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HYPE, SKILL AND CLASS A COMPARATIVE ANALYSIS OF THE POLITICS OF REFORMS IN ANDHRA PRADESH, INDIA

Jos Mooij

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ABSTRACT^a

Andhra Pradesh is a relatively underdeveloped State in south India that has become one of the leaders of the Indian reform process. How was this possible? With the help of eleven hypotheses, the paper discusses the politics of the reforms in Andhra Pradesh. The focus is particularly on the period between 1995 and 2004, during which an explicitly reform-oriented government ruled the State. The paper concludes that an important factor behind the reforms lay in the changing economic needs and aspirations of the initially rural-based classes/groups on which the reforming regime was based. Moreover, in contrast to some other Indian States, reforms in Andhra Pradesh were not introduced by stealth, but by hype, by a skilful and cleverly managing leadership that succeeded to suggest a break with the past while it continued with pro-poor spending and continued to allow policy implementation to be (mis)-used for local level party building.

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1 INTRODUCTION

For students of economic reform processes, the south Indian State of Andhra Pradesh is an interesting case. When India started to liberalize its economy in 1991, Andhra Pradesh (AP) followed suit in a slow and modest way. Since 1995, however, the Andhra Pradesh State government has become one of the most active States in the Indian reform process. Between 1995 and 2004, the State was headed by a dynamic and reform-oriented political leader – Chandrababu Naidu. He was the first (State level) chief Minister who negotiated an independent loan from the World Bank. Although AP was not the only State implementing adjustment policies in this period – in fact, there are other States that started earlier or that have made more progress – the explicitness of the AP government and its overt attempt to make the economic reform policies part of a larger development and governance project, is what made the reforms more prominent and visible, and what attracted the attention policy makers elsewhere in India and abroad.

That Andhra Pradesh would become one of the most explicitly reforming States was not exactly foreseeable. AP is a relatively underdeveloped State with a population of approximately 70 million people, depending predominantly on agriculture. Its literacy rate was 61 per cent in 2001 (as compared to 65 per cent for the whole of India) and its human development rank in 1991 was 23 (of 32 States and Union Territories in India).¹ Since the early 1980s the State has been known for its large-scale populism. The then chief minister, N.T. Rama Rao, a popular filmstar who became the founder and political leader of the Telugu Desam Party (TDP, a regional party in Andhra Pradesh), introduced several populist schemes. The best known programme was a large-scale food distribution scheme. The TDP was defeated in 1989, but it came back to power in 1994, partly again because of its promise to revitalize the food scheme, as well as introduce other welfare policies. So, it was in this context of underdevelopment and backwardness coupled with a rather extreme form of welfarist populism that the explicit attempt to reform and a very committed leadership emerged. This situation lasted till April 2004, when new Parliamentary (for the federal government) and Assembly (for the state government) elections were held.

¹ All figures from GoI (2002).

The reformist Chandrababu Naidu was defeated and a Congress (I)-led coalition government came to power.

The central concern of this paper is: what were the reasons behind this policy shift in Andhra Pradesh? How could it happen that in this relatively backward State the reform process could get such momentum? This question remains relevant, even after the TDP lost the 2004 elections. After all, the answer may contribute to a further understanding of the circumstances under which reform agendas may be pushed. Andhra Pradesh can be seen as an interesting case that tells us something about the conditions under which reform agendas can consolidate. An additional relevance stems from the fact that the reform era did not end in 2004. The Congress (I)-led coalition is less explicit about its intentions, but does not seem to want to break with the past.

This paper will approach its main question with a detour. There is a more general body of literature that tries to explain and interpret the politics of the reform process in India. Much of this is written by political scientists, and its main focus is on how reforms could consolidate in India. This is an intriguing question, indeed. After all, a similar attempt in the 1980s failed, India is a democracy in which opponents can easily mobilize themselves, and the main reformers in the 1990s were no others than the statisticians of the 1970s and 1980s. The paper draws from this more general literature to say something about Andhra Pradesh. So, in a way, Andhra Pradesh is a kind of case study to discuss the value of some more general theoretical insights on the politics of reforms. The main objective of the paper is, however, to say something about Andhra Pradesh, with the more general theoretical insights as points of comparison.

One conceptual clarification that is perhaps required at the onset relates to the concept of reform. This term can be used in several ways. It can refer to macroeconomic changes regarding fiscal, monetary and financial policies, but it can also refer to changes in sectoral policies (in agriculture, industry or social sectors) as well as to changes in the system of administration or mode of governance.² In the broad sense, 'reforms' can refer to almost all policy changes that have taken place and that politicians and policy makers choose to present as 'part of the reform process'.

² See White and Masters (n.d.)

Both understandings make sense, and there is no best way to define reforms. Rather, it is an interesting question in itself why some economists, policy advisors, politicians or (senior) bureaucrats in certain circumstances work primarily with a narrow definition, while other people or the same people in different contexts, broaden up and include a much wider set of policy changes in the term 'reform'. In this paper, the term is used in the broad sense. Reforms are all the macroeconomic and other (sectoral or governance) policy changes that are sometimes labelled as part of the reform process.

The paper begins in the second section with a brief summary of the main characteristics of the reform process in AP. Section 3 draws upon the more general body of literature on the politics of the reforms in India, and discusses the various approaches that have been developed to understand the consolidation of the reforms.³ The fourth section extracts the main ideas from this literature, and discusses these as hypotheses explaining the reforms in Andhra Pradesh. The paper ends with a short conclusion.

2 REFORMS IN ANDHRA PRADESH

In August 1991, briefly after the new Union Finance Minister had laid out his economic reform ambitions, the Government of AP also declared its commitment 'to create conditions conducive for industrial development' and introduced an 'incentive regime which is amongst the most attractive in the country' (Finance minister's budget speech, August 1991: 5-6, quoted by Suri, 2005:136). Special schemes were formulated to attract investments from non-resident Indians, and a software technology park was established in Hyderabad. It was, however, especially from 1995 onwards that the reform process in Andhra Pradesh caught real momentum. The Telugu Desam Party (TDP) had come back to power in Andhra Pradesh in 1994, and after an internal power struggle and 'palace coup' Chandrababu Naidu became Chief Minister in August 1995. He became an enthusiastic reformer and it is especially under his chief-ministership that lasted till May 2004 that the Andhra Pradesh government became one of the main advocates of the Indian reform process.

³ This is not a review paper. For a more exhaustive review and discussion of the literature, see Mooij (2002).

Soon after Naidu came to power, the TDP government brought out a White Paper on the status of AP government finances. The document emphasized the need for fiscal prudence, curtailing subsidies and addressing the issue of loss-making public sector undertakings. Around the same time the World Bank also did an assessment of the State's financial position and came up with broadly similar conclusions, which were taken over by the government and found their way in various policy documents. In 1999, the AP government brought out the *AP Vision 2020*, a very ambitious plan laying down what the State should aim for in twenty years time.⁴ It stated that, while the world economy becomes increasingly integrated, new avenues to growth are opened up. In order to capture these opportunities, the State government 'will need to transform itself and (...) adopt a new role: from being primarily a controller of the economy, it must become a facilitator and catalyst of its growth' (GoAP, 1999: 8).

