

# India's Evolving Experiment with Neoliberalism

## *A Confluence of Mental Models*

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### ABSTRACT

Since having achieved its independence from the British in 1947, India has continued to adapt its political and economic models to meet the challenges and imperatives posed by an ever-shifting global environment. Beginning with India's shift from socialism (1947–91), which ushered in a revolution known as “neoliberalism by storm” following its historic currency crisis, this chapter focuses primarily on India's next evolution, known increasingly as *authoritarian neoliberalism* and beyond. Appearing to engender antiglobalization populist elements (as evidenced by current prime minister Narendra Modi's fiat dictates aimed at demonetizing the national currency as well as severing multiple free-trade agreements), this next phase appears to embrace a mercantilist-style, strong-state, command-and-control ethos. This *illiberal* evolution of “neo-liberalism” is a highly nuanced and complicated model, fraught with paradoxes and contradictions that need to be better explored and explained.

### KEYWORDS

globalization, India, mental models, neoliberalism, populism

Since having achieved its independence from the British in 1947, India has continued to adapt its political and economic models in accordance with the needs of the country as perceived through the cognitive lenses of various governing regimes. Beginning in the mid-1980s, Indian leaders have become increasingly sensitive to the challenges posed by an ever-shifting global environment. This chapter selectively focuses on leaders who have influenced specific inflection points in India's

evolving experiments with economic mental models. In that vein, we will explore the distinct neoliberal frameworks that were adopted under India's various prime ministers, providing specific emphasis on the shift from the global cosmopolitanism that first appeared under Prime Minister Rajiv Gandhi in the mid-1980s to the recent nationalist-populism that has been embraced by Prime Minister Narendra Modi. That said, it is noteworthy that the Mont Pelerin Society (MPS), which many associate with the intellectual birth of neoliberalism, will be holding its seventy-sixth general meeting in New Delhi in the fall of 2024. According to the conference organizers, New Delhi serves as an "ideal host," given that the MPS founding in 1947 coincides with "India's political independence from the colonial powers, after nearly 200 years of tyrannical rule and exploitation" ([https://mpsnewdelhi.org/about/.](https://mpsnewdelhi.org/about/))

As we shall see, India's evolving experiment with neoliberalism has been neither continuous nor consistent. Therefore, one should not characterize any of India's various experiments with market capitalism as monocratically neoliberal. At the same time, one must not ignore the remarkable market transformations that India has experienced over the last four decades. Market reforms undertaken in India are interwoven within a central economic planning framework that was developed in the middle of the last century. These reforms, therefore, reflect many of the characteristics of the rigid and discombobulated statist bureaucratic system through which they were developed and implemented. In order to understand India's ongoing neoliberal experiment, one must take a deep dive into the socialist institutional framework from which it has evolved.

India's neoliberal journey has been punctuated by distinct "phases" in which discrete ideational systems were embraced by different political leaders. Today's leaders inherited elements of the ideational systems of their predecessors that have survived, grafting parts of them into their own economic models and policy agendas. India's ongoing experiments with neoliberalism reflect the confluence of these distinct models over time. Traces of India's socialist central planning model have been more prominent in the neoliberal agendas of some leaders and less so in others. As we shall see, more ardent free-market policy reforms that were adopted under Western-style capitalist-leaning regimes, such as those led by Prime Minister Monmohan Singh, may have been "watered-down" or in some cases reversed altogether by more recent leaders. Modi's fiat dictates aimed at demonetizing the national currency as well as his severing of multiple free-trade agreements, for example, appear to reflect a nationalist, and in many ways antiglobalist, strong-state, command-and-control ethos. The ultranationalist rhetoric interwoven in Modi's *illiberal* expression of "neo-liberalism" engenders strong contradictions and paradoxes that have been the source of much confusion and debate. Indeed, Modi's muscular state-centered policy agenda can be referred to as *authoritarian neoliberalism*. In

this chapter, I will endeavor to untangle the various experiments with market capitalism that have been bundled under the broad umbrella of neoliberalism.

#### CONCEPTUALIZING INDIA'S NEOLIBERAL EVOLUTION AS A SET OF MENTAL MODELS

Generally speaking, *neoliberalism* is a contested concept that has been associated with various promarket capitalist leaders across the globe since the late 1970s (Roy, Denzau, & Willett, 2006). Associated with national leaders ranging from Margaret Thatcher and Ronald Reagan all the way to Augusto Pinochet and even Deng Xiaoping, the term is mired in confusion and controversy. Indeed, the broad application of the term makes any kind of systematic conceptual analysis extremely difficult, if not intractable. Despite these challenges, studying how neoliberalism in its various forms and guises has been shaping the world's largest democracy since the 1980s remains a worthwhile effort.

