

Want amid Plenty

Chapter III

Regional Diversity: To Him Who Hath

(Draft)

Note: Read and edit one more time; add two more variables in Table 3.1

The focus of the discussion so far has been mainly at the national level. In chapter one I analyzed political changes since about 1980, emphasizing the tight nature of state-business alliance that now governs India and the problems that this ruling alliance creates, especially the problem of how to repeatedly gain support of the excluded masses in the democratic process. The focus in chapter two was on the impact of state- business alliance on patterns of economic growth and distribution; I suggested that policies pursued by India's pro-business rulers since the 1980s have generated both rapid economic growth and growing economic inequalities, leading to only modest gains for those at the bottom of the Indian society. While the issue of regional diversity has been touched upon all along, a national level discussion masks enormous political and economic variations across Indian states. In what follows I introduce the reader to some of these variations, though only in a highly abbreviated fashion, again focusing on the political and social determinants of economic outcomes.

India's federal system provides a fair amount of political and policy autonomy to its constituent states. For example, agriculture, land rights, law and order, education and health are some of the important policy areas that are mainly under the control of state governments. Since the shift in industrial policy regime in the early 1990's, state governments are also in a position to actively promote new industries in their respective states. It is well to recall that the largest of India's states – say, Uttar Pradesh (U.P) at nearly 200 million people, or Maharashtra and Bihar at nearly 100 million each – could easily be some of the largest countries in the world. These and other Indian states house people that are organized in complex and diverse social structures that are products of varied historical pasts. Since people in many states speak different languages, regional identities can often become strong. Of course, none of this is to minimize the fact that India is a relatively centralized political system in which the national government

controls not only taxation and finance, defense, and foreign policy, but also sets the overall framework of politics and of economic policies. The center and the states often jockey for influence. Any understanding of India's political economy would thus be incomplete without some understanding of its regional diversity.¹

I categorize Indian states into three ideal-types: neo-patrimonial; social-democratic; and developmental. By ideal-types I mean that each of these state types can be identified by certain "ideal" defining characteristics; in actuality, most states in India tend to combine characteristics of other state types as well. Ideal typical characteristics are thus best thought of as dominant tendencies within states. Notice also that, in keeping with the political economy focus of this study, the categorization of Indian states that I present revolves around how governmental authority typically interacts with market conditions within these states.

India's neo-patrimonial states are states in which state-level governments lack public purpose. Instead of using state authority and resources to pursue the broader public good, ruling elites in these settings use their power either for personal gains or gains for a narrow political community that they define as their 'own.' Repeated private appropriation of public goods in these states has accumulated into poor economic performance, both on the growth and distributional fronts. States such as U.P. and Bihar typify India's neo-patrimonial states.

Among India's social democratic states, the power of state-level rulers rests on mobilized lower castes and classes. The power of the rulers may be well organized, as through parties, or it may be more diffuse, as in the case of states with populist rulers. While both left-parties and populist rulers can hurt economic growth, democratic pressure limits their follies. Social democratic rulers tend to be best suited to improve the conditions of the poor within India. Such states as Kerala and West Bengal, but also some of India's other southern states typify these tendencies.

Finally, a few of India's states have started moving in the direction of developmental states of sorts, in which the government works closely with business groups to promote economic growth. While these states generally do well on the dimension of economic growth, politics within them tends to be volatile, with exclusionary characteristics. Gujarat and Maharashtra typify this emerging tendency in Indian states. After providing an overview of the regional diversities across India, I analyze the causes and consequences of each of these state types, using the example of U.P. to discuss neo-patrimonial states, West Bengal as an example of social democratic states, and Gujarat as an emerging developmental state. All along I also comment on few other states that fit or diverge from these modal state types.

I. Regional Diversities: An Overview

For a political economy analysis, one of the more significant dimensions of regional diversity across India is the different standards of living across Indian states. It was noted above and it is evident clearly in Figure 3.1 that per capita incomes across India's states vary enormously; e.g. India's richest state, Haryana, is more than four times wealthier than India's poorest state, Bihar. India's poorer states also tend to be the larger states, with nearly one third of all of India's population living in the three poorest states -- Bihar, U.P. and Madhya Pradesh (M.P.). It is also clear in Figure 3.2 that the percentage of poor tends to be higher in India's poor states than in India's better off states. This is not too surprising because, other things being equal, average higher income suggest, by definition, that there will be fewer poor households. However, it is also the case that such other indicators of well being as literacy or a broader, composite indicator, the HDI (discussed in Chapter 2), also co vary with state incomes (see Figures in Table 3.1).² What should also be underlined about Figure 3.2 is that the relationship between income and poverty is far from perfect: notice, for example, that a state like

Maharashtra has much higher percentage of poor than its income level would predict and states like Punjab and Himachal Pradesh have much lower percentage of poor than their income levels might suggest.

A positive association between income and a variety of indicators of well being – even if less than perfect – can lead to a sanguine view that, as India's states get richer, well being within them will continue to improve. While some of this is definitely true, the impact that rising incomes will have on reducing poverty and on improving literacy in the near term ought not to be exaggerated. First, it is clear in (Figure 3.3) that, over the last two decades, India's richer states have, on the whole, been growing at a faster rate than India's poorer states. While this does not deny the possibility that growing incomes in a Bihar will eventually help Bihar's poor, what it does underline is the point made in the last chapter also, namely, that India's richer states are pulling even further ahead and that growing inequalities will retard the poverty reducing impact of growth. Second, there is no strong relationship between rates of economic growth and the decline in poverty across Indian states in recent years.³ And third, an even more telling qualification on the proposition relating income and well being is the fact evident in Figure 3.4 : for a unit of economic growth, the capacity of Indian states to reduce poverty varies enormously. Notice, for example, that the capacity of India's social democratic states like Kerala and West Bengal to reduce poverty is much greater than of a variety of other states. I will return below to a fuller discussion of the underlying dynamics

As far as economic diversity across India's states is concerned, the following patterns are then worth reiterating. First, some of India's poorest states today -- Bihar, Uttar Pradesh and Madhya Pradesh – were India's poorest states two decades back and have grown at a relatively sluggish rates since then (Figure 3.1); they also continue to have the highest percentage of the

poor across Indian states (Figure 3.2). Second, at the other end of the wealth and growth spectrum are India's richer states – Gujarat, Maharashtra and Haryana – which have also grown most rapidly over the last two decades (Figure 3.3). And finally, as far as distributional issues are concerned, there is no doubt that levels of income influence poverty (3.2). What is more interesting to reiterate is the fact that some states – e.g. Kerala, and West Bengal – have a higher capacity to reduce poverty than other states (Figures 3.3 and 3.5).

Table 3.1: Selected Indicators of Major Indian States*

	PCSP0607	GRO8008	POP06	HDI00	PovElst	PHCR45	GINI45
AndhPra	22.8	5.8	80.7	0.57	-0.76	14.8	32.1
Assam	15.2	3.7	28.7	0.53	-0.38	20.5	23.8
Bihar	8.2	5.5	90.7	0.45	-0.3	41.5	25.5
Gujarat	27	7.7	55	0.61	-0.66	16.8	28.4
Haryana	37.3	7.2	23.3	0.62	-0.57	13.9	34.7
HimaPra	28.6	6.6	6.5			11.6	31.5
Karnata	23	6.9	56.3	0.61	-0.53	27.1	30
Kerala	30	5.9	33.3	0.72	-1.23	14.5	39.1
MadhPr	12.9	4.9	66.4	0.52	-0.39	37.2	32
Maharash	31	6.4	104.8	0.66	-0.4	30	33.3
Orissa	15.5	5.4	38.9	0.52	-0.69	47.1	30.8
Punjab	30	4.7	26.1	0.65	-1.03	8.1	33.1
Rajasth	16.5	6.3	62.3	0.56	-0.43	21.5	29.1
TamilN	28.3	6.5	65.1	0.64	-0.59	28.3	33.3
UttarPr	11.3	4.9	183.3	0.49	-0.64	33.3	31.5
Wbengal	21.8	6.5	85.2	0.59	-1.17	25.7	31

*Indicators and sources: column 1 is per capita net state domestic product for 2006-07 in thousand rupees; column 2 in average annual economic growth in states over 1980 and 2008; column 3 is projected population for 2006 from the 2001 census data; column 4 is the Human Development Index for the year 2000. Data for columns 1 to 4 is taken from the online source www.indiastats.com. Column 5 is the elasticity of poverty, calculated for the years 1960 to 1998 and taken from Besley et.al. (2007), Table 3.1. Column 6 is the poverty head count ratio (official poverty line) for 2004-05 and the last column is Gini coefficient of consumption expenditure; both are from Dev and Ravi (2007), Tables 8, 18 and 19.

