

WANT AMID PLENTY:
STATE AND ECONOMY IN HIGH-GROWTH INDIA, 1980-2010

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Introduction

India in the recent past was a country of socialist and contentious politics, sluggish economic growth, and numerous poor and illiterate people. Since about 1980, India's political economy started moving in new directions. Over the next three decades Indian democracy put down firmer roots, socialism was discarded for pro-business policies, and the economy grew rapidly. Unfortunately, this "new" India still remains a country of numerous poor, illiterate and unhealthy people. Significant pockets of violence also continue to dot the political landscape. How the apex of the political economy in India has undergone some basic changes since 1980, but not the bottom half, is the subject of this book. A central theme of the book is that the pro-business tilt of the Indian state is responsible both for the progressive dynamism at the apex and for the feeble efforts to include India's numerous excluded groups in the polity and the economy.

One only has to recall the decade of the 1970s to underline some key features of the "old" India. During that decade Indira Gandhi accentuated Nehru's socialism in a populist direction, committed the Indian state to poverty alleviation, mobilized the poor, and centralized power in her person. Opposition forces undertook their own mobilization against Indira Gandhi. Political polarization produced a series of rapid political changes in the late 1970s: the proclamation and the rescinding of a national Emergency, Indira Gandhi's electoral defeat, the inability of opposition forces to provide stable government, and the return of Indira Gandhi to power. Populism and instability hurt economic growth, leading to a lack luster decade for the economy. Indira Gandhi's rhetorical commitment to the poor was also not translated into meaningful

outcomes; a sluggish economy and an organizational inability to intervene on behalf of the poor remained major obstacles.

As national elections were concluded in 2009, some striking features of a new Indian political economy were evident, though important continuities with old India also remained. Following three decades of nearly steady and rapid economic growth, the elections were normal and peaceful. Competing political parties largely agreed on the basic approach to the economy: a commitment to economic growth and indigenous capitalism; modest global opening; and some commitment to the poor. No major political party argued for socialism. A firmly rooted democracy, a shared commitment to growth and national capitalism, and fairly rapid economic growth are key features of India's new political economy.

This, however, is not the full picture. Three decades of economic growth have been accompanied by growing inequalities. The gains for the poor have also been only modest; their dissatisfactions often spill into a variety of political arenas. Well aware of these trends, India's premier political party, the Congress, contested the 2009 elections on a platform of "inclusive growth" and won. It remains unclear whether future economic growth will be more inclusive than in the recent past. A rhetorical commitment to the poor and an inability to translate this commitment into real gains for the poor thus remain shared features of the old and the new Indian political economy. Nevertheless, even on the issue of poverty there are some important differences between then and now. A sluggish economy and organizational inabilities were major obstacles to helping the poor in the pre-1980 period. In the new context of a buoyant economy, resources to help the poor ought to be available. What is now doubtful is the depth of the commitment of India's pro-business leaders to the poor. Even if this commitment turns real,

however, as in the past, the state's capacity to reach the poor continues to be limited; improving this capacity will remain a pre-condition of successful state intervention on behalf of the poor.

Admirers of the changing Indian political economy focus mainly on its apex. They variously describe contemporary India in such glowing terms as a "tiger uncaged," "emerging global power," or "India shining." As often these observers attribute the underlying dynamism to a process of economic liberalization that they believe began in 1991. By contrast, many critics argue that gains of liberalization are being exaggerated, and what is being underestimated are such costs as growing inequalities, neglect of the poor and the marginalized, and the threat to national sovereignty. In this book I take both the gains and the costs of India's economic liberalization seriously. More important, I treat the process of economic liberalization as only a part of a broader and deeper set of political and economic changes afoot in contemporary India.