In previous analyses on the subject, we have found it useful to conceptualize the various applications of the terms as subsets of distinct, but related, strands of a system of “mental models” that share a common ideational backbone (Roy, Denzau, & Willett, 2006). Each of the strands of neoliberalism that we will explore in this chapter engenders its own set of distinct characteristics. That said, all of them appear to share a set of core beliefs that warrant deeper exploration. The application of Arthur T. Denzau and Douglass C. North's (1994) seminal work on “Shared Mental Models” can provide us with a useful framework for conducting this kind of deeper analysis (Rongala, 2007).<sup>1</sup>

What are mental models, and how are they useful for our analysis of the variety of neoliberalisms that have come to shape modern India? According to the 2015 World Development Report titled *Mind, Society, and Behavior*, “mental models include categories, concepts, identities, prototypes, stereotypes, causal narratives, and worldviews . . . [And indeed] without shared mental models, it would be impossible in many cases for people to develop institutions, solve collective action problems, feel a sense of belonging and solidarity, or even understand one another” (World Bank, 2015: 62–63).

At a general level of analysis, neoliberalism is an ideological construct that has surfaced in tandem with the emergence of globalization. Some scholars regard neoliberalism as a set of ideas that have served as the ideological foundation that facilitated the rise of globalization, while others see these terms as interchangeable. Neoliberal policies promoted by the World Bank and the International Monetary Fund (IMF)—which include free trade, fiscal responsibility, deregulation of the economy, privatization of public services, growing financialization of economy, and so forth—have been enshrined in an institutionalist policy framework that was initially referred to by economist John Williamson (1990) as *The Washington Consensus* (WC). The WC, however, is merely a policy heuristic; it is not a framework of analysis. The mental model framework, on the other hand, provides us

with a useful tool for analyzing the ideational systems that have informed India's ongoing experiments with neoliberalism.

As suggested above, India's neoliberal evolution is complicated and has always reflected a confluence of various mental models. Ironically, many of India's policy-making institutions that continue to shape the nation's experiments with market capitalism were developed during its early socialist development period (1947–84). Suspicious of the rise of a capitalist class that would place the desires of selfish individual gains and short-sighted pursuits of personal wealth ahead of national development needs, India's first prime minister, Jawaharlal Nehru, adopted a *developmentalist* state-planning model based on socialist principles to direct his country's economy. By emphasizing collectivist ideals over Western liberalist ideas that promote free trade and entrepreneurial individualism, Nehru's central planning model placed the fate of India's national economic destiny in the hands of the state.

The Nehruvian model focused first and foremost on government-led industrial development initiatives that were meant to ensure the equitable distribution of the country's domestic resources. Nehru's model drew inspiration from Fabian democratic socialist ideals emphasizing human rights and political freedom. Individual entrepreneurial freedoms, however, were subordinate to state-led industrial policy objectives. At the same time, Nehru rejected Marxist-Leninist forms of authoritarian collectivism that were quickly being embraced by China. The Nehruvian central planning model embraced a *democratic* federal system that involved sharing powers with the states, which often take center stage in Indian politics.

Nehru's developmentalist state program introduced a host of protectionist measures that were designed to shield India's domestic industries from international competition. State-owned enterprises (SOEs) would be set up and supported with government subsidies to promote industrial-led growth. State licenses—known variously as the license raj, license-permit raj, or license-permit-quota raj—were issued to specific industries that were controlled and overseen by the central government. Free-market interactions of supply and demand were suppressed in favor of command-and-control production directives that were dictated by government planners. Much like the antiquated European-style mercantilist model of capitalism famously exemplified by the British East India Company's royally licensed monopoly, the license raj undermined the virtues of free-market initiative and entrepreneurial freedom.

India's entrepreneurial growth has long been stifled by a never-ending stream of red tape inextricably woven within the burgeoning state bureaucracy. Obtaining such licenses was often a difficult and lengthy process. Consequently, entrepreneurial initiatives often died as they attempted to navigate through India's intractable bureaucratic maze. Under this "bizarre and damaging" system, as described by Gurcharan Das, a well-known critic, the process as designed is run by "underpaid, third-rate engineers" working with limited information and imprecise criteria (2001: 93–94). Soon after this licensing system was enacted, "large business houses

set up parallel bureaucracies” to “organize bribes” and thereby “win licenses”; the “opportunities for corruption” were “staggering” (Das, 2001: 93–94).