Figure 3.1: Per capita income of states, 2006-07*

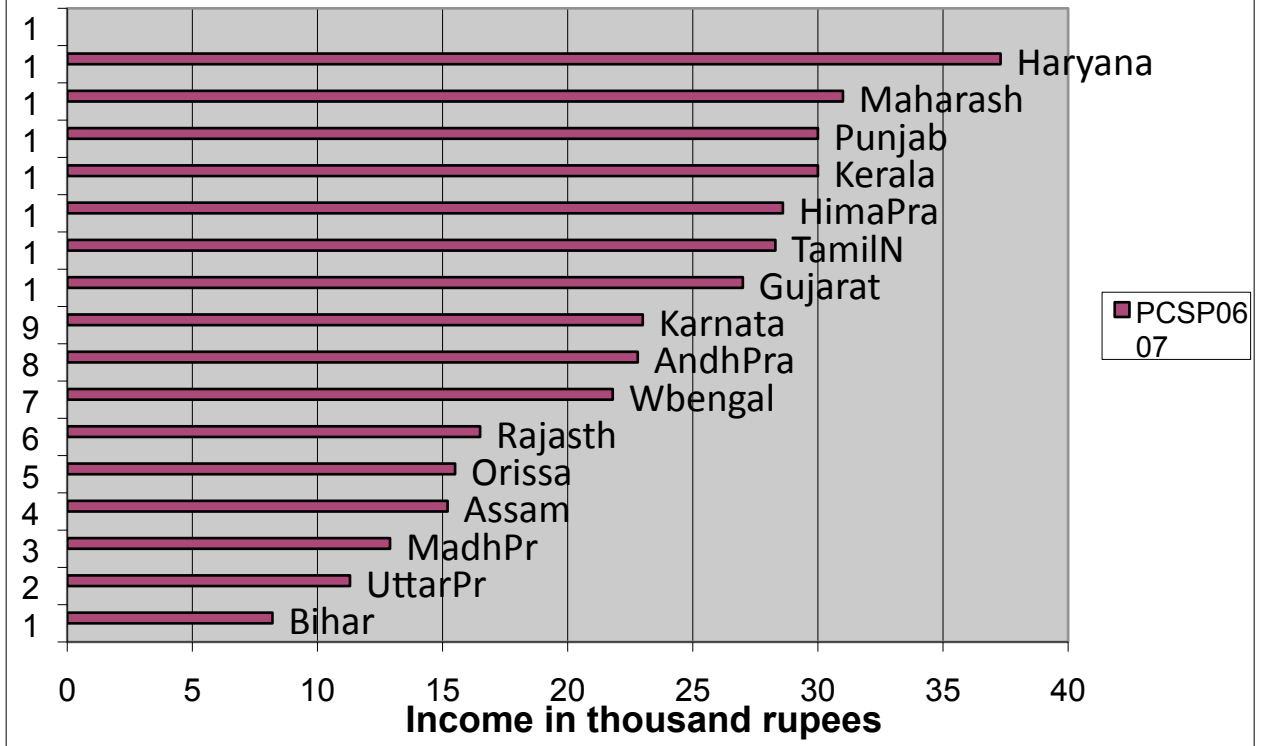


Figure 3.2 : Per capita income and poverty in states*

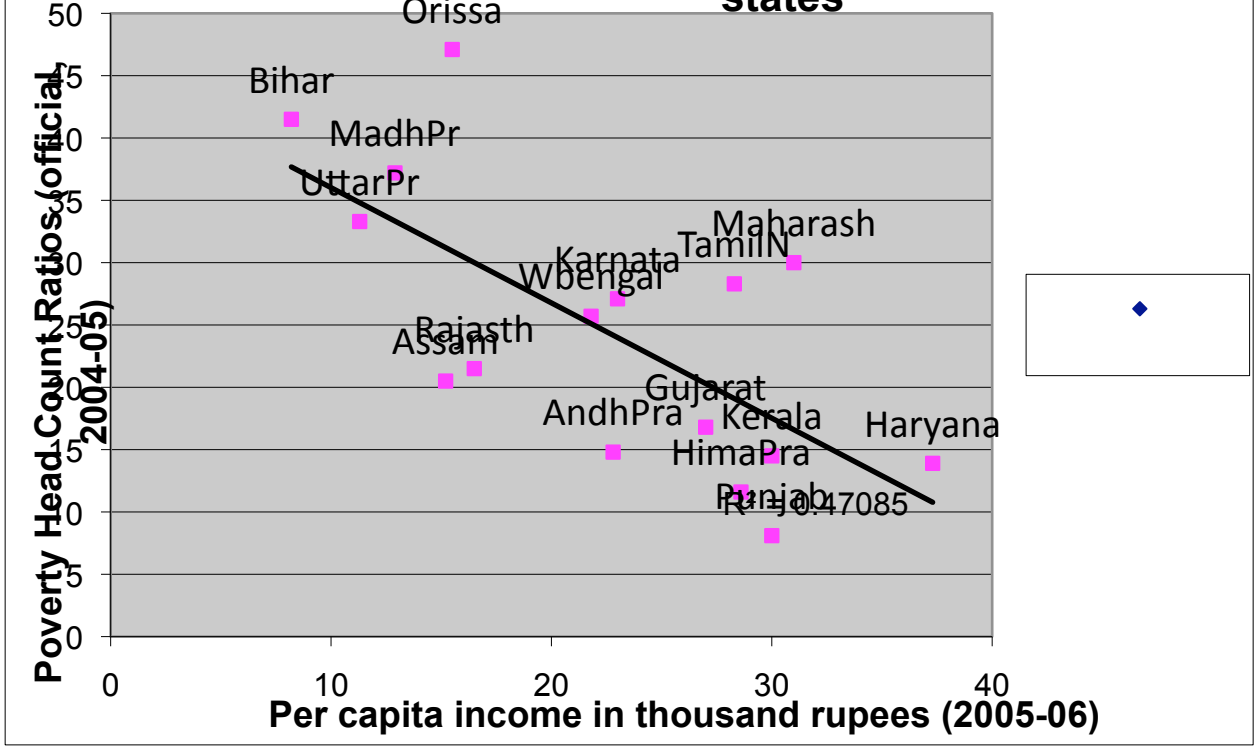


Figure 3.3: Per Capita Income (1990-1991) and Growth (1990-2008)*

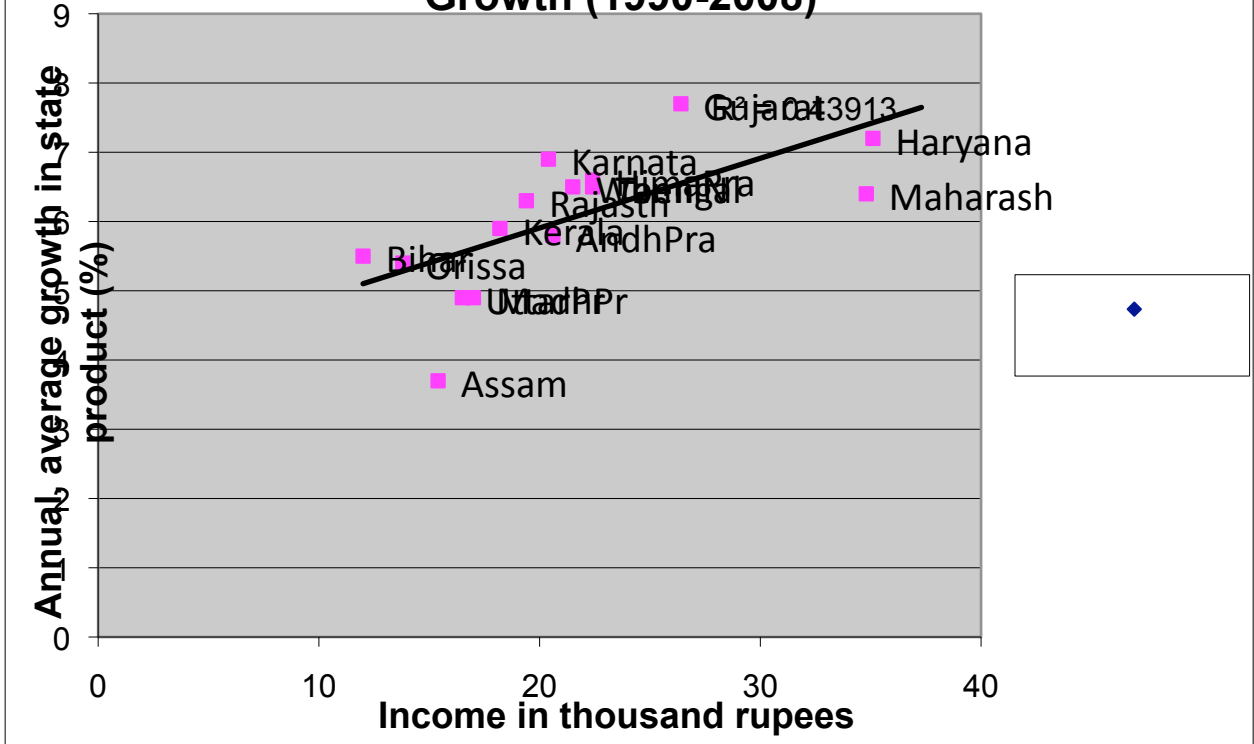
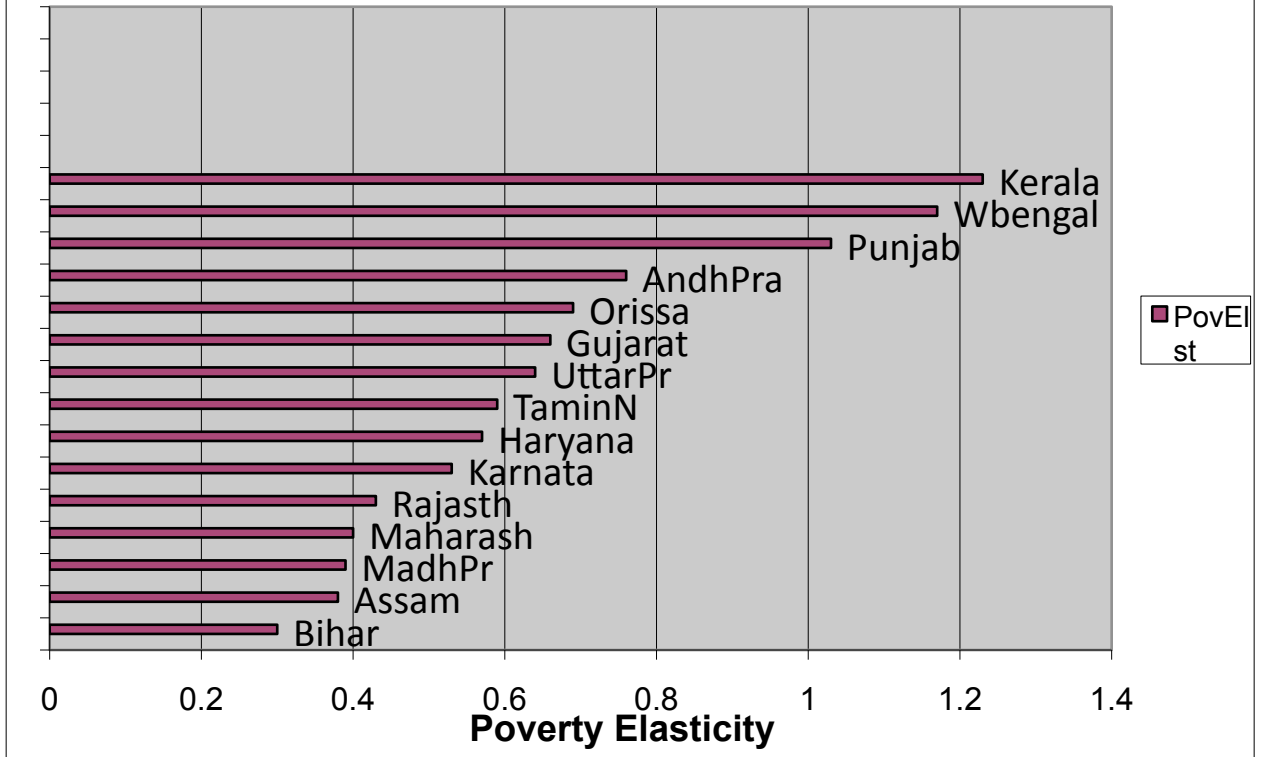
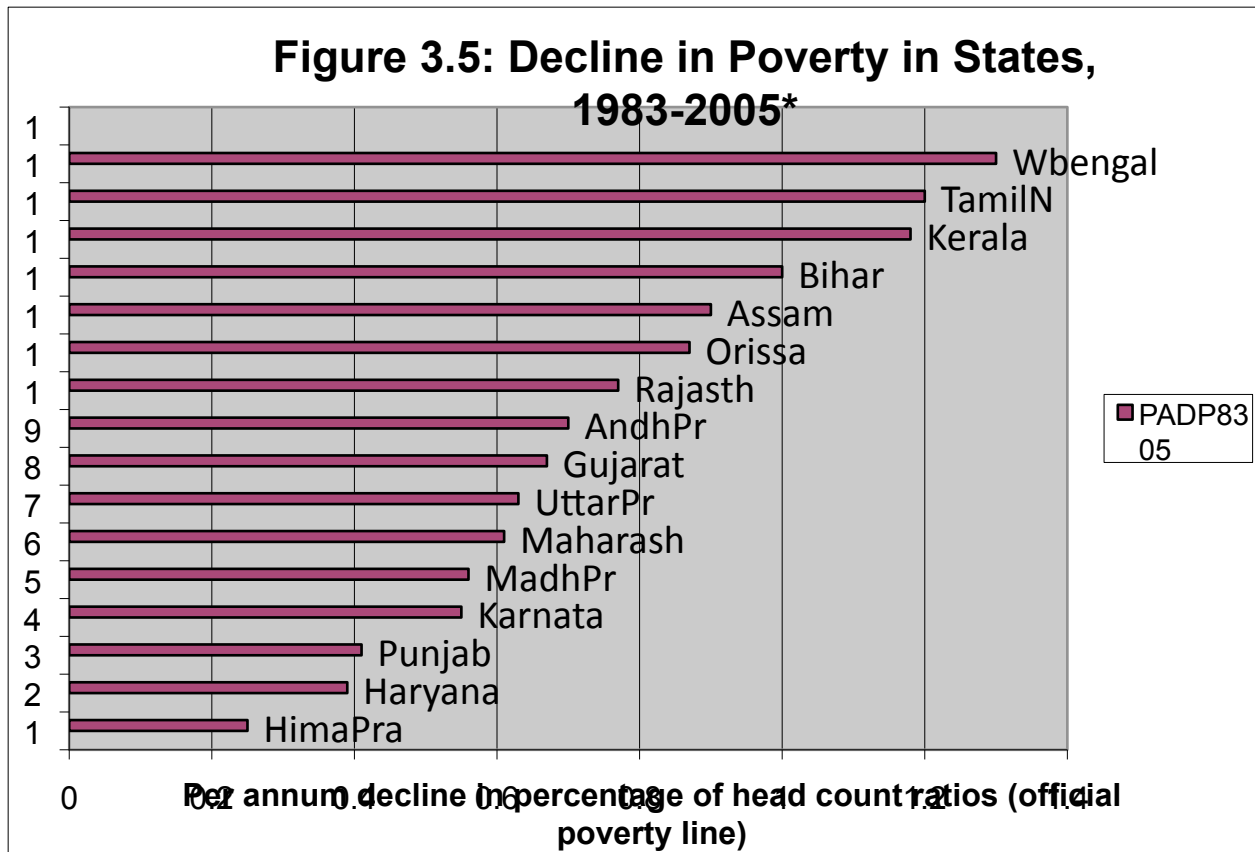


Figure 3.4: Capacity to reduce poverty in states*





How best can one explain some of these broad regional patterns? What might be the underlying mechanisms that seem to perpetuate underdevelopment in some states and generate wealth and prosperity in others? Similarly, why are some states more capable than others at reducing poverty? While the underlying causes are clearly complex, my suggestion in this chapter is that the nature of politics in India's states helps us understand some of the underlying dynamics: neo-patrimonial states perpetuate underdevelopment; developmental coalitions in power reinforce inherited advantages to generate economic dynamism; and social democratic states, with broad and well organized power blocs, are capable of intervening to create pro-poor growth.

Bihar and Uttar Pradesh typify India's neo-patrimonial states. Politics in these and few other Indian states – such as Madhya Pradesh and Orissa – tends to lack institutional moorings. Since forces that might provide cohesion – e.g. robust political parties, regional nationalism, or organized class politics – tend to be missing in these states, a variety of politicized social cleavages, often cleavages based around ascriptive identities, readily fragment the body politic. In such a setting, state level politics seems to be characterized by some ideal typical tendencies: the fragmented 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, based more on loyalty to the leader than on merit; 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, sectional gains. The core characteristic of neo-patrimonial states that then helps differentiate them from other Indian states is that they lack public purpose; by contrast, both developmental and social democratic states of India are motivated by some public purpose, albeit with a differing definition of who in the “public” counts the most: business groups for the more growth oriented leaders and lower classes for social democratic leaders.

When states intervene heavily in the economy, as they do in all of Indian states, it matters a great deal as to what motivates state action. The tragedy of neo-patrimonial states of India is that public action in them is often not motivated by a concern for the public good, either of the left or of the right variety. Public action instead is motivated either by the personal interests of ruling elites or aimed at building support networks via patronage politics. In order to understand why state actions in these settings lack public purpose, it helps to think about the political forces that are simply missing in these states. As I have argued in some detail elsewhere, nationalism,

emergence of political parties and modern social classes are some of the more important agents that have historically transmitted a sense of public awareness to the politics of developing countries.⁴ In India, anti-colonial nationalism and the emergence of the Congress party were the historical catalysts for motivating the national level state to undertake a variety of developmentally-oriented interventions. Across Indian states too, we will notice below, the rise of business groups, the role of the communist parties and of regional nationalist movements have put limits on the personalistic abuse of state power.⁵ In neo-patrimonial states, unfortunately, such social or political force that might promote more publically-oriented interventions are either missing or have eroded. Politics in these states has instead been dominated for a long time by traditional landowning, upper caste groups who bequeathed to the state personalistic and patrimonial tendencies. I will discuss the case of the Uttar Pradesh below to trace the origins – at least in one case -- of such a neo-patrimonial state.

When neo-patrimonial states intervene in the economy, they typically hurt economic performance, especially economic growth, but also redistribution and poverty alleviation. It is not surprising that in Figures 3.2 and 3.3, Bihar, U.P., Madhya Pradesh and Orissa are clustered at the bottom end of performance on both growth and poverty alleviation fronts. The underlying mechanisms are not hard to understand. On the growth-front, given a highly personalized state, including the bureaucracy, public interventions seldom achieve their goals: infrastructure projects are poorly implemented; major public sector firms become patronage tools; and education and health are poorly delivered. All this hurts growth directly but also discourages private investment, due to poor “investment climate”. Private investors are further discouraged by uncertainty and lack of predictability created by mercurial leaders with considerable discretionary power. The fact that the central government has cut back on public investments

then especially hurts these states because of their inability to attract private investments. The poor in these states suffer not only because of sluggish economic growth, especially in the agricultural sector, but also because most resources aimed at poverty alleviation seldom reach the poor. These resources are instead captured by a variety of “big men“ in long chains of patronage that provide some semblance of support to the leader, at least till a competing leader promises to support an alternative set of excluded “big men”, who then help bring her or him to power. The cycle of corruption and waste then begins yet again.

It is important to note that these neo-patrimonial tendencies exist in nearly all of India’s states. They happen to be dominant in states characterized here as neo-patrimonial states. Even in these states, it is important to qualify the discussion by underlining that not all is bleak. A new leader, such as Nitish Kumar in Bihar in recent years, can help raise hopes; how long such initiatives to break the vicious, self-reinforcing cycles of neo-patrimonial politics can be sustained, however, remains an open question. Moreover, even in neo-patrimonial states of India, there remain pockets of success. And finally, the problems of India’s neo-patrimonial states need to be kept in perspective; India is no Congo or even a Zimbabwe. India’s neo-patrimonial states are part of a stable democratic-capitalist national structure. Economies of these states are growing and poverty in them is coming down. The problem is that absolute numbers of poor people in these states continue to grow and numerous socio-economic problems are not only not being solved but are accumulating, making it more difficult in the future to break out of the low level trap these states are caught in.

As distinct from India’s neo-patrimonial states, a handful of other states have actively sought to promote economic growth by encouraging private sector development. These states not only mirror national level changes in India towards prioritizing growth and supporting

private capital but they are also beginning to perform some of the functions that one associates with the developmental states of East Asia. Leaders in India's developmental states have a clear public purpose, even though that purpose is defined fairly narrowly in terms of promotion of economic growth. This commitment facilitates a ruling alliance with producer and business groups, who the leaders deem to be best suited as agents of growth promotion. Leadership priorities bequeath some sense of efficiency to the state level bureaucracy, especially in those pockets within the state that are most relevant for growth promotion, such as the economic ministries. A variety of pro-business incentives are then put in place, including taming activist labor. The focus of growth-promoting interventions may vary, especially because of differing initial advantages: for example, governments in such states as Gujarat and Maharashtra have often promoted manufacturing, in Karnataka and Andhra Pradesh service industries, and in Punjab and Haryana agriculture and agriculture-related industries. The common political-economic theme that gives these states some coherence as an ideal-type is a political commitment to growth via the support of the private sector.

It is easier to categorize some of India's states as developmental but more difficult to explain why they are the way they are. The first thing to note is that none of India's developmental states are only developmental: periodic riots and killings of Muslims is very much a part of Gujarati politics; corruption and gangsters are common in the politics of Maharashtra; nearly feudal, clan politics characterize Haryana's leaders; fragmentation and cronyism is rampant in the Punjab; and populism is never too far from the developmental commitments of leaders in such southern states as Andhra Pradesh. And yet, since political proclivities are a matter of degrees, it is the case that governments in these states focus on growth more than in other Indian states and tend to form partnerships with business groups to achieve

this goal. As to why they do so, it helps to keep in mind the initial social and political conditions of these states when the era of high growth began. For a variety of complex historical reasons, entrepreneurial groups were already prominent in these states when the national government created the framework for private-sector led growth acceleration. States with already advanced private sectors were then well suited to take advantage of the new, “liberal” political economy.

As to why some states had already developed more robust private sectors prior to the ‘liberal’ era, it may be useful to recall some well known historical developments. For example, western India was of course where indigenous Indian capitalism took root in the nineteenth and the early twentieth century, especially in such industries as textiles. Cities like Bombay and Ahmadabad have long been centers of industry and commerce. That governments in Gujarat and Maharashtra are then well attuned to private sector needs, and were best suited to take advantage of policy shifts over the last few decades, is then understandable. Other states like Punjab and Haryana did not have any industrial advantage but did have a vibrant capitalist agriculture. Product of such historical advantages as a good irrigation system – created by the British in the nineteenth century so as to settle former Punjabi soldiers – which was subsequently reinforced by the state-supported green revolution in the 1960s, political elite in these states were also often closely tied to an entrepreneurial strata, albeit a strata composed of numerous small entrepreneurs. The initial advantages of some of the southern states were less clearly the early development of capitalism. Instead, they had other advantages: higher rates of literacy; better quality state level bureaucracies that were inherited from the more direct colonial rule practiced by the British in these parts of India; and, related to both of these factors, early political mobilization of middle and lower strata that, at minimum, weakened the traditional, land-owning, patrimonial elites. In sum, states that are now beginning to act more developmental had

early “modernizing” advantages, mainly in the direction of earlier development of a private sector, or when not this, at least an earlier weakening of “anti-modernizing” forces.

It is not surprising that, at the onset of India’s “liberalization”, such developmental states as Gujarat, Haryana and Maharashtra, were already India’s wealthiest states and since then have grown most rapidly (Figure 3.3). Inherited advantages, of course, do not guarantee future success; for example, with its fragmented, contentious and corrupt state apparatus, Punjab may well lose some of its initial advantage of a vibrant capitalist agriculture. Leaders in most states with robust private sectors, however, are attempting to consolidate developmental coalitions so as to take advantage of economic decentralization in India. Managing these narrow coalitions is not easy in the face of electoral pressures. Nevertheless, high rates of growth provide some legitimacy. A variety of other political experiments – some of which were previewed in the context of national politics in Chapter 1 – are also underway at the state level to manage pro-business ruling coalitions. I will examine the case of Gujarat below for more specific and related issues that arise in at least one case.

Leaders in India’s better off states are combining inherited advantages with deliberate strategies to promote rapid growth. Among the inherited advantages are better infrastructure, more literate manpower, more buying power in the population and, of course, a more robust private sector. As state elites forge growth-oriented coalitions with private sector elites, it is typical for pro-business policies to emerge. These include simplifying bureaucratic obstacles to investment, provision of a variety of subsidies -- especially cheap land, tax holidays and reliable access to electricity -- and favorable labor laws. More important than specific policy priorities is the general sense that a state welcomes business and that state elites are ready to help overcome any and all bottlenecks faced by private producers. The results have included higher rates of

private investments – both national and foreign – moving into these states. Ironically, rapid growth has enabled even state revenues to grow more rapidly in these states, leading to higher levels of public investment too. Over time, rising wages, scarcity of land, and difficulties of maintaining narrow growth-oriented coalitions in a poor democracy, may become significant obstacles in these developmental states; for now, however, the richer states of India are getting even richer with the help of activist states.

Finally, one should take note of social democratic tendencies in some of India's states. Since some related issues were already discussed in the last chapter in the context of a discussion of differential capacities of Indian states to reduce poverty, the present discussion can be relatively brief. The main point worth reiterating is that power in India's social democratic states is distributed somewhat more equally than in either neo-patrimonial or developmental states. Whereas narrow coalitions of political and economic elites are attempting to consolidate power in developmental states and power hierarchies in neo-patrimonial states are managed by personalistic leaders via patronage chains, mobilized lower-middle and lower strata play significant political roles in social democratic states. Where this power of the lower classes and castes is well organized via political parties, when in power, these parties are in a position to implement modest redistribution, adding an egalitarian bias to the growth process. As already noted, West Bengal and Kerala are two such cases in India. In these states poverty has come down rapidly since the early 1980s (Figure 3.5), rates of economic growth over the same time period are close to the high Indian average (Table 3.1, column 2), illiteracy is either close to the Indian average (West Bengal) or well below what income levels might predict (Table 3.1, column 8) and rural land inequality is the lowest in India.⁶ While the record is far from perfect – e.g. Kerala has a high level of consumption inequality; the CPM in West Bengal has not done

nearly enough to improve health and education of poor Bengalis; the level of poverty in West Bengal still remains close to the high Indian average; and economic growth in these states rests on a fragile base – it is still the case that these states come closest to implementing a deliberate strategy of inclusive growth.

