

The Persistence of Poverty in India: Culture or System? Parth J Shah

The recent death of Mother Teresa drew the world's attention to the dire poverty of Calcutta and of India in general. Mother Teresa ministered to the poorest of a very poor country where asceticism, antimaterialism, and fatalism are integral to the majority religion, Hinduism. For those who follow these beliefs, any effort toward changing the material state of the poor is futile. To them wealth, not poverty is surprising.

Will India's poor ever prosper? A focus on the dominant religion and the culture portends a rather pessimistic future. Those who generally discount the influence of religion and culture in modern societies maintain that India's poverty is the result of its political and economic system. Representative democracy with a largely illiterate population has allowed operators of the political system to amass wealth for themselves. The reign of Nehruvian socialism, more famously known as the "license-permit-quota raj," has left little room for private initiative and enterprise. The Hindu rate of growth has been the outcome. That would be the outcome, it is argued, under such a system in any culture.

What is responsible for India's poverty—the culture or the politico-economic system? (Religion in a broader sense is assumed to define the culture and so the terms are used interchangeably.) Those working to alleviate India's poverty need to answer the question. They need to decide where to focus their energies. But first some elaboration on culture, economics, and politics.

India's Culture

In the dominant Hindu religion, the purpose of life is to work towards achieving *Moksha*—relief from the cycle of birth and death. One of the ways of accomplishing the goal is to renounce the material world—*Sansar*—and become a *Sanyasi*. One goes away into the wilderness and spends one's life praying, which can take several forms; the most common are solitary meditation and

continual singing of devotional hymns and songs (*Bhajans*).

Since most mortals are unable to renounce the material world, the second suggested way is to live in the *Sansar* by strictly following the prescribed guidelines. For this purpose, the human lifespan is divided into four periods (generally by age), and each period has its own rules and goals. Adherence to those rules and goals is called *Dharma*. It is obviously impossible to write down rules that cover all possible situations in life, so the lives of characters in Hindu epics "Ramayana" and "Mahabharata" are offered as exemplars. Simply stated, *Dharma* does not consist of amassing material wealth. One can acquire material things and engage in human relationships, but the fewer the better. As much time as possible should be spent praying; ultimately, along with fulfilling one's *Dharma* in the material world, praying is the route to *Moksha*. In the Indian culture, asceticism and antimaterialism are not just preferred but glorified.

Gita, the counsel of Lord Krishna, is another religious text that is widely read and followed. Two of the important ideas in *Gita* are detachment and *Karma*. Detachment is an attitude that one should strive to achieve in life. Indifference to everything is the ideal state of mind. Even when one lives in the *Sansar*, one should not be attached to anything in it—neither to material things nor to other human beings. It's fine if one has material conveniences, and love and affection for family and friends, but it is equally acceptable if one does not. One should be utterly and completely indifferent to all things and all beings. The concept of *Karma* is closely tied with the idea of detachment. It suggests that whoever one is and whatever one has are the result of past lives and past actions. One's current status is not only justified but is deemed hardly alterable. The idea of *Karma* indirectly provides support for India's caste system. (The caste system has two important aspects: the association of professions with

particular castes and the view of the people in lower castes as untouchables. The second aspect is losing influence but the first still survives.)

Birth into a given caste is determined by *Karma*. One is expected to accept the caste and try to fulfill the role assigned to it, that is, do one's *Dharma*. Understandably fatalism is ingrained in the people of India.

The epic "Ramayana" describes the kingdom of Lord Rama. During his reign there was abundance, happiness, and contentment. He was the ideal ruler and his rule is called *Ramrajya*. (That is what the Hindu fundamentalist political promise when they come to power.) Since the time of Rama people have been awaiting another *Ramrajya*. It has yet to arrive, but the idea that only a good ruler could bring them abundance and happiness is deeply embedded in the Indian psyche. In modern times, government is expected to be that benevolent ruler. This wishful dependence on the government for their deliverance is described as *Mai-Bap Sarkar* (government as the mother and the father). People feel helpless until the government acts or prods them to act. Many ascribe the relative lack of private initiative and enterprise to the widespread belief in the *Mai-Bap Sarkar*. Since *Ramrajya* was in India, only the Indian government is expected to fulfil this role. Emigrants from India—from the land of Rama—are therefore generally more industrious and self-reliant.

