India is typically presented in the USA as one of two juggernauts: economic or mystic.

The economic transformation of India through an extended period of very rapid economic growth, coupled with its absolute size and increasing integration into world markets, creates a view of India as the next super-power, an economic juggernaut. This is the India of the business pages that provide stories of Indian firms (or firms owned by people of Indian descent) buying up established Western firms, the next “Silicon Valley” full of computer programmers and engineers in Bangalore (and more recently Hyderabad), the rise of major firms and family dynasties both old, like Tata, and new like the Ambhani brothers and Reliance. There are a already a collection of books, both by economists (e.g. Virmani 2006, Panagariya 2008) and business people (e.g. Das 2001) well worth reading, giving variants on this view. Especially when people talk of the two giants, India and China, in the same breath, the main question is how America (and “the West”) can accommodate the transformation of the economic and political landscape.

The other face of India, less so among economists but much more so popularly, is of an ancient exotic mystic juggernaut. This view sees India as preserving an anti-materialist world view, in which the spiritual trumps the mundane concerns of everyday life. The Western imports from this India are yoga, and gurus, and much of what one finds in the New Age section of bookstores. In fact, until quite recently, queries about India in a book store would be more likely than not to end up in the New Age or “Eastern Religions” section.
Edward Luce’s book, *In Spite of the Gods: The Strange Rise of Modern India*, is the perfect book about India for economists who want to go beyond the booming economy and know more about contemporary India’s society, history, religion, and politics in the accessible, clear-eyed, hard-edged, way one hopes to get from a reporter for the *Financial Times*. My assessment is based at least in part based on having lived in India for three years myself, from 2004 to 2007, roughly the same time Luce lived there (and, in the interests of full disclosure, I was a colleague and am a friend with his wife, Priya Basu). I think this book is onto something deep about the current Indian predicament that is missing from most discussions by economists, whether Indian or American.

Luce’s book brings clearly into view what is in my mind the big puzzle about India. Both the common views—economic or mystic juggernaut—miss much of the reality of contemporary India, which is a story of a complex intertwined social, political, and administrative transition in the making. As it stands today, no one knows the answer to the question: “transition to what?” but at least Luce clarifies where India is and what is at stake with this transition.

There are various ways into what the big puzzle about India is. I’ll start with a trivial but obvious puzzle which recurs every four years. In the 2008 Olympics Indian athletes won three medals total, gold in men’s 10m air rifle and one bronze each in men’s wrestling and boxing. This was an exceptionally good year, as medal totals in previous Olympics were: one bronze (men’s double trap) in 2004, one bronze (women’s weightlifting) in 2000, one bronze (men’s tennis) in 1996, and that after three Olympics (1992, 1988, and 1984) with no medals at all. Since India and its fellow population
billionaire, China, are so often joined at the lip, it is worth noting China won 63 medals in 2004 and 100 (as host) in 2008. Sure, India is poor and China’s total is anomalously high, but simple predictions of performance based on population size and economy suggest India should have won 30 or more medians, and India is the largest negative outlier in 2008 medals won. That the world’s second largest country in population and in the top 20 in total economic size only won the medals of Latvia and less than Thailand (4) or Nigeria (4) is a curiosity.

Before getting derailed into sports specific explanations of this curious quadrennial fact\(^1\), let’s move from the trivial manifestations of the overall puzzle to the tragic. Immunization rates are interesting as a cross-national statistic because there is agreement across the ideological spectrum that immunizations, as a priority public health measure, are a core government function. Moreover, immunizations are a complex logistical task, but one that is within the capability of even otherwise very weak states. Using comparable household (not administrative) data from the latest Demographic and Health Surveys (DHS) and the India National Family Health Survey-3 we see that only 43.5 percent of India’s children 12-23 months have received the complete recommended vaccinations. In this, India lags many countries that are widely considered basket cases: Bangladesh has 73.1 percent, Cambodia has 66 percent, and even Pakistan has 47.3 percent. Even in Sub-Saharan Africa, only eight of the 25 countries with recent household data had worse coverage of complete immunization than India\(^2\).

