

India's politics-business nexus not new. But it has entered a deeper phase with Modi

The Modani model demands a new theory for a State that is at once powerful and weak—powerful in its patronage and punishment but weak in its regulative capacity.

-Yogendra Yadav

Modani has entered India's political lexicon. Rahul Gandhi's latest tweet adopts this expression, already in vogue in his party's social media campaign, 'Hum Adani ke Hain Kaun', and in the parliamentary chorus by the opposition demanding a JPC probe in the Gautam Adani imbroglio. I can claim a small hand in popularising this expression through videos, social media posts, and an article after the Hindenburg expose. I did not coin this term, though. I first heard it from my friend from Madhya Pradesh, farmer activist and socialist leader Dr Sunilam, who has been using it for a few years. Laljibhai Desai, the president of Congress Seva Dal and my fellow traveller during the Bharat Jodo Yatra, told me he coined this word when Prime Minister Narendra Modi was the Chief Minister of Gujarat. Thankfully, folk songs and political slogans remain 'copyleft'.

Modani is a slogan, a clever word-play, a political weapon that helps shift the focus of the opposition from a personalised and inept attack on the PM to a sharper critique of his alleged nexus with big business. Clubbing Modi and Adani in the same word is a brilliant rhetorical device to establish the proximity that both of them evidently enjoy. In a political culture sensitive to allegations of 'suit-boot ki sarkar' (and for an earlier generation, 'Tata Birla ki sarkar'), this can be the masterstroke the opposition has been waiting for.

Modani as a concept

Modani is not just a cuss word. It is, at least potentially, a political concept that describes and analyses what it critiques. This concept names the latest phase in India's political economy, the specific variety of the linkage between economic and political power that characterise the present government. Its applicability goes beyond the central government. It helps us make sense of the political-business nexus developing at the State level. I suspect this may well go beyond Modi and Adani. This concept is here to stay and merits an elaboration.

First things first: There is nothing new about the nexus between business and politics in India. It goes back to the beginning of Indian democracy, or even earlier if you look at the history of our freedom struggle. The very first decade of our democratic politics witnessed major political scandals involving the clandestine links of political leaders and businessmen. From the downfall of former Punjab CM Pratap Singh Kairon and the hushed-up Nagarwala scandal to Bofors, 2G and Rafael, allegations of corruption involving a nexus between business and politics have been the staple of Indian politics.

Business-politics linkages enter a complex phase

A recent academic volume, *Business and Politics in India*, edited by Christophe Jaffrelot, Atul Kohli and Kanta Murali, helps us understand how the relationship has changed over the years. Different essays in this book track the changes in this relationship across time, states and sectors. The editors characterise the period up to 1990 as the phase where businesses exercised 'selective veto' in matters that directly concerned their commercial interests over political decision-making. After liberalisation in 1991, we entered the second phase, where the influence of business expanded to 'general agenda setting' of the country's policies.

These scholars conclude that the business-politics linkage has entered a still deeper phase with Modi's rise to power in 2014. They characterise it as the phase where business exercises 'partial hegemony' over governmental policies and party politics.

I would suggest a correction here. 'Hegemony', full or partial, resurrects the old Marxist imagery of the State dancing to the tune of its capitalist masters. This image fails to recognise the autonomy and primacy of politics, even when it ties up with big business. Modani is not just a catchier name for this latest phase, it also acknowledges the importance of political power in this relationship.

Let us notice some features of this Modani model. First of all, this phase represents an open and direct association between political leaders and businessmen. This is in contrast to the hypocrisy of the so-called socialist State (there was none, ever) days when the relationship with businessmen was kept under wraps, away from public glare. Now big business is openly seen as a stakeholder not just in economic policy in the relevant sector but also in industries like health, education and agriculture, which was unthinkable in the past.

The images of Modi, when he was Gujarat's chief minister, flying with Adani represent a sea change in our public culture. The change is equally visible in state politics, especially among the richer ones in the South and the West.

A selective pro-business transition

Second, the Modani model represents a shift from pro-market policies to selective pro-business politics. Pro-market policies have become a point of convergence for all governments since 1990, including the United Front, National Democratic Alliance (NDA) and the United Progressive Alliance (UPA). There were serious allegations of selective pro-business bias in these policies. Yet, as Ashutosh Varshney notes, the latest phase of selective promotion of a few business houses represents a qualitative change.

Pranab Bardhan, an astute scholar of India's political economy, characterises this as crony-oligarchic capitalism that goes against the spirit of open market competition. Author Harish Damodaran calls it "Conglomerate Capitalism".

According to Bardhan, India is now a "low-productivity oligarchic-autarchic economy". During this phase, India has not produced a true global champion that can compete in the international market. Most crony oligarchs in this latest phase mainly operate in non-traded goods or highly regulated 'rent-thick' sectors. Political patronage helps protect them from external competition in the name of 'Atmanibhar Bharat'. It also brazenly favours them to eliminate domestic competition. This new model of capitalism is not just working against the poor; it works against the very logic of free competition in an open market economy.

The rise of a sharp new inequality

The third feature is a sharp rise in a new kind of inequality. Needless to say, capitalism does not pride itself on equality, nor are we a country that can claim to practise equality, be it gender or caste or class. The recent World Inequality Report and the Oxfam report are but the latest reminder of the extent of inequality that is on the rise in our country.

The Modani model has institutionalised inequality in a new way. To fall back on Bardhan again, our kind of inequality generates a "Latin American-style 'conclave economy', where a limited sector caters to an affluent elite demanding relatively capital-intensive and skill-intensive goods, whereas much of the general economy suffers from insufficient demand and underutilization of capacity, and thus low aggregate investment and employment." Recently, Viral Acharya, the former deputy governor of the Reserve Bank of India, drew attention to the role of the Big Five—Reliance, Tata, Birla, Adani and Bharti—in charging artificially high prices and pushing up inflation. This form of inequality comes in the way of even the economic growth that a capitalist economy aspires to achieve.

Unleashing 'environmentally illiterate' processes

Fourth, the Modani model is about a new kind of politically patronised and systematic short-circuiting of environmental clearances. This is no secret that notwithstanding its rhetoric on the environment and occasional greenwashing (mainly on solar energy, mainly to favour Adani), this government has systematically undone many environmental safeguards – from land acquisition to coastal regulation to forest rights – that were built over the last four decades.

Ashish Kothari, the country's leading environmental activist, holds the present government responsible for unleashing "environmentally illiterate processes". In 2014 India was ranked 155th (out of 178) in a global Environmental Protection Index. Thanks to the Modani model, we now occupy the bottom rung, 180th out of 180, in the latest ranking in 2022. Our performance has gone down on every single indicator.

Finally, all this does not make the Indian State a weak State, unlike what the Marxist theory would have us believe. For a better understanding of the political economy under Modi, we should read Karl Marx's own reflections on European monarch Louis Bonaparte instead of reading the stylised theories of State propounded by Marx's followers. Collusion with business does not make Modi a weak ruler. We are witnessing the rise of a strong, extractive, rent-seeking politics that lords over the capitalist class instead of meekly submitting to them.

The Modani model demands a new theory for a State that is at once powerful and weak – powerful in its patronage and punishment but weak in its regulative capacity – and of political power that is more autonomous of and more closely tied to the capitalist class than was imagined earlier.

Capitalist democracy houses a fundamental contradiction: Democracy pushes for political equality while the capitalist economy pulls it in the opposite direction. The Modani model brings out this carefully concealed contradiction in sharp relief. Is 'democratic' politics now principally a mechanism to secure majority endorsement for a rule that works for a tiny minority?