There are other states in India where the middle and lower-middle castes and classes -- though less the real lower strata – have also been politically significant for quite some time but where this mass power is not well organized. Tamil Nadu is a real such case, though such other South Indian states as Andhra Pradesh and Karnataka also exhibit similar characteristics in so far as Brahmanical domination in them was successfully challenged rather early, truncating the power pyramid. Without strong parties, however, mass politics in these states has typically given rise to populist leaders who have mobilized support, not along class lines, but through regional nationalism. While such leaders are as capable as leaders in neo-patrimonial states in wrecking their state economies, as discussed above, several factors limit their destructive tendencies: mass pressure from a mobilized electorate; better quality state bureaucracy; and the political weakness of feudal-like *zamindars*. The result is that politics in these states tends to be infused with a sense of public awareness, at least more so than in a U.P. or Bihar, and the content of this public awareness is often anti-elitist.

While the “welfare” achievements of these southern states are decidedly mixed, they all tend to do better than India’s neo-patrimonial states. They have all made some notable achievements: Karnataka, Andhra Pradesh and Tamil Nadu are all middling performers in terms of rates of economic growth. (Table 3.1, column 2); poverty has come down rapidly since the early 1980s in Tamil Nadu(Figure 3.5) and illiteracy is well below the Indian average (Table 3.1, column 7); Andhra Pradesh has both a high capacity to reduce poverty (Figure 3.4) and very low

levels of poverty, nearly at par with Kerala's (Table 3.1, column 6); and Karnataka performs a little better than the average Indian rate on both levels of poverty and literacy (though, this level of performance would be well predicted by both per capita income and rates of growth).

The roots of early emergence of anti-elitist, mass politics in India's social democratic states are clearly complex. I will use the example of West Bengal below to provide some case-specific analysis. What all of these social democratic cases seem to share are weaker structures of caste domination, certainly weaker than in the Hindi-heartland, where such domination is only now being challenged. A number of historical factors are responsible for why caste domination in these states was challenged rather early: some of these states were already on the periphery of the core areas of Brahmanical domination in India; Brahmins were a small minority in many of these states; and forces such as influence of missionaries, coastal metropolitanism and religious revival movements battered caste hierarchies. Weaker caste hierarchies, in turn, did not provide as fertile a soil for patron–client type of politics that flourished in U.P. or Bihar; instead, politics based on horizontal association – nationalistic or communist – came to the fore. Why such mass politics came to be well organized or not is another historical puzzle to which I will return below, but only in the specific case of West Bengal. To sum this discussion for now, early emergence of mass politics, which is of course the flip side of weaker structures of caste domination, has bequeathed social democratic tendencies to some of India's states. These tendencies are strongest where class politics emerged and got well organized via political parties; even without a coherent political outlet, however, mass politics has over time made some visible welfare contributions.

The impact of mass politics on patterns of development operates through different mechanisms when such politics is well organized and when such politics is expressed mainly

through populism. When state governments have been ruled by well organized parties, such as in West Bengal and Kerala, state elites have succeeded in insulating the state machinery from direct capture by landowning and other societal elites. The ruling elites have, in turn, used this power to alter land rights, implement land redistribution legislation, and to help raise wages of workers. Such interventions have made the growth process more inclusive. Populist leaders, by contrast, have seldom succeeded in asset redistribution or in altering the growth pattern; power of populist rulers is too diffuse to permit such state interventions. To the extent that populist rulers in states like Tamil Nadu have succeeded in deliberate pro-poor interventions, it is either thorough creating “equality of opportunity”, say, in promoting basic education, or via well implemented, targeted pro-poor programs that do not challenge basic power hierarchies in society.

To sum up, regional diversities across India are at least as significant as those encompassed, say, within the European Union. The clearest manifestations of these diversities are divergent standards of living. While some indicators of well being do vary with incomes, quite a few do not, making for a complex mosaic. I have sought to give some order to this complexity by imposing a typology of sorts on India's states. Like all typologies, this one also over generalizes at times and under generalizes at yet other times. Still, I hope that categorizing Indian states as more neo-patrimonial, developmental or social democratic provides, first, a manageable intellectual map for situating India's states and second, opens up the possibility for discussing in greater detail the causes and consequences of differing state-market links that characterize these state types.

II. Neo-Patrimonial States: Uttar Pradesh

I use the example of Uttar Pradesh in this section to deepen our understanding of a set of Indian states that I have dubbed neo-patrimonial states. Unfortunately, given constraints of scope and space, this effort to “deepen” the analysis will not be deep enough. As India’s largest state, Uttar Pradesh is a complex regional polity, with considerable internal diversity; those wanting more details, should follow one or more of the sources cited below. For purposes of this study, Uttar Pradesh serves as an example of one of India’s worst developmental performers. It is clear in Table 3.2 that when juxtaposed against the all India record or the record of four South Indian states, Uttar Pradesh lags behind on all development indicators that one might deem consequential, including growth and poverty. Economic performance of Uttar Pradesh has especially been lagging since 1990. The suggestion below is that this poor performance is in part a function of the manner in which economic “decentralization” since 1991 has left India’s poor states to fend for themselves and in part a result of poor quality governance that makes it difficult for a state like Uttar Pradesh to fend for itself. Since national level issues of “liberalization” and “decentralization” have already been discussed, I emphasize below the personalistic and corrupt state-level politics that lacks public purpose as a significant contributor to poor development performance of Uttar Pradesh.

Background: Uttar Pradesh used to be called United Provinces in colonial India, a large administrative unit that the British slowly created over the nineteenth century from fairly diverse sub regions.⁷ Mostly in Gangetic plains, eastern Uttar Pradesh was fertile and heavily populated. The British “settled” lands in central and Eastern Uttar Pradesh, turning *de facto* Thakur and Brahmin landowners of the Mughal era into *de jure zamindars* and *taluqadars* i.e. mega upper-

caste landowners who were to become allies of the British, squeezing the peasantry for rents and sharing them with the British in exchange for legal protection. While substantial landowners there were plenty in western Uttar Pradesh too, this part of the state also had many owner-cultivators. Proximity to Delhi reduced the need for intermediaries and relative labor scarcity inclined even the “clean castes” of the area to take up agriculture. Along with a variety of cultivating castes, such as the Jats, agriculture in Western Uttar Pradesh from fairly early on had a more commercial cast. Efforts to annex parts of central Uttar Pradesh-- especially the sub-region of Awadh -- led to a major riot by the local aristocracy in 1857, following which the British simultaneously demilitarized the nobility of Uttar Pradesh further, but also gave them greater control over their respective domains, enabling enhanced share of revenues and freezing of a variety of traditional hierarchies.

The post-1857 *pax Britannia* in Uttar Pradesh led to political stability and economic stagnation. In this, of course, Uttar Pradesh was not alone; as noted above, this was pretty well the pattern in much of India. Where Uttar Pradesh was distinct was in the character of the underlying social structure, a set of traits that would prove to be of long term consequence. While upper castes have dominated Hindu society for a very long time, this domination in Uttar Pradesh -- as in Bihar -- was nearly complete, at least in part due to the numerical significance of the “clean castes.” Whereas Brahmins in a southern Indian state like Tamil Nadu constituted some 3 to 4 percent of the regional population, in Uttar Pradesh they were 9 to 10 percent of the population.⁸ Along with some other upper caste as Thakurs, the “clean castes” comprised nearly 20 percent of the state’s population. In Eastern Uttar Pradesh Thakurs and Brahmins also owned nearly 60

Table 3.2: Some Development Indicators of Uttar Pradesh, in a Comparative Perspective*

	<u>Uttar Pradesh</u>	<u>South India</u>	<u>All India</u>
Per Capita Income (2006-07)	11334	26038	22580
Economic Growth (1980-2008)	4.9	6.3	6.2
Economic Growth (1990-2008)	4.3	6.8	6.1
Poverty (2004-05)	33.3	21.2	28.3
Decline in Poverty (1983-2005)	0.6	0.9	0.8
Illiteracy (2005-06)	37.6	29.4	31.7
Human Development Index (2000)	0.49	0.63	0.58

***Source:** Same as in Table 3.1. I borrowed the idea of comparing Uttar Pradesh to South Indian states from Dreze and Gazdar (1997). The four South Indian states are Andhra Pradesh, Karnataka, Kerala and Tamil Nadu. The income figures are in million Rupees, growth figures in annual average percent, poverty figures are head count ratios as per official definition of poverty, decline in poverty is in percent and illiteracy is defined as percent of population above the age of five with no schooling.

percent of all the land. Many of these members of the “clean castes” were *zamindars* and *taluqadars* mentioned above, who also enjoyed perks of power, due to both local customs and proximity to the colonial state. Numerical significance then, combined with economic, political and status superiority, gave Brahmins, Thakurs and other ‘clean castes’ near hegemonic control over local society.

A variety of middle and backward castes constitute more than 40 percent of the local population in Uttar Pradesh and the scheduled castes another 20 percent. While some of the middle and backward castes were also family farmers, most were deeply entrenched in a hierarchical social structure of economic dependence – via a variety of forms of tenancy – and status inferiority. Also notable is the fact that nearly 15 percent of the regional population was Muslims. Some Muslims were landowners, most were not. During the Mughal period Muslims had enjoyed a sense of superiority in local society, which declined during the colonial period, leading to simmering dissatisfactions; this too would prove to be of long term significance.

It would be difficult to make a case that Uttar Pradesh was an especially “backward” region during the colonial period. Of course, the economy mainly consisted of low productivity agriculture, but then that was true of much of India. As a land locked region, Uttar Pradesh did not enjoy any of the commercial developments of such port cities as Bombay, Calcutta, or Madras. Nevertheless, agriculture in western Uttar Pradesh was already commercialized in the late colonial period, small handicraft industry flourished in urban centers, some textile and sugar industry was interspersed throughout the state, and well reputed institutions of higher learning existed in such cities as Lucknow, Allahabad and Banaras. At the time of independence then, the

level of development in Uttar Pradesh, especially as manifest in per capita income, was close to the Indian average or even a little higher.⁹

As is well known, Uttar Pradesh has been fairly central to India's political life for much of the twentieth century. The Nehru-Gandhi family has its political base in Uttar Pradesh. Numerous Prime Ministers of India have also come from Uttar Pradesh. Even before the rise of the anti-colonial Congress movement in the 1920s, this north central region of India was hardly acquiescent: the 1857 revolt against the British was centered in Uttar Pradesh; and in the early part of the twentieth century, a variety of peasant demands for lowering taxation and securing tenant rights were organized by the Kisan Sabha. Gandhi and other Congress leaders sought to incorporate these demands into a broader nationalist movement. While the Congress was quite successful at this mobilization, it was the case that Gandhi co-opted and/or marginalized the more radical elements of the local political movements.¹⁰ It was also the case that Congress' proximity to pro-Hindu groups and simmering local resentments of Muslims combined to encourage the emergence of the Muslim League as a rival to the Congress, a movement that would eventually be decisive in the creation of Pakistan.

To simplify complex political developments, the Congress in U.P. built a strong nationalist movement during the 1930s and the 1940s. The emerging educated groups in urban centers provided the political base for nationalists. In the countryside, however, where most of the people lived, Congress sought to differentiate mega landowners, who were allies of the colonial states and were to be treated as "enemies," from a variety of other substantial landowning groups, who were potential allies in the nationalist cause. While this political strategy eventually led to Congress demands to abolish all *zamindaris* -- and thus to the Zamindari Abolition act of 1952 -- such demands were periodically softened and seldom pursued with any vigor. While the

largest *zamindaris* were indeed abolished in U.P. following independence, property-owning members of higher castes – whether former *zamindars* with reduced properties, or other landowners who benefitted from the abolition of *zamindaris* – entered the Congress party in a big way. Following independence then, the Congress in U.P. very quickly became a party dominated by landowning Brahmins and Thakurs who, in turn, were able to mobilize support of their dependants for the Congress, especially the landless poor and the scheduled castes.

At the time of independence, it would have been difficult to predict that U.P. was destined to become one of India's most backward states. As already mentioned, the regional per capita income was at par with the rest of the country. On the political front, U.P. was described as “one of the best governed states” of India.¹¹ Many politicians from the state played an important role in national politics, including Nehru, who fairly quickly emerged as India's undisputed leader. With this as the starting point, it would be much easier to explain had U.P. performed well on a variety of development fronts. Unfortunately, that is not what happened. By 1967-68, the per capita income of U.P. was already some 20 percent below the national Indian average. Between then and 1990-91, economic performance of U.P. continued to lag but not by a great amount: as late as 1990-91, the per capita income of U.P. was only 25 percent behind the Indian average. Since 1990-91, however, the gap between U.P. and other states has grown wider rapidly. For example, per capita income of U.P. by 2006-07 was 50 percent below the Indian average. This suggests that, whereas it took 40 years following independence for the per capita income of U.P. to fall some 25 percent behind the Indian average, since 1990, U.P. has fallen another 25 percent behind in only 20 years; the gap is now growing twice as fast than in the earlier years. What requires explanation then are both factors that retarded the development

performance in U.P. during the first forty years but then, even more important, the factors that explain the recent incapacity to take advantage of a new political and economic environment.

The Era of Congress Dominance: Well before the national economic policy shifts of the 1980s and the 1990s, U.P. had already started lagging behind the rest of India: agriculture growth remained sluggish during the era of Congress dominance and new industry did not take root. A variety of redistribution programs, such as land reforms, were also poorly implemented. The results included slow rates of economic growth and high rates of poverty. Proximate causes of poor economic performance are easy to list: relatively low levels of public investments; poor infrastructure; inability to attract private investors; a variety of inefficiencies related to land tenure and to poor quality of human development; and a dysfunctional lower level bureaucracy.¹² To get a fuller sense of root causes, however, one also needs to understand the political and social context within which economic processes unfolded.

For nearly four decades following independence, U.P. was ruled by the Congress party. While this rule was challenged periodically, the challenges succeeded only intermittently, at least until the late 1980s. Since then the congress in U.P. has been reduced to a minor political player, a set of developments analyzed below. During the era of Congress dominance, Congress in U.P. ruled the state while closely allied to the upper castes of the state, especially Brahmins and Thakurs. The historical antecedents of this pattern were already noted above. Following independence, Congress was of course India's nationalist party and thus enjoyed broad based support. In U.P. this support was solidified by channeling the fruits of power to Brahmin and Thakur elites, who, in turn, used their influence to mobilize their dependents to vote for Congress. By far the largest majority of office holders under Congress rule during the 1950s and the 1960s were Brahmins or Thakurs.¹³ While competing elites jockeyed for power, creating

factional conflicts, long chains of patronage, grafted onto a rigid caste structure, characterized the ruling arrangement in the state.

Three other characteristics of how authority was exercised within U.P. at this early stage are important to keep in mind because they help us understand how state politics influenced the economy. First, the state-level Congress elite were mostly first generation nationalists.¹⁴ This leadership class transmitted to state politics a sense of public purpose that was a whole degree less personalistic and corrupt than what followed. And yet, as second tier leaders, the horizons of these state leaders were limited. The grander aspirations in India to use state-power to foster development were mainly national-level aspirations of the likes of Nehru. Politics for the state-level elite, even relatively enlightened elites, thus quickly became less a means to developmental change and more an end in itself. Second, though factional conflicts among upper-caste Congress leaders in the state were mainly personal or caste-oriented (Brahmins versus Thakurs), there was an element of ideology too in these conflicts. Whereas the national Congress was increasingly leaning left-of-center under Nehru, state leaders in U.P. tended to be more conservative. Closely allied with land-owning groups, their policy preferences – to the extent that such preferences existed – were mainly to dilute the land reform initiatives of the national center. And third, factional conflicts within the state were kept within limits by the Congress “high command” in Delhi. While Congress leaders in U.P. very much had their autonomous political bases within the state, unlike in many other states, especially southern states, state politics in U.P. was deeply intertwined with national politics.

During the 1950s and the 1960s, economic growth in U.P. already started lagging behind the national average. The causes of this sluggishness are not easy to understand, especially because most growth promoting policies at this early stage, especially industrial policies, were

made in New Delhi and applied to all the Indian states. It is the case that central assistance to U.P. during these years lagged behind the national average and relatively few central projects found their way into U.P.¹⁵ This is ironical because, given its size, U.P. carried a disproportionate weight in national politics. The explanation is probably that central assistance went most to states that were difficult to manage politically; by contrast, U.P. was a secure bastion of the Congress party and could thus be taken for granted. The per capita plan outlay of U.P. also consistently lagged behind the average outlay of other Indian states.¹⁶ This is because the state's economy was mainly agricultural and because taxation on agriculture was abolished following independence. The capacity of states like U.P. to raise their own revenues thus lagged behind, contributing to lagging public expenditures within the state. Due to relative scarcity of both central and state's own resources then, public investments in U.P. lagged from early on, contributing directly to slower growth, but also indirectly – and more devastatingly because of the long run impact – via the relative neglect of infrastructure, health and education.

Private investment also did not fare much better. As noted in earlier chapters, the national government during these early years really did not have a policy to stimulate investment and growth in agriculture. Within the state, a number of factors militated against private investments in agriculture: zamindari abolition transferred land, not to tillers, but often to non-cultivating castes, who became absentee landlords, with few incentives to invest; a variety of onerous tenancy arrangements discouraged tenants from investing; and without public support, family farmers shied away from investment, at least until the second half of the 1960s, when the publically subsidized green revolution altered related incentives. Poor infrastructure and the low quality of human capital also discouraged private industry. The cumulative impact of both sluggish private and public investments was relatively low rates of growth. As far as one can

determine from the record, Congress leadership in U.P. was relatively oblivious to these emerging trends. They tended to assume instead that “development” was something that was initiated in New Delhi. The focus of state-level politics was mainly on jockeying for power, consolidating factional support via channeling patronage, resisting redistributive changes, and courting favors with the “high command” so that New Delhi might tilt the power balance in their direction.