By global standards, economic liberalization in India arrived slowly, proceeded haltingly, and still remains incomplete. It is difficult to attribute both significant economic gains and lingering misery of many to these limited changes. The deeper drama in India instead is one of a basic realignment of state and class forces. Starting in the late 1970s and the early 1980s, Indian leaders abandoned their anti-capitalist rhetoric and, along with that, an avowed commitment to economic redistribution and to a mass based polity. The state instead prioritized economic growth and production. This shift had already occurred in the countryside during the second half of the 1960s, with the so-called green revolution. By the 1980s, state and producer alliance that was aimed at boosting production became a nationwide phenomenon. Over the next three decades the Indian state and business groups, especially big business, solidified their political and economic alliance. This ruling alliance is so well entrenched by now that many observers do not shy away from characterizing India as "India incorporated." It is my argument in this book

that a close alliance between state and big business is responsible both for releasing economic dynamism and for limiting the spread of the resulting gains. The management of a narrow ruling alliance in India's vibrant democracy, however, also poses significant political challenges, especially how to accommodate the struggling, excluded masses.

The book is organized in three main chapters: Political changes; state and the economy; and regional variations. The time period covered in each section is from around 1980 to the present. In this introduction I first outline the assumptions that inform and distinguish my interpretation. Following that I introduce the themes that are subsequently developed in some detail in each of the main chapters of the book.

Underlying Assumptions

The book provides a distinctive interpretation of India's contemporary political economy. While the focus is on empirical analysis, even casual observers of societies recognize that facts seldom speak for themselves. How facts are arranged and interpreted is deeply influenced by underlying theoretical assumptions and normative commitments. Since this volume is aimed at a broad audience, it is no place to enter theoretical and philosophical controversies that mainly attract scholars. What will suffice instead is to outline in brief the assumptions and commitments that I embrace and that inform the interpretation developed in this book; those uninterested in such issues can skip this brief section without much loss.

The state-society frame of reference that structures my scholarship harkens back to the classical political sociology of Marx and Weber. Several key assumptions help distinguish this scholarly tradition from other competing ones. First, not only Marx and Weber but also other classical sociologists, including Durkheim, shared the view that social reality is *sui generis*.

From this standpoint, the study of society, including that of politics and economics, requires societal level concepts and theories that go well beyond aggregating individual level phenomena. These foundational assumptions of modern political sociology often developed in opposition—especially in the writings of Durkheim—to the economic individualism of other classical thinkers, such as that of Adam Smith. From the very beginning then, the sociological tradition that I embrace took a different fork in the social science road than economics, eschewing methodological individualism on the one hand, but insisting that markets and states are deeply embedded in societies on the other hand.

Of course, Marx and Weber differed on profound issues. While Weber found much of use in Marx, he also argued persuasively that politics and culture of a society could not be reduced to the underlying class forces, especially in the short to medium term. At the same time, both Marx and Weber appreciated the importance of economic factors in molding longer term processes of historical change. These theoretical sensibilities then constitute the second important set of initial principles on which the state-society framework rests. Along with Weber, I view markets as hierarchical arenas; markets not only help generate efficiency, they also create inequalities of power, wealth and of life chances. I also share the Weberian assumption that state and society, or patterns of authority and association, are empirically interrelated but analytically autonomous. This assumption does not preclude a serious consideration of class and economic forces in the study of politics. On the contrary, for anyone studying complex societies in detail, these initial assumptions provide enormous flexibility, allowing one to focus on the impact of state on society when studying some problems, and reversing the casual focus, say, to class determinants of political structures and processes, when investigating yet other issues. This

scholarly posture puts me at odds with both strict Marxism, as well as with neo-classical economics and its off-shoot, the rational choice approach to the study of politics.

Analytical predispositions often condition normative preferences of scholars. For example, Marxists in the past were often sympathetic to the goal of revolutions and communism and many neo-classical economists today hold that free markets are capable of solving major societal problems. In a parallel fashion, the state-society frame of reference that I adopt shares an elective affinity with social-democratic preferences. This affinity is rooted in the core assumption that states and societies have their own partially autonomous logics of action that, in turn, mutually influence patterns of political and social change. This assumption allows one to imagine the possibility of democracy in poor societies, to argue for a vigorous role for states in promoting economic growth and welfare provision, and at the same time to logically worry about the growing power of capital in political and social life.

