CHAPTER-V

THE POLITICAL ECONOMY OF DEVELOPMENT OF INDIA WITH SPECIAL REFERENCE TO THE ECONOMIC POLICY UNDER GLOBALIZATION

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I

Changing Dimensions in the Post 1991 situation – Historical and contextual – a brief reference to changes in the Global Political-economic context after the demolition of Soviet system-

There is no denying the fact that the Indian economy has of late, broken into the ranks of one of the world's fastest growing economies. But, what is more important, unlike in much of high growth east Asia, the Indian economy has registered this robust growth within the framework of a democracy. There has been cumulative changes in the nature of the Indian economy since independence as well as the shifts in the global context of India. However, a changing role of the state within India remains a central issue. India's earlier sluggish growth was largely a product of a highly interventionist state and of a misguided import substitution trading regime. In 1991, India adopted a pro-market strategy that liberalized its internal regulatory framework, reduced tariffs, adopted appropriate exchange rate policies, and allowed foreign investors to play a significant role in the economy resulting in capital accumulation and improving the efficiency of the economy and finally, catapulted India into the ranks of the world's fastest growers.[1]

The origins of the crisis can be traced to the large and persistent macro-economic imbalances during the 1980s. The widening gap between the income and the expenditure of the Government led to huge fiscal deficits which were met by borrowing at home. The steady increase in the difference between the income and the expenditure of the economy as a whole meant persistent current account deficits in the balance of payments, inevitably financed by borrowing from abroad. The internal imbalance in the fiscal situation and external imbalance in the payments situation were intimately

enmeshed through the absence of prudence in the macro management of the economy. The problems associated with these macro-economic imbalances were sharply increased, and perhaps brought forward in time, by the impact of the Gulf Crisis on the economy in late 1990.[2] As Vijay Joshi and I.M.D. little write, "The Crisis had been simmering since the mid-1980s, with Government, relying on unsustainable levels of foreign and domestic borrowing. It was brought to the boil by the Iraqi invasion of Kuwait in August 1990 resulting in a rise in the price of oil. The Janata Government of V.P. Singh, and the successor 'Lame duck' Government of Chandrasekhar, failed to take action commensurate with the rapidly growing crisis. Immediate drastic action, including a large devaluation and deflationary fiscal measures, was essential to prevent default by securing the co-operation of official donors and lenders.[3]

However, the dirigiste strategy followed upto the 1980s had been and continues to be strongly criticized on the ground that it was marked by 'export pessimism', which led to the cordoning off of the domestic market resulting in 'inefficiency', uncompetitive production, and hence low export growth, foreign exchange constraints and the eventual atrophy of growth. This position is, however, countered on two grounds: First, a cordoning off of the domestic market is a strategic weapon in the export thrust itself and consolidation of the home-base is a pre-condition for any aggressive thrust into the International market as the experience of the East-Asian 'success' stories brought it to the fore. Second, any element of export pessimism in India's earlier development model could have been avoided when a host of export subsidies was tried out during the Third Plan period. However, India's poor show on the export front compared to East Asian Countries may be attributed to the following factors: liberal market access offered by the advanced countries to East Asia owing to its strategic importance in a period characterized by cold war rivalry, the neo-mercantilist policies of protection by non-tariff measures and dual foreign exchange markets were nevertheless allowed to practice until the advent of the General Agreement on Tariffs and Trade (GATT) in 1994 and finally, internal class configuration

factors which allowed East Asian States to monitor closely micro-level decision-making by business.[4]

The real problem with the Indian Strategy, according to Utsa Patnaik and Prabhat Patnaik, lay not in its so called 'inward looking' character, but elsewhere. It tried to promote capitalist development without any significant land reforms. East Asia also underwent thorough going land reforms programme after the World War II. India's failure to initiate any radical redistributive land reforms comparable to the East-Asian magnitude had three important consequences. First, it failed to provide a wider base to capitalist development. Second, it was unable to break the strangle-hold of the higher caste landlords on the one hand and on the other, failed to mobilize historically disadvantaged lower caste and outcaste rural masses in support of the programme. Third, as a consequence, overall rate of growth of output and employment in the economy suffered hugely.[5]