\(^1\) Many will point out that India’s athletic obsession is cricket, a non-medal sport, but even there India has not been dominant internationally, losing even against demographically tiny West Indies formerly and Australia until quite recently.

\(^2\) All data are from the Demographic Health Surveys STATCompiler visited on November 17, 2008, of countries with data in the last five years.
In spite of an economic boom which dates at least since 1991, and much more likely since the late 1970s/early 1980s (Rodrik and Subramanian 2004) (I think the real question is not the date of a single acceleration, but whether one considers India’s growth experience one boom, two booms, or several successive booms), there are many outcomes on which India lags, both absolutely and in the pace of progress. India’s conventionally measured “adult literacy” was only 61 percent, not the lowest in the world but on a par with many much poorer places—Malawi is 64 percent, Sudan is 61 percent—and is far behind China at 91 percent. India, at 47.8 percent in 2005/06, has the highest child malnutrition of any of the 42 countries with recent, comparable, household data from the DHS surveys. Again, this is worse than many countries not widely regarded as emerging super-powers: worse than Nepal, worse than Bangladesh (Pakistan has no data), worse than Eritrea, worse than Niger, worse than Liberia. This lagging current status is in part because progress on malnutrition has been slow, declining only from 52 to 46 percent in the thirteen years from 1992/93 to 2005/06—even though real GDP per capita has more than doubled since 1992.

This lagging on many outcome indicators of human well-being goes hand in hand with a very low level of state implementation capability, especially in endeavors that require providing ongoing services to large populations. By “state capability” I mean the ability of the state to control the actions of the agents of the state (e.g. teachers, policemen, tax collectors, nurses, engineers) in such a way the agent’s actions further the public purposes for which the agents are (at least nominally) deployed and not the agent’s own pecuniary or personal interests.

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3 This is using the percent of children under five with weight less than 2 standard deviations below the norms as the indicator of child malnutrition.
As Woody Allen once quipped, 80 percent of success in life is just showing up, and one rudimentary measure of “state implementation capability” might be the extent to which people hired by the state actually show up to work. A survey in 2003 revealed that among teachers the absence rate in India was 26 percent and that among health care workers it was 40 percent, which was at or near the highest of the six countries surveyed on both fronts (Chaudhury et al. 2006). The absence work has been replicated and extended in Rajasthan in a study that followed attendance in health clinics week to week for over a year (Banerjee, Deaton and Duflo, 2004). This study confirmed both the very high rate of absences and moreover that the absences were not unpredictable, such as not concentrated on specific days of the week or times.

State capability should extend not only to people showing up, but doing what they are supposed to do—teachers teach, healers heal, policemen police—once there. Again, there is evidence both in the macro and in the detailed micro that this isn’t happening. The same absence study of teachers also examined whether teachers were engaged in any teaching activity at the time of the visit. The findings were that about a third of the teachers in attendance were not engaged in teaching—so that nationwide less than half of teachers were present and engaged in teaching. In the populous, low state capability, Northern states the proportion both present and engaged in teaching was often less than a third of those on the payroll.

This “effort deficit” is not unique to teachers of course. A very detailed study of the knowledge and actual practices of health care providers in New Delhi found that, while the public sector facilities had trained medical practitioners, their medical care in practice was much worse than their knowledge demonstrated from answering questions
on case based vignettes (Das and Hammer, 2006). The typical (median) public sector health clinic visit was “2, 1, 0, and out”: it lasted two minutes, consisted of one question, and involved zero physical exams (taking a pulse, temperature, and blood pressure would have been counted as three physical exams).

Another indicator of weak state capability, manifest in the inability to control the actions of the agents of the state is corruption. I come to this after absences and “effort deficits” as in my mind corruption is not a special phenomena but simply another symptom of a lack implementation capability: the state (as a principal) can only weakly control the actions of its agents, and hence their actions deviate from those designed in achieve the public purposes.

