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Commentary

PERSPECTIVE ON DEMOCRACY

Why the Indian Election Matters



Stability will come, but not before setbacks, as people question how economic reforms have benefited them.

By JEFFREY E. GARTEN

As rival political groups scramble to form a new government in India, it would be easy to relegate the outcome to the workings of a chaotic democracy in the world's most densely populated country. But what is being played out in New Delhi is one of the world's most crucial struggles of the next few decades: the tension between the evolution of democracy and the rise of capitalism, between political stability and economic change. From Brazil and Mexico to Russia and China, this battle is well advanced, but the Indian example highlights all the agonizing dilemmas and points to critical requirements for American policy.

I traveled with the late Commerce Secretary Ron Brown last year to visit Indian Prime Minister P.V. Narasimha Rao (who has just been defeated.) Brown had a thick briefing book filled with all the usual American trade and investment complaints. But from the moment the two men finished shaking hands, it was clear that Rao wanted to talk about something else. "Mr. Secretary," he said, "tell me what I should say to millions of my countrymen who experience no discernible benefit from all the painful economic reforms we have undertaken these past few years, and who are convinced that they are being hurt as we remove subsidies and let in foreign competition."

Later in the trip, Brown addressed a group of students in a town hall meeting televised live to 70 million people. Almost all the questions were variants of what the prime minister had asked. There was, of course, no entirely satisfying answer.

Since the fall of the Berlin Wall, it has

become an article of faith that the world has embraced democracy and capitalism with great enthusiasm. But now comes the hard part: staying the course in the face of rising criticism from powerful groups that are not satisfied with their share of the pie. On this score, it would be best for everyone who would like to see more economic and political freedom around the world to brace for some major setbacks, if not reversals. It's not that democracy is faltering; indeed, it is expanding. It's not that economic reforms are not still in vogue; they are. But it's the combination of the two that will cause increasing chaos and force many countries to take two steps back-

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ward before they advance again.

In India, although the Hindu nationalist party has been asked to lead the next government, the prospect is for a shaky coalition government to replace the party that had become a de facto dynasty for almost half a century. The new team will be racked by cross pressures from right-wing nationalists, communists and dozens of parochial regional parties. And it is highly unlikely that it will be able to carry on the tough economic reforms that will be essential for India to fully enter the modern age, such as reining in budgets, privatizing bloated state-owned firms, reforming labor practices and letting in more foreign firms.

India is not alone in this tension between politics and economics. In Mexico, the political system is at last opening up, but as the long-dominant

Institutional Revolutionary Party loses power, we can expect the substantial economic reforms it championed to move slower or even go into reverse gear. In Brazil, President Fernando Henrique Cardoso's constitutional reforms, essential to liberalize the state-dominated economy, face one political obstacle after another. In Turkey, recent elections produced a coalition that is squabbling so intensely that economic reform has been all but forgotten. The coming Russian election, whatever its outcome, seems a sure setback for economic reforms, so powerful is the suspicion that economic liberalization has benefited few and hurt many. In China, one major reason why the leadership maintains so firm a grip on the system is fear of being caught up in the chaotic pattern emerging in other places.

We shouldn't be surprised by these developments, since rapid economic liberalization, particularly without a sound foundation of laws and regulations, opens the way for new power centers, fosters extremes in wealth and poverty and leads to massive corruption. Our own history in the last century recalls many of these developments. But the United States had several advantages over today's struggling emerging markets: We were founded on the notion of political freedom and economic choice; we started with the rule of law and from the beginning we knew nothing but freedom.

That's why Americans should hold their breath and be patient. It's why we should keep in check our tendency to criticize with a loud public voice. What's called for is more help and advice behind the scenes, encouragement to U.S. firms to take the long-term view in expanding trade and investment, the building of as many links between Americans and emerging societies as possible, a foreign policy that rewards countries that make tough decisions rather than just brandishing sanctions on those who do not. But any way you look at it, it's going to be a bumpy ride.

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