The state planning model was deepened further when Prime Minister Indira Gandhi (Nehru’s daughter) assumed power in the mid-1960s, adopting a robust economic nationalist program of her own. In a massive power grab, she nationalized more than a dozen of the country’s largest banks and seized control of several key financial institutions, insurance firms, and energy producers. In a brazen assault on free-market initiative, Indira Gandhi imposed new regulations on private businesses, making them unable to compete with public sector enterprises. Large amounts of waste and inefficiency resulted from the failure to provide basic essential services and infrastructure.

While the Nehruvian economic planning model focused on industrialization as the main engine of growth, the agricultural sector went largely neglected. This was a colossal miscalculation, as over three-quarters of the country’s population resided and earned basic subsistence living in the rural areas. Unable to account for the widely diverse needs of millions of individuals residing across India’s vast subcontinent (which is comprised of twenty-eight states and over four thousand cities, towns, and villages), India’s central planning model had consistently failed to deliver on the widespread prosperity that Nehru had initially envisioned.

“LIBERALIZATION BY STEALTH”:  
THE CLASH AND ADAPTATION OF MARKET  
AND SOCIALIST MENTAL MODELS

After three generations of successive rule, the Nehru dynasty cemented its political power through the expansion of the Indian bureaucratic state. By the 1980s, however, India’s emerging leaders were under intense domestic pressure to address the systemic problems underlying the country’s disappointing economic growth. Neoliberals claimed that the expansion of India’s burgeoning and politically corrupt bureaucracy was to blame for the country’s poor economic performance.

Succeeding his mother immediately following her assassination in 1984, Prime Minister Rajiv Gandhi initiated a new set of economic reforms that were meant to address corruption concerns raised by a growing number of domestic and international critics. During this period, India’s parochial economy would begin to open gradually through a set of initiatives that Arvind Panagariya (2005) referred to as “liberalization by stealth” (1984–91). Building upon his reputation as “Mr. Clean,” Rajiv Gandhi promoted a modest neoliberal agenda directed at licensing reform and eviscerating certain restrictions that stifled domestic market competition and export competitiveness. Through modest tax cuts and the reduction of tariffs on certain capital goods, Rajiv Gandhi managed to enhance the convertibility of the rupee, which, in turn, led to a significant increase in trade. But factional struggles within the governing Congress Party over Rajiv Gandhi’s neoliberal reform initiatives, accompanied by a major corruption scandal implicating the prime

minister himself, brought his efforts to a grinding halt. Despite being relatively modest and short-lived, the symbolic success of Rajiv Gandhi's market reforms marked the beginning of the end of his grandfather's central planning model.

NEOLIBERAL "REFORM BY STORM":  
INDIA'S EVOLVING HEGEMONIC MENTAL MODEL

India's parochial domestic economy engendered deep structural weaknesses that would be painfully exposed in the global era. Under central government control, administrators who oversaw India's fledgling banking sector had long been issuing loans based on domestic political patronage rather than on sound investment principles and international protocols. These corrupt practices would ultimately result in a tidal wave of nonperforming loans that by the late 1980s imperiled the country's entire financial system. By 1991, under the leadership of center-left governments led by Vishwanath Pratap Singh of the Janata Dal Party (1989–90) and Chandra Shekhar of the Samajwadi Janata Party (Rashtriya) (1990–91), India's national debt (which had been mounting over many years) approached almost 50 percent of the GDP. Servicing these loans devoured valuable foreign reserves that had already been reduced to dangerously low levels. To avoid a major default, the Indian government turned to the IMF for a massive \$1.8 billion bailout package.

It was during this painful period that Indian policymakers began questioning the fundamental principles underlying India's nationalist economic model. Amid the crisis, Narasimha Rao assumed power from 1991 to 1996. For the second time in India's modern democratic history, India had a prime minister who was a member of the Congress Party but not a descendant of Motilal Nehru. Typical narratives portray Rao himself as rather heroic: "a quiet, unemphatic man," who reluctantly became party leader in the immediate wake of Rajiv Gandhi's tragic assassination, but then quickly "revealed a boldness altogether at odds with what was previously known of his character" (Guha, 2007: 684). The reform-minded Rao lost no time in appointing the Oxford-trained economist Manmohan Singh as finance minister, empowering him to launch a sweeping set of neoliberal reforms that would dramatically alter the country's economic landscape. Viewing the crisis as a historic opportunity to build a new India, Singh argued that it was essential to sever antiquated commitments to Nehru's economic nationalist model. Singh's bold initiatives ushered in the next era in India's evolving neoliberal model that has been referred to as "reform by storm," which reigned from 1991 to the early 2000s. One of the most noteworthy of these neoliberal reforms was Singh's highly complicated initiative to begin dismantling the license-raj, which he undertook in the hopes of bolstering entrepreneurial-led growth.