Indira Gandhi returned to power in 1980 with a new awakening that her support base in the Hindi heart land was, at best, soft which required her to build up that support quickly. So, she adopted a new political posture which was characterized by two ingredients: (1) an emphasis on "Hindu chauvism" and "communalism" that had great appeal in the Hindi heart-land and (2) a more pragmatic, pro-business attitude to accelerate economic growth and to build up her support with industrial and commercial groups. Thus, her continuing popularity with the poor was not due to concrete rewards but rather to her ideological and rhetorical appeal. She could successfully combine the rhetoric with the diluted version of her oveall "socialist programme".[6]

Apart from these clear political considerations, the Government's decision to enter into an arrangement with the IMF (International monetary Fund) for loan facility must have pushed India toward Economic liberalization. Meanwhile, advisors like L.K. Jha were given key-position in the policy-making body signaling a clear message to the business community that the days of 'socialism' were over and a new policy agenda would be put in place favouring them.[7] Atul Kohli captures this subtle shift

in economic policy under Indira Gandhi in these languages, "That Indira Gandhi's attempts to liberalize the economy did not draw sharp political reaction was the result of a number of factors: the scale of the change, the deliberate attempt to maintain an image of continuity as well as to depoliticize economic decisions, and of course, other pressing political circumstances that drew attention away from the economy. The tension between the pursuit of "economic rationality" and the "rationality of Democracy" was kept within manageable bounds during Indira Gandhi's last few years".[8]

During Rajiv Gandhi's term in power, India's economic policy may be characterized as passing through several phases. During the first six months of his rule, a decisive shift from the state controlled, import substitution model to a liberal model of development was attempted. The following two years were marked by lot of dithering and indecisiveness vis-à-vis the defined agenda. The third phase entailed a return to India's muddle through model of economic policy making, wherein the policy makers' commitment to economic liberalization notwithstanding, actual policy changes were not to happen. Thus, the impression that a new economic beginning was to be ushered in, was quickly evaporated.[9] Vijay Joshi and I.M.D. little wrote in this context, "Rajiv Gandhi had embarked on some liberalization in 1985. Although he seems to have quickly lost interest, this helped to put such reform on the political agenda. One way or another the ground was sufficiently prepared to use the crisis as an occasion for embarking on a programme of reform whose pursuit would result in a radical transformation of the Indian economy."[10]

In the 1980s the most significant external change was the decline and disintegration of the Soviet Union which proved to be profoundly consequential for India. The pressures emanating from the decline and disintegration of Soviet Union were very concrete and serious for India for several reasons. First, the Soviet Union was an important trading partner which provided India Oil, armaments and defence materials in exchange for a variety of goods. Most of these exchanges were carried on without

involving hard currencies. The decline and disintegration of the Soviet Union saw a sharp decline in exports to Russia which, in turn, complicated the issue of maintaining and upgrading defence forces as it was directly related to the availability of hard foreign exchange. These issues must have contributed to the development of a new sense of urgency for "liberalization". As a matter of fact, the disintegration of the Soviet Union meant for India the loss of a military and political ally which prompted India to improve political relation with the U.S. Improved political exchange with U.S. never occurred without heavy economic engagement, the precondition of which being the opening of economy to American goods and capital. A second important global change was the growing availability of investible resources in the form of portfolio investment over the 1980s. it appeared less threatening to Indian businessmen as one has some control over it compared to Greenfield foreign investment not to speak of acquisitions and mergers. And finally, the Indian decision-makers seemed convinced that WTO (World Trade Organization) would come into being and India would be a signatory to WTO agreement. In keeping with WTO's requirements, India was needed to dismantle import Quotas and tariffs were to be slashed within a definite time-frame. This was corroborated by some key decision-makers as being important external considerations as to why India had to liberalise in the early 1990s.[11]