Table 1 gives an overview of the main reforms undertaken between 1995 and 2004. It shows that the plans and intentions went sometimes further than actual implementation. Nevertheless, a number of bold steps and unpopular measures have been taken, such as a power sector reform involving a steep price rise in electricity charges for a wide variety of consumers, fiscal measures including a cut in the food subsidy, and a partial lifting of prohibition.⁵ There have been reforms in many policy areas, but the two areas the TDP leadership identified most with were the promotion of a modern industrial sector (most prominently information technology, but also pharmaceutical industry and biotechnology) and administrative reforms. With regard to the former, the TDP government actively promoted the development of Hyderabad as an IT city. It set up an IT park at the outskirts of the city (Hyderabad Information Technology and Engineering Consultancy, or Hitec city), housing more than 800 companies. Andhra Pradesh became the fifth State in software exports (after Karnataka, Delhi, Tamil Nadu and Maharashtra) and its exports have increased from Rs. 600 million in 1995-96 to more than Rs. 35 billion in 2002-03 (Kennedy, forthcoming). Pharmaceutical and biotechnological industrial development are also

⁴ The document, according to some, is not only ambitious, but also unrealistic and blind to ground realities (Narasimha Reddy, 1999). The vision was prepared with the help of consultants from McKinsey.

⁵ The partial lifting of prohibition was a significant policy change in Andhra Pradesh, because prohibition was the result of a widespread women's movement in the State.

Table 1
Reforms in Andhra Pradesh 1995-2004

	Main reforms	Further comments
Industrial Policy	Proactive measures, such as tax concessions, rebate on land; aggressive media campaigns to broadcast forward-lookingness. Various incentives for ICT and biotechnology industry in order to attract more foreign and domestic investors.	
Fiscal measures	Increase in price of rice that is distributed in the food distribution scheme. Partial lifting of prohibition. Attempts to reduce the number of government employees.	
Power	Unbundling the AP State Electricity Board into six companies; establishment of a Regulatory Committee; greater role for private sector (World Bank supported).	Privatization of companies did not take place. Autonomy of the Regulatory Committee not realized.
Privatization and disinvestments	1997: state level public enterprises and 18 cooperatives identified for privatization or restructuring (World Bank supported).	By October 2002: 11 units were closed, 8 were privatized, 6 were restructured/down-sized, while 15 were in the process of privatization or closure.
Irrigation	1996-97: Irrigation reform, to introduce participatory irrigation management (World Bank supported).	Elections were held in 1997 and 2003. Project Committees at system level have not been formed.
Health	Various health reforms, meant to upgrade services, increase cost recovery (introduction of user charges) and a larger role for the private sector (many initiatives are World Bank supported).	Spurt in private sector health provisioning.
Education	No major reforms. District Primary Education Programme (DPEP) was implemented (donor funded). Formation of self-help groups (teacher-parent associations; village school committees).	There has been a spurt in private educational institutions.
Poverty alleviation	District Poverty Initiative Programme (DPIP) was introduced, initially in 6 districts, to be expanded to all districts (World Bank funded). Subsidized rice price increased in order to bring down the State food subsidy.	Women self-help groups have taken off well in Andhra Pradesh. These groups are basically savings and thrift groups, but they are also involved in the implementation of various policies at the local level.
Rural development	1997: Janmabhoomi programme (literally 'land of one's birth'), based on stakeholder groups. Its aim was to bring government to the people; it was based on voluntary labour contributions and involved microplanning at the grassroots level.	This was a TDP flagship programme but lost much of its momentum over the years. The programme was instrumental for the TDP to strengthen its base at the local level.
Governance and administration	Introduction of various e-governance measures Introduction of performance assessments and bureaucratic targets. Establishment of the Centre for Good Governance (DfID funded). Establishment of stakeholder committees in many policy areas.	Certain e-governance initiatives have been very successful, but others (e.g. electronic file movement) never took off. The Centre for Good Governance was for some time a flagship programme of the government. On the whole, despite a lot of rhetoric, 'politics as usual' continued.

Sources: Kennedy (2004); Mooij (2003); Narayana (2003); Ramachandraiah and Patnaik (2005); Sreekumar, Thimma Reddy and Uma Rao (2003); Suri (2005).

actively promoted by the AP government, through sales tax concessions, rebate on land, exemptions from power cuts, exemptions from certain labour regulations and the establishment of the so-called Genome Valley (Joseph, 2003: 3928).

With regard to the latter, administrative reforms, the TDP government coined the term SMART governance, where SMART stands for simple, moral, accountable, responsive and transparent. Among the most successful initiatives were the so-called e-sevas, one-stop counters for (mainly urban) citizens to pay their electricity and telephone bills, taxes, and for getting some licenses and permits. Another was the Computer-aided Administration of Registration Department (CARD) project, which (again mainly in urban areas) speeds up the registration of land transactions, tenancy agreements etc., and is supposed to reduce corruption.⁶ With the help of a 6 million UK pounds grant from the UK government (Department for International Development), the Centre for Good Governance was established, meant to work on better policy implementation and improving the quality of the delivery system. The Centre did (and does) work, for instance, on citizen's charters, performance assessments within the government and performance-based budgeting.

Another area in which reform was initiated was irrigation. This involved the introduction of participatory irrigation management, and the Andhra Pradesh legislation in this area is seen by some as a model for how irrigation management reform should take place.⁷ Most importantly, it involved the establishment of water users associations. This idea of involving stakeholders was pursued in many subsequent sectoral reforms and policies. Examples include watershed committees, village education committees and health advisory committees. The underlying idea was that stakeholder organizations would help in raising ownership and involvement in policy processes at the local level, financial contributions as well as government accountability and quality of services. The model was pushed by international donors, which have funded many of the sectoral reforms in AP, but it was also strongly endorsed by the TDP leadership. In fact, 'Make a stakeholder of every citizen' was

⁶ For a positive review of these initiatives, see Sudan (2000).

⁷ Although the AP example is regarded elsewhere in India and in other parts of the world as very successful – the Gujarat, Madhya Pradesh and Karnataka legislations are almost literal copies of the AP Farmers' Management of Irrigation Systems Act, 1997 –, others have come to the conclusion that in actual practice much less has changed than what was hoped for (personal communication Peter Mollinga, Centre for Development Research, Bonn, Germany).

one of the government slogans.⁸ Altogether, the impression was consciously created that the AP reforms signalled a new development strategy. The model that was often referred to by the Naidu government was Singapore. There was even an attempt to copy particular infrastructural features of Singapore. The MMTS (Multi Modal Transport System) in Hyderabad is designed after the Mass Rapid Transport System in Singapore, and so-called Singapore townships were built at the outskirts of Hyderabad. The underlying idea of the strategy seemed to be that it is possible to leapfrog development by developing mainly knowledge-intensive industries, services and infrastructure. Although Vision 2020 had chapters on agriculture, poverty and social sectors, the thrust of APs development efforts between 1995 and 2004 was not on these areas, but on the potentially fast-growing modern sectors.