After the elimination of most state licensing requirements in 1991, there was a popular expectation that India's corruption would soon diminish. After all, the World Bank report claimed that "policies that lower controls on foreign trade, remove entry barriers for private industry, and privatize state firms in a way that

ensures competition—all of these will fight corruption.” Interestingly, India did each of these things. It not only removed entry barriers for private industry but expanded trade. Despite these measures, however, economic liberalization proved to have had almost no effect on the number or the size of corruption scandals that have long plagued the country. Neoliberals and others who anticipated a palpable decrease of corruption were disillusioned. As Shashi Tharoor recorded ruefully in the mid-1990s, “Hardly a month goes by without a new scandal emerging” (1997: 260). Sumit Ganguly, commenting on the events of 1996, said, “The year was one of turmoil in India, as it witnessed the indictment of a number of prominent politicians on charges of involvement in the so-called *hawala* scandal” and, among other things, “the leveling of charges of corruption and bribery against former Prime Minister Narasimha Rao and a number of his associates” (1997: 126). In 2000, at age seventy-nine, Rao was sentenced to three years in prison on the charge of having bribed members of a small party to support him in a no-confidence vote, though the case was dismissed on appeal in 2002.

Disillusionment with Rao’s neoliberal program and its limited ability to reach the masses, however, led to the election of Prime Minister Atal Bihari Vajpayee (1999–2004) and his nationalist Bharatiya Janata Party (BJP). Neoliberals praised key reforms that were adopted under Vajpayee’s leadership during this period. In an article published in *The Economic Times*, Indian billionaire-philanthropist Kumar Mangalam Birla (2018) asserts that:

despite facing challenges due to nuclear sanctions, and the dot-com bust induced global recession, Vajpayee’s term saw a dramatic turn which led the economy on a solid growth turnpike. With deft macroeconomic management, we saw the virtuous cycle of lower inflation and interest rates, coupled with low fiscal deficits, leading to higher investment and higher growth. Even export growth was admirable. Foreign investment inflows surged. It can be said that the foundation for high growth during 2003 to 2008 was laid in the policies of the Vajpayee government.

When Manmohan Singh eventually became prime minister himself in 2004, he wasted little time in expanding the promarket agenda that he began as finance minister. As prime minister, Singh was determined that his neoliberal reforms would impact larger numbers of people across India’s highly mixed social landscape. Singh’s neoliberal program was aimed at leveraging the country’s vast and cheap labor markets, its growing number of educated but unemployed professionals, and its considerable natural resources to achieve unprecedented levels of growth. Standard histories of this period associate it with far-reaching economic liberalization: the elimination of most industrial licensing, the removal of import quotas, the reduction of tariffs, the encouragement of foreign direct investment, and efforts to curtail the growth of the state and reduce its spending. Strongly embracing a free-market ethos and cosmopolitan values shared by Western market globalists, Singh adopted a neoliberal program that included fiscal responsibility and sound monetary policies.

Proclaiming that the biggest obstacle to India's success in the global economy was the poor condition of its roads, ports, and energy plants, Singh pressed for the formation of multiple public-private partnerships to overhaul the country's infrastructure and supply its businesses and villages with cheap and reliable electricity. To meet his ambitious energy and infrastructure targets, the prime minister committed India to the development of nuclear power. Accordingly, Singh began working closely with American president George W. Bush (2001–9) to expand the United States' economic and political relationship to help India develop cutting-edge nuclear technology.

Jagdish Bhagwati and Arvind Panagariya have brought out that neoliberal reforms, including greater access to world markets, have raised the prices of resources such as minerals and land. This has "multiplied the scope for government officials (and colluding businessmen) to make vast sums of illegal money through the pre-reform-type arbitrary and opaque allocations of the rights to extract minerals and to acquire and re-sell land" (2013: 87). A scandal they cited was the "2G spectrum scam," where, in 2008, the union minister for communications and information technology issued 122 licenses for mobile phones at below-market prices in return for bribes (Bajaj, 2012; Bhagwati & Panagariya, 2013: 87; Thakurta & Kaushal, 2010). A more recent scandal has been the "coal allocation scam" or "Coalgate," where rights to denationalized coal fields were allocated without competitive bidding (Ananth, 2012; Bajaj & Yardley, 2012; Barry, 2015). The case "exposed the ugly underside of Indian politics and economic life: a brazen style of crony capitalism that has enabled politicians and their friends to reap huge profits by gaining control of vast swaths of the country's natural resources, often for nothing" (Bajaj & Yardley, 2012).