Political Change

India is a deeply political society. Ever since independence, a highly interventionist state has been very much in command of the economy. Since the state structures the life chances of many, power in Indian democracy is contested vigorously, from the top to the bottom. The winners in turn use their positions and power just as vigorously, at times in the interest of the general good, but just as often for narrow, self-serving ends. The recent economic liberalization has reduced the role of the state in Indian society, but only somewhat. The state still sets the basic direction of the economy, controls enormous resources, and access to the state continues to attract the energies of numerous Indians. Any full understanding of contemporary Indian

political economy then must begin with an analysis of economically relevant political changes in the nature of the Indian state.

I provide such an analysis of the Indian state in the first chapter of the book, developing two main themes. First, the Indian state has become a lot more pro-business over the last three decades than in the past. These shifting class preferences of the Indian state are deeply consequential for the choice of economic policies and for patterns of economic change in India. A second main theme concerns the political challenges thrown up by the pursuit of a narrow, pro-business ruling alliance. Ever since Indian leaders abandoned the rhetoric, if not always the practice, of populism to embrace economic growth as a priority and business groups as a main ally, they have struggled to come up with a legitimacy formula that might enable electoral support of majorities while catering to narrow interests. It may be useful to introduce both of these themes at this point.

India, of course, is a private enterprise economy, and has always been so. In this limited sense the Indian state was never deeply anti-private enterprise. During Nehru years, a vague commitment to socialism—that was part and parcel of India's anti-colonial nationalism--provided the ruling ideology. While much of the economy remained in private hands, public enterprise was privileged and big business was viewed with suspicion. For political needs Indira Gandhi in later years accentuated the anti-capitalist bias of the Indian state. Ironically, when faced with new political and economic problems, she herself reordered the priorities of the Indian state during the early 1980s; she slowly but surely started emphasizing the need to improve production and sought a working alliance with big business. Thus began a new phase in India's political economy.

By the early 1980s the world was changing, with pro-market ideas and practices in ascendance. Within India too socialism was getting discredited as failures of anti-poverty programs and of public sector enterprises accumulated. When Rajiv Gandhi came to power, he and his technocratic team used the occasion to make a clean break from socialism, opening room for Indian capital to flourish. The loudly announced liberalization of 1991 opened the Indian economy to global forces, but only incrementally. The pace and scope of economic opening in India has been carefully orchestrated by India's nationalist rulers; the goal has been to preserve the well being of indigenous business groups. More than that, the Indian state in recent years has become an active supporter of Indian business groups, protecting their interests here, subsidizing them there, and promoting public-private partnerships in yet other arenas.

If Indian state has taken the lead in constructing a state-business ruling alliance, Indian business groups have hardly been mere passive recipients of manna from above. Power and influence of Indian business has grown enormously in recent decades, a power that business groups have used to mold state behavior. This power is both diffuse and well organized. A nearly obvious example of diffuse power is the growing weight of the private sector in the overall economy; for example, the share of the private, corporate sector in overall investments surpassed that of the public sector for the first time during the second half of the 1990s and has remained significant since. The role of foreign direct investment and of portfolio investment in the Indian economy has also grown. Any government that wants these investments to continue must take into account the needs and interests of private investors. A different type of example of diffuse power of business is the growing corporate control of media. That modern media influences culture and values of a society is no secret. While much of what media in India targets are consumer tastes, political values are hardly far behind. By influencing what issues get

covered and how they get covered, as well as via editorials, privately controlled media in India today attempts to shift political preferences of the Indian society in a pro-business direction.

Beyond diffuse power, Indian business also wields power strategically and in a well organized fashion. Electoral finance is an example of how Indian business uses money power to influence India's major political parties. A part of the explanation of economic policy convergence across political parties in India is a dependence of these parties for resources controlled by the wealthy. Indian business, especially big business, is also quite well organized by now. A number of chambers of commerce provide expression to business interests at various levels of the Indian polity. The most significant of these at the national level is the Confederation of Indian Industry (CII). Relatively recent in origin, the CII by now epitomizes the growing state-business collaboration in India. The Indian government helped the CII emerge as a leading voice of business. The CII, in turn, supports government initiatives when they are pro-business and pressures the government to move in that direction when they are not.