Per capita growth has, however, not accelerated. At 4.1 per cent, the average per capita growth in AP in the nineties is still marginally lower than the all India figure (4.2%), while it is much lower than average growth in Tamil Nadu (5.5%) and Karnataka (5.6%). APs growth in the nineties is also much less than the 9.8 per cent average that was projected (for 1995-2015) in *Vision 2020*. With regard to poverty alleviation, AP is also doing much less well than its southern neighbours. Understandably, this poor performance has surprised and worried some of the advocates of the reform process, including the World Bank. A study undertaken by the Bank towards the end of Naidu's regime (and published afterwards) listed and analysed the main reasons behind the low growth figures. It suggested to address these problems and to continue with the reforms, expecting that APs growth potential would eventually be 'unlocked' (World Bank, 2004). Also within the TDP leadership there seemed to be no doubt that it was on the right track with its reform agenda.

Despite the change in policy rhetoric that has taken place during the period under review here (from welfare to development; from hand-outs to self-help), there was also continuity in policy making in the sense that the regime continued to be populist. The Janmabhoomi (rural development) scheme differs in its concept from the food distribution programme, in the sense that the former is based on

⁸ While stakeholder committees and self-help groups were formed in large number, the all-India *Panchayati Raj* legislation (73rd and 74th Amendment of the Constitution) was poorly implemented in Andhra Pradesh. According to a report of the World Bank, the *panchayat* institutions are ignored, marginalized and starved of funds (World Bank, 2000). Elections were reluctantly held in 2001, but funds were hardly devolved, and the (elected) district councils remain much less powerful than the district collector.

empowerment, self-help and stakeholders, while the food distribution scheme draws upon a 'donative discourse'.⁹ Nevertheless, it is populist in nature and partly meant to secure vote banks. Moreover, apart from these 'modern' stakeholder-based schemes, there continued to be a plethora of more traditional populist schemes meant for specific target groups (rural women people of traditional occupations, religious minorities, scheduled castes). Especially during election time, Naidu was, as Suri (2005:147) put it, '[l]ike a political wizard, (...) [pulling] out one welfare scheme after another from his hat'. In actual practice, many of these schemes suffered from lack of funds or poor implementation. They did, however, have a function in diffusing opposition to the regime and in reproducing a support base at the local level (although the trick did no longer seem to work in the 2004 elections).

3 THE POLITICS OF REFORMS IN INDIA – APPROACHES AND EXPLANATIONS

The dominant interpretation among political observers in India is that the reforms have been accepted by large parts of the population – in any case by those who matter in political debates and policy making – and that there is relatively little opposition. This is not to say that there is no opposition whatsoever or that the implementation went off everywhere smoothly as planned. But, by and large, all political parties have accepted the fact that India's economy has changed or is changing from a state-led to a market-led one, and that a reversal to the earlier regime is unlikely.

This wide acceptance and consolidation is intriguing. More in particular, two questions can be asked. The first is about the relationship between the reforms, class and the state. According to Bardhan's (1984) analysis, India's political economy in the mid-eighties was dominated by three proprietary classes: industrial capitalists, rich landowners and professionals within the state, both civilian and military, including the white collar workers in the public sector. These three classes pursue their own interests and are involved in various types of cooperation and conflict with each other, resulting in economic stagnation and a kind of policy deadlock. If this analysis is right, one can ask:

⁹ See Mooij (1995). See also Schaffer (1984) and Wood (1985:358-9) about donative versions of reality.

How was it possible that, in the 1990s, the state began to lead a reform process that, ideally, would result in its own withdrawal from certain sectors and that would go against the vested interests of the white collar workers?

The second question is about the relationship between the reforms and democracy. This point can be illustrated with the help of Kohli's analysis of Rajiv Gandhi's failed attempt to reform India's economy in the 1980s. After an initially successful start, according to Kohli (1989), opposition started to develop from many different quarters: the Congress rank and file, the opposition on the left, rural groups, organized labour in the public sector. As a result, Rajiv Gandhi started to worry about his electoral support and was forced to backtrack on the reforms. Kohli concluded that there are, apparently, 'fairly sharp limits on how far and how fast a liberalization program, can be implemented in a democracy' (Kohli, 1989: 324). Again, if this analysis is right, how was it possible that a fairly radical policy shift was possible in the 1990s? Why was the democratic set-up a bottle-neck in the 1980s, but not in the 1990s?¹⁰

3.1 Reforms, Class and the State

The literature provides three types of answers to the question of how the (Indian) state could initiate policies that, in the longer term, would threaten the interests of the state incumbents and that would affect the dominant coalition. The first is that the state itself has changed. State professionals may still be a proprietary class, but their position has changed, and so has the dominant coalition. The second stresses that the state is actually quite capable and able to implement the reforms, even in such a way that the main interests of the third proprietary class are not threatened. The third answer is that one should not overemphasize the role of the third proprietary class. An explanation of the consolidation of the reforms requires a more 'society-centered' approach, focusing on the rise of a new class of industrialists or the role of international finance capital.

One of the changes that has taken place within the Indian state is the shift of political power – from the traditional elites to the lower castes. Reservation has meant that the traditionally privileged groups have lost some of their easy access to the state

¹⁰ A third question, not discussed here, is whether or not a link exists between the economic reforms and the rise of Hindu nationalism. See Mooij, 2005: 32-35.

and its resources. Cynics may even argue, according to Bardhan (1998: 134–5) ‘that the retreat of the State, implied by economic reform is now more acceptable to the upper classes and castes, not only because the regulatory and interventionist State has become too burdensome for the Indian economy, but also because these classes and castes are losing their control over state power in the face of the emerging hordes of lower castes, and thus opting for greener pastures in the private sector (and abroad)’. State professionals now come, in part, from a more socially disadvantaged background. They may still see the state as their material base, but, as a result of their lower social status, one may hypothesize, their position vis-à-vis the other proprietary classes may have been eroded.

This hypothesis fits Nayyar’s (1998) interpretation of an increasing mismatch between political representation and economic power. In his view, ‘[t]he rich dominate the economy now more than earlier, but the poor have a strong voice in the polity now more than earlier’ (ibid: 3129). This is precisely the nature of the disparity: the poor are included in the state and democratic processes, but this has not given them much power to influence economic processes. In fact, one can hypothesize that the relative importance of state professionals and politicians in economic policy making (as compared to the other proprietary classes) diminishes with the inclusion of more people from ‘lower’ castes in politics and the bureaucracy.