In the first decade of the twenty-first century, some of the positive outcomes of Singh's comprehensive neoliberal reforms were obvious: massive GDP growth reaching as high as 9 percent, exchange rate stability, and substantial increases in foreign direct investment. On the downside, his neoliberal reforms had increased the gap between the rich and the poor. Despite its impressive size and scope, Singh's ambitious neoliberal reform program that he began as finance minister and that he bolstered as prime minister was ultimately met with incredulity by some more ardent free-marketeers, leading some to proclaim that "the licence raj is dead—long live the license raj."

#### THE POPULIST BACKLASH: THE EMERGENCE OF AUTHORITARIAN NEOLIBERALISM

India's neoliberal model would undergo major revision once more in the latter part of the noughties. The Great Financial Crisis of 2008–9 brought the years of economic prosperity to an abrupt end, "causing rates to soar and exchange to collapse" (Subramanian & Felman, 2022). When firms began defaulting on their debts, Indian "banks were saddled with non-performing loans, exceeding ten

percent of their assets” (Subramanian & Felman, 2022). Meanwhile, nationalists saw Singh’s reforms as capitulating to the pressures of global capitalists in the West, arguing that greater economic openness would undermine India’s autonomy. Furthermore, as we saw, neoliberal-inspired growth, while impressive, did not appear to quash state corruption as was predicted.

In the years following the crisis, India’s market-friendly initiatives have been disrupted by growing antiglobalization sentiment. Emerging nationalist and populist movements began sprouting up, demanding greater accountability, an end to political corruption, and a more even distribution of the country’s resources. It was in this political environment that India’s current prime minister, Narendra Modi, rose to national power in 2014. Having earned a reputation for governing effectively through honest and competent members of his bureaucracy, the former chief minister of the state of Gujrat initiated a robust populist-inspired campaign to put an end to corrupt bureaucrats who served the globally connected class of powerful elites.

Modi’s image as a prominent populist leader, however, appears to clash with the views of millions of Indians who regard him as the quintessential neoliberal. In 2018, the editors of a widely read South Asian journal claimed that his nationalist BJP party had become the “pre-eminent political party of neoliberalism” and that Modi had emerged as “the preferred candidate of corporate capital” (Wilson, Loh, & Purewal 2018). Following the 2014 general election, journalists and scholars alike have referred to Modi’s sweeping electoral victory as “India’s Thatcher moment” (Shaw, 2014).

This comparison is not entirely without merit. Similar in scope to Thatcher’s “Big Bang” initiative to modernize Britain’s computer-based trading system in the 1980s, Modi invested heavily in India’s physical and digital infrastructure to attract new global business. In order to bolster its competitiveness in the global high-tech sector, in 2019 Modi reduced the overall corporate tax rate from 35 percent to 25 percent. Determined to make India a leading competitor in the international manufacturing sector, Modi reduced the tax rate for new manufacturing firms to 15 percent. In addition, Modi’s government has settled nearly seven billion dollars in lingering tax disputes with multinational firms and is committed to modernizing India’s business tax code. In a move true to neoliberal form, in 2021 Modi privatized India’s national airline—Air India.

Given these initiatives, it is not difficult to see why many have associated Modi with neoliberalism. Upon closer inspection, however, Modi’s actual policy record has scarcely resembled that of a free-market neoliberal. While the national government has continued to transfer some public utilities into private hands, Modi’s neoliberal platform pales in comparison to the comprehensive privatization initiatives undertaken successively by Manmohan Singh and Atal Bihari Vajpayee. Rohit Chandra and Michael Walton lucidly explain that while Modi’s 2014 election victory was formally premised on a “platform of ‘minimum government,

maximum governance,' it always had deep ambiguities between a pro-business, pro-rules regime and an essentially nationalist project which subordinates commercial considerations" to state directives (2020: 176).

The more "authoritarian" expression of neoliberalism embraced by Modi's government appears to reflect the confluence of both market and statist models. Though often leaning more heavily on the latter, both ideational systems are evidenced in Modi's own economic policy model. The broad appeal of Modi's populist platform has been cultivated through his party's strategic use of social media to reach the "common people" who may have felt ignored under previous neoliberal regimes. Indeed, after Modi assumed power, leaders in his party boasted that their new prime minister had become "the world's most followed leader on social media" (Sinha, 2017: 4158). Modi's successful use of privately owned social platforms to deliver his populist message to hundreds of millions of followers makes him one of the most influential neoliberals in the digital age.