The roots of the crisis can be traced back to India's reaction to the earlier crisis of 1979-81 when world oil prices skyrocketed. This externally - induced shock altered India's current account position from near balance in 1978 to a deficit of 2 percent of GDP (Gross domestic product) which meant 30 percent of exports in 1981. The current account deficit stood at 25 percent of exports from 1982 to 1984 and from 1985 to 1990 it rose to no less than 40 percent to exports. These deficits were met by heavy borrowing from the IMF and from commercial sources. India suffered almost complete stagnation of exports owing to the persistence of current account deficits from 1982 to 1985 which was in turn largely an outcome of an inappropriate exchange rate policy. Since 1986 exchange rate policy was made more flexible and the real exchange rate depreciated substantially. As a result,

exports revived significantly and it registered a growth of 10 percent per annum in real terms between 1986 and 1990. However, the rising interest payments on external debt and the rapid growth of imports induced by fiscal deterioration were the two crucial factors that finally proved to be decisive despite the export boom.[12]

The fiscal crisis was neither an accident nor a coincidence. It was a direct outcome of the financial profligacy on the part of the government. The gross fiscal deficit of the Central Government, which measures the difference between revenue receipts plus grants and total expenditure plus net domestic lending, was 8.2 percent of GDP during the second half of the 1980s, as compared with 6.3 percent during the first half of the 1980s and 4 percent in the mid 1970s. The internal debt of the Government got accumulated very fast. It rose from 35.6 percent of GDP at the end 1980-81 to 53.5 percent of GDP at the end of 1990-91. The burden of debt servicing also became worrisome. Interest payments jumped from 2 percent of GDP and 10 percent of the total central government expenditure in 1980-81 to 4 percent of GDP and 19 percent of the total central government expenditure in 1990-91.[13] A leading Economist of the country argued in this context, "The underlying fiscal crisis was bound to create a situation where the balance of payments situation would become unmanageable and inflation would exceed the limits of tolerance. The decision makers then, oblivious to criticism, were convinced that they could borrow and spend their way to prosperity. But the inevitable crunch did come."[14]

Again, the Development strategy followed required the state to play two different roles simultaneously. It had to maintain growing expenditure, in order to keep the domestic market expanding. At the same time, its exchequer was strained to a considerable extent as large-scale transfers were made to the capitalist and proto-capitalist groups. Internal credit-financed rather than tax-financed expenditure played a significant role in this respect. These two roles assigned to the central state were mutually incompatible in the long-run. Another problem was the incapacity of the state to impose a minimum measure of 'discipline' and 'respect for law'

among the capitalists, small business and highly paid professionals for making the capitalist system a viable one. This resulted in a massive growth of unaccounted money which, in turn, through its demand effects, created unplanned pressure on the output structure towards luxury goods. This is suggestive of the fact that a successful transition could not be made from a Nehruvian dirigiste regime to a viable capitalist system characterized by state intervention of a different kind.[15] Deepak Nayyar, writes in this context, "The inadequate resource mobilization effort was compounded by a profligate increase in public expenditure whether transfer payments in the form of explicit subsidies or unbridled consumption expenditure which was driven in part by the competitive politics of populism and in part by the cynical politics of soft options."[16]

It may be stressed that the origins of the crisis at the beginning of the 1990s may be located in the Cavalier macro-management of the economy during the 1980s and not in a misplaced strategy of Development since the mid 1950s, as claimed by some. However, given the complexity of the Indian development experience over the past four decades, it would be naive to suggest that everything we did was wrong and everything we did was right.[17]

II: Need for a re-look into the Pre-1991 Politico-Economic Policies-Brief Review

The national Planning Committee of the Indian national Congress led by Pandit Jawaharlal Nehru argued forcefully in 1938 that the problems of poverty and unemployment, of national defense and of economic regeneration in general cannot be solved without Industrialization.[18]

However, the debate on the need for Industrialization was sought to be politically reconciled by successfully constituting planning as an arena beyond 'the squabbles and conflicts of politics'. By the 1940s, planning was also viewed as a crucial Institutional wherewithal by which the state would determine the material allocation of productive resources within the nation, although it was firmly situated outside the political process it self.[19]

