

# 1. Introduction: The Politics of Economic Reforms in India

*Jos Mooij*

In April and May 2004, India went to the polls. Against all expectations, the ruling National Democratic Alliance did not win the election, but was replaced by a Congress party-led coalition, the United Progressive Alliance (UPA). The defeat was quite dramatic. Of the 543 seats in the Indian Lok Sabha, the NDA succeeded in capturing only 185 seats (from its previous 274), while the UPA (excluding the Left parties who support the government from outside) won 217 seats (from its previous meager 151).

As soon as the verdict was announced, it was interpreted as a vote against the NDA's policies: its divisive communal policies pursued particularly in Gujarat but also elsewhere; its education policy of rewriting textbooks on India's history; its economic reform policies. This last interpretation was quite prominent. It was argued that the 2004 verdict should be seen as the vote of the rural poor against the urban-biased economic development model pursued by the NDA and several reform-oriented State governments.

At first sight this interpretation seems to make sense. After all, the BJP/NDA 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, for instance, the Congress opposition labeled Chandrababu Naidu an 'agent of the World Bank', and accused the Telugu Desam Party government of indiscriminate privatization, neglecting farmers and pursuing lopsided development. All reform-oriented State governments (except Orissa) lost badly, whether affiliated to the NDA or not. All this suggests that, to a certain extent, the verdict can be interpreted as a vote against the reforms.

There are, however, several reasons to be cautious. As Kumar (2004) has shown, it is difficult to draw general relationships between voters' opinions on reforms and electoral outcomes. Based on electoral surveys pertaining to 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.<sup>1</sup> 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. Furthermore, it can be questioned to what extent the result was a clear verdict against the NDA. The verdict may seem obvious in terms of seats, but it is not so obvious

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<sup>1</sup> 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).

in terms of voting percentages. As Table 1.1 shows, the NDA lost 89 seats but only 3.2 per cent of the votes cast. The Congress-led coalition won 66 seats but lost 2.4 per cent of its share of the votes. In terms of voting percentages, the Congress-led coalition was only slightly smaller than the BJP-led coalition in 1999, and it *is still* smaller in 2004. The electoral shift is, hence, much less dramatic than what it appears. Finally, the NDA and the UPA do not differ much in terms of their reform agenda. Sarangi (this volume) and Panagariya (2004) who compared the election manifestoes conclude that both parties/alliances are very similar in their reform orientation. The fact that the UPA does not want to break with reform policies is further illustrated by its appointment of Dr. Manmohan Singh, the prime architect of India's reforms in the early nineties, as prime minister.

**Table 1 Election Results Indian Parliament (1999 and 2004)**

	2004		1999		Loss/gain	
	seats	%	seats	%	seats	%
Congress	145	26.8	114	28.3	+31	-1.5
Congress+	217	34.6	151	37.0	+66	-2.4
BJP	138	22.2	180	23.7	-42	-1.5
BJP+	185	35.3	274	38.5	-89	-3.2
Others	137	27.7	113	20.4	+24	+7.3

Source: [www.rediff.com/election/poll04.htm](http://www.rediff.com/election/poll04.htm)

Congress+ includes Indian National Congress and 15 other political parties, but not the Left.

BJP+ includes the BJP and 9 other political parties

Others includes all other parties and independent candidates.

It is not my intention here to come to a final verdict on the 2004 election results. We will have to await a more detailed analysis of voting patterns (who voted for whom, and why) before a more sophisticated understanding can be reached. But what I hope to illustrate is just one of the many intriguing dimensions of the politics of reform: the relationship between electoral politics and economic reform policies.

The politics of reform is also the main subject of the present volume. In addition to the relationship between reform policies and electoral outcomes, this book covers many other issues. The focus is on both the political shaping of the reforms (how they came about) and on the impact of the reforms on political structures and processes. The papers analyze the politics of support as well as of resistance, and discuss issues related to political party systems as well as bureaucratic governance. The collection includes both general theoretical contributions and case studies pertaining to particular States or sectors. The main emphasis of the book is on domestic politics. This is not to suggest that the international political dimension plays no significant role in Indian reform processes – this is obviously not the case – but this is just one of the decisions we made in our effort to come to a coherent, not too wide-ranging collection of papers.

The objective of this first paper is to provide a broad introduction to the main political dimensions of the Indian reform process. According to Haggard and Kaufman (1992: 6), an analysis of the political dimensions of reforms should address at least three questions. The first concerns the initiation of the process: what triggered the economic reform? The second question concerns the content and scope of the process. Which sectors and areas

were covered, and what kinds of policy measures were introduced? The third concerns the consolidation of the process how could the reforms be sustained over time? In this chapter, I will discuss these questions. More specifically, I will put forward some of the answers found in the literature on the politics of the Indian reform process.<sup>2</sup>

The main focus will be on the second and third question, as the first question is the relatively easy one. The immediate trigger for undertaking economic reforms in 1991 was an acute balance of payments crisis. When the Congress (I) government took charge, it was faced with an urgent liquidity crisis – foreign exchange reserves barely sufficed to cover two weeks of imports. This called for an immediate response. The rupee was devalued, various international loans were secured to resolve the immediate problems and other measures followed quickly. The content and scope of the reforms, and the continuation and consolidation of the process can, however, not be explained so easily.

The next section briefly discusses the scope and content of the Indian reforms, and the various political arguments that have been advanced to explain the process. The second section focuses on the consolidation of the economic reforms. This is perhaps the most intriguing issue. This section is centred around three more specific questions. First, how is it possible that the reforms could be consolidated in a democracy? Second, how could the reforms be sustained when the state incumbents who lead the process have been characterized as belonging to a ‘third’ proprietary class with its own vested interests (Bardhan, 1984)? Third, how are the reforms related to the other major development in India during the nineties, namely, the growing importance of Hindutva or Hindu nationalism? The third section introduces the papers in the rest of the book, all of which, in various ways, engage with these political questions. The chapter ends with a short conclusion summarizing some observations on the politics of the reform process in India.