Modi's nationalist project is distinctive in that it is infused with a strong dose of Hindu fundamentalism. Raja M. Ali Saleem (2021) brings out that it was in the 2009 BJP manifesto that Hindu populism appears to gain meaningful traction within the party. Modi sought to unveil his Hindu-centric political agenda in the wake of the 2002 riots in the state of Gujrat when he was serving as its chief minister. Reflecting a backlash against global cosmopolitan culture and bourgeois democratic ideals promoted under previous regimes, Modi's Hindu nationalist-populist agenda involved reversing key market initiatives that had been introduced by his predecessors over the previous three decades. One can see strong traces of India's socialist past in Modi's populist political rhetoric and nationalist policy agenda. Modi's nationalist economic policies, which include eviscerating nearly sixty bilateral investment treaties (BITs) and raising tariffs on popular imports to their highest levels in thirty years (almost 3,200 since 2014), are reminiscent of the Nehruvian era.

Perhaps the most brazen demonstration of state power over the Indian economy came in the form of Modi's decision to demonetize the national currency. In what was ultimately deemed a failed attempt to combat the rampant circulation of "black money," Modi mounted a comprehensive demonetization campaign that resulted in massive cash shortages and disinvestment. This was an especially ill-advised and highly risky move given the fact that over 90 percent of economic transactions in India are conducted in cash. With a stroke of the pen, Modi declared 80 percent of all notes in circulation to be "illegal" overnight. Modi set up a poorly conceived exchange program that left hundreds of millions of people with no access to cash required to conduct business and purchase essential items. Much of the pain was felt by small businesses and the working poor, and of those who resided in rural areas, farmers were especially hard hit. Neoliberal critics of the policy would argue that the adverse effects on the gross domestic product of the country would be felt for years to come (Chakravorti, 2017; Sambaraju, 2018).

Neoliberal economists argued that demonetization is a policy tool that should only be employed as a last resort to combat a severe monetary crisis or to root out crippling corruption. But India was not facing either of these issues at the time (Sambaraju, 2018). In fact, according to Transparency International, a global movement that monitors and reports on government corruption, India was experiencing a period of relative economic stability and an overall record on corruption that appeared to be improving (Sharma, 2016; Sambaraju, 2018). Through the adoption of this authoritarian monetary strategy, Modi hoped to bolster his image as a “strongman” who possessed not only the political wherewithal, but also the personal temperament, to tackle corruption head-on (Chakravorti, 2017). Such actions have been regarded by free-marketeers as a direct assault on the foreign investment–friendly policies that were put in place by Modi’s neoliberal predecessors.

Prime Minister Modi’s use of authoritarian measures to control society is further exemplified in his sometimes “extreme” approach to addressing the spread of the COVID-19 virus. His nationalist command-and-control policy approach to the pandemic has been viewed as an abject failure by neoliberals and non-neoliberals alike. Modi’s nationwide lockdown mandates not only failed to abate the COVID crisis over the long term but devastated important parts of the economy by disrupting supply chains and preventing hundreds of millions from traveling to work or buying food and other essentials. As the virus spread uncontrollably, ultimately infecting well over two-thirds of the country’s population, economic growth plummeted to the lowest level experienced by any major developing country (Subramanian & Felman, 2022).

Modi’s use of repressive national mandates conflicted with neoliberal strategies aimed at empowering local governments. Neoliberals are generally sympathetic to the view held by public-choice economists that people “vote with their feet” and that policy officials operating at the local level are better positioned to tailor public policies to fit the unique circumstances, norms, values, and expectations of the communities they serve. Additionally, neoliberals assert that Modi’s adherence to Hindutva ideology has kept him from following constitutionally mandated secular processes that neoliberals claim would have yielded more inclusive policies. Neoliberals argue that Modi’s religious-based parochial approach has served to widen existing social cleavages and divide the nation rather than bringing it together in a united effort to combat the pandemic (Guha, 2021; Viswanath, 2021).

As India’s economy continues to struggle in the pandemic era, social capital is diminishing. Modi’s authoritarian-style management of the crisis is taking a toll on economic liberty and democratic freedom, threatening institutional trust and credibility. In a recent article that appeared in *Foreign Affairs* titled “India’s Stalled Rise: How The State Has Stifled Growth,” Arvind Subramanian and Josh Felman illuminate that “in June 2021, the central bank consumer confidence index fell to a record low, with seventy-five percent of those surveyed saying they believed

that economic conditions had deteriorated, the worst assessment in the history of the survey” (2022: 142). Moreover, they claim that “many Indians are deeply ambivalent about the private sector—and capitalism generally.” This is partly due to the fact that “India’s private sector still bears the stigma of having been mid-wifed under the license raj, an era in which corruption was pervasive” (147). More free-market-leaning neoliberals assert that Modi’s industrial policy, which gives preferential government treatment and financial support to select groups of industries and specific firms, only serves to reinforce this stigma.