In the post-independence era, even prior to the establishment of the planning commission in 1950, the Industrial policy resolution of 1948 was put in place which was subsequently amended and elaborated in 1956. The resolution was inspired by the idea that infrastructure and Industries Catering key raw materials constituted what Lenin had described as the 'commanding heights' of an Industrial battlefield.[20]

India's development model since independence has been anchored in a system of indicative plans within a mixed economic structure in which both private capital and a state owned public sector have played a key role. A basic objective of this strategy, authored mainly by professor P.C. Mahalanobis, was to promote rapid and balanced economic growth with equity and justice. The genesis of this commitment to social welfare within a self reliant pattern of development may be traced back to two key factors. First, it was aimed at escaping from the pattern of dependency inherited at independence by establishing competitive industrial production for domestic and global markets. Second, it was based on a political and economic culture which drew on principles such as swadeshi (self reliance) inherited from the Nationalist movement in its struggle for independence.[21]

The growth strategy cannot be sufficiently and correctly appreciated unless it is given due recognition to the fact that it was an endeavour by a post-colonial society. The growth strategy was greatly influenced by the nature of the world economy, the complexity of diverse linkages between India and the rest of the world, especially with the ex-colonial powers since underdevelopment and the colonial past was inextricably inter-woven in the Indian context, so the growth concept had to invariably embrace the objective of self reliance but not autarky which was neither feasible nor desirable. In any case, there was a general recognition of the primacy of internal factors in our development strategy since removal of constraints on international resource transfers, foreign exchange and technological gaps would not have taken place without compromising National economic independence. It is this perspective which informed the policy guidelines characterized by developing capacity to pay up the import bills in international markets, import-substitution in key production areas, diversification of trade and financial partners, etc. which remain the live concerns of India's development strategy.[22] According to K. N. Kabra, the entire strategy of growth was central on the will and capacity of the state to implement the following tasks:

1. To raise the rate of savings and capital accumulation, particularly for financing planned investment projects;
2. To restructure agrarian relations and make farmers improve yields;
3. To induce large private investments in a regulated way according to the plan priorities, mainly in the Industrial sectors, in order to ensure fast growth, increase in employment and create a basis for self sustained growth;
4. To borrow from the world economy and obtain modern technology from its proprietary owners in former colonial countries at economic prices without getting into a debt trap and dependency syndrome; and

5. To prepare and implement plans and programmes for the public sector and policies for the regulated behaviour of the private entrepreneurs which would require a new administrative system. This required a planned, rather than an ad hoc exercise, in order to ensure coordinated development with predictable and acceptable costs.[23]

However, Democracy in the Post-Colonial India was unique in a sense that universal adult suffrage was introduced in a predominantly agrarian society with an insufficient crystallization of class forces. In this context, state was assigned a strategic role in mediating between economic development and social needs. The conflict between political Democracy and economic democracy was sought to be reconciled by allowing state to play a pivotal role for ensuring inclusion of poor people in the economic arena. Thus, the role of market was not perceived sufficient to meet the aspirations of a late comer to Industrialization.[24] The central focus of development was placed on accumulation. But, the specific context in which planning was taken up in India required accumulation to be reconciled with legitimation. So, planning was sought to be 'a way of avoiding the unnecessary rigours of an industrial transition in so far as it affected the masses resident in India's villages'. Again, planning was to become 'a positive instrument for resolving conflict in a large and heterogeneous subcontinent'.[25] Late Professor Sukhamoy Chakraborty poignantly argues in this context, that the development model first adopted in India was a variant of the Lewis model, with a 'modern' sector breaking down and superseding the 'traditional' sector, the two significant variations being that the modern sector itself was disaggregated into a Capital goods and a Consumer goods sector, and instead of capitalists in the modern sector the major role was assigned to a development bureaucracy.[26]