The Indian culture's asceticism, antimaterialism, fatalism, and the *Mai-Bap-Sarkar* view provide little encouragement for the pursuit of material wealth. They actually actively discourage it. Indians are therefore said to be "satisfiers" and not "maximizers" and therefore immune to economic incentives and logic. But isn't the economic logic universal?

India's Political and Economic System

Those who believe in the universality of economic logic and incentives maintain that India's poverty is due to its political and economic system. Among the British colonies that gained independence in this century, India is the only one to have sustained democracy. But India is not

immune to the paradox of democracy: Democracy is the least coercive form of government but its workings expand government's coercive powers. This dynamics of democracy coupled with the adoption of the "Nehruvian model of growth" left no area of Indian life safe from the government's visible foot. The government did not abolish private property but micromanaged each and every aspect of production, distribution, and consumption through its now famous license-permit-quota system. The system conferred unlimited powers to politicians and bureaucrats. They plundered the country in the guise of developing it. India put an end to the British Raj only to usher in the *Neta-Babu* raj (politician-bureaucrat raj).

Here's an example of the *Neta-Babu* raj. Cars were declared luxury goods and until recently only two companies were allowed to produce them—in the numbers dictated by the government. They sold the same model for some 40 years and one could buy it in any color as long as it was white. Justifications for government controls always become self-fulfilling; cars remained a luxury good until recently. One more example of the fatuity of Indian rule: Government experts toured several countries to "study" the design and construction of roads. Following the common practice in those countries, they decided to put wider medians lush with grass, shrubs, and trees on highways. Suddenly highways began to suffer serious traffic jams. The abundance of the median had been discovered by cows. The traffic meandered through the hungry cows stomping toward the median and thirsty ones swaying towards the curbs, where there were water canals. Food and water were at the highway—where else would cows go? This was socialist economic planning with Indian characteristics.

As Henry Hazlitt's fable prophesied, *Time Will Run Back*. Dwindling foreign exchange reserves and a crumbling economy forced India to liberalize. And liberalize she did. The auto market was opened up. At first foreign companies could not establish their own manufacturing units, but were allowed to form joint ventures with Indian companies. The memory of the British raj still haunts India; she is wary of foreigners. Initially

foreign companies were allowed to own a 25 percent stake in joint ventures; control had to remain, it was argued, in the hands of Indian partners. Then the ceiling was raised to 40 percent. Sometime later, after much wrangling, it went up to 49 percent. It stayed there for a while, precariously balancing India's sovereignty, and the demands of her economy. India then lost its "sovereignty"; the ceiling was finally raised to 51 percent. Some new models and colors came in. Foreign companies are now allowed to roam the auto market freely—as long as they get permissions from concerned government ministries. The ministries habitually remind people of their promise to make speedy decisions; all major investment decisions are on the fast-track. If they actually expedited requests, would they need to repeatedly promise to do exactly that? The memory of the British Raj keeps the *Neta-Babu* raj alive and well.

Some months back—don't worry about when I'm writing this, nothings gets dated in this ancient civilization—the commerce minister called a press conference and proudly announced the list of items which were now put on OGL (Open General License). Import of these items no longer required prior permission from the government. Did the list include information technology products to move India into the 21st century and to allow its software engineers to compete globally? Not exactly. The list included cosmetics and stockings. Prior to liberalization, someone actually had to get a license to import L'Oreal and L'eggs products. Now with free access to cosmetics and stockings, at least Indian women are allowed to compete with their sisters' abroad. This is liberalization with Indian characteristics.