If this was the first Congress phase in U.P., the second phase began with the embrace of the green revolution by farmers in western U.P. during the second half of the 1960s. Higher incomes of commercialized family-farmers led to demands for greater political representation. In the deeply caste-oriented politics of the state, many of the middle caste farmers resented their exclusion from power by the Brahmin and Thakur Congress leaders. By the late 1960s, the Congress was in any case in decline across the country. Growing economic clout of middle-caste farmers, especially Jats, then led to the first significant challenge to Congress’ rule in U.P. The emergence of the Jat leader Charan Singh to the fore most clearly represented this political shift. A variety of backward castes in eastern U.P. had also for some time supported parties other than the Congress; for example, many had been sympathetic to a type of “socialism” preached by Ram Manohar Lohia. Over time, these two political streams – the green revolution bred middle-caste farmers from western U.P. and backward castes of eastern U.P. -- merged, mainly due to a shared antipathy to upper caste and Congress party dominance in U.P. Between 1967 and 1970 and then again following the Emergency in 1977, backward caste parties posed a brief but serious challenges to the Congress party. However, these challenges only became decisive during the 1990s. Prior to that Indira Gandhi found a new legitimacy formula to shore up the sagging fortunes of the Congress party, both in U.P., as well as in India as a whole.

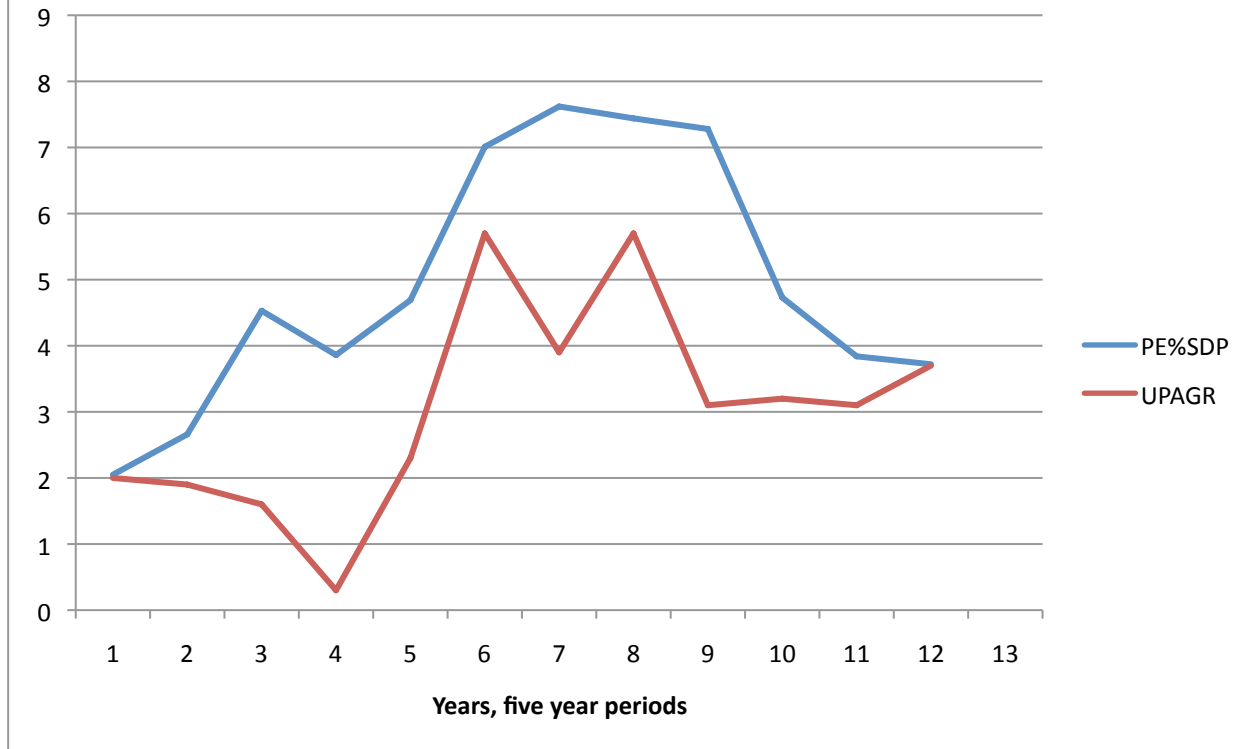
When Indira Gandhi split the all-India Congress party in 1969, many of the conservative Congress leaders within U.P., along with much of what passed for the organizational structure of the Congress party chose to ally themselves, not with Indira Gandhi, but with the “old” Congress. As is well known, this faction of the Congress lost popularity all over India in the subsequent years, including in U.P. By contrast, Indira Gandhi reestablished the hold of her populist faction of the Congress party all over India during the 1970s, including in U.P. Indira Gandhi’s Congress ruled U.P. for much of the 1970s and the 1980s, though hardly unchallenged. Some of the core political characteristics of this second phase of Congress rule in U.P. are now worth underlining.

First, Congress leaders in U.P. increasingly came to be appointed by Indira Gandhi, often rewarded, less for their political base within the state, but more for their loyalty to the leadership. Over time this undermined the popularity and the legitimacy of Congress leaders within U.P. Second, the support base of the Congress in U.P. did not undergo any major changes, though some subtle changes were quite consequential. The caste/class base of Congress continued to be a somewhat strange alliance of upper and lower groups, along with support from the Muslim minority, with a variety of middle groups groping for an appropriate alternative to the Congress.¹⁷ Unlike in some other states, such as Gujarat (discussed below), Congress in U.P. never became an alliance of middle and lower castes. This reflected in part the slow pace of economic change in U.P. There was hardly any real big capital in U.P. to pressure either the Congress party or the U.P. state government to undertake purposive policies. The lower classes were also not mobilized; unlike yet other states, such as West Bengal (also discussed below), there was no pressure from the lower classes or the left in U.P. Mired in factionalism and patronage battles, run from New Delhi, Congress in U.P. remained popular mainly due to the

popularity of the Nehru-Gandhi family. This popularity, however, was increasingly not automatic. It had to be “bought” instead by channeling public resources to a variety of groups. The strategies included: allowing upper castes to occupy state offices; channeling input and output subsidies to family-owned farmers; offering symbolic gains to the more traditional Muslim elites; and allocating resources to poverty alleviation programs so as to secure the support of the lower strata. This then was the third important characteristic of the new Congress. While it was still a party of upper and lower castes and Muslims, all of these groups were beginning to develop stronger identities and their support could not be taken for granted.¹⁸

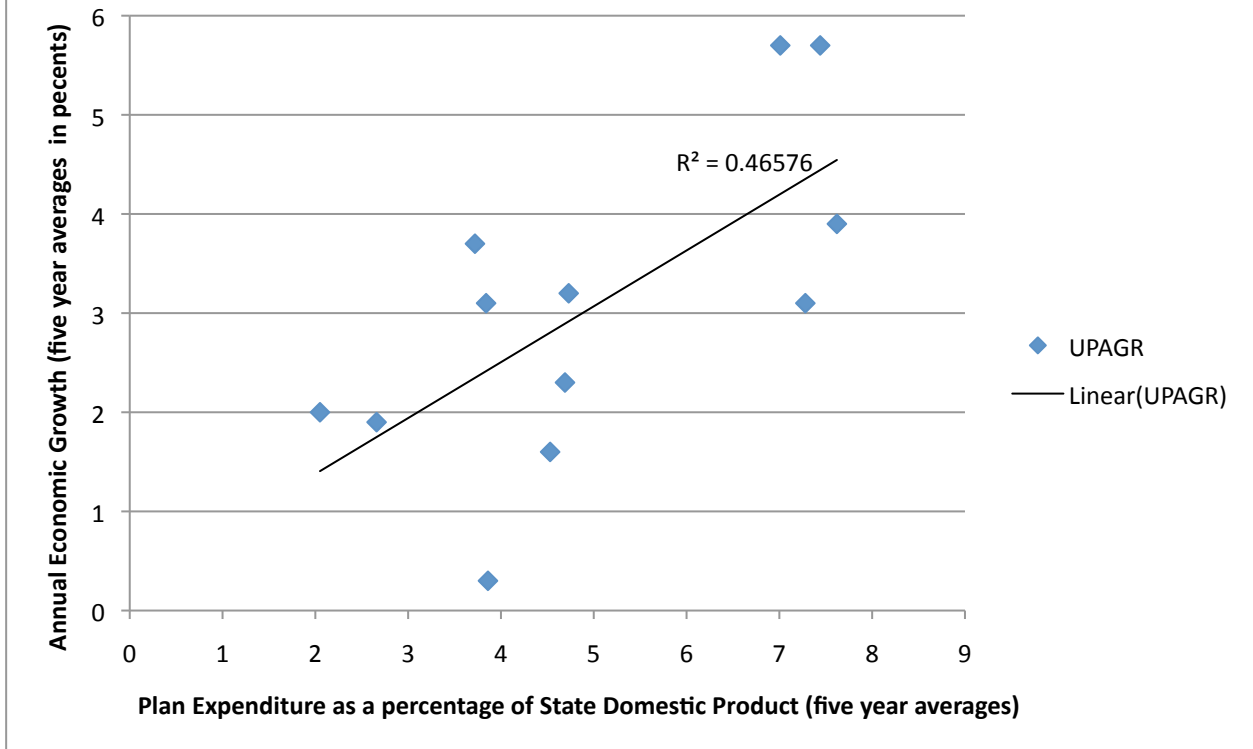
U.P. increasingly became a central battleground in the numerous power challenges faced by Indira Gandhi. Indira Gandhi knew that she needed the support of U.P. to maintain national control. Ironically, or may be not so ironically, this strategic centrality of U.P. in a more turbulent national polity worked to the economic advantage of U.P. Resource transfers to U.P. increased, leading to a significant jump in plan expenditures in U.P. during 1975-90 (Figure 3.6). It is also notable in Figure 3.6 that economic growth in U.P. closely parallels the trend in plan expenditure. This relationship stands to reason: first, public investments go towards investments in irrigation and provide a variety of other supports to agriculture, helping agricultural growth; and second, public investments also help initiate major new industrial projects, along with improvements in infrastructure that may also help attract private investment. Some such causal links seem to underline the relationship evident in Figure 3.7; it is clear here that the higher the rates of plan expenditures in U.P., the higher the rate of economic growth over the entire period under discussion.¹⁹

Figure 3.6: Public Expenditure and Economic Growth in U.P., 1951-2005*



*Source:

Figure 3.7: Economic Growth and Public Expenditure in Uttar Pradesh, 1951-2005*



*Source:

Economic performance of U.P. during 1975-90 was at par with all India trends. As already noted, a part of this growth resulted from increased central transfers to U.P., which in turn reflected the political calculations of Indira and Rajiv Gandhi. Some additional factors were at work too. The green revolution spread to parts of central and eastern U.P. This not only boosted productivity and growth in agriculture, but also thawed frozen social structures, mobilizing backward caste family-farmers to the fore-front across all of U.P. (more on this below) Industrial growth in U.P. during these fifteen years was also respectable, averaging nearly seven percent per year. Much of this was focused on agro-processing, such as sugar, but also in textiles, chemicals and engineering sectors. In government's own analysis: "through the late 1970s and the 1980s, large doses of public investment (both Central and State) stimulated private sector participation in the state's industrial growth and kept Uttar Pradesh ahead of the national average".²⁰

The post-1990 political economy: A variety of indicators underline the fact that Uttar Pradesh's economy in the post-1990 period has not performed well: economic growth has been well below the Indian average (Table 3.2); nearly a third of the population still lives below the poverty line (Table 3.2) and the decline in poverty has been below the mean of Indian states (Figure 3.5); and the Human Development Index, including literacy, remains well below the already low Indian average (Table 3.2). Some of these indicators reflect continuity with past trends and thus their causes are rooted deep in the past; I have referred to these in the discussion above. At the same time, however, it is also clear that the new, post-1990 "liberal" era has been very hard on India's poor states, including U.P.

Post-1990 politics within U.P. has evolved in a manner that has further undermined the government's developmental role within the state and thus the state's capacity to compete in the

new environment. There is no doubt that the power of the upper castes and of the Congress party has been challenged decisively in U.P. in the post-1990 period; it is understandable that many celebrate this apparent deepening of democracy. At the same time, however, the new political forces – including backward caste parties, lower caste parties and communal parties – have failed to create politics with a public purpose. Economic scarcity accentuates the tendency to view the omnipresent state as a ready route to upward mobility. Since access to the state in the past was monopolized by the upper castes, newly mobilized groups rightly believe that now it is their turn. Unfortunately, it is not easy to satisfy the aspirations of the many by simply opening the access to the state; that would require a growing economy and a much more inclusive socio-economic program supported by the state. Minus that, leaders manipulate mass sentiments, focusing on such token gains for their respective communities as reservations (affirmative action) or such symbolic gains as building statues of community leaders. Without organized parties that might link leaders and followers and without a robust business class to check abuses of power, the political situation encourages demagogues who excel at manipulation of sentiments while personalizing power. Personalistic use of state power further undermines the possibility of constructive use of state power, perpetuating the low level equilibrium in which some of India's neo-patrimonial states, including U.P., are now trapped.

In order to put some flesh on this skeletal argument, it may help to begin the discussion with a quick overview of post-1990 political changes in the state. As a caveat, it is important to keep in mind that not all of the developmental shortcomings of U.P. are a product of the recent governance problems within the state; some of the problems are of earlier origins and the new, winner-take-all national economy definitely handicaps India's poor states. And yet, poor

governance within the state distinguishes U.P. from other, more dynamic states of India. So, it is with recent governance patterns within the state that we must begin.

As noted above, up until the late 1980s, U.P. was mainly a Congress run state and the Congress within U.P. was mainly a party of the upper castes that won state elections with the additional support of lower castes and Muslims. Over time, this ruling pattern came to be challenged by excluded groups, especially the backward castes. This challenge had already emerged in the late 1960s, re-emerged following the emergency, but again failed due to competing leadership ambitions and the inability of backward castes of western and eastern U.P. to work together. As Congress party became weaker nationally during the late 1980s, backward caste parties in U.P., now led less by the Jat leaders from the western half of the state, but more by Yadav leaders from the east, came to the forefront. Thus began a new era in U.P. politics, now without the Congress party of the helm.

With Congress party diminished, three sets of political forces have taken turns governing U.P. over the last two decades: parties with backward caste leaders; the Hindu nationalist party; and most recently, a party with leadership from among the untouchable castes, the *dalits*.²¹ None of these parties have been capable of offering stable government with a focus on long term development of U.P. The focus of the political class has instead been on how to win elections, how to maximize personal or sectional gains when in power, and on the pursuit of a variety of gimmicks that leaders hope will influence electoral sympathies but leave socio-economic ills of U.P. untouched.

Parties that were led by and ruled in the name of backward castes came to power in U.P. during the late 1980s. While this was a national trend, it put down real roots in U.P., where

middle castes had been kept out of political office by the Congress–upper caste combine. First the Janata party and then the Samajwadi Party (SP) led by Mulayam Singh Yadav have since then been in and out of power.²² With its core support in Yadav and a few other backward caste groups, the SP is able to muster some 20-25 percent of the popular vote in U.P., but seldom much more. A constant preoccupation of leaders like Mulayam Singh is thus coalition politics: before coming to power, who to reach electoral arrangements with; and when in power, who should become a minister, or who will support the ruling minority government, or which policy gimmicks might help consolidate support for the next election. Even when there was an overt commitment to “development,” which Mulayam Singh periodically espoused when in power, fending off challenges to power consistently trumped the pursuit of systematic policies. Moreover, the SP is hardly much of a party, bequeathing to any government under Mulayam Singh a sharp neo-patrimonial character: within the (SP), “there is no second line of leadership”; policy decisions emerge from “the whims and fancies of the leader”; and “at the most, the (SP) is being run as a family business (with) many members of Mulayam’s family (exerting) --- considerable influence.”²³

The main challenge to the SP during the 1990s in U.P. was of course the BJP. With the destruction of the mosque in Ayodhya (a city in U.P.), U.P. was in many ways the epicenter of the rise of Hindu nationalism in the early 1990s. And yet, the BJP’s popularity in U.P. declined just as rapidly as it had emerged.²⁴ If the SP sought to build an electoral base on caste mobilization, the BJP sought to unite all caste Hindus by mobilizing anti-Muslim sentiments. This provided only short term dividends. First, the significant Muslim minority of U.P. started supporting the more “secular” SP, creating a powerful opposition force. Second, the BJP attracted the support of upper caste Hindus of U.P. but that was not sufficient to win elections.

The BJP also courted the support of the backward castes by projecting a member of that caste – Kalyan Singh – as the party leader in U.P. While this attracted some support, it also backfired. Kalyan Singh was as personalistic a ruler as most others in U.P., diluting the BJP’s reputation as a well organized party with a public purpose, albeit a fairly communal definition of the relevant public. Moreover, personalistic gains by other backward castes during Kalyan Singh’s rule alienated BJP’s core support among upper castes. The mobilized cadres of the BJP were also disappointed with the party’s “pragmatic” bent when in power. With only minority support, the BJP in U.P. sought coalitional partners with all and sundry, leaving behind a lack luster record of governance.

Finally, among the post-1990 political developments in U.P., one must take account of the Bahujan Samaj Party (BSP) and its enigmatic *dalit* leader Mayawati.²⁵ In and out of power during the period under discussion, Mayawati is very much in control in U.P. as I write these pages in early 2010. Considering that *dalit* women can still rarely uncover or raise their heads in front of upper caste men in U.P. villages, Mayawati’s emergence to power is a singular achievement of Indian democracy. At least as far as politics of dignity is concerned, democracy in India is enabling even the lowly to hold political offices.²⁶ The importance of psychic gains that witnessing “one’s own” in power creates should not be underestimated. And yet, these gains can be short lived if they are not followed up by real broad based socio-economic policies. Unfortunately, on this dimension, Mayawati has much in common with other aspirants to power in U.P.: relentless pursuit of power as an end in itself; personalization of power; and little or no concern for “development” of any type, pro-growth or pro-distribution or some combination.