## **1. Scope and Content of Reforms in India**

The term “reforms” can be used in different ways. It can refer to macroeconomic changes regarding fiscal, monetary and financial policies, but it can also refer to changes in sectoral policies (in the agriculture, industry or social sectors) as well as to changes in the system of administration or mode of governance (White and Masters, n.d.). In the broad sense, reforms refer to almost all the policy changes that have taken place and that politicians and policy-makers choose to present as “part of the reform process”. 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 bureaucrats in certain circumstances work primarily with a narrow definition, while other people, or the same people in different contexts, broaden its connotation and include a much wider set of policy changes in the term “reform”. I will not go into this question in this introduction, but can refer to Chakraborty’s papers in this volume, which discusses questions of discourse and presentation. In this introduction, I will use the term in the broad sense. Reforms refer to all the macroeconomic and other (sectoral or governance) policy changes that are sometimes labelled as part of the reform process.

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<sup>2</sup> This is not a review paper. For a more exhaustive review and discussion of the literature, see Mooij (2002).

The trajectory of India's economic reforms has not been linear. During the eighties there were several short episodes of liberalization – first, during the post-Emergency tenure of Indira Gandhi (1980–84) and later during Rajiv Gandhi's regime (1984–89). Reforms began in earnest in 1991, following the general elections in that year. The new Congress (I) government, headed by P.V. Narasimha Rao and with Manmohan Singh as finance minister, took over in June. Soon after the cabinet was sworn in, the government announced the first set of reform measures. It continued to introduce new measures in various key economic sectors during its term. The desire to reform did not end in 1996, when the Congress (I) government was replaced by a coalition headed by the Janata Dal; nor in 1998 and 1999, when coalitions led by the Hindu-nationalist Bharatya Janata Party (BJP) were formed. All these governments pursued economic reforms – perhaps not as quickly as some of the advocates would have preferred and certainly not to the same extent in each sector and every region of the country. Nevertheless, there is no doubt that in 2003, the economic orientation of India is distinctly different from that of 15 years ago, and this reform orientation is unlikely to change in the near future.

The main reform policies introduced after 1991 are summarized in Table 1.2. The largest changes have taken place in the trade and industrial policy. The import tariffs have been brought down considerably – from a weighted average rate of 87 per cent in 1990–91 to 29 per cent in 2001–02 (Williamson and Zaghera, 2002: table 3). The import licensing system was virtually abolished in 1991 (the exception being most consumer items). Industrial licensing was also abolished for all but 18 industries; and the number of industries reserved for the public sector has been reduced from 17 in 1991–92 to 3 in 2000–2001 (Srinivasan, 2003: 13). The controls on foreign capital inflows have been relaxed; and foreign investment up to 51 per cent equity holdings is now automatically approved for 34 high priority industries.

In other sectors, however, the reforms have been far less radical. The areas usually mentioned by advocates in which reforms are necessary but neglected are agriculture, disinvestment and privatization of public sector units, and labour. On the whole, reforms in India have been introduced in a gradual way, rather than with a big bang.

One important policy reform that was introduced in the nineties but is usually not included in a discussion of “the reform process” is the enactment of the 73<sup>rd</sup> and 74<sup>th</sup> Constitutional Amendments, decentralizing powers to local elected bodies in rural (73<sup>rd</sup>) and urban (74<sup>th</sup>) areas (although Pai, in this volume, includes this legislation in her discussion of the reforms in Uttar Pradesh).

Table 1.2: Reforms in India since 1991

	<i>Main Reform Policies</i>	<i>Further Comments</i>
Fiscal, monetary and financial policy	1991: 18% devaluation of the Rupee After 1991: gradual introduction of full convertibility for current account transactions; liberalization of foreign exchange dealings; attempt to reduce fiscal deficit; limited tax reforms; 1991: liberalization of banking; gradual freeing interest rates;	Fiscal deficit was initially reduced but again began to increase from 1993–94 onwards; recommendations of the Kelkar committees (2002) on tax reforms not implemented; VAT not (yet) implemented; changes introduced in tax rates and a shift towards

	1999: reform of insurance sector 2004 Relaxation of capital controls Reform of regulatory institutions, such as the Securities and Exchange Board of India and the Insurance Regulatory Authority	direct tax collection
Trade policy	1991: virtual abolition of import licensing controls; from 1991: gradual reduction of custom duties and tariffs; 1991: elimination of quantitative import restrictions on intermediate and capital goods; 1998–2001: elimination of quantitative import restrictions on consumer goods	
Industrial policy and foreign capital	1991: virtual abolition of industrial licensing; further abolition in 1998–99; sharp reduction in number of industries reserved for the public sector (opening up of electricity and telecommunications); 1991 and 1997: substantive relaxation of foreign investment up to 51% equity; gradual liberalization of foreign direct and portfolio investment	Reservation of products for small-scale industry still largely in place; power: unbundling took place, 10% of generation is in private hands, distribution still by and large done by PSUs, tariff increases met with resistance; telecommunications: reforms widely regarded as successful
Agricultural policy	Abolition of restrictions on movement of commodities and liberalization of agricultural trade; liberalization of exports	Continuation of subsidy on fertilizer, food and power; basic staple prices controlled by minimum support prices
Social sector	1997: introduction of targeting in the public food distribution system; 2001: enactment of the 93 <sup>rd</sup> Constitutional Amendment, making education a fundamental right; educational and health reforms implemented at the State level	
Labour policies	2001: proposals made to reduce “labour market rigidities”	Proposals still not formally accepted; but on the ground, gradual changes have taken place
Privatization and disinvestment	1991: disinvestment policy officially introduced; greater autonomy/accountability of public enterprises	Large-scale disinvestment and privatization still to take place; from 2001 onwards, the policy started to gain some momentum (VSNL, Maruti); some initiatives have also been taken by various State governments
Governance and administration	1992: enactment of the 73 <sup>rd</sup> and 74 <sup>th</sup> Constitutional Amendments; 1997: implementation of salary revisions as recommended by the Fifth Pay Commission	No significant reduction in the size of government despite various recommendations

**Sources:** Acharya (2002); Mahendra Dev (personal communication); GoI budget speeches; Jenkins (1999); Srinivasan (2003); Williamson and Zaghera (2002).