#### NEOLIBERALISM REIMAGINED: “NEOLIBERALISM IS DEAD! LONG LIVE NEOLIBERALISM”

With the growing popularity of Modi’s authoritarian ethos, many have begun to question whether the liberal market model will survive in the long run. We believe, however, that rumors of neoliberalism’s demise have been greatly exaggerated. India’s neoliberal model will continue to evolve, assuming new shapes in order to adapt to an ever-changing global environment. What form it will assume next is not entirely clear. Despite Modi’s attempts to impose greater government controls on its private economy, India’s business community, which had been emboldened under nearly three decades of neoliberal political regimes, has continued to flourish. India’s largest corporations, such as the Tata Group and largest banks, have not only survived Modi’s demonetization scheme but continued to boast substantial profits. Indeed, over twenty Indian banks remain prominently featured on the 2019 *Forbes* Global 2000 list.

The country’s invigorated private entrepreneurial class is dramatically reshaping “a new India.” In the second year into the pandemic, billions of dollars in investment capital have been flowing into India’s surging stock market. Subramanian and Felman bring out that venture capitalists have been pouring new investment capital into India’s energetic start-up sector. To date, nearly seventy unicorn start-ups have emerged in areas ranging from cloud computing and education to entertainment and finance (Subramanian & Felman, 2022). Comprised of many young and innovative-minded millennials, this new entrepreneurial class appears to embrace a free-market ethos. Given the fact that much of their success is driven by individual initiative and personal talent rather than government support and favoritism, this is not surprising.

India’s sense of “hyper-individualism” is perhaps one of the reasons (among many) why Nehru’s collectivist-focused planning model failed so miserably. The landscape is wide open for this new generation of entrepreneurs to write the next chapter in India’s neoliberal narrative. But what form of neoliberalism will emerge? This is far from clear. However, there are some trends worth exploring that might offer some clues. We are seeing some signs to indicate a resurgence of a more market-oriented expression of neoliberalism that is tempered by millennial values

emphasizing social justice, employee empowerment, corporate responsibility, and environmental sustainability. If these values continue to gain traction in India's economic and political system, we could see the rise of a new economic model that might involve "neoliberalism reimaged." Rather than being imposed on society by the state from the top down, this next expression may be occurring organically as individuals find innovative ways to create new industries from the bottom up. Highly suspicious of government, millennials characteristically preach on the virtues of individual freedom and expression. India's young entrepreneurs appear to share these cosmopolitan values.

According to Subramanian and Felman, if India can get through the pandemic, it may have a "chance to reboot" its economy (2022: 149). India's resurgence, however, will depend upon boosting private-sector productivity, especially in the manufacturing and software sectors. Subramanian and Felman further bring out that "India's GDP has already regained its pre-pandemic level and the International Monetary Fund forecasts it will grow by 8.5 percent in 2022, about three percentage points more than China" (2022: 149). India's economy is more "institutionally fit" than China's to support massive private-sector growth. China, they argue, "is an increasingly authoritarian country and has begun to undermine private-sector entrepreneurship and innovation through sometimes punitive state intervention" (2022: 149). While India's current leadership shares some of these authoritarian characteristics, its liberal constitutional framework and social culture are generally much more sympathetic to private entrepreneurial development.

In several important aspects, India's private firms have a potential advantage over their competitors. India's labor force is filled with millions of young, talented, English-speaking college graduates. Chinese firms operate on a business model that tends to narrowly focus on producing goods and delivering services that are cheap and fast, frequently ignoring quality as well as the concerns and needs of employees. In order to compete with China, some of India's leading firms have been undergoing a subtle, but potent "quality-based" transformation over the last two decades. Refocusing on quality involves "going back to the drawing board" and revising their entire business model in line with a "systems" management approach. Inspired by the ideas of management guru W. Edwards Deming, whose systems approach is famously associated with the total quality management (TQM)-based success of Toyota, this relatively small (but growing) group of business leaders have adopted an enlightened organizational mission. For these individuals, quality involves designing people-building strategies directly into manufacturing and service processes throughout the entire system. According to this view, quality involves reducing redundancies and waste throughout the system, resulting in higher productivity and greater profits. And according to Deming, the greatest waste is "the failure to use the ability of people . . . to learn about their frustrations and about their contributions that they are eager to make" (1982: 53) Deming's quality-based philosophy rests in the value-added development of