A few examples from Mayawati’s short period in power will highlight the neo-patrimonial character of her rule; these examples I gathered during fieldwork.²⁷ First, right after

coming to power in mid-2005, Mayawati met Manmohan Singh, India's Prime Minister, who congratulated her and urged her to pay attention to U.P.'s development. Mayawati agreed, even accepting the idea of creating a high level committee to offer advice, but then went her own way, staffing the committee, not with experts, but with those loyal to her. Second, India's foremost industrialist, the Tatas, were apparently interested in investing in a major power project in U.P. and needed a large chunk of land on which electricity generating plants could be established. An appropriate piece of land was identified in the Bundelkhand region. The U.P. government needed to facilitate access to this land. The deal fell through, both because Tatas are reputed to not bribe politicians for such access, but also because Mayawati's brother, who attends all such meetings concerned with land allocation, apparently reasoned that greater "returns" on providing this land were likely elsewhere; the project was eventually 'given' to a business house of U.P. with close personal links with Mayawati, Jaypee. And third, it became clear while visiting rural U.P. that NREGA has not been pursued with any vigor. This was surprising in so far as the main beneficiaries of NREGA are likely to be members of the lowest castes, in the name of whom Mayawati rules. Upon inquiry it emerged that Mayawati was concerned about the electoral impact of NREGA. Given the "national" in the title of the program (subsequently amended to include the name of Mahatma Gandhi), she might have reasoned that the program was more likely to benefit the Congress than her party; hence the near-absence of pressure from the top to implement this significant pro-poor program in U.P.

In the post-1990 period, politics in U.P. has become deeply fragmented. While state elite were never all that developmental in U.P. to begin with, caste-based competition for electoral support has further accentuated the tendency towards power as an end itself. None of the competing parties in U.P. really have a clear development agenda that they pursue while in

power. The results include the worsening of U.P.'s relative economic situation within India. As already noted, economic growth in U.P. has decelerated since about 1990, not only in relation to other faster growing states of India, but also in contrast to its own past performance during the late 1970s and the 1980s. The proximate cause of this deceleration is of course lower level of investments, both private and public, but especially public, because it was higher levels of public investments that had created moderately high rates of growth in an earlier period (Figures 3.6 and 3.7).

How does one best explain the relatively low levels of new investments in U.P. since 1990? While the poor quality of governance within the state has been a key cause, it is also important to underline the ways in which the new national political economy is systematically biased against India's poor states, especially because it has led to a decline in public investments.²⁸ First, as was noted in earlier chapters also, India's agriculture has suffered since 1990, in part due to lower levels of public investments from the national government. For a poor state like U.P., which depends heavily on agriculture, this has meant lower overall growth and a diminished capacity to expand the state's revenue base. Second, as the national government has forsaken the objective of promoting equality across Indian states, a variety of central resources that used to supplement U.P.'s development efforts have declined: between the mid-1980s and the mid-2000s, for example, grants from the central governments to U.P. declined from 15.5 percent of UP's total expenditure to 8.2 percent and loans fell from 19.8 percent to 7 percent.²⁹ Third, in spite of the avowed economic decentralization, there has been considerable centralization of finance in India over the last two decades. Reminiscent of the "structural adjustment" programs imposed by international development institutions on debt-ridden developing countries in the heyday of the "Washington consensus", Indian national government

now imposes conditions on India's poor states, which are often debt-ridden, on how to spend and when to spend. This too has hurt public spending within states as have high interest rates on state-debts that have been triggered by the new "market-oriented" national policies. The cumulative impact is a "significant" deterioration in "the fiscal health" of some of India's poor states, especially U.P.³⁰

Since some Indian states are doing much better than other Indian states in the new Indian political economy, clearly factors within states are also important to understand the relatively poor performance of states like U.P. Poor quality of governance discussed above is one such important factor. Successive governments in U.P. have simply not been focused on development, irrespective of whether one conceives of development in terms of growth, or redistribution, or human development, or building institutions, or infrastructure. The more state politics has become fragmented and personalistic, the less state power is used to pursue the public good; all manner of development suffers. The impact of a lack of a developmental focus is evident in both the patterns of revenue generation and expenditure.

On the revenue side, there is no doubt that reductions in central support are one key culprit in the fiscal constraints now faced by states like U.P. However, it is also the case that the capacity of U.P. government to raise taxes within the state is among the lowest in India.³¹ This is in part a function of the fact that the core economic sector, agriculture, is largely untaxed and the industrial base of the state is not sufficient to provide ample taxes. Most taxes are indirect, such as sales taxes. Taxes are also collected very poorly, with corruption a major problem. A more developmentally oriented leadership could certainly find ways to improve mobilization of resources within the state.

A related issue is that a large portion of public resources are not invested in core development tasks. They are used instead to either pay interest on mounting debt or on a variety of political gimmicks like building statutes and parks. As noted above, “plan expenditure” in U.P. – the portion of public resources of which development resources is a part --has diminished steadily since 1990 (Figure 3.6).³² And finally, the lack of a developmental focus among leaders is clearly manifest in the fact that the U.P. government does not even fully spend the resources it has at its disposal and seldom argues with the central government for more.³³

With the state’s political class focused on everything but the state’s development, a variety of socio-economic problems continue to accumulate: poor quality infrastructure; decay of major public institutions, including universities; deterioration of law and order; and widespread corruption. This is not a context conducive to attract private investment. Over the last three decades, private investment is increasingly the main driver of growth in India. States like U.P. are then being left behind because private investors would just as rather invest in other Indian states with better “initial conditions” and with more developmental political leaders. There is ample evidence to indicate that U.P. lags well behind in attracting private investment.³⁴ The government’s own reports suggest that the key problem is “governance” and that the “dynamism has to percolate from the top.”³⁵

Besides economic growth, the redistributive failures of various U.P. governments are well known. More than two decades back I had attributed the failure in U.P. to implement land reforms and to pursue a variety of pro-poor programs to the role of land-owning castes in the state apparatus, weak political parties, and corrupt lower level bureaucracy.³⁶ As noted above, the social base of ruling parties has changed since then, especially with the rise of the BSP. However, the BSP, in spite of its lower caste base, remains a leader-dominated party, with very

limited downward reach. Without organizational cohesion or penetration, it is unlikely that any of the competing parties in U.P. can implement pro-poor programs. More important, anti-poverty policies are hardly a priority in U.P. Scholars have thus documented with care the “comprehensive failure of social provisions in a wide range of fields, including basic education, land reform, child immunization, public distribution, maternal health, social security, public works, environmental protection (and) anti-poverty programs”, attributing this failure to both an apathetic state and an under-mobilized society.³⁷ The state’s role looms especially large when one focuses on developmental failures to include issues of both growth and distribution and when one compares U.P. to other states in India.

III. Developmental States: Gujarat

If U.P. is one of India’s worst economic performers, Gujarat is among India’s best. I use the example of Gujarat here to underline the emerging developmental role of some of India’s regional governments. With a population of some 55 million in 2006, Gujarat approximates the size of a Britain or a France. While Gujarat’s per capita income is above the Indian average and well above India’s Hindi- heartland states, what is truly notable about Gujarat is its recent rate of economic growth: it has been India’s fastest growing state since 1980, but especially since 1990 (Tables 3.1 and 3.3). Gujarat is also one of India’s most industrialized states, with industrial growth driving the overall growth. Of course, all is not well in Gujarat: agricultural growth is lagging; poverty has not come down as rapidly as one might have expected with Gujarat’s East Asian growth rates; and caste and ethnic violence, especially violence against Muslims, casts a long shadow on any depiction of Gujarat as “shining”. In the analysis below I trace the links between the “good” and the “bad” in Gujarat.

Table 3.3: Some Development Indicators of Gujarat, in a Comparative Perspective*

	<u>Gujarat</u>	<u>Hindi-Heartland States¹</u>	<u>All India</u>
Per Capita Income ² (2006-2007)	27027	10794	22580
Economic Growth ³ (1980-2008)	7.7	5.1	6.2
Economic Growth (1990-2008)	8.8	4.9	6.1
Poverty ⁴	16.7	37.3	28.3
Literacy ⁵	25.2	40.9	31.7
Human Development	0.61	0.49	0.58

*Source: Same as Table 3.1

¹The three Hindi-Heartland states averaged here are Bihar, U.P., and Madhya Pradesh.

² In million rupees.

³ Annual average in percent.

⁴ Headcount ratios in percent; official definition of poverty.

⁵ Percent of population above the age of five with no schooling.

I argue below that Gujarat's rapid economic growth is propelled by a close working alliance between the region's political and economic elite. A robust private sector emerged early in Gujarat. While governmental stability has been rare, for the most part, upper castes and classes have controlled levers of power. As this power has been used to support business and commercial interests, the private sector has flourished. Given a narrow ruling alliance, however, consolidating electoral majorities has proved a formidable challenge. A variety of strategies have been used to mobilize electoral majorities, including ethnic and religious violence. For now, the BJP has used Hindu nationalism as a strategy to win elections and to provide a pro-business, pro-growth government in Gujarat. The durability of an electoral alliance based on religious nationalism remains to be tested.

Background: Following the principle of linguistic states, Gujarat became a state of Gujarati speakers in 1960. The broader western region of India, including Gujarat, was part of the Bombay Presidency during the colonial period. As the name suggests, of the three major Presidencies of India – Bengal, Madras and Bombay – the latter centered on the commercial port city of Bombay. Consolidated in the late nineteenth century, following the defeat of the indigenous Maratha rulers, colonial rule in the Bombay Presidency provided a framework for some commercial and industrial development. Not only the premiere city of Bombay, which is now part of the state of Maharashtra, but also the “corridor” from Bombay to Ahmadabad – now the major city of Gujarat – experienced economic development, including industrialization. Unlike the Bengal Presidency, where British commercial and industrial interests were dominant, for a variety of historical reasons indigenous capital took root in western India, including in the important textile industry in Ahmadabad.³⁸ In contrast to U.P. also, the present state of Gujarat

was historically more industrialized at the time of independence, though given the industrial hub of Kanpur in U.P., the contrast should not be exaggerated.

The nature of the land system in the Bombay Presidency should also be outlined, especially because of its long-term political and economic consequences. Unlike the Bengal Presidency, as well as parts of old U.P., the British did not rule Bombay by “settling” *zamindars* as mega-landlords, revenue collectors and local chieftains. Bombay was ruled more directly instead, and the modal land tenure system was centered around peasant property, or what in Indian history was popularly known as the *ryotwari* system, *ryot* being a peasant who owns the land he cultivates. While there were plenty large landlords in the Bombay Presidency, including Princely states here and there, peasant owners dominated the land tenure system. Many of the larger landholdings were also broken into smaller holdings in the post-independence period, creating a large stratum of peasants who owned small to medium sized pieces of land, generally below 50 acres.³⁹ As discussed further below, many of these middle and upper-middle landowners in Gujarat belonged to the caste of Patidars. The Patidars, many of whom share the last name of Patel, have in turn been a dominant force in Gujarati society and politics, especially in the countryside.⁴⁰

Brahmans and Banias are among the important upper castes of Gujarat; they tend to be concentrated in the cities.⁴¹ During the late colonial and early post-independence years, Brahmans and Banias played prominent political and economic roles. Commerce and industry was dominated by Banias. Many of the first generation nationalist leaders in the region and the state’s earlier chief ministers --such as Morarji Desai (Brahman), Jivraj Mehta (Bania), Balwantrai Mehta (Bania) and Hitendra Desai (Brahman) -- belonged to these groups. The dominant community in the rural areas was the Patidars. They constitute some 12 percent of the

state's population and tend to be concentrated in the central parts of mainland Gujarat; most of them tend to be medium (5-15 acre) and large (16-50 acre) landowners and agriculturalists. The Patidars were mobilized into nationalist politics by Sardar Vallabhbhai Patel, who rose to be independent India's two most important Congress leaders, second only to Nehru. That gave the Gujarati Patels a powerful role in the politics of the region. In alliance with Banias and Brahmans, the Patidars have remained a major political force in Gujarati politics.

The Kshatriyas are the main backward caste of the region. They comprise nearly a quarter of the state's population. Under the leadership of upper caste Rajputs, many of whom were princely rulers allied with the British, the Kshatriyas were mobilized into the region's politics with the approach of independence, when it became clear that numbers would influence who rules.⁴² The Kshatriyas, however, are a disparate group; their political unity has waxed and waned, as has their influence. Below the Kshatriyas in the caste hierarchy are of course the scheduled castes and tribes. What is notable is that the tribal population of Gujarat is quite significant in terms of numbers. Concentrated in the eastern part of the state, often poor and illiterate, they constitute nearly 15 percent of the state's population. Scheduled castes of Gujarat, however, are somewhat more "advanced" than in the rest of India, in part due to pockets of progressive educational policies in the past, but mainly due to the role of Mahatma Gandhi, who after all was a native of Gujarat. And finally, Muslims constitute another 8 to 9 percent of the state's population. As a region bordering Pakistan, Gujarat's Muslims occupy an uneasy political position in the state, often viewed with suspicion for holding dual loyalties, and especially vulnerable in recent decades with the rise of the Hindu nationalists.

Before Gujarat became a state in 1960, the region's economy had already developed pockets of dynamism. Most prominently, there was the Bania-controlled textile industry around

the city of Ahmadabad. Many Patidar landowners were also commercially inclined; such cash crops as ground nuts were prominent, as was dairy production and dairy cooperatives. While in per capita terms Gujarat's position in India was nothing exceptional around independence, the significance of pockets of economic dynamism lay deeper. Most importantly, even before it came into being as a state, a nascent commercial– capitalist class was emerging. Some of these were Bania industrialists and some were Patidar economic elite with roots in agriculture. As important, the region's political elite also belonged to the same communities – notice Mahatma Gandhi and Sardar Patel, a Bania and a Patidar respectively – - and when they did not, such as some Brahmin leaders like Morarji Desai, they learned to work closely with the economic elite. From early on, therefore, Gujarat's politics was “commercial in style and technique”.⁴³

The Era of Congress Dominance: As in the rest of India, the Congress party was and remains a major political force in Gujarat. A variety of Congress governments ruled Gujarat for more than three decades between 1960 and the early 1990's, when finally the BJP emerged as the new ruling party. The era of Congress dominance was of course not seamless; for example, the Congress of 1960s in Gujarat was very different than the Congress of the 1980s. In spite of significant political shifts – discussed below – it is the case that repeated governments in Gujarat have been pro-production, especially pro-industry. The results have included economic growth rates in the state that have tended to be above the Indian average. More dramatically, industrial growth in Gujarat has been well above the all-India rates; if in 1960, Gujarat was the eighth most industrialized state of India, by 1980, it was already the second most industrialized state, second only to neighboring Maharashtra.⁴⁴

The Congress party in Gujarat during the 1960s was under the sway of the regional leader Morarji Desai, who in turn represented the more conservative wing of the all India Congress

party. As already noted, Gujarat politics in this early period was dominated by upper castes. The upper-caste led Congress party provided good, albeit a highly elitist, government in Gujarat. For example, Myron Weiner described local Congress units within Gujarat during the 1960's as "well organized", staffed by "dedicated party workers", with "little internal dissension", and exhibiting a "tone of reliability and modernity."⁴⁵ Pravin Sheth also described Gujarat Congress party as providing "good government performance", with the help of a "strong party organization", with very little factionalism" under the leadership of Morarji Desai.⁴⁶ In terms of policy preferences, Congress leaders are very much "right of the center".⁴⁷ The fact that Congress leaders championed business and commercial interests is understandable in light of the fact that the regional economy was already relatively advanced by Indian standards, that economic elite of the region were politically active, and the political and economic elite shared ascriptive bonds of caste origins.

The early leadership of Congress in Gujarat was mainly in the hands of Bania and Brahmin elites. The Patidars increasingly came to control local governments, cooperatives and eventually even higher elected offices. The backward castes of the region were beginning to assert their political presence under the Kshatriya leadership but this challenge only materialized during the 1970s and succeeded only in the 1980s. A variety of lower castes remained marginal at this early stage. Unlike in many other Indian states, the upper caste leaders of Gujarat prioritized industrial development, including private-sector led industrial development: "Development strategy in Gujarat has been very clear and unambiguous ever since its inception in 1960 in according a high priority to industrialization....the state has made a clear choice of encouraging the secondary sector over the primary and territory sectors."⁴⁸ A number of factors help us understand the pro-industrial leanings of Gujarat's political leaders. First, the political

elite were already socialized into serving economic interests. Second, anti-industrial interests were relatively weak in the region: there was no tradition of a *zamindari* system and the well-off Patidar landowners were happy at this early stage to control local economic bodies like dairy cooperatives and patronage resources via the control of local governments. Finally, and most importantly, “right from the beginning the industrial lobby was an important influence in shaping government actions and policies” in Gujarat.⁴⁹ In sum, unlike in many other Indian states, politics in Gujarat from the beginning was less an end itself. Industrial capitalism had already established a toehold and right-leaning political elite chose to work with the industrialists and businessmen. Over time, this alliance of the political and economic elite gave Gujarat considerable advantage in terms of attracting private investment and facilitating growth.