The question addressed here is how political analysts have explained the scope and content of the reforms. According to Varshney (1999), the reason for progress in certain sectors and neglect of others is primarily political. “Reforms that touch, directly or

primarily, elite politics have gone farthest: a large devaluation of the currency, a restructuring of capital markets, a liberalization of the trade regime, and a simplification of investment rules” (ibid.: 249). Reforms that have positive consequences for mass politics have been implemented, whereas those with potentially negative or highly uncertain implications for mass politics have either been completely ignored or pursued half-heartedly (ibid.).<sup>3</sup>

No doubt, there is a lot of truth in the interpretation that the speed and emphasis of the reforms is influenced by political considerations. On the other hand, it is not true that nothing changed or could change in politically sensitive policy areas. As Jenkins (1999) argued, even when reform initiatives did not attract headlines, they may have proceeded; albeit quietly and slowly, but often to an extent that was unthinkable before the onset of the reforms. Regarding agriculture, for instance, Jenkins (ibid.: 25) writes that

it is worth emphasising that even in this neglected sector, more has been accomplished than almost anyone had expected .... Key reforms include abolition of central government restrictions on the movement of agricultural commodities between government-defined zones; the freeing of prices on some types of fertilizer; the substantial abandonment of canalisation of agricultural trade through state trading corporations, though with important exceptions; and the dismantling of quantitative restrictions on agricultural trade.

The fact that some reforms were implemented quietly and in inconspicuous ways – akin to dropping a stealth bomber, without being noticed on the radar screen – is actually an important element in Jenkins’ explanation of the consolidation of the reform process. As I will discuss below, his argument is that it is precisely because politicians and policy-makers pretended that nothing much had changed that they were able to implement several reform policies.

This stealth argument, however, does not explain the content of the reforms. Various political-economic interpretations shed more light on this question. The economic reforms, according to Corbridge and Harriss (2000), are partial. They benefit some categories of people much more than others. Basically, it is mainly the “concerns of India’s urban and industrial (and even agricultural and political) elites” that are addressed by the reforms (ibid.: 160). The reforms have continued, because they have “not yet run counter to the (varied) interests of the country’s most powerful social groups, at least not in a sustained way” (ibid.: 145). Pedersen (2000) gives a more concrete description of the same process. He shows how Indian industry and business underwent a “quiet revolution” in the eighties. The modern sections within business (electronics, software, computers, etc.), as represented by the Confederation of Indian Industry (CII), have become more important. The CII supports globalization and “claims to have a philosophy in favour of deregulation, de-control and de-licensing in all sectors” (ibid.: 270). It was

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<sup>3</sup> 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.

this representative body that succeeded in developing close ties with the finance minister and other policy-makers and actively participated in the public debates on the economic reforms (Kochanek, 1996). Thus, Pedersen's argument is that the rise of this new group of industrialists, in economic as well as in political terms, has been of crucial importance in sustaining the momentum of the reform process during the nineties.

Other political economists have emphasized the role of the World Trade Organization, international financial institutions and the interests of international finance capital. Patnaik (2000), for instance, discusses the role of the Bretton Woods institutions in India's liberalization programme and poses the question as to whose interests they serve. His answer is that

Trade liberalization no doubt enables [multi-national corporations] to capture third world markets at the expense of local producers by providing or arranging for loans or export credit. Likewise the wooing of MNCs to undertake investment in third world economies opens up very profitable investment opportunities for them; and the sale of public sector assets as well as the removal of restrictions on taking over local companies enables them to buy their way cheaply into business empires in third world economies (ibid.: 234).

Furthermore, it is consumers in the metropolitan regions of the world and sections of the third world elite who benefit from cheap exports of tropical products and imports of staple food products. But most crucially, the interests of international financial capital are served. This capital stands to gain most from the removal of restrictions on capital flows and currency unification and convertibility (Patnaik, 2000: 235).

Bhaduri and Nayyar (1996) also emphasized international pressures, conditionalities and blueprints in their assessment of the reform process. They argue that, while there was a balance of payments crisis in the early nineties that needed to be addressed, there was no reason to treat this relatively minor and temporary crisis of liquidity as an indication of (alleged) fundamental flaws in India's post-independence development strategy. The government, however, did just that. It asked the IMF for assistance and was forced to accept a reform package that was not based on Indian "experience and learning", but on "outside thinking" (ibid.: 51-2). There may be some truth in the argument that the reforms in India basically followed the same prescriptive format as elsewhere (Corbridge and Harriss, 2000: 162). It can also be recalled that the main reforms have taken place in the area of trade and industrial policy, suggesting that these were inevitable responses that came with signing the various international trade agreements. On the other hand, it probably goes too far to argue that these international pressures explain the whole content and scope of India's reforms. There was a significant amount of willingness, if not eagerness, among Indian policy makers as well (Shastri, 1997). Moreover, it is also important to keep in mind that, although the economic policy changes may seem huge in India, as compared to many other developing countries that went through an adjustment process, India's experience is one of gradualism, with the national government very much in charge. Nayar (2003) even concludes that the opening up of India's economy has not at all compromised its economic autonomy, but has only augmented this. The pressures from the International Financial Institutions were not that much; they were towards an open door; and they were disregarded when they were thought inappropriate (Nayar, 2003: 25).

To conclude, the most common approach of political scientists writing about Indian reforms, is to relate their scope and content to political and economic interests. It

is argued that the reforms are in the interest of the dominant economic classes, particularly the new business groups, who are politically articulated with the CII as their main organization. International trade agreements, loan conditionalities and ready-made international blueprints are also considered as important pressures explaining the scope and content of the Indian reforms.

## 2. Consolidation of the Reform Process

The dominant interpretation among political observers 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 has been relatively little opposition. This is not to say that there is no opposition whatsoever (see, Suri in this volume) or that the implementation went off smoothly as planned (see, Das, in this volume).<sup>4</sup> But, by and large, all political parties have accepted the fact that India's economy has changed or is changing from being more state-led to one that is more market-led and that a reversal to the earlier regime is unlikely.