Given such controls and especially the mindset of the *Neta-Babu* raj, the persistence of India's poverty, the argument goes, does not need any other explanation. But the question does remain.

The Culture or the System?

It is impossible to establish any theological, psychological, sociological, or economic theory to determine whether culture or the system is the more dominant influence. It is hard to say how much the culture or the system determines the day-to-day activities

of the people—rulers and the ruled. Both the culture and the system are dynamic. They continuously evolve and interact. Both are products of human action; the system is influenced by the culture of the people who form it, but the system also constrains the kind of culture that evolves. The easiest answer of course is that they are interdependent. They jointly govern the material and spiritual state of the people. As in Alfred Marshall's economics, it is not supply or demand that determines the price; they are two blades of the same scissors.

But, if I had to choose, I would pick the system over the culture. I cannot offer any theoretical arguments but suggest some empirical and evolutionary ones. Concern with afterlife and thereby at least implicit aspersion on earthly life has been common to almost all major religions of the world. So has been the emphasis on asceticism and antimaterialism. Recall the New Testament's "eye of a needle." No major religion has proffered the pursuit of material wealth as the purpose of human life. Devotion to one's religion and culture, even a fervent one, has been common too. The *Mayflower* was filled with devout religious dissenters. The Pilgrims lived in communes and subsequent socialist experiments were conducted on the American soil for a long time. None of these characteristics stopped the United States from becoming the most materially abundant society on earth, indeed, the epitome of materialism and consumerism. Fortunately, the early socialist thinking was discarded. The American system allows individuals to pursue their own ends. In many ways the system, the system has succeeded despite its early religion.

In light of the American story, why would we expect antimaterialism to prevent any other society from achieving material prosperity as long as it has a system where individuals are free to govern their lives as they deem right? Of course, in the West it was a long process. But in the information age, it would take only years what for others took decades or centuries. With the right system, no society could then be expected to stay materially poor for long.

This evolution has taken place not only in Christian countries of the West. Buddhist

countries, like Thailand and Indonesia, have increased their consumption dramatically just in the last decade. East Asia's Confucianism has been no hindrance to enjoying Coke and Levis. The East Asian cultures have shown a remarkable capacity to adapt—change from antimaterialism to materialism. Why would Islam or Hinduism be any less adaptable?

The evolution in the West and parts of the East suggest that once economic energies are unshackled, religion or culture cannot stand in the way for too long. Once political and economic systems are reformed, material abundance is bound to follow. The precise nature and composition of material progress would depend on particularities of the people in all their varied dimensions of life. Certainly we do not want only Coke and Levis.

Antimaterialism seems fundamentally at odds with human nature. It may seem that Hindus and Muslims are an exception. Their lack of attention to the body is apparently the result of not having discovered ways to attend to it. They, like everyone else, begin to focus on the body as all others when given ideas and products, as amply demonstrated in boutiques and discotheques from Dhaka to Delhi. Religious antimaterialism seems to

breed only hypocrisy and guilt. It will become casualty of the emerging global city.

The process of evolution is in a sense a move towards perfection, an opportunity to fulfil our highest potential as both material and spiritual beings. Most humans seem to pay attention first to the body and then to the mind and the soul. Providing for the body enables the pursuit of the mind and the soul. This is not to suggest that economic and civil liberties should be sacrificed in order to provide for the body. As is clear from historical evidence, liberty, de facto if not de jure, is required to make material progress possible. Moreover, the pursuit of the mind and the soul itself requires material things. Ultimately of course both culture and the politico-economic system should dovetail to enable the evolutionary process to go forward.

Perhaps there is some deeper meaning after all to liberalizing cosmetics and stockings before computers and compact discs. Indian politicians and bureaucrats—*Netas* and *Babus*—must really be onto something profound. This is ratiocination with Indian characteristics.

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