people through ongoing training and education with an eye toward continual improvement. Under this radically distinct business model, a leader is a coach, not a judge, whose main function is to encourage and support others in the organization to excel and take pride in what they do. For example, when leaders “eliminate fear” in their organizations by removing blame for failure, employees feel empowered to take risks and contribute to innovation. “Recognizing businesses worldwide for excellence in applying the principles of Total Quality Management,” the Deming Prize was first awarded in 1951 by the Japanese Union of Scientists and Engineers (JUSE). Over the last two decades, an increasing number of Deming Grand Prizes have been awarded to Indian firms, including The Sanden Corporation, Tata Steel Limited, Rane (Madras) Limited, Lucas-TVS Limited, Rane Brake Lining Limited, and Mahindra and Mahindra Ltd., among others. The success of the business logic that has been adopted by these firms is beginning to find its way into the strategic operations of other organizations across India. One has reason to be cautiously optimistic. But such optimism needs to be balanced against sobering present reality. India’s quality movement is in its infancy and has a long way to go before it reaches the standards of quality practiced by the Japanese or before it is widely accepted among industry leaders.

#### OUTLOOK

Of course, no one can predict the future. I have offered some insights in the latter part of this chapter as to what form neoliberalism may assume in its next evolution. Admittedly my remarks are highly optimistic, perhaps overly so. That said, there are many developments that one can point to when offering an alternative, less than cheerful, outlook for India’s future. As India proceeds down its current neoliberal path, millions continue to struggle to meet their daily needs. The country’s record on political corruption, while improving, is still unacceptable, and its bureaucratic system is in dire need of fundamental reform. Moreover, the nation remains deeply divided along religious and caste lines, and civil strife is a daily reality.

As we have seen in this chapter, Modi’s command-and-control leadership tactics appear to have placed Indian democracy in peril. Some of Modi’s critics argue that his authoritarian inclinations are comparable to those of Russian strongman Vladimir Putin. Critics cite Modi’s refusal to harshly condemn Putin’s 2022 invasion of Ukraine in line with the leaders of other democratic nations. Modi’s warm relationship with Putin during this tumultuous time has less to do with political ideology or personal affinity that the two leaders may share and more to do with political realism. As Putin becomes increasingly isolated by the West, he has sought to strengthen his strategic ties with the Indian government. In addition, China’s expanding military and economic influence in the Indian Ocean poses a mutual threat to the security of both India and Russia. The refusal of the United

States and its allies to take a strong stand against Beijing's aggressive posture in Asia and beyond, coupled with America's historic (and China's current) support for Pakistan, has resulted in tighter relations between Moscow and New Delhi.

Despite these developments, there is reason to hope that Indian democracy can endure. After all, India's constitutional regime is conceptually planted in democratic pluralist principles. Indeed, history offers an example of the resilience of democracy in India. In the 1970s Indira Gandhi's state of emergency placed "Indian democracy in crisis" (Roy, 1976), and her nationalization scheme crippled private industry. In the decades that followed, however, Indian democracy not only survived, but its elected leaders gradually adopted new ways of thinking that enabled the private sector to begin to blossom.

To be sure, India's ongoing experiment with market capitalism has been arduous and difficult. Indeed, it is often incoherent and disjointed. That said, one must keep in mind that India's market economy is relatively young and still underdeveloped. As the market model continues to evolve, one hopes that India's leaders will create a political environment that will unleash the country's enormous economic potential by empowering individuals across the social spectrum to utilize their latent talents and skills to create new personal wealth. But it will not be easy, and it will not be realized overnight. India's current model championed by Modi does not appear to be the solution to India's severe economic inequality. If India's economy is to flourish and the lives of the masses are to improve dramatically, its leaders must adopt a radically different kind of thinking. This transformation must originate from outside the country's "traditional" and often rigid and slow-to-adapt political and social system. This is because, as W. Edwards Deming famously noted, "a system cannot understand itself"; therefore it cannot change itself—it "requires a view from outside" (1994: 92). In India's case, change for the better will require a generational revolution—and this may be what we are witnessing in some of the developments that I have portrayed as "neoliberalism reimaged." Given India's complex political and economic history, anything is possible, but nothing is assured. What is clear, however, is that India's evolving experiment with neoliberalism will continue in one form or another.

## NOTES

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I would also like to thank my colleagues, Dr. Parkes Riley and Katie Guest, who offered editorial and substantive comments. Any remaining shortcomings are owned by the author. In addition, I note that select portions of India's economic history discussed in this chapter were drawn from Riley & Roy (2016) as well as Steger & Roy (2021).

1. The application of Denzau and North's (1993) Shared Mental Model framework is used to help us explain and illustrate the point that encompassing paradigms, such as neoliberalism, often involve

core ideational elements that may be broadly shared across contexts while simultaneously expressing distinct manifestations. That said, our purpose here is neither to “test” nor to introduce novel contributions to the shared mental models literature. For a more rigorous conceptual analysis of shared mental models and their concrete application, please see Battersby & Roy (2017) and Roy & Denzau (2020).

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