A different (second) kind of explanation is put forward by several political scientists who stress the capacity of the state to reform, and the fact that the initiative for undertaking reforms came primarily from within the state, rather than from elsewhere. In other words, the state has sufficient capacity and autonomy, and state professionals were not held back by a deadly embrace by the other proprietary classes of the dominant coalition. Shastri (1997) locates the beginning of the reform process already in the late 1970s and early 1980s, when various committees headed by senior administrators who were more market-friendly than their predecessors wrote their policy reports. These ideas were further developed during the Rajiv Gandhi regime. Although many of the policy ideas could not be implemented, the ideological orientation of the key decision-makers and economic advisors continued to change. This process was helped by the entry of the so-called ‘laterals’ within the bureaucracy, who are usually relatively young, trained outside India (often in the United States), and possibly with prior professional experience in the World Bank or in the academic world. When faced with the hierarchy and rigidity of the Indian

bureaucracy, these laterals became reformers almost by default. Thus, the reform discourse grew in strength, and when the ‘windows of opportunity’ opened in 1991, the plans were ready for implementation.¹¹

Jenkins (1999) stresses the political skills of the main reformers and their firm belief they would be able to continue their ‘business as usual’. He gives ample evidence of the various ways in which reformers have been able to manipulate the reform process in such a way that their interests would not be threatened. Das (2005) and Mahalingam (2005) support his thesis. On the whole, they argue, reforms have not undermined the position of the Indian bureaucrats or politicians at all – and it is especially in sectors in which they could make money that reforms have proceeded well. In other words, as far as white collar professionals have collective or class interests, they seem to have made sure that these would not be threatened in the reform process.

Skill is also related to personality and public image (building). Manor (1995), who described the reform process in the early 1990s as cautious, limited and well-sequenced, gives considerable credit to the personality, experience and insights of the main actor in the process: P.V. Narasimha Rao. He was determined and consistent in his approach, and opted for a low-key strategy in order to avoid opposition. Rajiv Gandhi, however, whose reform attempt failed in the 1980s, was impatient, confused and inconsistent. The public image of these two politicians was also very different. Rajiv Gandhi was seen as modern, young, dynamic and an outsider to politics. Initially, this was an advantage, but very soon his emphasis on science and modernization was identified as pro-urban and pro-rich. Narasimha Rao, however, had a history in the old Congress party and was known for his intellectual capacities and caution. His own credibility spilled over to the reforms, especially since he had so far never been a rabid supporter of economic liberalization (Shastri, 1997: 51).

The third answer to the question about how the state could initiate policies against the interests of the state incumbents is a political economy approach, emphasizing the role of non-state agents. Pedersen (2000), for instance, makes a strong case for a society-centered approach to the explanation of the consolidation of

¹¹ According to Shastri (1997), the Nehruvian discourse has been effectively replaced by a new market-oriented discourse. This interpretation is diametrically opposed to that of several others, who emphasize that the reformers downplayed (and had to downplay) the importance of the changes and obscured (and had to obscure) their real intentions, and that there is *no* ideological case.

the Indian reform process in the 1990s. Pedersen (2000) shows how Indian industry and business have undergone a 'quiet revolution' in the 1980s. The modern sections within business (engineering, electronics, software, computers, etc.) have become more important. In contrast to some of the older business groups, these modern sections favour de-regulation, de-control and de-licensing. They have organized themselves in the Confederation of Indian Industry (CII). This confederation has been fairly successful in developing close ties with the Finance Ministry and other policy makers. It participates actively in public debates around the economic reform, and has been able to influence the economic policy agenda. So, Pedersen's argument is that the rise of this new group of industrial entrepreneurs, in economic as well as in political terms, 'constituted the key social change that was necessary for the reforms to be carried through' (Pedersen, 2000: 276). The role of the 'third propriety class' should, hence, not be overestimated, according to Pedersen. 'The political and bureaucratic elite, however important and powerful it may seem, ultimately depends on the matrix of social forces prevalent in every society for the carrying through of a major reform' (ibid: 277).

Other political economists have emphasized the role of international economic actors. Bhaduri and Nayyar (1996), for instance, state that in 1991, when the government was faced with a severe balance of payment crisis, it chooses to borrow from the International Monetary Fund (IMF). This could have been a tactical move to 'provide India with breathing time and space to reformulate its policies and restructure the economy in accordance with national priorities and national objectives' (ibid: 50). But this, according to Bhaduri and Nayyar, 'was not to be' (ibid: 50). Rather, international borrowing led to a 'blueprint designed in Washington DC', a development strategy that was not based on Indian 'experience and learning', but on 'outside thinking' (ibid: 50-2). 'The economic priorities of the people and the development objectives of the country were forgotten in the process' (ibid: 51). So, rather than the national state with its class interests, this interpretation stresses the role of international financial institutions, or as Patnaik (2000) put it, the interests of international finance capital.

3.2 Reforms and Democracy

Two types of answers can be found in the literature that addresses the relationship between reforms and democracy. The first is that, during the 1990s, India's democratic bodies were occupied with issues other than reforms. In national debates and discussions, both inside and outside Parliament, reforms did not take centre-stage. The second explanation is that though India may be a democracy in the formal sense, the reform was implemented in a fairly undemocratic manner.

The first explanation is put forward especially by Varshney (1999). According to him, scholars generally assume that once reforms are part of the policy agenda, they become a central issue in political debates (ibid: 222). This implies that there should be sufficient political support for them; otherwise, they are doomed to be still-born. Varshney claims that this centrality of reforms need not be the case. In a situation where other issues dominate what he calls 'mass politics', reformers can proceed quietly as long as they refrain from policies that can turn into mass political issues.¹²

Mass politics in India centers around identity issues. In the nineties, Hindu nationalism has been a rising force. Following the 1991 elections, the Hindu nationalist Bharatiya Janata Party (BJP) became the second largest political party in the country after Congress (I). It had played a key role in the movement for the demolition of the Babri mosque in Ayodhya, and in the Hindu-Muslim riots that subsequently broke out in several parts of the country. Along with the issue of job reservation for lower castes, this led to mass politics centering around social and communal identities. The main political parties started to realign accordingly. In Varshney's words, '[c]oalitions were increasingly formed against Hindu nationalists, not against the Congress. To begin with, the left – the Communists and the lower caste Janata Dal and its allies – disliked the reforms, but *they disliked Hindu nationalism even more*' (Varshney, 1999: 247; italics in the original). Subsequent budget proposals could get passed by Parliament, not because the opposition parties

¹² Varshney makes a distinction between elite- and mass politics. 'Elite politics is typically expressed in debates and struggles within the institutionalized settings of a bureaucracy, a parliament, a cabinet. Mass politics takes place primarily on the streets. Touched off by issues that unleash citizen passions and emotions, the characteristic forms of mass politics include large-scale agitations, demonstrations, and civil disobedience: riots and assassinations are also not excluded' (1999: 223). The difference between elite- and mass politics is thus of a) interests affected, b) the arena of the debates and struggles, and the form that these debates and struggles take, and c) the participants in these political contests.

were in favour, but because Hindu–Muslim relations and caste animosities had become the prime determinants of political coalitions (ibid: 248).