State government prioritized the building of infrastructure from the very outset.⁵⁰ These efforts were concentrated in the Bombay-Ahmadabad corridor, where privately controlled industry already existed; these efforts underlined public commitment to further support private sector-led industrial development. More direct support for industrial development came in the form of a number of public organizations created to encourage industrial development and in the form of publically subsidized construction of industrial estates. A variety of price and tax supports were also provided for private industrialists, especially to textile industry. The pro-business environment attracted private investments. Given an industrial base to tax, public revenues and public investments were also relatively buoyant. In the words of an analyst, “all put together, per capita investible resources of Gujarat may be perhaps highest in the country”.⁵¹ And finally, Labor in Gujarat was relatively productive, at least in part due to the Gandhian legacy of relatively peaceful industrial relations.⁵²

Overall economic growth in Gujarat during the 1960s was rapid but not much higher than the Indian average. What was distinctive about Gujarat was rapid industrial growth. Agriculture growth was supported by public investments in irrigation, but was mainly extensive.⁵³ Industry took the lead and was further helped by discovery of oil during the late 1960s. State government again helped support diversification of industry during the 1970s. In addition to textiles, a variety of petro-chemical industries now developed, along with engineering goods and a cement industry. Overall economic growth rate of Gujarat during the 1970s was a full point above the Indian average, fueled mainly by state-supported industrial development. Between 1960 and 1980, the share of the primary sector in the state's gross product declined from some 42 to 21 percent.⁵⁴ Unfortunately, industrial growth remained highly concentrated in the Bombay-Ahmadabad corridor, accelerating intra-state inequalities. This pattern of development also reflected governmental priorities, focused more on growth than on distributional issues. During the 1960s poverty actually increased in the state, though it started coming down slowly during the 1970s.⁵⁵

It is important to underline that the communal situation in Gujarat was already troubled during the 1960s. Hindu refugees from Pakistan settled in Gujarat, providing support to the Jan Sangh, the predecessor of the BJP. As a state bordering Pakistan, the Muslims in the state were often viewed with suspicion. Wars with Pakistan provided occasions for violence against Muslims. While the overall communal passions were a lot less heated than they have been in the recent decades, one analyst records some 3000 incidents of communal strife during the 1960s.⁵⁶ And well before Godhra, there was a major communal riot in 1969 that killed some 1500 Muslims.

The 1969 split in the national Congress party was especially consequential for politics in Gujarat. The split pitched the supporters of Morarji Desai – generally the upper castes – against an emerging coalition of middle and lower strata that coalesced around Indira Gandhi.⁵⁷ The Nav Nirman movement of 1974 was a manifestation of this challenge to Indira Gandhi's power by elements of the old Congress; this movement in turn contributed to the national Emergency proclaimed in 1975. Unlike in the case of U.P. discussed above, Indira Gandhi's Congress party in Gujarat increasingly became a party of middle and lower castes and Muslims. Known as the KHAM alliance – an alliance of Kshatriyas, Harijans (scheduled castes), Adivasis (tribals) and Muslims - - India's Congress party in Gujarat excluded and alienated members of the hitherto ruling upper castes, especially Patidars. Since the upper castes controlled economic resources, high status and skills, the political struggle in Gujarat during the 1980s took on the quality of elites versus masses, with representatives of middle and lower groups controlling state offices and socio-economic elites repeatedly challenging this control.

Madhavsinh Solanki was Indira Gandhi's hand-picked choice to lead the KHAM coalition in Gujarat. As Solanki tried to consolidate this alliance by offering reserved access to state-controlled positions to alliance members, the Patidars reacted with vengeance, initiating major riots in 1981 and then again in 1985. Several characteristics and implications of this growing political conflict are worth underlining. First, Solanki was no radical. While offering access to government controlled positions to his supporters, he very much sought to appease the regional economic elite by offering them systematic support for production and growth.⁵⁸ If upper castes were not satisfied, it was because they were not used to sharing state power. Second, the riots, often instigated by Patidar youth, targeted vulnerable sections of the population - - first, the scheduled castes, and subsequently, Muslims - - so as to delegitimize Solanki's hold

on power. And third, alienated members of the upper castes increasingly looked for a political alternative to Indira's Congress. This search began with support for Morarji Desai's faction of the Congress party, moved to the Janata party, and eventually settled during the 1990s with Patidars embracing the BJP.

Gujarat's economy grew handsomely during the 1970s, well ahead of the sluggish rate of growth of the Indian economy. Large scale industry was the leading sector, facilitated in part by discovery of oil - - hence the growth of fertilizer and other petro-chemical industries - - but also by continuing pro-business tilt of the state government discussed above.⁵⁹ In spite of growing challenges to the power of upper castes, state apparatus still remained under their control. The green revolution in agriculture also helped the growth process. The impact of new agrarian technologies was somewhat limited, however, because nearly half of cropped area in Gujarat was already under commercial crops, where the discovery of new technologies was uneven. Gujarat also has a very high incidence of landlessness, limiting the income sharing impact of agriculture growth. Since much of industrial growth was also capital intensive, creating minimal employment growth, the impact of growth on poverty alleviation was unfortunately minimal.

Economic growth in Gujarat during the 1980s fell behind the all India average. Several factors help us understand why this might have been so.⁶⁰ First and foremost, the growing political turmoil in the state finally began corroding what had become a growth-oriented, pro-business polity. While this shift was not dramatic, public resources were increasingly used to manage coalitional support, detracting from public investments. Political turmoil also hurt private investments. Additional factors contributing to slower growth included a decline in agricultural growth, where the green revolution innovations were used up and public sector contributed little to new initiatives. Some liberalization of the national economy also hurt

Gujarat's textile industry. None of this, however, should be exaggerated. Large scale industry in Gujarat continued to diversify away from textiles, moving into a variety of new areas. Gujarat's extensive overseas Diaspora also increasingly played a positive role in the state's economy, contributing to the growth process.

A Gujarati Developmental State: Since about 1990 politics and economics in Gujarat have undergone important changes. The dominance of the Congress party started declining in the second half of the 1980s. The upper-castes reemerged at the helm, this time in partnership with the BJP, the state's new ruling party. The BJP successfully mobilized Gujarati Hindus as an electoral force by utilizing a variety of strategies, including sharpening the Hindu-Muslim divide. The BJP leaders in turn have used state power to actively promote economic growth; they have explicitly sought to emulate the success of East Asian political economies. A variety of state interventions have been used to attract and support private investors, both domestic and foreign. Results have included rapid economic growth and decline in poverty. Unfortunately, as in the case of other developmental states, a variety of less desirable trends have also emerged: centralization of power; victimization of Muslims; and growing intra-state inequalities.

The upper-castes of Gujarat, especially the Patidars, have been in search of a political alternative to the Congress since the 1980s. After various false starts, the BJP and the Gujarati *savarnas* embraced each other during the 1990s. The BJP has, of course, spearheaded a mobilization of Hindus across India since the late 1980s. This mobilization strategy found special resonance in Gujarat, both because upper caste Hindus found themselves excluded from perks of power in this state, and because of religious attachments and divisions that are part of the Gujarati social fabric. Patidars, Baniyas, and Brahmins, however, hardly constitute a numerical majority to facilitate electoral victories. The BJP thus succeeded electorally because it

was able to engineer mood-swings within the state, especially by a militant mobilization of Hindus against Muslims. Since such mood-swings do not last, the BJP in power has sought control of lower level governing structures and used public resources as patronage to consolidate the support of lower strata, especially of the tribal population .⁶¹ There is evidence to suggest that such “political normality” tends to hurt the electoral fortunes of the BJP. Scholars have thus reasoned that the killing of some 2000 Muslims following the Godhra incident in 2002 was part of the BJP’s broader strategy to periodically rekindle communal passions, aimed at electoral gain.⁶²

Gujarat’s Chief Ministers since 1995 have tended to combine pro-Hindu and pro-industry inclinations. For example, both Dilip Parikh and Suresh Mehta were industrialists and members of the RSS. The most recent, infamous Narendra Modi was also a member of the RSS.⁶³ For now, Modi has come to embody both the anti-Muslim and the pro-growth nature of the Gujarati state. Modi has been characterized as a militant Hindu leader who is autocratic, technocratic and a champion of growth and industry.⁶⁴ His leadership attracts strong reactions: while a variety of human rights groups would have him prosecuted for a state-sponsored pogrom, India’s leading industrialists, such as the Ambanis, have pushed him as Prime Ministerial material for India.

For the purpose of a political economy analysis, it is important not to focus too exclusively on either specific parties or individuals as motors of change. While both the BJP and Modi are important political actors in contemporary Gujarat, the forces moving the regional political economy are also deeper. Since 1990 or so, Gujarat’s economy has grown very rapidly, led by growth in manufacturing. In order to understand this outcome, one needs to focus on patterns of collaboration between the political and economic elite, between the state and capital. Gujarati state has increasingly acted as a developmental state, actively promoting production by

supporting private investors. Chances are that, even if Congress party displaces the BJP as a ruling party in the near future, the role of Gujarati state as an activist promoter of business interests and economic growth is likely to continue.

Political leaders of Gujarat prioritized industrialization ever since Gujarat came into being as a state in 1960. These priorities reflected mainly the underlying economic interests that the political elite represented but also the values of the leadership, especially the regional influence of Morarji Desai, who led the more conservative wing of the Congress party. State leaders in turn created a variety of organizations to promote industry and economic growth. These included the Gujarat Industrial Development Corporation (GIPC), Gujarat Industrial Investment Corporation (GIIC), Gujarat State Finance Corporation (GSFC), and Industrial Extension Bureau (Indextb). Between 1900 and 1990, a variety of governments in Gujarat used these organizations, along with more direct policy interventions, to provide finance, power, transportation and “all the required support to industries, and generally highly positive and supportive attitude ----- (towards) ----- new industries.”⁶⁵ In other words, the infrastructure of a developmental state already existed in Gujarat prior to major economic policy shifts in India in 1991.

Following economic decentralization in India in the 1990s, that devolved policy initiative to state governments, the ruling elite in Gujarat have aggressively promoted industrial development. The basic pattern has been mainly an intensification of past patterns of collaboration among rulers and private industrialists. The state government has used a variety of strategies to court and attract private investors. First, an “Agenda for Reform”, a policy statement that committed the state government to promote private sector-led industrial growth, was created by the State Finance Commission in 1992 and was accepted by all the political

parties; such political consensus has helped investor confidence in Gujarat.⁶⁶ During 1995, state government again reasserted its pro-business commitment by adopting an industrial policy statement entitled, “The Best Now Becomes Even Better.”⁶⁷ Yet another Industrial Policy Statement in 2000 stressed further diversification of the industrial base, including the promotion of knowledge based industries, especially by creating Special Economic Zones (SEZs).

Broad policy statements have been taken seriously by private investors because they are backed by real resources. While Gujarat’s public finances have been under stress - - as have those of most other Indian states - - Gujarat’s own tax efforts are more successful than those of most Indian states and Gujarat also subsidizes economic activities at a rate higher than most Indian states. A substantial portion of these subsidies support industrial promotion.⁶⁸ The share of public expenditures that is devoted to developmental activities in Gujarat also tends to be higher than of most other Indian states: for example, during the 1990’s, Gujarat devoted 72 percent of its total public expenditure to development, whereas the figure for U.P. was 44 percent, for West Bengal 64 percent and for Tamil Nadu 70 percent.⁶⁹

Over the last two decades governments in Gujarat have channeled these developmental resources via a variety of specific policy interventions. Most aim to translate broad policy objectives into real outcomes. The first thing to note about these specific policy interventions is that they are highly discretionary. In spite of the rhetoric of “liberalization”, government policies have sought to pick and promote “winners”. State government categorizes units it wishes to support into such categories as “thrust industries”, “premier units,” or “prestigious units”.⁷⁰ These units tend to be large, often export oriented and in industries that the government wishes to promote, such as electronics, biotechnology, and engineering products. Industrial diversification, away from the declining textile industry and the well established petrochemical

industries, and towards more knowledge-based industries, has also been a government's explicit goal.

Investors in Gujarat receive a variety of concessions, incentives and governmental support, especially if investment will promote preferred industries. Concessions are provided in such areas as “turnover tax, sales tax on a whole range of goods such as raw materials, consumable goods, byproducts, scrap and waste materials”. Incentives include, “transport subsidy and capital investment subsidy on a large number of products”. On top of all this, preferred industries are eligible for further “special incentives”.⁷¹ Gujarat government has also minimized bureaucratic obstacles in the process of “approval and clearance” for private investors, especially for members of the extensive Gujarati “non-resident investors” wishing to invest in Gujarat.

Significant support for industry in Gujarat also comes in the form of governmental focus on building the state's infrastructure.⁷² Over the last decade or so, state government has incorporated representatives of the Gujarat Chamber of Commerce and Industries on such boards that are of interest to businessmen as the Electricity Board, Infrastructure Development Board and the Environment Management Institute. The political and economic elite have then pushed a variety of public-private partnerships for the development of infrastructure. Power sector reforms in the mid-1990, for example, have led to the involvement of the private sector in power generation, which in turn has grown rapidly. For construction of roads and ports, the government has pursued a Build-Operate-Transfer policy in which the public sector takes the lead but the eventual management ends up in private hands. High priority industries receive “comprehensive” infrastructural support. The cozy relationship of state and capital has also led

to changes in land policy that enable transfer of hitherto agricultural or public lands for establishing infrastructure and/or new, private industries.

The pro-business pattern of state intervention in Gujarat has succeeded in attracting private investors to Gujarat in a big way. Following Maharashtra, Gujarat in the post-1991 period has probably received the most private investment in comparison to other Indian states. Much of this investment has been indigenous, though some of it is foreign investment, especially from the Gujarati Diaspora. Most of this investment is going into large and medium sized manufacturing industries, giving Gujarat the flavor of India's workshop. As noted above, both manufacturing growth and the overall economic growth of Gujarat has been very rapid in the post-1991 period.

Several concluding observations about Gujarat's high growth model of development ought to be noted. First, there is very little in Gujarat's political economy that can be rightly characterized as "liberal" or "free market". Gujarat's model of development is instead very much pushed forward by deliberate state interventions that resemble interventions by developmental states of East Asia.⁷³ Second, high rates of growth in Gujarat have facilitated poverty reduction; income poverty has come down significantly, though considerably less than what might have been expected with such high rates of growth (see Figures 3.4, 3.5 and Table 3.1 above). The state's Human Development Index also lags well behind its growth performance.⁷⁴ These distributional outcomes also underline some of the less-than-positive attributes of Gujarat's pattern of development: employment generation lags way behind growth in production because of the capital-intensive nature of manufacturing; and agriculture growth has suffered as a result of public resources being channeled to support private industry.⁷⁵ And finally, of course, there is the issue of the exclusionary politics on which rests the operation of a

narrow ruling alliance. While it would be too strong and probably analytically untenable to claim that the politics of *Hindutva* and the political economy of state-led, pro-business economic growth are necessary to sustain each other, the association of the two in Gujarat is also more than a mere coincidence. A narrow ruling coalition throws up the challenge of how to mobilize electoral majorities; mobilizing the religious majority population is clearly then one viable option, at least over the short to medium term.

IV. Social Democratic States: West Bengal

India does not have any real social democratic states. It is important to reiterate that the typology I have imposed on Indian states is meant mainly to underline and accentuate some salient tendencies that characterize the political economies of these states. A fairly obvious point that is also worth keeping in mind is that all Indian states share some core Indian characteristics: they are all part of a poor, federal democracy in which majorities of citizens live off agriculture in caste-dominated villages, but in which a capitalist urban economy has also begun to take great strides. If the concept of neo-patrimonialism evokes states in sub-Saharan Africa, India does not have any real neo-patrimonialism states either. The political economies of U.P. and Bihar only have some tendencies that make them resemble, say, a Nigeria. Similarly, if the term development state brings to mind a Japan or a South Korea, a state like Gujarat in India is only trying to emulate some of their patterns. Social democracy is similarly associated with Scandinavian countries, known for sharing wealth and power. Some of India's left-leaning states, especially Kerala and West Bengal, have also attempted deliberate redistribution. Since Kerala has already been well studied,⁷⁶ and I have prior knowledge of West Bengal,⁷⁷ I use the example of West Bengal below to highlight the social democratic impulse in some Indian states.

The case of West Bengal attracts controversy. This is in part because the balance sheet of achievements and shortcomings in West Bengal's development record is decidedly mixed, but also because, for more than three decades, West Bengal has been governed by a single party, the CPM. The analysis of West Bengal's political economy then poses a challenge because any implicit assessment readily becomes an assessment of the "left" in power, evoking as much passion as an assessment of the "right" in power, say, in Gujarat. Some facts of the case however, are clear and should be noted at the outset. (Table 3.4) In Terms of per capita income, poverty and human development, West Bengal is an "average" Indian state. After three decades of left-rule, the high levels of poverty and low levels of human development in the state are a real blight on the left's record as rulers. This record even raises the scholarly issue for my analysis of why characterize the case of West Bengal as "social democratic"?

The real achievements of the left in power in West Bengal are the over-time changes in the regional political economy. First, the CPM-led coalition came to power in West Bengal in the late 1970s when the political situation in the state was highly turbulent, with short-lived governments and considerable political violence in society; over the last three decades, by contrast, the left has provided relatively stable, public-spirited government. Second, the CPM in power has spearheaded significant land reforms and the establishment of effective local governments that broke the back of landed power in rural society, contributing to a more even distribution of power. Third, West Bengal's economy has grown handsomely since about 1980 (Table 3.4), first propelled by robust agricultural growth during the 1980s and then by industry in more recent years. Finally, and most important for the standpoint of a "social democratic" case, poverty has declined rapidly in West Bengal over the last three decades (Table 3.4). As was

Table 3.4: Some Development Indicators of West Bengal, in a Comparative Perspective*

	<u>West Bengal</u>	<u>Hindi-Heartland States</u>	<u>South India⁶</u>	<u>All India</u>
Per-Capita Income (2006-2007) ⁷	21753	10794	26038	22580
Economic Growth ⁸ (1980-2008)	6.5	5.1	6.3	6.2
Economic Growth (1990-2008)	7.2	4.9	6.8	6.1
Poverty ⁹	25.7	37.3	21.2	28.3
Decline in Poverty (1983-2005)	1.3	0.7	0.9	0.8
Illiteracy ¹⁰ (2004-2005)	36.0	40.9	29.4	41.5
Human Development Index	0.59	0.49	0.63	0.58

*Sources: Same as in Table 3.1

⁶ The Hindi-Heartland states averaged here are Bihar, U.P., and Madhya Pradesh; the South Indian states are Andhra Pradesh, Karnataka, Kerala, and Tamil Nadu.

⁷ In million Rupees.

⁸ Annual average in percent.

⁹ Headcount ratios in percent, official definition of poverty.