A recent experimental study of obtaining driver’s licenses in New Delhi demonstrated the obvious and not so obvious about corruption in India (Bertrand, Hanna, Djankov and Mullainathan 2006). The study divided participants, who were people recruited on their way to a license, into the control group, a group given a bonus if they got their license faster, and a group given free driving lessons to enable them to pass the driving test. The control group demonstrated the obvious: the process of getting a driver’s license is nearly completely, and institutionally, corrupted\(^4\). That is, most people in the control group hired an agent, nearly all people who hired an agent did not have to take the driving exam (while those who did not hire an agent did take the exam and most failed). Interestingly this corruption was well organized--there were almost no direct

\(^4\) I say this is obvious because my personal driver while I lived in India, who, while remarkably intelligent, never got beyond second grade and is illiterate, described to me exactly how the process works when he asked for a day off and a few thousand rupees to get his license renewed. When I expressed (disingenuous) surprise both that the process was so fast and that the fees were so high he explained that he could either pay an agent and it would take a few days or he could try and follow the actual procedures, in which case it might take weeks.
bribes of the officials, all payments for the deviation from policy (e.g. not having to take the driving exam) were intermediated by the agents. The not so obvious part of the study was that they showed, by use of an independent assessment of driving skills, that this subversion of the process was not entirely just “speed money” to help capable drivers avoid long-lines and needless red-tape, rather more than two-thirds of people who avoided the driving test by paying an agent had no driving ability at all.

Tracking studies of the implementation of various programs find pervasive “leakage” between resources in and benefits delivered. The government’s own studies of the distribution of food grains to the targeted poor households suggest “leakage” rates on average of 50 percent, which means even higher rates in the Northern states.

These detailed and rigorous study of individual aspects of policy implementation in one city dovetails with the overall statistics on corruption, whether from surveys of household and firms or from the cross-national statistics on governance. The lower tiers of the administrative apparatus of the state are pervasively corrupted. The variety of indicators of corruption in the dealings with the state put India overall quite high.

This underperformance—lack of attendance, low effort, outright corruption, does not go unnoticed by the citizens of India. In a nationwide survey only 16 percent of Indians with children in government (or aided) schools were fully satisfied with the “reliability” of their child’s teacher (Paul, et al, 2000). This includes both the “high capability” states like Tamil Nadu where satisfaction reached the “high” of 38 percent but also the jaw-dropping single digit satisfaction rates of 9 percent in Bihar, 6 percent in Rajasthan, 3 percent in Orissa, and 1 percent in Punjab. Similar dissatisfaction is found for other services—health, safety net, transport, water.
Three features make this lack of state administrative capability for implementation in India even more puzzling and eliminate commonly invoked explanations of “poor governance.”

First, due to a process of “pay commissions” to protect wages of civil servants and pay compression, the typical worker in the public sector in India is paid substantially higher wages than observationally equivalent worker in the formal private sector. Of course due to the explosion of wages at the very top end of the scale the high end civil servants such as the elite Indian Administrative Service (IAS) are almost certainly underpaid, but for the broad base of the government workers they are more than amply compensated. One example are teachers, where the “regular” teachers in the state sector make, in various studies, between 3 and 5 times as much as teachers in the unaided private sector. Moreover, the proliferation of “alternative” teachers even within the government sector shows that one can attract more than enough qualified teachers at pay less than a third of the starting salaries for regular teachers. While in many poor countries one can explain away the poor performance of the government as the “they pretend to pay us, we pretend to work” syndrome, this is just not true of India.

Second, the puzzle is not “why is India a failure”—it isn’t, nor even “why has the public sector in India failed?”—it hasn’t. In fact, the Indian government’s track record in many respects is stellar and many Indian public sector institutions are world class. The Reserve Bank of India is a quasi-independent controller of banks and monetary policy, with some considerable success in avoiding inflation and in handling macro-crises. The Election Commission manages free and fair elections on a regular schedule in a huge, far flung, resource poor, country. India is capable of building nuclear weapons and
launching a rocket to the moon. India’s Supreme Court is lauded for its probity and independence. The Planning Commission, while one can debate its function, is today, and has been quite consistently, staffed with world class economists as members.