The second explanation is particularly elaborated by Jenkins (1999). According to him, the reforms were implemented through underhand and often non-transparent tactics, made possible by the way in which democratic institutions work in practice. Indian politicians, Jenkins argues, could introduce fairly radical policy changes, because they were confident that the reform would not fundamentally alter either the political arena or their privileged position. Interest groups would continue to remain malleable, and new coalitions would emerge. Two types of institutions are particularly highlighted by Jenkins: namely, federal and political party institutions. The effect of the federal system has been the diffusion of opposition, while political parties function as networks of influence that can be used by politicians when negotiating policies and accommodating interests. In short, India's democracy did not create a hurdle at all. On the contrary, the actual functioning of the 'democratic' institutions enabled reformers to develop their clandestine tactics to introduce the reforms without much opposition.

A similar point, i.e. that the Indian state is not so democratic after all, is made by Patnaik (2000). According to him, the reforms have gone hand in hand with the abridgement of democracy. The support base of the reforms is very narrow. Only a small group of people are involved in economic policy making, and many of them have previously been employees of the IMF or the World Bank. Individual media persons or academic researchers are influenced, or rather co-opted, through well-paid assignments. Independent critical academic work is more difficult to undertake as the universities have increasingly become market-driven. Moreover, the political arena itself has changed as a result of the liberalization policies. According to Patnaik, globalization in India has intensified communalism, fundamentalism and

secessionism.¹³ These divisive forces have acquired new potency and have even led to a shift in the political discourse – away from economic policies and towards socio-cultural and ethno-nationalist identities. As a result, it has become easier to implement reforms (cf. Varshney, 1999).

4 THE POLITICS OF REFORMS IN ANDHRA PRADESH

In this section, I first list the various hypotheses implicitly or explicitly implied in the explanations discussed above, before I move on to discuss their value in the context of Andhra Pradesh.

Firstly, there is a set of related hypotheses stressing the *independent role of the state and state incumbents*.

- 1 It is the clever management and political skills of the policy elite (consisting of politicians and senior bureaucrats) that is important in the consolidation of reforms.
- 2 Reformers have been able to make use of the various formal and informal institutions of India's democracy. (This hypothesis also fits under the third set, focusing on the characteristics of India's democracy.)
3. It is basically the personality and public image of the main reform advocates that matters. If they succeed to build an image of dynamic and trustworthy leadership, they may be able to convince the electorate of the necessity, benefits and feasibility of reforms.
- 4 A new market-oriented discourse was developed from within the state. This discourse gradually gained in strength and started to influence ways of thinking about the economy.

¹³ This is so because, while globalization decreases the importance of national consciousness, sub-national consciousnesses are strengthened in the process (ibid: 247). Moreover, economic policies create winners and losers, and thereby secessionist tendencies. 'The advanced regions (...) think they have a better chance of attracting foreign investment from the [multi national companies] if they are unencumbered by the company of backward regions. (...) 'Backward' regions on the other hand develop a secessionist tendency since they feel they are getting a 'raw deal', accounting for the perpetuation of their backwardness' (ibid: 247). Finally, the economic policies and globalization generally may lead to reactionism, especially among those who are negatively affected. These people observe others to become richer and indulge in lavish consumerism. Since the rich are increasingly identified with the West, the anti-elite feelings may easily develop into anti-Western feelings, which can be a fertile breeding ground for fundamentalist movements (ibid: 247–8).

Secondly, there are two related hypotheses about the *changing 'dominant coalition'*.

5 The dominant coalition has changed, partly as a result of the entry of people from 'lower caste' background in the bureaucracy and politics. This has weakened the position of the 'third proprietary class' vis-à-vis the other two partners in the coalition.

6 The upper and middle classes, including the white collar workers, supported the reforms because they promised to offer better employment opportunities than the state-led model of development, especially because reservation policies had restricted their access to government jobs.

Three hypotheses focus particularly on *characteristics of India's democracy*.

7 Reforms were introduced by stealth. The importance of new policies was downplayed and the electorate was fooled.

8 There have been contingency factors. Because mass politics focused on other issues (such as communalism or identity politics), the reforming elite could go ahead, as long as they would not venture into policy areas that would touch the masses negatively.

9 The reforms could sustain themselves because an abridgement of democracy has taken place.

Finally, there are two hypotheses focusing particularly on *class relations*.

10 A new group of entrepreneurial industrialists has become economically and politically important in the late 1980s and early 1990s. This class has been able to influence the economic policy agenda.

11 The reforms are pushed by international financial agencies that represent the interests of finance capital.

This is a long list of hypotheses, but in the case of Andhra Pradesh some elimination can be done immediately. The 7th hypothesis, for instance, emphasizing the stealth element, does not hold. Reforms in Andhra Pradesh were not introduced by stealth; on the contrary, they were introduced by hype and publicity. If there is one State in which there was a lot of openness about the government's reform intentions, it was Andhra Pradesh between 1995 and 2004. There may have been some secrecy now and then about some particular measures, or about likely (negative) outcomes of some policies (Ramachandraiah and Patnaik, 2005), but on the whole the political leadership did not hide its intentions. This openness was a conscious strategy of the

TDP leadership, and seemed to have worked well in its relation with donors. It made Andhra Pradesh a darling State of the donors, and it gave the reforms in AP a special status. AP became a kind of test case for the donors in India, and the reforms, therefore, *had to* succeed. After all, if they could not succeed in AP, where could they?¹⁴

Similarly, the 8th hypothesis, emphasizing the role of contingency factors in diverting attention, has not much relevance in AP. Communalism and (religious or caste) identity issues have, on the whole, not detracted the attention of the electorate from the reforms. The argument that progressive people thought it would be more important to fight for secularism (together with Congress) than to fight against the reforms (together with the rest of the opposition, including the Hindu-nationalist BJP) may hold for India as a whole in the early 1990s, but not for Andhra Pradesh. Since 1998, the Telugu Desam Party was part of the (central) coalition headed by the Hindu nationalist BJP. This meant that, within Andhra Pradesh, the pro-secularists could easily form a coalition with the anti-reformers, and fight the BJP, the TDP and the reform policies in one go. This, however, has not happened.