¹⁰ Percent of population above the age of five with no schooling.

clear above in Figure 3.5 (also see Figure 3.4), starting from a very high point, poverty came down at a rate of 1.3 percent per annum in West Bengal; as a matter of fact; the rate of decline has been the most rapid among Indian states. I will suggest below that this decline in poverty is a result of deliberate redistribution and robust economic growth within the context of good governance.

Of course, all is not well in West Bengal; there are no Indian states where “all is well”. The continuing high levels of poverty in the state are in part a result of inheritance but also reflect limitations of CPMs rule. One can view with some sympathy the tensions that are arising in West Bengal as an elected left-government attempts to attract private investors to facilitate industrial growth. More glaring failures of CPM rule – which are difficult to understand and for which it is hard to muster any sympathy -- are evident in limited gains in primary education, health and, most recently, in a failure to pursue with any vigor the pro-poor national program, NREGA. And finally, the mixed record has begun to cost the CPM and its allies electoral support. The long era of a democratically elected, communist party in power in an Indian region may well come to an end in the near future; new problems require new solutions and the CPM may have become too rigid and complacent to adapt.

Background: The present state of West Bengal is about one seventh the size of what used to be the Bengal Presidency during the colonial period. The rest of the old Presidency was carved into other Indian states of Orissa, Bihar and into the neighboring sovereign state of Bangladesh. The core of the old Presidency, however, including Calcutta, the first capital city of British India, as well as some of the British controlled jute and tea industries, remained part of

West Bengal. It is important to recall that Bengal came under British control rather early. Needing revenues, the British created private property in land by transforming *de facto* control over land by indigenous *zamindars* into *de jure* rights and, in return, demanded a share of land wealth. This *zamindari* settlement was deeply consequential for the nature of the regional political economy.⁷⁸

The land settlement transformed upper caste revenue collectors into mega landowners. Absent any real roots in land, these *zamindars* often became absentee landlords – living in Calcutta or other smaller cities – who cultivated the arts, culture and lives of leisure. The real control over land rested in the hands of village level landlords, the *jotedars*, who often belonged to intermediate castes. Some of the *jotedars* used hired or bonded lower caste labor to cultivate lands, but many leased the land to a variety of tenants and sharecroppers. The fertile land of the region created enough wealth to support a growing population of poor peasants and layers of land interests above the peasants, culminating with the *zamindars*, who in turn shared this wealth with the colonial state.

Some of the important characteristics of the regional political economy can be traced back to this agrarian system. First, *zamindars* were not always able to meet their revenue obligations to the British and lost their lands. These *zamindaris* were, in turn, sold to new indigenous owners, attracting and absorbing local savings that might, under different circumstances, have promoted indigenous commerce and industry. Second, layers of interest in land reduced incentives of one and all to improve agrarian productivity. Those investing in *zamindaris* helped to recover their investments mainly by squeezing those below them. Third, the British introduced modern education to the region rather early. Many an offspring of the upper caste Bengalis, often with roots in land wealth, took advantage of these new opportunities.

This led to the emergence of a class of educated Bengali elite, the *bhadralok* (gentlemen elite).⁷⁹ Members of this intelligentsia also shied away from economic enterprise; they took instead to white collar jobs, especially the colonial civil service, and eventually to nationalist politics, including radical politics. And finally, absentee landlordism and exploitative production conditions created a restive peasantry, with peasant rebellions relatively common in this part of India.

Certain social structural traits of the region further reinforced the regional tendencies towards limited economic dynamism among the indigenous elite and restive politics. A large segment of the Muslim population of the region eventually ended up in Bangladesh. Some 25 percent of the current population of West Bengal is Muslim. Another quarter belongs to the scheduled castes and some five percent are categorized as scheduled tribes. Muslims, SCs and STs thus constitute more than half of West Bengal's population; they are also the lower strata of the region, generally poor and illiterate. Caste Hindus of the region – less than half of West Bengal's population -- were divided into a small Brahmin and Kayastha elite at the top and a variety of "clean" and "unclean" Shudras below them. What is worth underlining is that Kshatriyas (the traditional warrior castes) and the Vaishyas (the traditional merchant and trading castes) were generally missing in Hindu Bengal, inclining Bengali elite to matters cerebral. Over centuries, many members of lower castes in the region embraced Islam, weakening Brahmanic hegemony. A variety of religious reform movements also contributed to the erosion of a strict caste society of the type to be found in the Hindu-heartland of India. As many Brahmins and other upper castes became absentee landlords during the colonial period, they left the village society for other to mobilize, an opening exploited by a variety of peasant movements. The indigenous elite thus avoided commerce and enterprise, embracing arts and politics instead,

while the lower strata were not readily hegemonized and became available for alternate political commitments.⁸⁰

As a fertile region that was also the seat of the colonial state, Bengal offered important economic opportunities. Most of these were availed, however, not by Bengali elite. The British state favored their own, leading to growing British role in jute and tea industries, the key export-oriented industries of the region.⁸¹ Commerce and industry attracted Indians from other regions, especially Marwaris from western India, who filled the spaces that Bengalis failed to occupy. Economic development in the region also attracted migrant workers from other Indian regions, giving cities like Calcutta a cosmopolitan flavor. At the time of independence then, West Bengal was one of India's most industrialized states. Nevertheless, the regional economy was relatively vulnerable.⁸² First, industry and commerce were controlled by non-Bengalis and heavily integrated with eastern Bengal for imports and markets; both decolonization and partition thus wreaked havoc on West Bengal. Second, much of industry was concentrated in and around Calcutta; the rest of West Bengal was as poor and illiterate as the neighboring Bihar and Orissa. And finally, the agricultural economy of the region was hampered by a variety of institutional constraints, especially the pattern of land ownership.

Prior to independence, notable political developments of the region included early nationalist political mobilization, the failure of the Congress to put down any deep roots, and the emergence of radical politics. From the late 19th century onwards educated Bengali elite spearheaded demands for political and social change. Some of these were simply aimed at broader access to the colonial state. Others were focused on reforming the Hindu caste society. And yet others began to question the legitimacy of British presence in India. The classic "divide

and rule” colonial strategy led to an attempted partition of Bengal into western and eastern portions – majority Hindu versus Majority Muslim population -- further mobilizing the Bengali political class in the early twentieth century.⁸³ Political leaders were also divided over appropriate tactics against the British, reformist or militant. Many among the latter were eventually attracted to communism, leading to early support for a communist party in West Bengal.

The Indian national Congress never put down deep roots in Bengal. Of course, following independence, the Congress came to power all over India, including in West Bengal. However, the support base in the region was shallow. The political elite felt that they were more “advanced” politically than Gandhi and his followers, lending them, at best, lukewarm support. The lower strata were already relatively mobilized; they offered their support to a left-of-center Muslim party that promised land reforms. Unlike many other parts of India, but similar to some such southern regions as Madras (eventually the state of Tamil Nadu), the upper castes of West Bengal never established a hegemonic alliance with the lowest strata, an alliance that formed the backbone of Congress support in the Hindi heartland. The Congress also never established a provincial government in West Bengal prior to independence.

With relatively early industrialization and urbanization, labor emerged as a political factor. Indigenous communist leaders often succeeded in spearheading such efforts. With industry controlled by the British and the Marwaris, communist-led unions combined class appeals with nationalist and ethnic themes: Bengalis versus the rest. Peasant mobilization, by contrast, was seldom led by communists during this early phase. Under the influence of Moscow, Indian communists focused their energies on mobilization of the “proletariat”, or

industrial workers. Peasants were instead mobilized by a variety of peasant organizations, some affiliated to political parties (especially the Krishak Praja party that formed the regional government in the late 1930s) and others more autonomous. Eventually, many of these peasant organizations joined the communists in the post-independence period.

In sum, West Bengal experienced early industrialization but much of it was led by non-Bengalis: the British and Indian entrepreneurs from western India. Indigenous elite had roots in land wealth. Many of them embraced British-provided higher education and joined the civil service, the professionals and politics, even radical politics. Working classes of the region joined communist-led unions and peasant organization succeeded in mobilizing peasants, especially tenants. In such a context the Congress party never put down deep roots.

The Era of Congress Rule: After independence, Congress party was India's single most popular party. The nationalist legitimacy helped it maintain power nearly all over India, including in West Bengal, but only up until the 1960s. A single Bengali leader, B.C. Roy, with close ties to Nehru, ruled West Bengal from 1948 to 1962. After the 1967 elections, a variety of left parties challenged Congress rule, initiating a decade of political instability that only ended with the emergence of the CPM as the ruling party in 1977. West Bengal's economy during this period fell behind other faster growing regions of India. While public sector investments helped the regional economy during the 1950s, private sector remained sluggish in industry. Agriculture growth was also dismal, constrained both by the land system and poor irrigation facilities.

While Congress rule in West Bengal resembled Congress rule elsewhere in India, the similarities were superficial. Unlike Maharashtra or Gujarat, politics in West Bengal never became pro-business. Also, unlike U.P. and other Hindi-heartland states, the Brahmin-led chains

of patronage never quite took root in West Bengal. Moreover, statewide caste movements, such as the backward class movement, did not materialize in West Bengal. All this requires comment. Early industrialization and the significant presence of industrial capital in Calcutta, as in Bombay and Ahmadabad, could have pushed the state's politics in a pro-business direction during the 1950s and the 1960s, but did not. This was mainly a function of the fact that industry in West Bengal was controlled by non-Bengalis. While some Congress leaders were happy to pursue pro-business policies, the significant presence of Marwaris in business played into the hands of the left intelligentsia of Bengal, who combined appeals of regional nationalism with class politics to mobilize against non-Bengali capitalists.⁸⁴ The fact that regional capitalists were far from unified also did not help their political case; for example, during the early 1960s, there were six different chambers of commerce, one for Marwaris, one for Muslims, another for businessmen with lineage in former British-owned tea estates and industry, etc.⁸⁵ Unlike the case of Gujarat discussed above then, a cozy ruling alliance adjoining the political and economic elite was never established in West Bengal.

The caste and land-ownership structure in West Bengal also precluded the emergence of politics akin to that of U.P. and Bihar. Compared to UP or Bihar, there were very few Brahmins in West Bengal. Those who were there often became absentee landlords. The hold of Brahmins over the rural society was thus, at best, tenuous. Village-level control was exercised instead by *jotedars* who hailed from a variety of intermediate castes: Mahishyas in the district of Midnapore; the Ugra-Kshatriyas in Burdwan; Mahatos in Purulia; or the Rajbanshis in Cooch Behar.⁸⁶ Since Brahmanical hegemony was weak, there was little incentive for these intermediate castes to unite into an anti-Brahmin, backward caste movement. Caste politics of

the type that prevails in the Hindi-heartland then -- Brahmanical domination, followed by challenges from intermediate and lower castes -- also has no real parallel in West Bengal.

In spite of a superficial power base, Congress rule in West Bengal during the 1950s provided administrative efficiency. Partition created numerous problems, including an influx of some four million refugees from East Pakistan. These problems absorbed the state leaders. B.C. Roy's close links with Nehru helped West Bengal during this early phase. The dominant political trend in the state, however, was slow and steady mobilization of the lower classes.⁸⁷ The early focus of the communists was factory labor. Following the split in international communism between the Soviet Union and China, significant sections of Bengali communists started focusing on the countryside. Several districts of West Bengal already had a tradition of peasant mobilization; urban communist leaders found ready support in these areas. In addition, tribal areas, especially in the isolated north of the state, proved amenable to radical appeals. From these beginnings emerged the well known Naxalite movement, whose offshoot, the Indian Maoists, continue to flourish in various parts of India today (discussed in Chapter 2). Communist-led labor unions could and did bring industry to a halt and radical peasant movements forcefully implemented land redistribution legislation. During the 1960s and the 1970s then, West Bengal became one of India's most mobilized and unstable states.

As Congress' nationalist hold declined all over India during the 1960s, the communists emerged as a significant new force in West Bengal. The communists were well organized and posed a significant electoral challenge to Congress rule. For nearly a decade -- 1967 to 1977 -- it became difficult for any party to form a stable, majority government. Between 1967 and 1972, for example, there were four elections, five different Chief Ministers and three spells of

President's rule. During these years, West Bengal became nearly ungovernable. A war on the borders over the formation of Bangladesh, more refugees, land grab sponsored by the Naxalites, industrial strikes led by the communists, state sponsored repression initiated by Indira Gandhi, and plain hooligans on streets of Calcutta contributed to this crisis of governability.⁸⁸ This situation changed only after the CPM's electoral victory in 1977.

Between 1948 and 1977 the economy of West Bengal grew at a sluggish pace and nearly two thirds of the state's population lived below the poverty line.⁸⁹ While West Bengal was one of India's most industrialized states at the time of independence, much of the industry was highly concentrated in and around Calcutta. The significant jute industry also went into decline following the Second World War. Global demand for jute products declined at the end of the war (guinea bags were used in trenches) and the partition severed the smooth flow of such key inputs as raw jute that was produced mainly in East Bengal. As many British also abandoned India, Marwaris moved into jute industry. Many of these Marwaris, however, were traders and speculators, not industrialists. Poor management also then contributed to the decline of regional industry, as did the tendency of Marwaris to move investment out of the state at the first sign of political trouble.

As already noted, unlike Gujarat, the state government in West Bengal did not prioritize private-sector led industrialization. The results were not obvious during the 1950s because of some major public sector investments in the state: e.g. Durgapur steel, large irrigation projects, and Nehru's support for Tata steel. All this contributed to modest growth, especially industrial growth. Below the surface, however, West Bengal government ignored the development of infrastructure and private sector investments began to move out of the state. The latter trend

hastened as labor militancy and political instability grew. Between mid-1960 and mid-1970 then, there was virtually no industrial growth in West Bengal. The state's agriculture also remained sluggish. Lack of investment in irrigation was one constraint, and poor incentives generated by the patterns of land ownership and use was another. Unlike wheat, the green revolution in paddy also came late to India, benefitting West Bengal mainly during the 1980s.

CPM Rule: The CPM came to power in West Bengal in 1977 and has been in power ever since. When the CPM came to power the political and economic conditions in West Bengal were grave. The economy was stagnant, government and politics were unstable, and nearly two thirds of the state's population lived below the poverty line. West Bengal still remains a state with significant problems: nearly a quarter of the population lives below the poverty line; infrastructure is poor; education and health conditions are near the low all India average; and there are signs of growing disillusionment with the CPM. And yet, the CPM in power has facilitated important positive changes: political stability was restored; land reforms were implemented; economic growth resumed; and poverty has declined rapidly.

When Congress' electoral fortunes declined during the second half of the 1960s, CPM and its other left allies formed a couple of short lived coalition governments in the state. The CPM used these short stints in power strategically and pursued some highly visible, pro-poor policies in the countryside. While a populist and popular Indira Gandhi could still pose a formidable challenge - - especially following the popular Bangladesh war - - the CPM used its organizational superiority to consolidate growing support. As a communist party with disciplined cadres, the CPM slowly but surely expanded its base of support, eventually winning

the state elections in 1977. While in a position to form a government on its own, the CPM led a coalition of all left parties, creating a powerful state government.

It is important to understand the type of communism to which the CPM adhered.⁹⁰ The more the CPM accepted the need to contest elections as the legitimate road to power, as well as the need to operate within the constraints of a private enterprise economy, the more diluted became the CPM's commitment to fomenting a revolution that would establish a dictatorship of the proletariat. Once in power in the late 1970s, the CPM essentially became a social democratic party that sought to facilitate mild redistribution within the constraints of democracy and capitalism. What gave the CPM some advantage over many other Indian political parties with similar commitments was its organizational superiority. One aspect of communism that the CPM continued to adhere to was the democratic-centralist nature of the party. In a highly fragmented political context, organizational coherence gave the CPM a political advantage that it has used successfully, not only to win elections repeatedly, but also to implement some pro-poor policies.

Soon after coming to power, the CPM decided to focus its political energy and state resources on the countryside. The CPM leadership reasoned that Calcutta was the responsibility of big business, which were concentrated in and made profits in the city. An agrarian focus, by contrast, was both in accordance with the CPM's pro-poor ideology and a smart electoral strategy. Prioritizing implementation of land reforms was also consistent with the interests of those who supported the party, mainly middle and lower strata in the villages. The CPM thus made securing land rights of tenant farmers and redistributing above ceiling lands priorities. It is important to note that these or similar policies were already on the books in most Indian states;

they were also consistent with national guidelines. The CPM thus could not be readily blamed by New Delhi for violating the rights of private property or other constitutionally protected rights. The CPM's focus was on implementation; on this front a well organized party was a significant political asset.

The CPM used the party machinery to penetrate the village society. As a ruling party, it also introduced elected local governments at the level of villages. Local government elections brought CPM cadres and others sympathetic to the CPM to power. Downward penetration of the CPM via party and local governments, in turn, enabled the party leadership to isolate the hitherto powerful landlords, the *jotedars*. This significant power shift in the rural society enabled the CPM regime to implement mild but significant land reforms. Over the next two decades, some 15 million tenants were registered, securing their rights on land and reducing the share of crops they owed to landlords. The land covered by these tenancy reforms covered some 15 percent of the total cropped area. In addition, some two million households received about half an acre each of above-ceiling, surplus lands, totaling some one million acres or 6.5 percent of the total cropped area of West Bengal. Taken together then, tenancy reforms and land acquisition benefitted nearly half of all rural households and covered nearly a fifth of all cropped area of West Bengal.⁹¹

Except for Kerala, there is no parallel in any other Indian state of such extensive implementation of land reforms. No doubt that the size of benefits to poor rural households in West Bengal was very small. However, the margin between destitution and survival in Indian countryside itself tends to be very small. So, what have been some of the main consequences of the type of agrarian social democracy pursued by the CPM? On the economic front, tenancy

reforms and land redistribution led, not only to a one-time gains, but also to sharing of long term agricultural growth.⁹² There is evidence to suggest that tenancy reforms helped improve agricultural production.⁹³ There is also evidence to suggest that the majority who gained from land reforms were members of scheduled castes and tribes.⁹⁴ It is then hard to resist the proposition that land reforms implemented by the CPM regime have helped the poor in the countryside and that the rapid decline in poverty in West Bengal that is evident in data is at least in part a result of these redistributive policies.