India's slow growth economy was the result of the strategy of development that it pursued, which was, largely, an import substitution Industrial strategy (ISI). However, import substitution soon got coalesced with self-reliance. In order to boost self-reliance, imports were curbed to

only one time, followed by assimilation of the imported technology. So, the guiding parameter in the drive towards self reliance was characterized by the reduction in import content rather than the domestic cost of production. Again, the strategy for industrialization was based on a heavy-Industries-first-strategy. To protect high-cost domestic Industry against foreign imports, trade was restricted and protection through tariffs and quotas was provided. Moreover, subsidized capital was arranged through cheap credit to domestically produced capital goods resulting in distortion of factor prices. Notwithstanding the fact that there was abundance of labour in the country, the capital intensive methods was accorded priority over an appropriate technique. The problem was, further, compounded by the introduction of a series of controls, procedures, permits and bureaucratic restrictions that led to the creation of a labyrinth, the fall-out of which, mostly, undermined the net effects of these policies. Added to this, India's strategy was underpinned by protection of organized labour. Thus, the birth of 'labour aristocracy had all the incentives for entrepreneurs to restrict regular employment by resorting to subcontracting and ancilliarization. Moreover, the locations of public sector enterprises to promote regionally balanced industrialization had its share of economic costs as they were mostly politically determined.[27] The widespread controls provided tremendous opportunity for proliferation of what economists call rent-seeking activities and industrialists, traders bureaucrats and politicians all became hand in glove with each other seeking these rents rather than enhancing the efficiency of domestic production or improving the functioning of the domestic economy.[28] As Kuldeep Mathur writes, "The systems for economic planning and those for mobilizing financial resources tended to reinforce the centralizing tendencies of the entrenched administrative system. In a situation where a strong bureaucracy had sought to curb local initiative in order to gain social power and create a strong control and command system, the vastly expanded state intervention merely entangled the individuals in increased socio-economic obligations toward the state. Autonomy without concomitant accountability meant bureaucratic license, and bureaucratic networks increasingly became opportunities for colluding for personal

aggrandizement".[29] In sync with India's Development thinking of this period, trade policy has also been consistently marked by stringent controls. As there was a huge potential for generating rents through the maneuvring of these controls, there was substantial and continued support for their retention for a long period.[30]

The high noon of the Nehru-Mahalanobis strategy was the decade between 1955-56 and 1965-66, when India was able to draw vast foreign aid resources from both the capitalist and socialist countries and built the heavy industrial base for the country in steel, chemicals, machine tools, cement, and a host of other mega-Industries. However, a major crisis for the public sector, capital intensive, heavy industrialization strategy was discerned during the discussions as to the formulation of the fourth five year plan as the decline in foreign aid, problems of internal resource mobilization, and the absolute reliance of India on the U.S. (United States of America) for food aid brought to the surface the neglect of agriculture in the earlier plans. The basic pattern of rural development was extensive and integrated rural development with programmes that were to be implemented evenly across the country so as to benefit people across the board. It would not only hinge upon improvements in agricultural techniques, but also strive to ensure overall improvements in the quality of rural life in general. In the 1960s, as a consequence of perceived failures in the earlier approach, the focus shifted to intensive development of favoured districts through the Intensive Agricultural District Programme (IADP) and to technical changes in agriculture through the development of an elaborate research and extension system. The new Agricultural strategy was to follow up and reinforce the change in policy already introduced in favour of intensive agricultural development with the focus on new technologies and the adoption of the new High-Yielding varieties rather than on overall rural development. But, the High-Yielding Varieties Programme (HYVP), like the IADP before it, could be integrated into the plans without compromising on the priority commitments to urban, capital intensive industrialization. However, with some intellectual and ideological support already gaining ground in favour of an alternative development strategy, the focus, now, shifted to agriculture