Since 2001, there are, however, two other issues that are not related to the reforms but that might have detracted political attention from the reforms, namely the drought experienced in parts of the State, and the idea of a separate Telangana.¹⁵ The drought issue was used by both the TDP as well as the opposition party: the ruling TDP blamed the drought for the occurrence of deaths in the summer and for the difficulties of agriculturalists. The opposition argued that the government failed to address the difficulties of the farmers and the rural poor. The issue of a separate Telangana was put on the political agenda despite the ruling TDP. The TDP would

¹⁴ The result was that the donors could not be too critical about the reform progress and process, and had an interest in pretending that everything was fine in this State. See, for instance, Report No. PID10910 from the World Bank (dated January 25, 2002; italics added) that states that ‘Andhra Pradesh’s reform program is owned and under implementation by a highly committed and reform-minded government. The state’s strength includes a strong track record in reform, a capable bureaucracy and a high growth potential. These strengths would mitigate risks associated with the reforms. *Moreover, the success of the GoAP reform program is expected to have considerable demonstration effects across states in India. Given its already-established position as a reform leader in fiscal, power and governance areas, Andhra Pradesh has the potential to set precedents, and to help generate reform competition and momentum across India*’ (point 6: Report downloadable from www.worldbank.org).

¹⁵ Telangana is the least developed region of the three regions that make up the State of Andhra Pradesh. The struggle for a separate Telangana is as old as the State itself, which was formed in 1956, but it has flared up again in 2001-02, among other things with the emergence of a new political party fighting especially for a separate Telangana.

rather have it struck off and focus on the need for reforms. Both issues have become important only in 2001, and have not played a role in the initial years of enthusiast reform initiatives.

All the other hypotheses, however, seem to have some explanatory value. The first two hypotheses focus on the clever management, political skills, and ways in which Indian institutions function. These are, indeed, important elements of the way in which the AP reforms were taking place between 1995 and 2004. First of all, Naidu was a very competent and clever politician. This does not only mean he knew all party workers by name, but also that he was able to juggle with different discourses and policy practices. Good governance, for instance, was hailed as an important new phenomenon. There was a repetitive promise to root out corruption and become the best-ruled State in India. At the same time, 'business as usual' continued in almost all implementation practices: contractors were closely allied to the ruling party; fixed percentages were paid as bribes for various people instrumental in clearing the deals; policy implementation meant party building at the local level.¹⁶ Similarly, talk about the need for fiscal prudence went together with a continuation of various populist programmes and pro-poor subsidies. The rice subsidy was reduced in 1995 after Naidu came to power, but many new schemes, sometimes meant for specific target groups, have been introduced later on. The TDP leadership, as Kennedy (2004:65) also notes, was able to combine open support for the reforms with a continuation of pro-poor subsidies. By juggling these various discourses and practices, Naidu tried to appeal simultaneously to many different constituencies: the world outside AP, the urban middle classes, his own Members of the Legislative Assembly (MLAs), his rural party workers and the electorate.

It would be mistaken, however, to interpret this situation only in terms of political skills and management. The point is also that the introduction of the reforms did *not lead* to a discontinuation of earlier policies and practices. This means that it is possible to formulate a twelfth hypothesis, namely that the reforms in AP could be

¹⁶ A rather extreme example of this was the 'Food-for-Work' scam, in which a considerable percentage of the 3 million tonnes of foodgrains meant for drought relief was diverted to the open market or sold back to the Food Corporation of India between September 2001 and September 2002 (Deshingkar and Johnson, 2003). But also in other programmes local cadre building happened with development schemes and funds. Manor (2004: 265) narrates that the Chief Minister, at a gathering of party activists in the context of the Janmabhoomi (rural development) programme, said that he would allow if one third of the funds would be 'eaten' up.

introduced because they did not lead to a fundamental break in either pro-poor schemes or in ways in which resources were distributed through political networks and used for local party-building purposes.

Coming to the third hypothesis, there is no doubt that Naidu was the central figure in the reform. When he took over from his father-in-law, Naidu was in a difficult position: he did not have the same charisma as N.T. Rama Rao, who had, moreover, secured a massive election victory less than a year ago. He therefore had to develop another image, a source of legitimacy and support base that would distinguish him from his popular predecessor, and that would present him as a ruler in his own right. He found this image in computers, technology, modern management and reform-mindedness. He orchestrated a considerable amount of publicity around his person, stressing especially his commitment to reform, hard work, genuine ambitions for the state and modern outlook. As a result, he was seen as the main personification of the reforms. On the one hand, this was important for the consolidation of the reforms. His own faith, enthusiasm and hard work spilled over and added credibility to the process, if not in Andhra Pradesh, then certainly outside the State. On the other hand, however, his own centrality also undermined the effort. Suri (2005) argued, for instance, that the opposition parties had little choice but to oppose the reforms. There was no other way to fight Naidu than to fight the reforms. Moreover, it also meant that ownership of the reforms was limited. Even within the TDP, the rank and file did not always agree to Naidu's reform initiatives, although they could not express this openly.

To conclude, the first three hypotheses have value in the AP context. At the same time, they do not explain the content and the direction of the reforms. They are about skills and persons, and describe the *process* of the reform: how it was managed, and the centrality of the person of Chandrababu Naidu. But they do not explain the consolidation of the *particular set* of reform policies. The same skills could have been used for the introduction of reform policies with a different content.

It is therefore useful to proceed with hypothesis 10 about the importance of class interests. This explanation is also put forward by Srinivasulu (2003) in a paper, in which he discussed the class background of the TDP phenomenon. The TDP, he argues, could emerge and become important, not only because N.T. Rama Rao was a charismatic filmstar/politician, but also because there was a clear niche for anti-Congress politics in the State (see also Srinivasulu, 1999). The agrarian rich, who had come up especially after the Green Revolution, the backward caste middle peasant

and the educated middle class all felt that their prospects to come up were reduced by the Central Congress politics. While the first disagreed with the Congress pro-land reform position, all these groups felt excluded as a result of Congress' strategy to accommodate and incorporate especially the traditional landed gentry in its political structure.¹⁷ They were therefore willing to support the TDP in large numbers.¹⁸

In the course of the 1980s and 1990s, this rich and entrepreneurial class of people, often with their roots in agriculture, diversified into cinema, business, service and manufacturing industry.¹⁹ 'A faction of this class', according to Srinivasulu (2003) 'has shown aggressive growth, especially in the Information Technology and pharmaceutical sector'. They were so successful that, by the 1990s, 'this class [measured up] to take on even the monopoly class in the competition'. The permit-Raj was a bottleneck for them in their further development and expansion, and they welcomed the reforms.²⁰ When these business groups felt the TDP under N.T. Rama Rao was becoming too caught up in fiscally unsustainable welfare populism and was no longer pursuing their interests, they were instrumental in an internal TDP coup that brought Naidu to power. Very prominent and vocal among this class were the *Eenadu* (media) group and the owners of Viceroy Hotel. The *Eenadu* newspaper supported Naidu's coup and his policies, and the Viceroy extended its hospitality to the dissenting MLAs during the coup. Almost immediately after he took over, Naidu became a reform-oriented politician (even though he had defended the earlier populist welfarist policies as a Finance Minister under N.T. Rama Rao).