Land reforms are deeply political. The CPM's motivation in pursuing them was mainly to build and consolidate political support. The fact that the CPM has regularly won elections since then, especially with the help of the rural vote, is then the most obvious political benefit reaped by the CPM. These political gains, however, have not been unambiguous. Isolation of landlords created an authority vacuum of sorts in the countryside. That vacuum has been filled by party cadres and the party-controlled local governments.⁹⁵ While this has led to such positive outcomes as channeling of public resources to the poor - - more on this below - - it is also the case that rural society in West Bengal has as a result become polarized, with those who support the CPM on one side and those who do not on the other. Over time, party cadres in positions of power have also become complacent, comfortable and even corrupt.⁹⁶ The results include the CPM's declining popularity in West Bengal.

One of the more unexpected developments in West Bengal during the 1980s was acceleration of agricultural growth.⁹⁷ Food grain output in the state grew at nearly 5 percent per annum, compared to the Indian average agricultural growth rate of fewer than 3 percent during this period. The CPM regime has sought to take credit for this growth acceleration but the case

that growth resulted from such public policies as land reforms is not very persuasive. Some of the growth acceleration was simply a recovery from poor performance during an earlier period. Scholars have also pointed out that the land area covered by land reform - - less than a quarter of the whole - - was too small to account for growth acceleration.⁹⁸ Growth acceleration then resulted mainly from the embrace of green revolution – higher yielding paddy -- by private producers. Much of the increase in irrigation that facilitated higher cropping intensity was also a product, not of public investments, but of numerous small scale private investments, such as in tube wells. CPM controlled local governments may have played a positive role in supplying information but it is not the case that land reforms were mainly responsible for growth acceleration in agriculture. What is persuasive is a more modest case, namely, that deliberate redistribution in the countryside was certainly not negative for growth, as well as a stronger case, namely, that land reforms facilitated broad sharing of fruits of economic growth.⁹⁹

Agricultural growth decelerated in West Bengal during the 1990s but again picked up after 2005.¹⁰⁰ The causes of deceleration include limited public investments in irrigation and the related saturation of gains from the green revolution in paddy. By contrast, the recent acceleration seems to be a result of a growing shift to cash crops, such as vegetables. As incomes in the state rise, this shift seems to be following market logic. The state government in West Bengal in any case seems to have concluded that its “rural tilt” has reached a saturation point; the CPM leadership is now concentrating more and more of its energy, not on the countryside, but on promotion of industry.

As is well known, over time West Bengal has steadily lost its industrial edge in India. A variety of causes have already been noted: the impact of partition; New Delhi’s policies that

hurt industry in West Bengal during the 1950s and the 1960s, both the anti-export bias of ISI policies and, related to that, pricing policies, especially freight policies; failure of the regional government and of the region's economic elite to work together, well before the emergence of the CPM; a highly mobilized labor force that discouraged private investors; and the CPM's conscious decision during the 1980s and the 1990s to prioritize the countryside. By the beginning of the new millennium, there was a growing consensus among specialists that the CPM regime needed to prioritize industrial development and that the key constraint on industrial growth was not so much labor activism, as it was low rates of profitability in industry.¹⁰¹ The cumulative impact of decades of neglect have resulted in poor quality infrastructure and low levels of skills in the state; along with labor activism, private industry thus shies away from the state, calculating that higher rates of profit are to be made elsewhere in India.

Over the last decade, the CPM regime has sought to promote private-sector-led industrial growth in West Bengal. A variety of strategies have been pursued. According to government's own documents, they are trying to create "an investor-friendly climate".¹⁰² The government boasts that industrial strikes and man-days lost due to labor strife are declining and that the "state government has continued to take measures to boost investors' confidence." Such specific industries as bio-technology, information technology and mines and minerals, have been singled out for public support. The government has helped set up "industry specific clusters," "industrial parks" and special economic zones that will be "relaxed and business friendly."¹⁰³ As in the case of China, an elected regional communist government in India too has concluded that, if growth is the goal, there are few alternatives but to woo the private sector. As is well known, however, this dramatic policy shift has also created serious problems for the CPM. For example, the effort to acquire land from poor peasants to establish private industry has led to numerous

confrontations between party cadres and potential supporters, quite possibly causing the CPM electoral support.¹⁰⁴

While the CPM's efforts to attract private sector industry have led to some well publicized conflicts, the efforts are not without results. As agriculture growth has slowed, growth in both industry and services has accelerated. West Bengal continues to be one of India's more rapidly growing states. After declining steadily for nearly two decades, West Bengal's share of industrial output in national output stabilized at some 4.4 percent during the 2000s, suggesting that industrial growth in West Bengal is now keeping pace with India's overall industrial growth.¹⁰⁵ Considering the recent past, this is a significant achievement.

No discussion of CPM rule in West Bengal would be complete without noting some glaring weaknesses in the state's developmental record. Educational and health conditions in the state have not improved significantly over the last three decades. Scholars analyzing this outcome have noted that there has been "a near total absence of initiative in public policy" in the areas of health, gender and illiteracy in West Bengal.¹⁰⁶ During the 1990s, the CPM regime did initiate a campaign to improve literacy. As data in Table 3.1 above shows, however, the results have not been dramatic: as a middle income state, human development indicators of West Bengal continue to be middling by Indian standards. Some of this failure of public initiative reflects the dire fiscal situation in the state which, in turn, is a product of a number of underlying conditions: failure to tax the rapidly growing service economy; a large public sector wage bill; and less-than-favorable treatment by New Delhi.¹⁰⁷ One suspects, however, that the problem of limited public initiatives also runs deeper. The CPM's redistributive interventions, such as land reforms, were deeply political in motivation: altering land relations undercut the power of Congress –

supporting landlords and helped the CPM consolidate its power base with the middle and the lower strata in the countryside. It may well be that CPM leaders believe that efforts to promote education and health -- slow and generalized gains -- will not lead to clear electoral dividends.

Another pro-poor program in which West Bengal's record is relatively lackluster is NREGA. As discussed in earlier chapters, this is an important employment-generating program that has the potential to create some 100 days of gainful employment for the poor in the countryside. During 2008-09, West Bengal created only 25 days of extra employment for every individual participating in this program. Compared to some other Indian states -- where the average tends to be closer to 50 days -- this is a disappointing performance. Given the CPM's capacity to readily reach the rural poor via party cadres and party-controlled local governments, one wonders why the program has not been pursued vigorously. While the issue needs further research, the answer in West Bengal may be the same as in the case of U.P. above. NREGA is a centrally sponsored program through which the Congress party hopes to broaden its support base among India's poor. Opposition parties like Mayawati's Bahujan Samaj Party and the CPM understand this. Fearing gains for the Congress, non-Congress ruling parties in states chose to not implement NREGA with any vigor; growing electoral competition in this case is hurting rather than helping the rural poor.

To sum up the discussion on West Bengal, especially on the CPM's role in West Bengal, the record is decidedly mixed. Significant pockets of poverty remain and health and education relations have not improved dramatically in the state. And yet, there have been significant politically-driven achievements. These especially come to light if one adopts a long term perspective. The CPM regime in 1977 inherited a deeply troubled political economy: unstable

politics, stagnant economy, and massive poverty. Over the last three decades, West Bengal has been moderately well governed, economic growth has returned and poverty has declined rapidly. At the heart of these positive achievements lays the role of the CPM -- a party communist in name but social-democratic in practice -- that has successfully implemented modest land reforms, contributing to a more egalitarian polity and economy.

Conclusion

(still to be written)

¹ A good study of past diversities across Indian states is the two volume collection, Frankel and Rao (1990).

² For those interested in statistical association, note that when HDI is regressed on per capita state product for India's major states (for 2000), the R-square is significant at 0.00 level and is 0.77. Some of this is suspect because the literacy data, which is part of HDI, and that is generated by the ministry of education, tends to be inflated. However, even better quality literacy data that is reported in Table 1 (from National Family Health Survey – III) produces a significant R-square of 0.477, clearly suggesting a positive association.

³ The figures for decline in poverty across Indian states are provided in Table 1 and depicted graphically in Figure 3.5. When decline in poverty (PADP 8305) was regressed against economic growth over more or less the same time period (GRO 8008), the results were not significant (R-square was 0.0374). The results hold even when one controls for initial levels of poverty.

⁴ See Kohli (2004). While the argument is interspersed throughout the book, especially in the more historical chapters, for my discussion of the Indian case along these lines, see Ch. 6.

⁵ In emphasizing the significance of regional nationalist movements, I have been influenced by Singh (2010).

⁶ I measured land inequality of Indian states as a ratio of land operated by large and marginal farmers in 1995-96; this data is readily available on line at Indiastats.com. It should also be noted in passing that consumption inequality (as measured by Gini coefficients) in Kerala is very high, the highest in India as a matter of fact in 2004-05 (see Table 3.1, column 7). Given low levels of inequality in access to land, consumption inequality is probably driven by remittances from overseas Keralites to their families.

⁷ In this section, I am drawing on Hasan (1990); Srivastava (1976); Brass (1965); and Kudaisya (2009).

⁸ These and the following figures are from the 1931 census and taken from Hasan (1990), p. 154.

⁹ See Singh (2007), p. 274.

¹⁰ See Pandey (1978).

¹¹ Pai (2007), p. xvi.

¹² A fairly comprehensive analysis of Uttar Pradesh's economy is available in two volumes: Government of India (2007). While the focus of this report is on the more recent period, much can be learned from it about earlier developments too.

¹³ See Srivastava (1976). Also see Brass (1965) and Hasan (1990).

¹⁴ Here I am thinking of such leaders as Purshottam Das Tandon, G.P. Pant, Sampurnanand, Kriplani, K.P. Malviya, Rafi Ahmed Kidwai and eventually even C. B. Gupta.

¹⁵ For example, per capita central assistance to all states in the first, second and third five year plans was 25, 27 and 56 rupees respectively. By contrast, the figures for U.P. during the same periods were 14, 18, and 47 rupees respectively. See Srivastava (1976), Table No. 15.1, p. 326.

¹⁶ Again, whereas the average per capita plan outlay for all Indian States during first, second and third five year plans was 40, 52, and 92 rupees respectively, the figures for U.P. were 24, 34 and 68 rupees. Ibid, Table No. 15-1, p. 326.

¹⁷ See Brass (1981).

¹⁸ On the changing character of “factions” within U.P., especially as they became more and more “lobby groups” organized around competing identities during the 1980s, see Stone (1988).

¹⁹ Note that the R-square of 0.46 was significant at 0.014 level.

²⁰ See Government of India (2007), V.II, p. 62.

²¹ For a good overview, see the useful collection by Pai (2007).

²² See Verma (2007)

²³ Ibid, pp. 185-186

²⁴ See the useful essay by Abhay Kumar Dubey, Smita Gupta, and Badri Narayan Tiwari in Pai (2007).

²⁵ A useful study is Chandra (2004). Also see essays by Nicolas Jaoul, Sudha Pai and Vivek Kumar in Pai (2007).

²⁶ A favorable assessment of Mayawati and the BSP in U.P. is available in Kumar (2007).

²⁷ These examples are drawn from my conversations with both senior government officers in Lucknow and visits to villages, mainly during 2009-10.

²⁸ The comments and data below on this issue are drawn from Jha and Das (2007).

²⁹ Ibid, p. 316. Also see, Government of India (2007), V. 1, p. 40, section 2.4.

³⁰ Ibid, p. 308.

³¹ For example, if the per capita tax revenue collected by such Indian states as Maharashtra, Punjab, Tamil Nadu and Gujarat in 2001-02 was more than 2000 rupees, in U.P. and Bihar it was 777 and 303 rupees respectively. Towards the end of the decade, this situation began to alter somewhat with the introduction of some new indirect taxes.

³² Towards the end of the period under discussion, there appears to be an upward shift away from this diminishing trend. If this continues, either due to some changes in central policies or because of enhanced resources collected via new indirect taxes, the future results may be different than in the recent past.

³³ See Government of India (2007), V.1, p.41, section 2.4.

³⁴ Ibid, p.40.

³⁵ Ibid, p.43.

³⁶ Kohli (1987), Ch.5

³⁷ See Dreze and Gazdar (1997). The direct quote is from p.56.

³⁸ See, for example, Bagchi (1972).

³⁹ See Sheth (1976).

⁴⁰ See Pocock (1972)

⁴¹ For the discussion on caste structure and early politics in Gujarat, I am drawing on my own chapter on Gujarat (Chapter 9) in Kohli (1989). See the references in that chapter for a variety of other source material.

⁴² See Shah (1975).

⁴³ See Shah (1976), p. 68.

⁴⁴ See Mehta (1989), p.220.

⁴⁵ See Weiner (1967), p. 69 and 86.

⁴⁶ Sheth (1976) p. 84

⁴⁷ See Mahadevia (2005), p. 309

⁴⁸ Dholakia (2000), p. 3121.

⁴⁹ Hirway (2000), p. 301.

⁵⁰ Mehta (1989), 221.

⁵¹ Ibid. p. 220

⁵² See Patel ().

⁵³ Hirway (2000), p. 3107

⁵⁴ Mehta (1989), p. 220.

⁵⁵ Hirway (1995), p. 2607.

⁵⁶ Shah (2007), p. 154

⁵⁷ For this discussion of political change in Gujarat during the 1970s and the 1980s, I am drawing on my own earlier work. For more details, see Kohli (1989), ch. 9.

⁵⁸ Ibid., p. 259.

⁵⁹ Hirway (1995), p. 2003, also Table 1.

⁶⁰ I am drawing here on ibid.

⁶¹ For a good discussion of the BJP's electoral and ruling strategy, see Shah (2007).

⁶² Ibid., p. 152.

⁶³ “Infamous” because of his role as a bystander as Muslims were killed in Gujarat. Among others, see Yagnik and Sud (2005).

⁶⁴ Ibid. Also see Shah (2007) and Mahadevia (2005).

⁶⁵ Hirway (2000), p. 3109.

⁶⁶ See, Awasthi (2000), p. 3183.

⁶⁷ See, Mahadevia (2007), p. 303.

⁶⁸ See, Dholakia (2000), pp. 3324-5.

⁶⁹ See, Sarma (2000), Table 9, p. 3129.

⁷⁰ I am drawing her on Hirway (2000) and Dholakia (2000).

⁷¹ The quoted material is all from Hirway (2000), p. 3109.

⁷² In this paragraph I am drawing on Dholakia (2000), p. 3123.

⁷³ My discussion of South Korea as a developmental state can be found in Kohli (2004), Ch. 2.

⁷⁴ See Hirway (2000).

⁷⁵ See Bagchi et. al. (2005) and Dholakia (2007).

⁷⁶ See, for example, Ramachandran (1997), Kannan (2005), Heller 1999, Nossiter (1982), and Singh (2010).

⁷⁷ See chapters on West Bengal in Kohli (1987) and Kohli (2009).

⁷⁸ A good study of the “permanent settlement” that led to the creation of *zamindaris* is Ray (1979).

⁷⁹ A good study of the Bengali *bhadralok* is Bloomfield (1968).

⁸⁰ I have developed this argument in some detail in Kohli (2009), Ch. ?

⁸¹ See Bagchi (1972).

⁸² See Bagchi (1998).

⁸³ See Sarkar (1973).

⁸⁴ Chaudhry (1976), p. 374.

⁸⁵ Ibid. p.381.

⁸⁶ Ibid. p.376.

⁸⁷ See, for example, Franda (1972).

⁸⁸ See Kohli (1990), Ch. 10.

⁸⁹ For an overview, see Bhattacharya (1989).

⁹⁰ For a more detailed version of the analysis in this paragraph, see Kohli (1987), Ch. 3.

⁹¹ All of these figures on tenancy reform and land acquisition are from Sengupta and Gazdar (1997), p. 144 and 168.

⁹² Ibid.

⁹³ Banerjee, et. al, (2002).

⁹⁴ See Bardhan, et. al (2009).

⁹⁵ See Chaterjee (2009) and Bhattacharya (2009).

⁹⁶ ??????

⁹⁷ For a good overview, see Guruswamy et. al. (2005).

⁹⁸ Sengupta and Gazdar (1997), pp. 165-7.

⁹⁹ Ibid. p. 169.

¹⁰⁰ Overall agricultural growth between 1980 and 2010 was about 3.5 percent per annum. During the 1980s the growth was focused on cereals and averaged nearly 5 percent per annum. Over the next 15 years the growth averaged fewer than 3 percent. Since 2005, growth rate has again accelerated to some 4.3 percent, now focused, not so much on cereals, as on vegetables. For data, see Government of West Bengal (2010), Table 5.0, p. 44.

¹⁰¹ See, for example, Banerjee, et. al. (2002). This document was written by nine prominent Bengali economists, clearly hoping to influence public policy in West Bengal. Among the recommendations proposed was the need to prioritize industrial development, not so much by pursuing industrial policy, but by creating favorable conditions that will attract private investors, especially small-scale industry. The document did not explain very well the case against industrial policy in West Bengal. In any case, as noted below, the CPM government has by now accepted the need to promote industry, in West Bengal, but has also moved towards an activist state pursuing an industrial policy of sorts.

¹⁰² Government of West Bengal (2010), p. 119.

¹⁰³ Ibid., p. 119

¹⁰⁴ See, for example, the editorial, "Nandigram: Taking People for Granted", in the Economic and Political Weekly, January 13, 2007, p.80.

¹⁰⁵ Government of West Bengal (2010). Table 6.2, p. 106.

¹⁰⁶ Sengupta and Gazdar (1997), p. 194

¹⁰⁷ On the need to tax the service economy, see Banerjee et. al. (2002). For an analysis of the “discriminatory” treatment of West Bengal by New Delhi, see Guruswamy et. al. (2005).