The clearest manifestation of growing state-business alliance in India is the changing pattern of state intervention in the economy. Over the last three decades the Indian state and business have increasingly converged on such crucial issues as approach to labor, pace and pattern of external opening of the economy and, most important, how to enable Indian business to improve productivity and production. These issues will be discussed in the second main section of the book. What is notable for now are some of the symbolic and political manifestations that underline the growing legitimacy of state-business collaboration in India. For example, a joint delegation of India's political and economic elite to the World Economic Forum at Davos to present a case on behalf of "India incorporated" has by now become a regular occurrence; can anyone imagine such state-business collaboration in Nehru or Indira Gandhi's

India? As another example, India's leading economic policy makers now publically ask Indian business groups: how can the government help? Would businessmen like a seat around the table when critical decisions are made? This too was not likely in a socialist India. These examples then reflect slow, steady, but major changes at the apex of the Indian political economy.

Changes at the apex are precisely that, changes at the apex. India, however, is a large country with numerous poor citizens that live in a democracy, and a fairly mobilized democracy at that. The Indian state can thus never fully be a handmaiden to Indian business. More precisely, India's political leaders cannot afford politically to be seen as too close to or subservient to Indian capitalists. The political management of a narrow ruling alliance is then the second important theme running through the first part of the book. In the past, both socialism and populism enabled the mobilization of electoral majorities. Ever since the abandonment of these mass incorporating ideologies, India's leaders have struggled to devise new ruling arrangements that will enable them to serve narrow interests without alienating the majority. The struggle to devise such new arrangements is manifest in both the electoral and institutional arenas.

Over the last three decades several legitimacy formulae have competed for success in the electoral arena, none of which have sought a real economic incorporation of India's poor. The Congress Party, for example, has tried to capitalize on a combination of the popularity of the Gandhi family with shifting economic philosophies. When attempts to "sell" economic liberalization facilitated only limited electoral success, the Congress has again in recent years moved a little to the left, maintaining its core commitment to economic growth and Indian business, but also promising "inclusive growth." The Bhartiya Janata party (BJP) is India's other major political party. Instead of cutting the electoral pie along economic lines, the BJP has

sought to define majority and minority interests along ethnic lines, championing the interests of India's Hindu majority. In many multicultural democracies ethnic nationalism has provided a convenient cloak for the pursuit of narrow class interests. This is true in the case of the BJP too, but so far the appeals of Hindu nationalism have failed to provide a fool proof formula of electoral success. Sensing these limits, the BJP too has tried to "sell" its "competence," but only with limited success. A variety of lesser parties in India also compete for electoral success by mobilizing around such ascriptive themes as caste politics, religion and/or regional nationalism. Some of these parties simply do not have any real developmental commitments, while in other cases ascriptive themes hide a variety of economic ambitions. Even India's communist parties are now struggling to devise an electoral strategy that will permit them to attract business and investment without alienating their lower class base.

Once elections are won, the challenge faced by India's rulers is how to pursue narrow, pro-growth, pro-business policies without losing popular support and legitimacy. The hope of India's rulers is that economic growth will be rapid enough to lift all boats and thus to maintain political support. Short of that, a variety of institutional experiments to insulate decision makers from popular pressures are also underway. At the national level, for example, economic policy making is increasingly in the hands of very few technocrats, many of whom do not have a popular political base. The institutional location of key decisions is also being shifted away from elected bodies, to such well insulated homes as a secretariat in the office of the Prime Minister or even in a revived Planning Commission. A different type of institutional experimentation that is also underway is an apparent decentralization. This enables the most important economic decisions that facilitate growth to remain the prerogative of narrow national elites—who then repeatedly claim success—while shifting much of the blame for failed policies downwards to

states and localities. These regional and local failures include a failure to stimulate economic growth in India's poor states and a failure to implement a variety of pro-poor policies.