This wide acceptance and consolidation is intriguing. It raises three sets of questions. The first deals with the relationship between 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 eighties. After an initially successful start, according to Kohli (1989), opposition started to develop from several 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 concludes:

it is indeed difficult for a democratic regime to undertake a major shift in development strategy. ... It would ... be absurd to deny that powerful leaders like Indira Gandhi and Rajiv Gandhi can initiate some policy changes that they and their advisors deem necessary. There are, however, fairly sharp limits on how far and how fast a liberalization program can be implemented in a democracy (ibid.: 324).

Thus, the questions that arise are: How was a fairly radical policy shift possible in a democracy, where the opposition can easily mobilize resistance? How can reforms be sustained in a context where the majority of the voters are poor and attracted by handouts and in which political parties are used to attracting these voters by populist policies? Why was the democratic set-up a bottleneck in the eighties, but not in the nineties?

A second set of questions deals with the relationship between reforms 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

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<sup>4</sup> For dissenting voices, see Chhibber (1995), Denoon (1998) and Pani (1994). Chhibber argues that as long as political parties are primarily concerned with providing their supporters access to state resources, policy reforms are going to be very difficult to implement. Denoon stresses the cyclical character of the reforms. Since the mid-sixties, he argues, there has been "an oscillation between controls and a more open economy" (ibid.: 55). Pani emphasizes the conservatism of the reforms rather than the fact that they went ahead.

workers in the public sector. These professionals can be considered as a class, since they share a common resource, “human capital in the form of education, skills and technical expertise” (ibid.: 51), and use the state as their private property. The state, in other words, is their material base. These three classes pursue their own interests and are involved in various types of cooperation and conflicts with each other, resulting in economic stagnation and a kind of policy deadlock. If this analysis is right, one can ask: How it was possible that in the nineties 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 third set of questions is about the relationship between reforms and the rise of Hindu nationalism. The latter has been a strand in the political fabric of India, especially since the close of the nineteenth century. Unable to acquire the stature of a dominant discourse during the freedom struggle, Hindu nationalism remained marginal after independence. The situation changed in the early nineties, when it politically became a force to reckon with. Both economic liberalization as well as Hindutva are seen by Corbrdige and Harriss (2000) as attempts to reinvent India. The earlier image, constructed by Nehru and other “tall men” half a century ago, was based on the ideas of democracy, federalism, secularism and (to some extent) socialism. During the nineties, however, this image was seriously challenged, both by economic reformers and the proponents of Hindu nationalism. Is it a mere coincidence that both the projects grew stronger during this decade? Is there a link between the two? What kind of role has the rise of Hindutva played in the consolidation of the reform process?

### ***Reforms and Democracy***

Two types of answers can be found in the literature that explains the relationship between reforms and democracy. The first is that, during the nineties, India’s democratic bodies were occupied with issues other than economic 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 process 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 stillborn. Varshney claims that this centrality of reforms need not be the case. In a situation where other issues dominate what he calls “mass politics”,<sup>5</sup> reformers can proceed quietly as long as they refrain from policies that can turn into mass political issues.

Mass politics in India centers around identity issues. Over the last decade, Hindu nationalism has been a rising force. Following the 1991 elections, the Hindu nationalist Bharatya 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 began to realign accordingly. In Varshney’s words, “[c]oalitions were increasingly

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<sup>5</sup> See footnote 2.

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*” (ibid.: 247; italics in original). Subsequent budget proposals could get passed by Parliament – not because the opposition parties 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 reforms would not fundamentally alter either the political arena or their privileged position. Interest groups would continue to remain malleable, and new coalitions would emerge. “Politics as usual” would thus not end, and the reforms could even provide new opportunities for earning illegal incomes, strengthening support bases, etc. 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.

According to Jenkins, the reforms were introduced by stealth. The reformers tried and succeeded in introducing change under the guise of continuity. By claiming one thing but doing another and by introducing de facto reforms when official policy statements stressed continuity, they ensured that the measures did not encounter much opposition. In short, India’s democracy did not create any hurdles. On the contrary, the actual functioning of “democratic” institutions enabled reformers to develop clandestine tactics to introduce the reforms without evoking serious 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 is involved in economic policy-making, and many of them have previously been employees of the IMF or World Bank. Individual media persons or academic researchers are influenced, or rather co-opted, by well-paid assignments. Independent critical academic work is more difficult to undertake as 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. These divisive forces acquired new potency and 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).

### ***Reforms and the State***

Two types of answers can be found in the literature addressing the question as to how the (Indian) state could initiate policies that, in the longer term, would threaten the interests of the state incumbents and 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 explanation stresses that the state

is actually quite capable and is able to implement reforms in such a way that the main interests of the third proprietary class are not threatened.

In the 1998 revised edition of his 1984 book, Bardhan has added an epilogue in which he discusses the socio-political background of the reforms. He emphasizes that much has remained the same as when he wrote his interpretation of stagnation 15 years ago. There is still a “staggering burden of government subsidies, placating various powerful interest groups” (1998: 127). According to Bardhan, “[o]n the whole one should not exaggerate the extent of shift in the basic political equilibrium in spite of all the impressive changes that have taken place in economic policy” (ibid.: 130). However, he also acknowledges that important changes and realignments are evident in the composition and attitudes of the dominant coalition, which have made the reforms more acceptable (ibid.: 132). The dominant coalition itself has become more diverse, fluid and fragmented. Moreover, ideas about the preferred role of the state have changed. “There is a slow, and at times grudging, acceptance within the bureaucracy that the Indian State has overextended itself in the economy, far beyond the limits of its administrative capacity” (ibid.: 131). While he stresses continuity – the fact that the old system of subsidies and patronage networks continues to exist – Bardhan also acknowledges the changed attitudes and new realignments within the dominant coalition as important backdrops against which the reforms have taken place.

One of these changes is the shift in the balance 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 and its resources. Cynics may even argue, according to Bardhan (1998: 134–35),

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 now 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).

In other words (not Bardhan’s), the state itself has changed. State professionals now come, in part, from a much more socially disprivileged 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 precisely is the nature of the disparity: the poor are included in the state and democratic processes but this has not given them the 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 the “lower” castes in politics and the bureaucracy.

