

## **“Crony Capitalism” As an Economic Strategy\***

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Gautam Adani’s calling Hindenburg’s allegations of fraud against him an attack on the Indian nation is a matter of particular significance. Just before this episode, the BBC documentary on Modi had been labelled a product of the colonial mindset by the government and hence also construed to be an attack on the Indian nation. Adani would not have dared to equate himself with the nation, exactly the way Modi had done, unless he was certain that Modi would concur with such equating. Both Modi and Adani in short see their respective selves, and each other, as the embodiments of the nation. The Modi-Adani alliance which is the core of the Corporate-Hindutva alliance, is the nation in their perception. The fortune of the nation, it follows, requires Modi to remain politically supreme and Adani to flourish in the economic realm. The nation cannot afford otherwise!

Indeed Modi’s ideology lies precisely in this total inversion of reason. The Modi-Adani duo, it follows, can never be accused of acting immorally or unethically, since whatever they do is ipso facto in the nation’s interest, and the nation’s interest is always supreme except in the eyes of “anti-nationals” or of the “nation’s enemies”; so the accusation of immorality or unethical behaviour can never be laid at their door. Adani’s invoking nationalism was debunked by Hindenburg on the grounds that fraud does not disappear if the fraudster shrouds himself in a nationalist cloak; this would be true if the nation’s interest was somehow independently and objectively defined, but if the nation’s interest is simply taken to be identical with the interest of the Modi-Adani duo, then this accusation loses validity. Adani’s defence was based precisely on assuming this identity.

The Modi government’s economic policy has often been termed, rightly, as being utterly callous towards the people, and utterly devoted to serving the interest of “cronies”. The fact that nationalised financial institutions like the State Bank of India and the Life Insurance Corporation of India have been blatantly used to promote the project of building up a private empire, has often been a target of attack. The fact that tax breaks have been provided to big capital and such breaks have been offset by curtailing welfare expenditure for the poor, a patently class-biased policy which even bourgeois governments would feel chary of pursuing in an open manner, has been seen, quite rightly, as an illustration of “cronyism”. But it is “cronyism” with a difference; it is “cronyism” buttressed by an ideology that it helps build the “nation” (though of course in accordance with a majoritarian view of the “nation”). It is, in short, “cronyism” sanctified by the idea of building up a (Hindu) “nation”.

With the Modi government therefore “crony capitalism” is not what it is normally supposed to mean, namely a perverse and illicit attempt to build up the fortunes of a few chosen and favourite capitalists, which everyone agrees is wrong but which is practised nonetheless either because there is no accountability or because it is thought to have been sufficiently camouflaged. “Crony capitalism” under the Modi dispensation by contrast is elevated to the status of an economic strategy and is pursued confidently as being in the “national interest”.

Some have wondered whether the South Korean strategy of promoting chaebols constitutes a parallel to the Modi government's promotion of the Adanis and the Ambanis (as historian Adam Tooze has done in *The Wire*). There is however a basic difference. In the case of South Korea, as in the case of post-war Japan, there was a whole paraphernalia of State institutions that liaised with the monopoly groups, both to guide the latter's decision-making and also to facilitate the latter's empire-building. It was in short an institutional arrangement; in the Indian case there is no arrangement in place, just a close nexus between the supremo and the business tycoon which implicitly opens all doors for the latter.

This is also the difference between the Indian case and the case of Nazi Germany where too there had been a close nexus between the leaders of the ruling party and business houses. But in Nazi Germany prior to the war (during the war, of course, production across different units had to be co-ordinated and had to meet specific targets, for which there was a degree of "planning"), different Nazi leaders were aligned to different business houses amongst whom there was rivalry. Some business houses lost out when the particular leaders with whom they were closely associated lost influence, a phenomenon captured in Luchino Visconti's film *The Damned*. This was a very different scenario therefore from the Indian one where there is one indisputably top leader having a close nexus with one particular business house which in turn registers sensational growth. Thus, while the close nexus between the political leadership and big corporate capital is a common feature of all fascist and fascistic governments, because of which Mussolini is supposed to have defined fascism as the "merger of State and corporate power", within this broad picture the Indian case represents a *sui generis* phenomenon.

Capitalism however is not sufficiently subject to manipulation to be fully dominated even by an alliance between a couple of top business and political magnates. If capitalism within a country could be cordoned off completely, then it is arguable that within this cordoned off domain the writ of that politician-tycoon alliance could run unhindered by the spontaneity of capitalism. But such cordoning off, always difficult, becomes impossible when we are dealing with a globalised system. The business tycoon remains loath to remain confined to the domestic economy, for then he runs the risk of losing out to other tycoons in the competitive race, and hence being swallowed by them. And the moment the tycoon, cossetted at home by proximity to the political leader, ventures to step on to the international arena, the details of his business activities become susceptible to close supervision by other tycoons. International competition now takes over, and any transgression of capitalist business ethics is not only drawn attention to but also becomes open to penalisation. This happens not because of any respect for such ethics, but because of rivalry between different business magnates. This is exactly what has happened to the Adanis.

This business house itself may be saved by the extension of support from the State, though even such support becomes difficult when the affairs of the business house are subject to the glare of international "opinion"; the difficulty is greatly enhanced when a country's economy requires substantial amounts of foreign financial inflows to manage its balance of payments: such inflows will dry up if foreign financial investors get scared by the demonstration of incompetence on the part of the regulatory authorities of the country that allowed even fraudulent means of amassing wealth to go unpunished.

But even if this business house survives, the Modi government's cockiness would be gone. Not instituting an inquiry into the affairs of the Adani empire would be impossible, for it would be an act lacking any credibility in global financial circles; likewise an inquiry that finds the Adanis to be pure and lily-white will carry no credibility in global financial circles. Hence the Adanis will have to face some punitive action no matter how light. When the crony faces punitive action, the "boss" will find it difficult to continue the same relationship with that particular crony; and it would be difficult for the government even to advance the claim any longer that the "nation" is being well-served by the Modi-Adani alliance, and, by implication, by the Corporate-Hindutva alliance.

This entire episode has been a particular manifestation of the contradiction between the globalisation of capital and any notion of the nation-State, including what purports to be, though implicitly, a "Hindu" nation-State. The contradiction arises not because globalisation is a rectifying process that brooks no wrong-doing; it arises because under globalisation competition between capitals occurs at a level where no single nation-State can snuff it out.

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