What is common with all of these examples is that the more “elite” the institution (and the less it has responsibility for routine implementation) the better. The example of education illustrates this point. While, as always with higher education, one can debate value-added, the top tier public sector institutions of higher education, the Indian Institutes of Technology and the Indian Institutes of Management, turn out some of the world’s best students. When these students spread out across the globe—the (female) CEO of PepsiCo is an IIM graduate, the co-founder of Sun Microsystems an IIT graduate (not to mention the large number of superb economists from India)—they create the impression India has “high quality” education. How does this square with the accumulated data that quality in primary education in India is abysmal? A recent study created test results that can compare representative secondary school students in two states of India with other countries (Das and Zajontec, 2008). The results, well summarized by the study’s title: *India Shining and Bharat Drowning*, show it is the case both that India’s median score is very low—of the 46 countries with TIMSS scores in 2003 Rajasthan ranks 41st and Orissa 37th. But the combination of a very long right tail of high quality students and India’s absolute size implies that of one calculates the total students above a high global threshold of performance India in absolute terms is the fifth largest producer of high quality human capital.

The third piece that makes the puzzle of low state implementation capability even deeper is that, against all odds, India is one of the developing world’s longest running,
stable democracies. Since independence India has, with one brief interregnum in the Emergency period, been continuously democratic with regular free and fair elections. Moreover (with a few small regional exceptions) there are no asterisks or scare quotes about India’s democracy: it has all of the institutional trappings that one might think should accompany an effective democracy. India has free speech, a free press, an independent judiciary, a Westminster parliamentary system, and (more arguably) institutionalized political parties. Moreover, one cannot put caveats about a “limited” franchise or participation as India is one of the few countries with higher levels of electoral participation among the poor and less educated. Nor can one argue that, although democratic, electoral accountability is limited by one-party domination (as in Mexico under the PRI pre-2000) or huge incumbency bias (as in the US). While the Congress Party has been a stable at the national level, it is contested in every state (it currently controls few major states) and must form coalitions at the national level to rule (in the last two national elections the Congress itself got less than a third of the vote). In sharp contrast to the USA where incumbent national legislators nearly always win, in India there is anti-incumbency bias.

So just to deepen the puzzle, India appears to have Costa Rica’s democracy and yet not even Bangladesh’s human well-being outcomes. If you take the Polity scores on democracy (+10) to autocracy (-10) then India since Independence has had an average of 9 with a standard deviation of only .6—continuous stable democracy. Almost no “developing” country can match that record and certainly not India’s neighbors—Pakistan has an average of 1 with a standard deviation of 11 (unstable and awful on average), Bangladesh an average of 1 with standard deviation of 6, Nepal an average of
negative 3 with a standard deviation of 6. Yet if one looks at basic outcomes like infant mortality, both Bangladesh and Nepal had better outcomes in 2004 and did so by coming from worse outcomes by having a better improvement since 1980.

Maybe you personally didn’t succumb to the romance of it all, but not so long ago there was an “end of history” fever going around: market economies and democratic polities would solve all ills as one would get prosperity from free markets and through democracy good governance would lead states to take care of anything markets couldn’t--externalities, public goods and all that. If you believe in markets and democracy India is a billion person strong puzzle: 60 years of democracy, rapid growth for 30 years (real per capita GDP has increased almost three-fold 1978 to 2008) and it has child malnutrition among the highest in the world, infant mortality worse than Bangladesh, learning achievement on a par with Ghana—and those are the ones with easily comparable data, one suspects similarly low quality implementation is true of water, of roads, of policing or electrical power.