A different kind of explanation is put forward by several social 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 the deadly embrace by the other proprietary classes of the dominant coalition. Shastri (1997) locates the beginning of the reform process already in the late seventies and early eighties, when various committees headed by senior administrators who were more market-friendly than their predecessors came out with their policy reports. These ideas were further developed during the Rajiv Gandhi regime. Although many of the policies 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 may have 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.<sup>6</sup>

Jenkins (1999), as discussed in an earlier section, stresses the political skills of the main reformers and their firm belief they will be able to continue their “politics as usual”. The reforms, it was thought, would only provide new opportunities for corruption and earning illegal incomes. Several papers in this volume give further evidence of how state professionals have been able to manipulate the reform process in such a way that their interests are not threatened. Das, for instance, describes how the Indian Administrative Service succeeded in (re)converting a rule-based reform process into a relation-based one. Mahalingam describes the non-transparent tactics used to reform the power sector, as a result of which the scope for corruption increased considerably. In short, these authors seem to argue that in so far as white-collar professionals have collective or class interests, they have made sure that these are not threatened by the reform process.

### ***Reforms and Hindutva***

As Corbridge and Harriss (2000) argue, India has witnessed two kinds of upsurge during the nineties – the economic reforms and the Hindu nationalist project. Are the two related, and if so, how? While these authors do not address this question, several other political observers have done so. It is possible to distinguish at least four different approaches in the literature regarding the relationship between economic reforms and Hindu nationalism: Hindu nationalism as a contingent factor, as an effect, as a converging project, and as a strategy to appeal to voters in the context of a pro-business economic policy.

Varshney (1999), as pointed out earlier, regards the increasing importance of Hindu nationalism as a contingent factor. He does not establish a substantive causal relation between this type of identity politics and the economic reforms; his only argument is that identity politics has facilitated economic reforms. Since the latter were

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<sup>6</sup> According to Shastri (1997), the Nehruvian discourse has been effectively replaced by the 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 chances and obscured (and had to obscure) their real intentions, and that there is *no* ideological case (Jenkins, 1999; Panini, 1995; Sachs, Varshney and Bajpai, 1999). Panini (1995: 48–50), for instance, makes the following point: “Socialist values stressing equality continue to dominate the political discourse in India... [A]lthough a pragmatic consensus in favour of liberalization has emerged, the programme is yet to gain legitimacy in terms of ideologies and values.”

not among the main political issues around which there was a lot of contestation, reformers could go ahead.

Patnaik's position is at once similar and different to Varshney's argument. According to Patnaik (2000), communalism and secessionism are not contingent on, or unrelated to economic reforms. Rather, they are an *effect* of the reform process itself. Structural adjustment policies as part of globalization strengthen fundamentalist tendencies. This is so for several reasons. First, according to Patnaik, globalization implies a weakening of the national consciousness, as a result of which other consciousnesses gain prominence. "Paradoxically, the espousal of 'globalization', which apparently transcends nationalism, has the effect of strengthening sub-national consciousnesses" (ibid.: 247). Second, economic policies create winners and losers, and thereby secessionist tendencies.

The advanced regions within a third world economy develop a secessionist tendency, because they think they have a better chance of attracting foreign investment from the MNCs 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.).

Finally, economic policies and globalization can generally give rise to reactionary responses, especially among those who are negatively affected. With the sharpening of economic disparities, and because of the conspicuous consumption style of the elite, the rich are identified with the West. This may fuel anti-Western feelings, and provide a fertile breeding ground for fundamentalist movements (Patnaik, 2000: 247–48).

The political arena has undergone changes as a result of the upsurge in these fundamentalist, secessionist and communal forces. As mentioned earlier, Patnaik claims that these divisive tendencies have moved centre stage, with the main political debates starting to revolve around them. This facilitates the implementation of the reforms, since it detracts attention away from them. The intensification of these fissiparous impulses is even used to justify the reforms: it is argued that they will usher in modernization and help overcome "backwardness". This justification is, of course, erroneous in Patnaik's view. According to him, liberalization only strengthens the "backward" tendencies.

A third interpretation can be found, for instance, in Karat (1999), who emphasizes the convergence between the globalization project and the political project of the Hindu fundamentalist BJP. In his view, globalization breaks down national barriers and erodes the sovereignty and autonomy of nation states. However, not all the powers of the state are dismantled. "The imperialist sponsored globalization .... seeks to do away with the powers of regulating the economy and flow of capital" but aims to strengthen "the repressive powers to suppress popular movements against big capital and police the working class." This conception of the state is similar to that of the BJP and allied organizations, which also favour an authoritarian centralized state (ibid.: 44).

The fourth approach, as exemplified by Kohli (1989), goes one step further in its attempt to address the connection between pro-market policies and Hindu nationalism. Although Kohli explicitly states that there is no inherent reason why "Hindu chauvinism" should go hand in hand with a preference for business, he explains why this link exists in the Indian case. Political leaders in the Nehruvian era were reluctant to appeal to caste, religious or community sentiments. In their understanding, according to Kohli, the

formation of a national identity could easily be jeopardized by an appeal to these “primordial” loyalties. Therefore, they preferred to make use of economic and secular categories (like the poor, the peasants) in their attempts to reach out to the people. While these “socialist” leaders could appeal to the majority of the population as the poor, those who represented business interests had a problem:

[I]n a poor democracy like India, how do you mobilize the support of the majority, who after all are very poor? One solution to this puzzle was to cut the majority–minority pie at a different angle. If the poor were majority by the criterion of wealth, Hindus were the religious majority. Appeals to the majority religious community against minority communities, then, can be an alternate strategy for seeking electoral majorities by downplaying class issues at the expense of communal ones. Whereas the Congress traditionally stood for the secularism and socialist package, parties like the Jan Sangh [predecessor of the present BJP] had in the recent past advocated Hindu nationalism and a pro-business attitude (ibid.: 309).