Numerous political problems then – demagogues in power, corruption, failing institutions, political violence – become the “responsibility” of lower level governments, freeing the national elite to share the glow of “India shining.”

Excluded groups, of course, do not simply accept elite efforts to institutionalize illusions of inclusion. They express their dissatisfactions in both the electoral and non-electoral arenas. Caste politics, especially movements of backward and lower castes, are one frequent manifestation of protest politics in the electoral arena. Some of the regional nationalist movements are also efforts to mobilize the dissatisfactions of those with regional identities into the electoral arena. While protest along class lines is not frequent in India, communist parties have achieved electoral success in a few of India's regions. Conflicts around identities and interest are often fought in India in non-electoral arenas as well. Examples include: organized labor goes on strikes; informal workers struggle to get organized; farmers come in truck loads to the national capital to demand subsidies and higher agricultural prices; feminist movements protest dowry deaths and a variety of other injustices against women; NGOs organize marginalized groups to protest their further marginalization by planned “development” projects; regions with grievances demand greater control over their own political fate; conflicting caste groups take up arms, both to fight each other and the police; ruling parties neutralize the state as Hindus kill Moslems; and the truly marginalized, say the tribal's, join revolutionary groups that now hold sway over significant number of districts in central India. And when all else fails, the destitute simply kill themselves, a phenomenon that has become common enough in the Indian countryside to acquire a name: “farmer suicides.”

State and Economy

Over the last three decades India's economy has grown briskly, at the rate of nearly six percent per year. Since this growth acceleration marks a real departure from the sluggish economy of the past, many Indians rightly take pride in the new, "rising" India. Unfortunately, rapid growth has been accompanied with growing economic inequalities along a variety of dimensions. India's numerous poor have also not shared proportionately in the economic gains. In the second section of the book I analyze the political and policy determinants of these economic trends, focusing especially on the impact of state-business alliance on patterns of growth and distribution.

Among the notable characteristics of India's rapid economic growth are the facts that it is driven mainly by national resources and is concentrated in the industrial and service sectors, especially in communication and business services. The changing patterns of state intervention in the economy have molded these outcomes. The Indian economy, especially its industrial sector, grew at a fairly sluggish rate during the 1970s, even more sluggish than in the earlier post-independence period. Concluding that India's left-leaning, socialist model of development was responsible for this sluggishness, both Indira Gandhi and Rajiv Gandhi abandoned socialism during the 1980s for a more pro-growth and a pro-business model of development.

The details of these policy shifts—both the causes and consequences—will be analyzed in due course. To introduce the main issues, starting in the early 1980s, Indira Gandhi's government initiated a series of pro-business policy reforms. First, the government withdrew some important constraints on big business to expand and encouraged them to enter areas

hitherto reserved for the public sector. Second, the government encouraged the expansion of the private sector by providing both tax relief to big business, and a policy framework for the development of private equity markets. Third, labor activism was discouraged. And fourth, new investments into public sector enterprises were discouraged. More generally, Indira Gandhi started courting Indian big business, informing them that populism and socialism were now on the back burner, and that the government's new priorities were improvements in productivity and production.

Rajiv Gandhi intensified the Indian government's pro-growth, pro-business and anti-labor stance. At the ideological level, he made a clean break from the socialist past. Among policy changes, state control over such activities of private Indian firms as entry into production, production decisions and expansion in size were eased further. Indian business groups were also provided significant concessions on corporate and personal taxes. Enhanced credit and lower taxes on the middle classes were aimed at boosting demand. Fully committed to growth, the government also hoped to boost the pace of public investments, especially into infrastructure. Unfortunately, enhanced public investments in face of tax concessions led to extensive borrowing which, in turn, paved the path towards the financial crisis of 1991. Rajiv Gandhi also sought to open India's economy to global forces but was stymied by a variety of domestic pressures, especially pressures from threatened Indian business groups.