In sum, Andhra Pradesh has witnessed a kind of 'quiet revolution' within the initially agricultural bourgeoisie. There is also an ideological component to this

¹⁷ Andhra Pradesh produces rice and no wheat. The productivity increase as a result of the Green Revolution was much more in wheat than in rice. Nevertheless, the Green Revolution was important in AP. There was a huge expansion of surface irrigation (and hence of acreage and production of rice) and the Government of India introduced a system of secured procurement at fixed prices.

¹⁸ Thus, while in some other States (Maharashtra, Uttar Pradesh, Karnataka and Punjab) the middle caste farmers who had benefited from the Green Revolution and had become rich, started to agitate for more farmer-friendly policies and formed the so-called 'new farmers movements', in AP this group of articulate and aggressively enterprising farmers found a place in a new regional party, the TDP.

¹⁹ See also Baru (2000: 215- 219) for a description of the career trajectory of some first-generation regional entrepreneurs in Andhra Pradesh. The entrepreneurial spirit of this class of people goes a long time back. Upadhyaya (1988) describes the entrepreneurial strategies of the coastal Kammas from the late 19th century onward. The Kammas benefited from increasing irrigation possibilities, invested in education, property and business, and started to migrate to other parts of India where new irrigation schemes were developed.

²⁰ The term 'permit-Raj' refers to an extensive system of regulation and, to a certain extent also protection, of private entrepreneurship by a powerful state bureaucracy.

revolution. Some of the upwardly mobile communities (many are Kammas, Reddys and some are Kapus, and many are from the more developed Krishna-Godavari delta) have invested successfully in the education of their children.²¹ There has been a large expansion of educational facilities in the State, particularly in the area of private professional education. The education in these institutions, according to Srinivasulu, together with the rapidly expanding electronic media and consumerist boom, changed the aspiration of many people. Moreover, tens of thousands of these educated doctors and engineers went abroad, often to the US (Joseph, 2003: 3926). All this had a profound effect on the lifestyle, aspirations, ambitions and points of reference of this class of people.

It is not only that this class of people is politically well organized and able to influence the AP leadership. The relationship is much more direct. From the start onwards, the main support base of the TDP was located among these groups of people. But while their initial demands could be met by putting the land reforms on hold and by changes in the rural administrative structure, their further economic success required more drastic policy changes.²² What this illustrates is an interaction between different kinds of explanatory factors, i.e. state (policy)-focused and class-focused ones. To put it simply, the Green Revolution policy helped a new class of enterprising agriculturalists to emerge. In Andhra Pradesh, these people have supported the regional Telugu Desam Party that was founded in 1983. The TDP policies under N.T. Rama Rao have further helped this upwardly mobile class. They diversified their activities considerably, and were so successful that they started to 'demand' a regime shift.

This interpretation that highlights the interrelationship between state-led processes and class developments is different from the 5th hypothesis, which stresses the erosion of the position of the third proprietary class vis-à-vis the two other dominant classes. The position of the state and state incumbents does not seem to be weaker or substantially different during Naidu's regime from that in the mid 1980s. In both periods, policies were formulated to meet the demands of the upwardly mobile

²¹ Unfortunately, no empirical studies have been undertaken to systematically map the caste background of APs industrialists.

²² N.T. Rama Rao abolished the feudal institution of village officers, a position that was usually held by (Congress affiliated) members of the traditional elite. Similarly, he restructured the *mandals* (a sub-district administrative structure), opening up positions for the elites of backward communities (Srinivasulu, 1999: 218-9).

entrepreneurial class, while at the same time the regime had to think about its own survival, securing the support of elected representatives, and the (re)production of vote banks; the difference is only in the type of policies preferred by the entrepreneurial classes.

It is hard to assess the validity of the 6th hypothesis, which is about the changing appeal and prospects of jobs within the state, especially for the higher/richer castes/classes. There is no doubt that attitudes are changing, and that a position within the government is less aspired now by these groups of people than in the past. The expansion of opportunities outside the government for well-educated adolescents, the increasing wage differentials in the public and private sector, the widespread aspiration to migrate to the United States, have all contributed to this changing attitude. It may be that reservation policies have contributed to a further support for the reform policies, but this is hard to prove.

Where does hypothesis no. 4, about the strength of the new discourse, fit in? The regime shift effected by Naidu had a clear discursive component. Most importantly, there was a shift away from a discourse centering around welfare to one centering around reform, development and governance.²³ This earlier discourse, as mentioned before, could be characterized as ‘donative’, since it stresses hand-outs, charity and welfare provided by a benevolent ruler, i.e. N.T. Rama Rao. In a way, the new TDP policy discourse was technocratic,²⁴ as it stressed administrative (better monitoring and assessments; performance-based incentives etc.) or technological solutions (e-governance) to problems of corruption and poor government performance. But, although there has been a discursive shift, it has never been complete. Populist rhetoric remained important for the TDP, especially during election time. Moreover, it is hard to argue that the new discourse has functioned as a kind of independent element in the push towards reforms. Rather, it was consciously developed after 1995 in an attempt to justify and legitimize the reform policies.

The 11th hypothesis, which emphasizes the role of international agencies, is popular among leftists in the State. At first sight, there seems to be a lot of evidence to confirm this hypothesis. International agencies have been very important in funding

²³ See Harshe and Srinivas (1999) about this shift.

²⁴ There is, however, also a political component to the new policy discourse: the emphasis on stakeholders, ‘active participation of the people in the development of the state’ and on people becoming ‘partners in progress’ (GoAP, 1999:1-2).

and promoting the reform process in AP, the World Bank foremost among them (see table 1). This fact, however, does not necessarily mean the World Bank pushed for them. It is more likely that, although the World Bank and some big donors (especially DfID) gave indispensable financial support, the reforms were welcomed and appreciated by the entrepreneurial classes in the State, and these classes did not need to be convinced.²⁵

Finally, the 9th hypothesis about the abridgement of democracy is noteworthy. There have been scholars in Andhra Pradesh arguing that this abridgement has taken place, indeed, in particular with the establishment of the various stakeholder committees. Krishna Reddy (2002), for instance, has argued that the Janmabhoomi (rural development) programme helped Naidu to depoliticize development. By directing attention mainly to local issues, many of which are related to governance in a rather technical sense, Naidu would have succeeded in insulating the reform process from democratic procedures and people's participation (which was by and large reduced to non-economic issues). It therefore helped him to go ahead with the reform process. Krishna Reddy's argument is hard to prove. It is, however, likely that the stakeholder programmes were meant to enhance the legitimacy and support base of the TDP regime (and of its policies), even though they failed to secure an electoral victory in the end.²⁶

5 BY WAY OF CONCLUSION

To conclude, this paper has discussed the politics of the reform process in Andhra Pradesh, a State that was an active reformer between 1995 and 2004. The paper has argued that there are a number of factors explaining the reform process. Most importantly, there has been a change in the economic base and entrepreneurial strategies of the initially rural-based class/groups on which the TDP regime was based. This conglomerate of (initially) middle and rich peasants, some from backward

²⁵ It might be, however, that this domestic support was much less in relation to reforms in health, rural development and other social sectors. For instance, the government promised to set up a Poverty and Social Analysis Monitoring Unit, but delayed this for years (interview with DfID official, New Delhi, December 2002). The interest of the GoAP in the AP Health Strategy and Expenditure Framework, developed in early 2003 by a consultancy team in preparation of further reforms in this sector) was also very meager (author's own observations).

