009-24



Beyond Modi

Modi represents a turning point of sorts in the evolution of India's political economy. In a superficial sense, we have been there before: Indira Gandhi's Emergency looms large in our historical memory. And yet, that interlude was brief and it was self-corrected. Indira

Gandhi's authoritarianism was a reaction of a beleaguered leader to desperately hold on to power. Moreover, the Indian state did not have the capacity then to curb dissent as it has now. By contrast, Modi's authoritarianism is both more puzzling and more pernicious. Puzzling because, for the most part, Modi has enjoyed popular support. Why resort to authoritarian measures when you can hold on to power by winning elections? Part of the answer is that Modi and the BJP are no liberals. A product of Hindutva ideology, the pursuit of Hindutva itself has led the BJP and the Sangh Parivar to authoritarian practices: persecution of Muslims; rewriting historical memory; and stifling alternate versions of reality. However, it is also the case that the pursuit of Hindutva only got the BJP so far. A key additional factor in the rise of the BJP as India's new rulers was the role of a corporate-supported Narendra Modi.

> India's current authoritarian turn may be driven by the BJP's illiberal character, but it serves the needs of Indian capital. Indian capital is thus likely to want more of Modi or Modi-types in the future.

Modi has intensified authoritarianism because power, like water, finds its own level. Power needs to be checked. Among the forces that might have checked Modi's authoritarianism, India's political institutions have proven to be relatively weak, caving instead of providing resistance. Notable are the obsequiousness of the Election Commission, the Supreme Court, and the media, as well as the politicization of the Reserve Bank of India, the Central Bureau of Investigation, and the Enforcement Directorate. Opposition parties too have often failed to coalesce; the fact that a limited move in that direction in 2024 set Modi back significantly only underlines the point. And finally, India's corporate sector has shamelessly supported Modi's rule. During the 2019 elections, for example, the BJP received 18 times more financial support than all of India's other parties combined (Manor 2021). Clearly, persecution of Muslims and erosion of India's democracy are not high on the agenda of business tycoons.

It is this marriage of corporate support and authoritarianism that makes Modi's rule so pernicious. India's current authoritarian turn may be driven by the BJP's illiberal character, but it serves the needs of Indian capital. Indian capital is thus likely to want more of Modi or Modi-types in the future. Congress gave rise to the mega-rich of India in the first place, so it is not impossible to imagine corporate support splitting in the future. However, as was evident in the 2024 national elections, the Congress will have to turn left-of-centre to gain popular support in the future. This was clear in 2024 when Rahul Gandhi embraced more social democratic themes, criticizing growing economic inequalities, and promising a more jobs-oriented economy. All for the good. However, if these left-of-centre promises are real, they are likely to keep corporate support heavily in favour of Modi and the BJP. Power of wealth versus the power of numbers is an old and a messy battle in all democracies. The danger in current India is that democracy may not be allowed to sort out these perennial power struggles.

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