These pro-growth, pro-business policy changes during the 1980s reflected in part the changing priorities and views of India's political elite, and in part the growing political significance of India's business class. The important consequences included the emergence of an activist, growth-oriented state in India on the one hand, and growing role of the private sector in the Indian economy on the other hand. These new trends, in turn, led to both higher rates of

investment and improvement in the efficiency of investment, contributing to improvement in the rates of economic growth. While the major beneficiaries were established big business firms, the relative ease of entry and growth enabled new players like the politically well connected Reliance group to also emerge as giants, competing with the likes of Tatas and Birlas.

The financial crisis of 1991 provided the occasion for a second round of important changes in India's economic policy regime. This time the focus was on India's global economic links. The changes in the domestic industrial policy regime continued along the pro-business lines initiated during the 1980s: further easing of controls on the private sector to enter new areas of production and to grow; tax concessions; and further taming of organized labor. The more noticeable changes were in India's external economic relations, including trade, foreign investment and financial relations. For example, currency was devalued, the foreign investment regime was liberalized, and some restrictions on external financial transactions were eased. While these changes were dramatic by India's past standards, India's opening to the world remains relatively modest in a comparative perspective. The truly significant change in India over the last three decades then is the adoption of a growth-first model of development, involving a warm embrace of state and business groups.

I will analyze the causes and consequences of the post-1991 policy changes in Chapter II below. Among the main themes I will develop is the fact that India's ruling elite had been waiting for the right occasion to introduce significant economic policy changes. While a financial crisis in 1991 provided such an occasion, deeper changes in the global and the national political economy generated the real catalysts. Notable among the global changes were the disintegration of India's main ally, the Soviet Union, the impending membership of India into the WTO, and growing availability of portfolio investment in the world capital markets. Within

India also the obstacles to external liberalization had eased during the 1980s, especially with the emergence of an outwardly-oriented faction among India's capitalist class.

As to consequences, compared to the 1980s, India's economic growth improved somewhat, but not dramatically. The role of the private sector in the Indian economy has grown steadily. This has led to higher rates of savings and investment in the economy. The role of foreign investment in the Indian economy has also grown. By contrast, the shrinking share of public investments has become a drag on overall economic performance. This is not only because of such growth bottlenecks as India's poor infrastructure, but also because India's poorer states and the large agricultural sector are not growing as rapidly as they could with the support of public investments.

If the pro-business tilt of the Indian state has helped Indian economy grow more rapidly, the distributional impact of this shift in the state's role has been largely adverse. Of course, growth acceleration is bound to help the poor somewhat. On the whole, however, the state-capital alliance for growth in India is leading to widening inequalities along a variety of dimensions: city versus the countryside; across regions; and along class lines. Not only does rapid economic growth then not benefit as many of the poor as it could if inequalities were stable, but the balance of class power within India is shifting decisively towards business and other property owning classes. Political and policy determinants of distributive trends are then the other set of issues analyzed in the second section of the book.

The history of post-independence India is replete with promises of redistribution and repeated failures to implement such policies. The underlying reasons include the class nature of state power and the organizational inability of the state to confront entrenched interests,

especially at the lower levels. As the Indian state became more and more committed to economic growth during the 1980s, earlier redistributive commitments like land redistribution and tenancy reforms lost luster as policy options. While these policies had never succeeded much, starting in the 1980s, even their desirability became questionable. Also, very few new efforts emerged during the 1980s to improve primary education and health of India's poor. The state's focus was mainly on growth promotion instead. However, the redistributive picture during the 1980s was not totally bleak. Since public investments were maintained at a high level, publically supported growth in agriculture put a brake on growing rural-urban divide, and continuing public investments helped India's poor states from falling further behind in their relative rates of economic growth. Moderate inequalities ensured that some of the fruits of rapid economic growth reached India's poor.