Moreover, not only has democracy not led to solutions, it is not obvious it is not making state implementation capability worse. Naresh Saxena, a former Chief Secretary of Uttar Pradesh articulates a common view that the integrity and non-partisan character of the civil service have deteriorated because of the politics. As he says:

“...because between the expression of the will of the State (represented by politicians) and the execution of that will (through the administrators) there cannot be any long-term dichotomy. In other words, the model in which the politics will continue to be corrupt, casteist and will harbor criminals whereas civil servants will continue to be efficient, responsive to public needs and change agents cannot be sustained indefinitely. In the long-run political and administrative values have to coincide.”

One of India’s premier political philosophers, Pratab Bhanu Mehta, has an essay, the Burden of Democracy, in which he points out that not a single Indian political party
campaigns on a platform of improving outcomes in service delivery. Rather they are centered on identity politics. The saying is that in India one doesn’t cast one’s vote, one votes one’s caste.

Economists have been sufficiently in thrall of the rapid growth and sufficiently in favor of the state’s retreat from the commanding heights and the License Raj interventionism that this puzzle of a near complete lack of state implementation capability, even in areas universally regarded as core governmental functions, has not been as prominent. And of course this framing of a huge puzzle about India is consistent with its current economic progress. One of the oldest arguments for a market economy as a social arrangement is precisely that it economizes (so to speak) on the need for large scale, cooperative and coordinated behavior. There is nothing contradictory, or perhaps even mildly surprising, about the combination of rapid economic growth from very low levels of income and deteriorating capacity of the state. But key thinkers in India in other disciplines, especially those who are distanced from the on-going grudge match of neo-liberal versus Nehruvian social planner, have put front and center the question of why institutionally well designed and increasingly socially inclusive democratic politics have not, through electoral accountability, led to better services from the administration of government,

Before Luce’s book to understand one of the real Indias (not the mystics’ romanticized “ancient and spiritual” India, not the economic elites’ “looks just like the West” India, and not the “de jure world of officialdom” India) you had to read fiction. The novel Q & A (which has been made into a movie called Slumdog Millionaire) begins with the hero being beaten by the Mumbai police attempting to extract a confession to a
crime he had not committed because they had been paid off by a rich Bollywood television producer to do so. The novel then recounts in recollected vignettes the life of the unlikely hero, a poor waiter in a low brow restaurant, and how he comes to know the answers to 12 questions on a game show. In each encounter with the Indian state the hero experiences not just indifference but active hostility and venality. There are two remarkable things about this. First, these passages are not intended as hyperbole, nor are they even particularly central to the plot, but rather recounted to provide background verisimilitude to the more unlikely aspects of the plot. Second, the author, Vikas Swarup is not an alienated artiste or radical malcontent or disdainful ex-pat but an active member of the Indian Foreign Service in the current employ of the Indian state.

Luce, like all top journalists, lets real-life stories get beyond the statistics and illuminate the truth almost as well as fiction can, revealing how the official truth is often the biggest fiction of all. He tells of NGO activists following up on government expenditures, visiting “check dams” that had been constructed with local funds. The problem was the local officials had built one dam and billed for it four times. Their ploy to fool the activists was to take them to the same dam by four different paths. The work of the MKSS following up on local expenditures dutifully recorded as the official truth “yielded fictional muster rolls, imaginary health clinics, schools that didn’t exist” (p 74). How can the Chatterjee’s fictional Mammaries of the Welfare State, the barely disguised autobiographical account of an active duty member of the prestigious Indian Administrative Service (IAS) that recounts the mostly misadventures of a civil servant match the hilarity of the non-fiction of officials driving to the same dam from four different paths?
Luce interviews a Mumbai policeman that has been suspended from the police force for an “encounter killing” in which police kill criminal suspects to avoid the uncertain vagaries of the judicial system. The policeman freely admitted having been involved in more than 50 encounter killings, but points out that his total was much less than many others as he did so only when directly instructed to do so by superiors and did not do free lance. Extra-judicial killings are the norm, but he claimed he did not do the killing he was suspended for, as that killing was of a person who had agreed to be a witness. The policeman Luce interviewed claim that that particular killing was not directed by the police hierarchy but had been done by another, more senior, Mumbai police officer who had been bribed by those who would have been accused by the witness to carry out the killing, that officer had then bribed others to accuse him of the killing so the police could pretend to have taken action, and that the senior officer had taken the bride to do this killing in part to pay back the money he had had to pay in order to secure his own promotion. These true tales of corruption and murder are hard for even the fictional Mumbai police in Vikram Chandra’s *Sacred Games* to match.