In short, Kohli suggests that the pro-business community might have used Hindu nationalism as a tool to reach out to an electoral majority.<sup>7</sup> Understood from this perspective, Hindutva is (in part) a conscious strategy of an economic elite to enlarge its support base.

To conclude, it is clear that political science literature offers an array of interpretations as to why the reforms could consolidate during the nineties. Apart from the fact that the question itself can be approached from different angles, as I have done in this section, there are also different, and sometimes conflicting, understandings. The most striking difference is that class is an important concept in some interpretations, while it is completely absent in others. Differences in interpretation also have to do with changes in empirical reality. It makes a difference whether one aims to understand the reform process in say 1995 or in 2003. The explanandum itself changes over time, just as it varies across States and sectors. One can only expect that the explanation differs accordingly. Altogether, this short discussion shows that the dust has far from settled in the debate on the politics of the reforms in India; there are many interesting issues and hypotheses that can be investigated further. Some of these are taken up by the contributors to this volume.

### **3. Papers in this Volume**

This book consist of eleven papers, divided over three parts. Apart from the present introduction, the first part has one other paper, authored by Achin Chakraborty. That paper focuses particularly on the way in which the advocates and opponents of reforms have framed their arguments. Chakraborty’s paper, hence, is concerned not with the economic or political changes that have taken place but primarily with the discursive

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<sup>7</sup> Kohli’s explanation stems from an era in which secular and socialist rhetoric still went together. But since 1991, secular parties no longer claim to be socialist. In the absence of a clear pro-poor policy, we may hypothesize, the secular parties are faced with a major problem of how to address the majority of voters and may at times be tempted to become non-secular. The non-secular BJP has no problem in this respect and may be able to bank on the difficulties of the other parties.

aspects of the reform debates. In India, economic rhetoric is rarely the subject of study by economists or other social scientists. It is for that reason that Chakraborty's paper is a very original contribution to the literature.

Based on a selection of important writings of reform advocates and opponents, Chakraborty analyzes the manner in which they present their case and try to persuade their audiences. To start with, the issue itself can be described in different ways: what is simply "reform" for the advocates is "liberalization" or "neoliberal reform" for the critics. Both groups, at times, suggest authority and insiders' knowledge and make use of particular metaphors, labels and narratives. Chakraborty argues in favour of greater awareness about the rhetoric and persuasive strategies deployed by both sides. In his view, such awareness is necessary to increase tolerance and openness towards different viewpoints, to overcome disagreements, and ultimately to improve the quality of democratic debates.

The second part of the book is about reforms and electoral democracy. This part consists of three papers. Prakash Sarangi explores the relationship between economic reforms and the Indian party system. Reform policies, he argues, can influence the political landscape in three different ways. They can lead to the restructuring of political institutions or the emergence of new ones. They can affect the political culture, and they may have an impact on the processes of political mobilization. All this is likely to affect the party system, which is defined as a system of interactions resulting from interparty competition.

After a short historical overview of the Indian party system, Sarangi describes the three main features of the party system that emerged during the nineties, and which is characterized as segmented pluralism. The first feature is ideological depolarization. Ideological differences between the main political parties are disappearing, and most political parties are no longer willing to distinguish themselves from the others on the basis of a fixed and long-term ideological position. The second feature is regionalization of the party system. There has been a proliferation of regional parties. Even the national parties are regionalizing, in the sense that the regional units have become the main focal points in interparty competition. Every national party today is in fact a coalition of several State or local units. The third feature is fragmentation of the party system. Political parties have started to address the interests of particular caste or regional groups. Sarangi's argument is that these three characteristics are perhaps not simply the result of the reform process but are certainly reinforced by it.

This more general paper on India's party system is followed by two case studies of the interactions between democratic politics and reforms in two States. Sudha Pai and K.C. Suri both address the issues of whether and how reforms are possible in a democratic set-up. Pai's paper discusses the reform successes and failures of the BJP government in Uttar Pradesh between 1997 and 2002. The paper focuses in particular on three policy areas: fiscal stabilization, industrial policy regulation and devolution of power to the third tier – namely, panchayats. According to Pai, reforms are necessary in all these three areas, but they have by and large failed. Policy principles are not consistently followed, and the implementation is poor.

The reasons behind this sorry state of affairs, she points out, are political in nature. Fragmentation of the party system in Uttar Pradesh has led to a situation in which no political party is able to gain a majority. This has meant unstable coalitions that have

never lasted their full term. These short-term governments are unable to formulate effective long-term policies or impose the required fiscal discipline. They continue to indulge in populist politics in order to secure electoral support. The political leadership is weak and lacks the authority and motivation to implement reform policies. This has led to a decline in the quality of governance (high levels of corruption, inefficiency, bureaucratic delays, etc.) which further undermines the capacity of the government to implement the much-needed reform policies. Pai argues that the particular type of democratic politics that has developed in Uttar Pradesh forestalls the implementation of reform policies. The ruling parties are too insecure and fear that the implementation of reform policies will adversely affect their electoral prospects.

The situation in Andhra Pradesh, as described by Suri in the next paper, is markedly different. Andhra Pradesh has been an actively reforming State, especially between 1995 and 2004 when Chandrababu Naidu was the chief minister. What is interesting about Andhra Pradesh is that the political leadership had been very explicit about its intention to reform. It is one of the few States where the reforms have been introduced not by stealth but by hype or publicity. Nevertheless, the regime faces a major dilemma of how to sustain the economic reform process in the context of intense electoral competition. Suri analyzes the various complexities of this process. In particular, the paper focuses on the contradiction between two main agendas, the development agenda and the welfare agenda.

Up to 1995, welfare was the main issue in Andhra Pradesh's policy discourse. This, however, changed with the coming to power of Chandrababu Naidu. From the very beginning, he argued that reforms were necessary to increase welfare. Yet, his main emphasis, initially, was on reforms rather than on welfare measures. This, however, changed from 1998–99 onwards, when it had become clear that reforms did not lead to a larger vote share. Before the 1999 elections, he again became very populist. Suri even describes him as a “political wizard ... [pulling] out one welfare scheme after another from his hat.” Altogether, the effect of intense electoral competition, according to Suri, is quite positive. It means that the reform policies cannot tilt too heavily in favour of the wealthier sections of the population and that the welfare role of the state cannot be done away with. Suri's chapter ends with a postscript written after the 2004 General and Assembly elections. In these elections, Chandrababu Naidu's wizardry did not work, and a Congress-led coalition won after a campaign in which the Congress party and its allies had been very critical of the reform policies pursued in the State.