²⁶ See also Powis (2003), who analyses stakeholder associations as part of a political strategy, rather than a development intervention. Powis suggests that stakeholder associations are primarily arrangements in which new rural leaders can emerge and be accommodated.

caste backgrounds, educated middle classes and rural/agrarian entrepreneurs, has diversified its economic activities over the years and has been very successful in a number of business, service and manufacturing sectors, even to the extent that the permit-Raj started to become a bottleneck for its further expansion outside the State. From its inception, the TDP has been based on the support (financial and otherwise) of this class, and its policies, when in power, have (among other things) catered to the needs of this group of people. In the process, the party has helped to further the expansion and success of the economic activities of this class. The 1995 regime shift reflects the rise and changing policy needs of this class. At the same time, it has also been argued that despite rhetoric of fundamental changes, practices of party consolidation at the local level, (mis)use of funds as well as pro-poor social subsidies continued to exist. A considerable measure of political skills is necessary, and was evidently present in AP, to combine the various rhetorics and satisfy the divers interests.

An intriguing question is why Naidu chose to be so explicit about his reform intentions. He could have done the same things and satisfied his supporters without so much publicity, as has happened in other parts of India, where reform was introduced by stealth (Jenkins, 1999) rather than hype. In a paper comparing the different rhetorical strategies of Andhra Pradesh's and Tamil Nadu's government (the first 'trumpets' loudly, but 'does less than it announces', while the latter is much more discrete but in actual practice does more than what it announces), Kennedy (2004) mentions a few reasons. One is that Andhra Pradesh, in contrast to Tamil Nadu, is known to be a relatively underdeveloped state, which would create an incentive for the leadership 'to 'go overboard' in projecting visible signs of [its] commitment to market principles' in order to appeal to potential investors (p. 64). More importantly, according to Kennedy, are domestic political calculations. While Tamil Nadu has an increasingly fragmented party system, in which voting blocs are negotiating their support to particular political parties on a case-by-case basis, Andhra Pradesh has a much more stable bi-polar political system. Moreover, both the Congress and the TDP in Andhra Pradesh are based primarily on support from the so-called forward castes, while they use strategies of accommodation to secure the votes from the lower castes and poorer classes. Identification with policy that could be considered as pro-rich is therefore less harmful for them than for the main parties in Tamil Nadu, which have identified much more explicitly with their lower caste/class base.

These reasons may explain, indeed, why it seemed not detrimental to Naidu's electoral prospects to adopt an explicit pro-reform position (although this assessment might have been wrong: he lost the elections in 2004). That in actual practice he chose to do so is perhaps a historic contingency. Naidu needed a public image that would distinguish him from his charismatic father-in-law. And subsequently, the image has proved to pay off, in any case in the State's relations with international donors, who became as interested in a success story as the TDP leadership itself.

The defeat in the 2004 elections may be taken as a sign that Naidu's strategy to hype the reforms was perhaps unwise. The dominant interpretation of his electoral defeat was, indeed, that it was due to the way he pushed the reform agenda. At first sight, this interpretation seems to make sense. After all, the ruling BJP/NDA (National Democratic Alliance, which included the TDP) had done its best to convert the 2004 elections into a referendum on its economic development record. Throughout the campaign, the NDA had used slogans such as 'India Shining' and the 'Feel Good Factor', emphasizing India's economic development and status as a superpower. The opposition parties, too, especially at the State level, had tried to make the economic reform policies into an election issue. In Andhra Pradesh, the Congress opposition labeled Naidu an 'agent of the World Bank', and accused the TDP government of indiscriminate privatization, neglecting farmers and pursuing lopsided development. This suggests that, to a certain extent, the electoral outcome can be interpreted as a verdict against the reforms.

There are, however, several reasons to be cautious. First of all, Naidu lost many seats, but his loss in terms of voting percentages was less dramatic. As Table 2 shows, the TDP secured still 38.5 per cent of the votes in 2004, even though its number of seats was reduced from 180 to 47. Congress (I) also lost votes, but won in terms of seats, and together with its partners it won 226 of the 296 Assembly seats. In order not to split the opposition vote, Congress (I) had entered into seat alliances and coalition agreements with several other political parties, and that strategy paid off, and became a decisive factor in the 2004 verdict. Secondly, it is very hard to draw general relationships between voters' opinions on reforms and electoral outcomes. Based on electoral surveys pertaining to the general elections in 1996, 1998 and 1999, Kumar (2004) concludes that not only can one find reform advocates and opponents among voters for all political parties (including the Left), but also that a large majority (more than 70 per cent of voters in 1998) was not even aware that something like an

economic reform process had taken place in India.²⁷ This is not to say that voters had not experienced any reform impacts – even being unaware of the policy – but it does mean that one cannot assume a simple relationship between opinions about policies and voting behaviour.

Table 2
Election Results AP Assembly (1999 and 2004)

	2004		1999		Loss/gain	
	seats	%	seats	%	seats	%
Congress	185	38.5	91	40.6	+94	-2.1
Congress+	226	48.6				
TDP	47	37.5	180	43.9	-133	-6.4
TDP+	49	40.2	192	47.5	-143	-7.3
Others	19	11.2	9	8.5		

Source: Suri (2005: table 5.4), based on CSDS data.

Congress+ includes Indian National Congress, Telengana Rashtra Samithi (TRS) and the left parties.

TDP+ includes the TDP and the BJP

Others include all other parties and independent candidates.

To conclude, what the Andhra Pradesh case seems to suggest is that also in economically backward States that have a history of rather extreme welfare populism, it is well possible that dynamic and reform-oriented leaderships emerge. In AP, this was partly related to the individual ambitions and skills of a new generation leader, but it was also highly contingent upon a much longer-term transformation that had taken place within APs political economy: the economic diversification and success of a particular class of initially rural-based farmers/entrepreneurs. With the TDP in power, this class was able to influence the economic policy agenda directly. The electoral victory of Congress (I) in 2004 may have caused a small political set-back. Given the economic dominance of this class, it is, however, unlikely that subsequent non-TDP governments will go much against the interests of this class.

²⁷ The question asked was: During the last five years, the central government has made many changes in its economic policy (policy regarding money matters, tax, Indian and foreign companies, government and private sectors, industry and agriculture). Have you heard about them? (Kumar, 2004: table 2).

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