By contrast, economic growth in the post-1991 period has been accompanied by growing inequalities. India's poor have not benefitted greatly from this growth, creating a situation of want amid plenty. Some of the growing inequalities are inevitable in the sense that fruits of growth accrue disproportionately to those who own capital and take risks, and to those who possess scarce talents. However, redistributive problems in India are exacerbated by a variety of sins of omission and commission of the Indian state. In the most recent phase of India's development, the Indian state has basically thrown its weight behind the winners of the new economy, without intervening much on the behalf of those left behind. It is this activist role of the state that has further contributed to growing inequalities. The Indian state thus continues to support Indian capital in various ways so as to enable it to grow. A plethora of public-private partnerships are also beginning to absorb public initiative and resources. By contrast, with declining public investments, India's agrarian sector and poorer states are falling behind. Since

new private capital has not rushed into these areas, inequalities in India continue to grow, and the country's poor do not benefit as much from growth as they might under a modified policy regime.

The buoyant economy in recent years has generated new public revenues in the hands of the Indian state. Given democratic pressures, some of these are now being committed to helping the poor. This is manifest in enhanced investments into primary education and public health on the one hand, and in creating new employment opportunities via public work programs, on the other hand. Since these new investments are not accompanied by new organizational initiatives, however, the capacity of the state to truly reach the needy remains limited. Still, these are important new initiatives; their success will only be clear over the next decade or so. Meanwhile, what is clear is that the Indian state's approach to helping India's poor has also undergone a basic change. In socialist India, the hope was to alter substantial inequalities by altering asset redistribution; much of this failed and has by now been abandoned. The new approach is more consistent with the principles of an evolving capitalist political economy: instead of attacking substantial inequalities, the Indian state now hopes to promote equality of opportunities.

Regional Variations

India's sub-national diversity finds expression in its federal structure. Political and economic changes in Indian states continue to diverge along several dimensions, including economic growth, distribution and poverty alleviation, and quality of governance. In this volume I do not provide anything close to a full analysis of regional diversity across India. What I provide instead in the third section of the book are snapshots of a few of India's important states

that shed light on some typical variations across Indian states. The main analytical theme that continues in this section as well is that varying political and authority structures across Indian states, especially the underlying state and class/caste relations, are a key determinant of regional developmental dynamics.

India's states can be conveniently categorized into three types. First, state-level governments in some parts of India simply lack public purpose. Instead of using state authority and resources to pursue the public good, ruling elites in these settings use their power for personal and sectional gains. Bihar and Uttar Pradesh typify these **neo-patrimonial** states of India. Politics in these and a few other states of India tends to be under-institutionalized and instead characterized by some shared traits: the political arena is dominated by a single leader surrounded by loyal minions; modal political relationships are vertical, of a patron-client type; bureaucracy is politicized; symbolic appeals are used regularly to build diffuse political support; the zero-sum quality of politics makes those excluded from power feel totally excluded; and instead of any systematic public policy, leaders channel public resources for personalistic and narrow gains.

Understanding the causes and consequences of such neo-patrimonial tendencies in some of India's states is a complex research problem. I shed some light on these issues by focusing on one of India's major states, Uttar Pradesh. Among the key proximate causes of neo-patrimonial politics as modal politics in U.P. is the pervasiveness of ascriptive politics, especially politics of caste. In the past, say, during the 1950s and the 1960s, the Congress party exercised its hegemony in U.P. mainly by depending on Brahmins. While state politics in this early phase was not totally devoid of public purpose, the gains were monopolized by the upper castes, fueling cynicism. The eventual challenge to Brahmanical domination took the form, not of class

politics, but of a challenge by the middle castes. As ascriptive politics is what to do, the political upsurge of the middle castes lacked any coherent ideology or organization; it quickly became politics of symbolic gains—e.g., with a focus on “reservations”—and of personalism and corruption. The most recent political challenge by the lowest castes in the form of rule by the Bahujan Samaj party has only accentuated these tendencies towards symbolic gains, personalism, and corruption. As to consequences, a focus on ascriptive politics has detracted attention in U.P. from issues that might serve the interests of the whole, such as economic growth; decline of public investments from the central government and apparent decentralization has only accentuated these problems. A focus on symbolic gains as a strategy for mobilizing fellow caste members also continues to detract attention from any systematic redistribution. The net result is that in states like U.P. both growth and distributive gains have been meager.