The third part of the book consists of six papers, which all focus on the relationship between reforms, governance and the state. The first two papers, by S.K. Das and Sudha Mahalingam, essentially address the following question: Why did a bureaucracy that had much to lose from the reform process nevertheless continue to implement it? The answer of both authors is that the reforms were implemented in such a way that nothing much changed. The bureaucracy could continue with the same “wheeling and dealing” it was used to, and the scope for corruption only increased.

Das' paper focuses particularly on the Indian Administrative Service (IAS). It addresses two main questions: How has the IAS responded to the reforms? And, how have the reforms affected the IAS? Initially, the reforms held the promise, according to Das, of changing the relation-based mode of governance in India into a rule-based one. After all, the reforms seemed to initiate the end of the licence raj; discretionary powers

would diminish and there would be a higher degree of insulation between IAS personnel and market participants. While a small number of senior IAS supported the reform ideology, a much larger number, according to Das, feared that the reforms would erode their position of command and control versus the private sector. It was only from 1997–98 onwards that they became reform-minded, i.e., after it had become clear that the process could be manipulated in such a way that it posed no threat at all. Das discusses the power sector reforms to illustrate his point. The impact of the reforms on the IAS was beneficial, from the perspective of the IAS. The IAS did not shrink in size, and its salary levels increased much more during the nineties than in any previous decade. Altogether, Das concludes, the IAS was a major beneficiary of the reform.

In her paper, Mahalingam, too, analyzes the reforms in the power sector. The first phase, consisting mainly of reforms in power generation, was relatively successful. It was implemented with great zeal, even though the policy paradigm itself was highly controversial. According to Mahalingam, the implementation was swift because the reforms were presented as “business as usual”, a number of important regulations were introduced piecemeal and without democratic debate, and the whole process of selecting potential investors was kept rather non-transparent. In short, the reforms were introduced by stealth in order to avoid resistance from stakeholders. Of equal importance, Mahalingam points out, was the fact that the entire process offered immense scope for rent-seeking by select stakeholders who were in charge of implementing the reforms. By contrast, the second phase of the reforms, focusing primarily on distribution, has proved to be more difficult. This is because stealth is no longer an option, and there is much less scope for corruption.

The importance of manipulative skills and stealth in the implementation of reforms is also the subject of the paper of C. Ramachandraiah and Arun Kumar Patnaik. Their analysis shows that although the reforms in Andhra Pradesh were certainly not introduced by stealth, certain policy measures and strategies are not openly discussed and the government is not always truthful about its intentions.

More concretely, the paper discusses the role of the state in eroding the Andhra Pradesh State Road Transport Corporation (APSRTC). Until the middle of the nineties, this corporation did fairly well. From then on, it started to make huge losses and, for some time, was on the list for privatization. This declining profitability, according to Ramachandraiah and Patnaik, is the result of conscious policy measures. In particular, the State government imposed a discriminatory motor vehicle tax on the APSRTC buses and turned a blind eye to the illegal operation of private transport operators. The result was that APSRTC could be presented as a clear case for privatization. The more general point Ramachandraiah and Patnaik make is that in Andhra Pradesh, there is a clear disjunction between reforms and good governance. In its dealings with APSRTC, the explicitly reform-oriented government violated various principles of good governance: it resorted to non-transparent, manipulative, unfair and sometimes even illegal practices.

The next two papers, in different ways, deal with the partiality of the state in the reform process towards certain socio-economic classes. Supriya RoyChowdhury discusses the way in which the reforming state handles labour issues. She shows how, despite the fact that the Industrial Disputes Act, 1947, and the Contract Labour (Abolition and Regulation) Act, 1970, remained essentially unchanged throughout the nineties, the actual practices underwent considerable change. Using the help of three case studies of

multinational companies in Bangalore, she argues that the power of labour is declining and that trade unions have no answer to the changing economic and political environment. Most importantly, RoyChowdhury shows how the role of the state has changed. While in an earlier era, it mediated between capital and labour, the process of globalization has largely diluted the state–labour pact. In each of the case studies, the state appeared to side with the management when conflicts arose. The result has been detrimental for the workers. Labour’s bargaining power in the unorganized sector is minimal and is declining even in the so-called organized sector. In short, the paper illustrates the changing class relations – the rise of multinational capital and the decline of labour – and the shifting position of the state vis-à-vis these two classes.

Darshini Mahadevia discusses the reform process in Gujarat and its relationship with the rise of Hindutva in the State. Reforms in Gujarat, as Mahadevia shows, have been highly uneven in terms of regions, sectors and social groups, thereby sharpening the intra-State disparities. Certain sections of the population have clearly benefited and become more prosperous, while the process has marginalized others. At the same time, Gujarat has witnessed a rise in communalism and communal violence. At present, the Hindutva forces are probably nowhere as powerful as in this State under Narendar Modi.

At first sight, Mahadevia argues, this association between reforms and Hindutva might seem unexpected. After all, one is based on a liberal view (of the economy), while the other on a conservative view (of the polity and society). In practice, however, the two seem to go hand in hand very well in Gujarat. Although it is difficult, according to Mahadevia, to prove a causal relationship between them, the two projects are similar in certain respects. Narendar Modi’s authoritarian style of governance has been helpful in pushing the reforms as well as the Hindutva agenda. Moreover, both the projects are exclusivist in nature, based on a mentality of selfishness and greed and inherently violent. In terms of the various approaches to the relationship between Hindutva and reforms that were discussed above, Mahadevia’s argument is, hence, one of convergence.