He also delves into other aspects of Indian life and politics, including the delicate but central subject of caste and the rise of caste politics and politicians, from the infamous Lalu Prasad Yadav to the Dalit leader Mayawati, Chief Minister of what would be the world’s sixth largest country, the Indian state of Uttar Pradesh. Mayawati very rarely speaks in English to journalists, Indian or otherwise. He illustrates how much of the English speaking world’s impression of India is tinted by being viewed through the world of fluent English reading and writing Indians—who actually constitute a tiny fraction of the population.
All of which leads back to the puzzle, the transition, the book, and the book’s title. The question is how to arrange “strange” “modern” and “India”—is India truly modern and only the rise strange, or has India given rise to a strange modernity? While “modernization” has rightly lost status as a word of theoretical or normative content, it did mean something as a description of a roughly contemporaneous four-fold historical transition in the USA, Western Europe and elsewhere in the economy, the polity, the administrative apparatus and the society. In all these four dimensions India is at various stages of a transition, in which \textit{de jure} modernity and \textit{de facto} non-normatively modern realities both hold sway. Part of what makes India so complex and why any categorical statement about India is subject to death by a thousand qualifications is the tension between the dynamics of the pace of the many transitions—so that in the same country one can have both hyper-modern technological firms in software and bio-tech and also quite recently caste riots when the lower castes refuse to participate in the annual ritual of washing the feet of the upper caste. The social, political, administrative and economic transitions all threaten to either accelerate or bring pace of the other transitions to a halt. On the one hand, recent evidence shows that in Uttar Pradesh during the “market liberalization” period caste marking behaviors that had persisted for decades just disappeared. A recent survey of Dalits finds that they reported retrospectively that in 1990 only 2 percent of non-Dalits visiting their home would accept offers of drink or food (as this was ritually polluting) but they also report that in 2007 over 60 percent would do so. On the other, the persistence of caste based politics creates huge debates about how hard and fast to push the modern private sector towards caste based quotas (“reservation”). Recent research into the details of the village based meetings of local
governments, which are intended to bring democracy closer to the people, shows the face to face interactions in the meetings intended to foster “public deliberation” are strongly structured by caste relationships (Radu and Rao 2008).

So, while Luce’s book illustrates the paradox of the modernity that is India, this only sets the stage to debate what of the future. One could argue that India is simply “a normal poor country” (to borrow Andrei Shleifer’s felicitous phrase in defense of Russia’s progress) and that it will naturally outgrow these teething pains which are a natural part of “development.” In this view the only mistake was to think that democracy could be a panacea or even accelerant of other modernizations. Alternatively though, unresolved social conflict may grind economic progress to a halt. One might think that administrative reform attempts in India are “band-aids on a corpse” (to borrow Esther Duflo’s apt, if gruesome, phrase about health care reform in Rajasthan) but at the same time it is difficult to forecast a complete lack of improvement in state implementation capability. Perhaps a thorough-going decentralization can shock the system onto a more positive trajectory, perhaps one can move directly from the de facto privatization driven by state failure to co-opting the private sector via “demand side transfers” with private sector suppliers.

If any of us were plunked down in Chicago in the 1920s we could find a hundred reasons to be pessimistic: social conflict was everywhere, racism embedded and institutionalized, police were corrupt, organized crime was thriving, economic progress was bifurcated between the fabulous wealth and abject poverty, there were threats to public health, immigrants who couldn’t even speak the language had poured in, and politics were brutal and “machine” dominated. In the long-run that pessimism would
have been misplaced as Chicago muddled along and through to a great modern city.

Luce’s book does a great job of introducing the reader to the multi-faceted wonder that is the emerging India.
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