Indian states in which governmental authority is used more constructively can be conveniently thought of as states that are either more on the left, or more on the right. Given democracy, these ideological tendencies can of course shift. Nevertheless, it is fair to characterize some such states of India as Kerala and West Bengal in recent periods as India’s left-leaning states, with **social-democratic** tendencies. Politics in these states is typically characterized by mobilized lower classes and castes, on the one hand, and by the presence of a well-organized left-of-centre political party that systematically incorporates this mobilized support into a social-democratic power bloc, on the other hand. The presence of this power bloc, in turn, has added public purpose to the politics of India’s left-leaning states. I use the example of West Bengal below to demonstrate how politics of this type emerged and how it was used to pursue certain constructive ends, such as tenancy reforms.

While the redistributive successes in West Bengal are distinctly mixed, the case does suggest the proposition that redistributive success is most likely when effective governmental power rests on a broad political base; in such cases, rulers can minimize the hold of upper castes and classes on the regional state, successfully organize the middle and lower strata into an effective power bloc, and then use this power to channel resources to the poor. This proposition finds further support by juxtaposing India's southern states against the neo-patrimonial states of India's "Hindi-heartland." In spite of middling growth rates, poverty has come down relatively rapidly in all of India's southern states. This is in part a result of the fact that the social base of political power in these states has been relatively broad; the narrow domination of Brahmins was effectively challenged quite early in the first half of the twentieth century, and subsequently middle and lower strata provided active support to ruling parties. The social base of state power in southern states is thus distinct from that in Hindi-heartland states, where Brahmanical domination was challenged only relatively recently. The other factor that has contributed to the success of pro-poor politics in the South is the relative superiority of bureaucracy. A broader social base of power and more effective state machinery has led to better education and health provision in the South; subsidized public distribution system has also been better managed. In the more radical southern state of Kerala, land redistribution, higher wages for the landless, and gender equality have also been achieved.

Finally, since economic liberalization and the related shift of initiative from the center to states, a few of India's states have actively and effectively promoted business and industry. These are India's more right-leaning states, approximating **developmental states** of sorts, in which the government has worked closely with business groups to promote economic growth. I will use the example of Gujarat below to demonstrate the developmental state type of tendency

in some of India's states. In addition to Gujarat, where the state government has mainly sought to promote manufacturing, leaders in such other states as Karnataka and Andhra Pradesh have actively supported service industries, and in Punjab and Haryana, agriculture and agriculture-related industries.

Gujarat has long been one of India's more industrialized states and the state government has long exhibited pro-business proclivities. Some of this was challenged during the 1970s when Indira Gandhi's populist upsurge led to the ouster of the commercially inclined Patels from Gujarat's ruling circles. That, however, did not last long. As the upper strata of Gujarat reasserted their political weight, the political challenge faced by ruling elites has been how to cater to these narrow elites while mobilizing electoral majorities. Gujarat in recent decades has created a "tradition" of sorts of fomenting deliberate riots against one set of victims or other so as to capture state power for narrow elites. The most recent manifestation of these trends is Narendra Modi, who has created an efficient, pro-business government, with the help of the well-established business class of Gujarat and a relatively well-organized BJP that has mobilized a pro-Hindu majority against Muslims.

To sum up, in this book I analyze the political economy of contemporary India from a number of vantage points. In the first part of the book I analyze the changing nature of the Indian state itself, focusing especially on its evolution away from socialism and towards an active partner of Indian capitalism. How this pro-business state intervenes to promote growth and distribution is the main issue analyzed in the second part of the book. I suggest that pro-business proclivities of the Indian state have helped release economic dynamism, but have not strengthened the impulse to intervene effectively on behalf of India's poor. The same themes are then analyzed across Indian states to demonstrate how neo-patrimonial, social-democratic, and

developmental tendencies remain aspects of Indian polity. I will conclude the book by both situating the Indian case in a broader, comparative context and by focusing on the key challenge faced by India's democratic rulers, the challenge of inclusive growth.