The last paper of this volume, by Amaresh Bagchi and John Kurian, is also about growing disparities, but this time between States and regions within India. For historical and geographical reasons, social and economic development has always been uneven across different parts of the country, and successive plan documents have tried to redress this unbalance. However, rather than diminishing, the inequalities have become even more pronounced – in particular during the last decade of reforms and globalization. The consequences of this distorted growth may be far-reaching, as Bagchi and Kurian argue. Their paper raises important questions as to the kind of challenges and threats the widening regional disparities will pose to the federal system which is already experiencing several tensions.

The paper discusses the main trends in regional disparities and shows that the inequalities between the States have sharpened in many respects. No simple explanation is offered for the widening disparities. But one important factor, according to Bagchi and Kurian, has to do with the extent to which individual States are able to attract investment. This, in turn, hinges on the quality of governance and infrastructure. Redressing inequalities, therefore, requires massive investments in infrastructure and human capital in the relatively “backward” States. Given the tight resource position of the public sector, this investment has to be made by the private sector. The latter is unlikely to do so precisely because it prefers to invest in the more advanced States. There is, hence, a

catch-22 situation. Bagchi and Kurian make several suggestions for overcoming this dilemma. However, they acknowledge that it is ultimately a political question whether these interventions can be made and whether or not the federal structure of the country will survive.

#### **4. By Way of Conclusion**

It would be instructive to be able to conclude this introduction with a discussion of the kind of contribution the Indian case makes to the more general debate on the politics of the economic reform process. This, however, would require an elaborative treatment of the international literature – something which space constraints and the thematic thrust of this volume do not permit. I will, however, end with a few observations, some of which may also be relevant beyond the Indian context.

The first point concerns the relationship between reforms and regime types. The Indian case clearly shows that economic reforms are possible in a democratic set-up. Since the initiation of reforms in 1991, several political parties (or coalitions of parties) have been in power at the all-India level and all of them have pursued the reform process, even though they might have criticized it while being in the opposition. In some States, as Pai (in this volume) shows for Uttar Pradesh, it has been impossible to introduce unpopular reform measures as a result of the particular form of populism that has emerged. However, this is not a universal pattern. Other States have become active reformers, even though there was considerable opposition against the ruling party and its policies. Jenkins (1999) has even argued that the introduction of the reforms was facilitated, in no insignificant measure, by the manner in which democratic institutions work in India. Suri (in this volume) claims that the democratic opposition has, in fact, been very useful – it results in rounding off the sharp edges of the reform policies. Williamson and Zaghera (2002) suggest that the Indian approach may sometimes result in a rather slow process. But, as they point out, it might well be that the outcome is better and more sustainable, as it is based on extensive deliberations and a process of consensus building. In short, the Indian case shows not only that reforms are possible in a democratic set-up; it also suggests that particular features of democratic institutions and processes can actually play a positive role in the reform process.

The second observation concerns the relationship between reforms and the quality of governance. Good governance, it is sometimes assumed, is necessary for implementing reforms. While there are different ways of defining this term, the definition usually includes the competence or capacity to implement sound policies (often taken as market-friendly policies, as Ramachandraiah and Patnaik argue) as well as the qualities of transparency, accountability and the rule of law. Several papers in this volume suggest that good governance is not at all necessary to implement reforms. Both Das and Mahalingam show that the reforms can be manipulated in such a way that the scope for corruption only increases. Mahalingam even makes the point that this was one of the reasons why the (first-generation power) reforms were introduced with such eagerness and enthusiasm. Mahalingam, as also Ramachandraiah and Patnaik, argue that stealth and underhand tactics have played an important role. RoyChowdhury shows how the reforming state of Karnataka has become less inclined to follow the rules of tripartite

negotiations. Mahadevia describes the involvement of the Gujarat state, one of the fast reformers, in communal crimes and violence. In short, all these papers suggest: Yes, competence and capacity are necessary to implement reforms (this is almost a tautology), but transparency, accountability and the rule of law can be dispensed with.<sup>8</sup>

The third point is about the relationship between reforms and modernization in a cultural sense. The intuitive expectation (and for many it is fear) is that reforms, and globalization more generally, will fuel the spread of Western, secular or modern values. Opening up of the market to imported consumer articles, intensified cross-cultural contacts and migration, access to international television channels and the internet, may lead to new, “modern”, Western, or global lifestyles, aspirations and identities. To a certain extent, this is indeed the case. There is a growing urban middle class that dresses in Western casuals, speaks English better than any of the vernacular languages and would like to live in the United States rather than India. However, the process of cultural identification is full of ambiguities. Simultaneously, communal and regional identities have become stronger; and communal, secessionist and fundamentalist forces have gathered momentum, as Patnaik (2000) has also argued. The relationship between reforms and modernization is, hence, a complex and contradictory one. It is also important to note that there are considerable regional differences. In Gujarat, as Mahadevia argues in this volume, reforms and Hindu nationalism have easily gone hand in hand. Elsewhere, however (for instance in Andhra Pradesh, also an actively reforming State), this is much less so (although AP has an active secessionist movement). An important factor that seems to account for these inter-State differences, is the mediating role of the respective State governments, i.e., whether or not the state fosters communal movements, whether or not it pursues an active policy to promote regional equality.

This brings me to the fourth and final observation, which is related to the diversity within India. It is a cliché, of course, to say that India is full of contradictions. But it is true that, for social scientists, India is like a laboratory, where different experiments on reforms, social relations, economic development and political trajectories are under way. This makes it hard to formulate generalizations, as correlations that exist in some regions or States may not be valid elsewhere. However, it also makes India an extremely interesting country as a subject of further research on the politics of reform policies. One way in which this work could proceed is by conducting comparative studies. Why is it that the reform–Hindutva connection is so different in Gujarat and, say, Andhra Pradesh? Why is it that democratic politics forestalled reforms in Uttar Pradesh and not in Karnataka? Presently, such comparative studies are rare in India. But it seems plausible that, as and when they are taken up, they could generate interesting insights – not only on similarities and differences in reform processes, but also on the constraints and options that make such processes less self-serving and more inclusive and democratic.

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<sup>8</sup> Quite rightfully, all these papers refer to Jenkins (1999) since he was one of the first scholars who forcefully emphasized this point in relation to India. See also Jenkins (1995).

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