which saw a steep hike interms of allocation of resources. Alongside, another interesting development that was bolstered up by the political movements in the Indian states generally since the 1960s, witnessed breaking away from centralized planning and urban industrial development to demands for more resources from the center for agriculture and rural development in the states.[31] Prof Manoranjan Mahanty writes in this respect, "At the same time, there is clear evidence of capitalist trends in terms of modern inputs into agriculture, increasing commercialization in several parts of the country and entry of finance capital into the countryside. The old power structure in the villages dominated by traditional upper-caste landlords has changed significantly in many parts of the country. But the new power structure is not totally devoid of the social basis of its power in land, caste and culture. In addition, it now uses the new capital entering the village. It is linked with the political party, and manipulates both the old and the new instruments of power. The new landed gentry of the intermediate castes which has emerged in North India, Andhra Pradesh and Maharashtra is not a typical capitalist farmer, nor a semi-feudal of the earlier years, but is part of the complex social formation carrying pre-capitalist and capitalist elements placed in a process which is moving towards capitalism."[32] As a matter of fact, beginning with the mid - 60s, it is the agricultural sector which took the lead in the growth process. State support in the form of a cost plus procurement policy was introduced that rendered agricultural prices upwardly flexible and jacked up profit margins. It also helped to curb overall Government expenditure that incentivised spiraling of prices. However, the rate of growth itself was not very impressive in absolute terms, slightly ahead of the rate of population growth. But if we take the national agricultural economy as a whole, especially regions and districts, the growth rate was amazing and the social implications of this huge growth rates in some regions and districts of the country were enormous. This so called 'green evolution' phase saw the emergence and consolidation of a powerful agricultural capitalist stratum which signaled imperfect qualitative changes taking place in the countryside.[33] Prabhat Patnaik, C.P. Chandrasekhar and Abhijit Sen wrote

in this respect, "These changes consisted of the following: a section of the old rent receiving land-lords was stimulated by the enhanced profitability of agriculture in the mid-60s to undertake productive investment in this sphere. At the same time the rich peasants who acquired ownership rights over lands which they had cultivated earlier as tenants of the large Zamindari estates, also started investing in agriculture and undertook it as a commercial operation. Through this admixture of 'landlord capitalism' and 'rich peasant capitalism', the precise mix depending upon the extant social formation in a particular region, a new class of agricultural bourgeoisie emerged, which consolidated, its position in the period after the mid 60's".[34]

Since the inauguration of the new agricultural strategy, there have been considerable increases in aggregate food grain production in India, from 95 million tons in 1967-68 to a record 170 million tons in 1988-89, although the quality of the monsoon remained the most critical factor determining the total quantum of annual food grain production. However, such considerable increase in production, concentrated in particular regions, on particular crops, especially in irrigated areas and in the winter season, have, contributed to perpetuate existing regional imbalances and created new ones, which led to increased inter-regional disparities in agricultural production and the resultant prosperity as well. In this respect, one must not be oblivious of the fact that the principal persisting issue concerning Indian agriculture was largely of subsistence type based on manual and animal inputs for most cultivators. It is also worth noting that scarcity and even famine conditions remained recurring phenomena in the less favoured areas of the country.[35] Paul R. Brass writes in this context, "Those who have benefited most from the Green Revolution have also become ever more market oriented and price conscious and, therefore, more oriented to influencing state policies on product and input prices and grain procurement. In the 1970s, non-party political movements among middle peasants and larger farmers demanding "remunerative prices" for farm products and other adjustments in the terms of trade between agriculture and the non-agricultural sectors acquired strong support in western U.P. and Maharashtra which threatened the local support bases of previously

entrenched political parties and caused concern to national policy makers."[36] The polemic around the urban Industrial and professional classes on the one hand and the rural hegemonic class of such farmers on the other, has become particularly sharp and open in public discussion. One of the leaders and ideologues of the Farmers' movement, Sharad Joshi of Maharashtra, has identified the principal cleavage in Indian politics today as that of Bharat Vs. India, the countryside Vs. the city. Being inspired by the rhetoric of the International dependency literature, he, further, contended that the 'unequal exchange' between India's metropolitan capitalist Industrial economy and the vast agricultural periphery of primary producers was responsible for India's economic catastrophe.[37]

A debate on the institutional constraints on agricultural growth in India was there for long and it gained further momentum especially after the spread of the green revolution from its North Western bastion to the rest of the country. In parts of eastern, central and southern India, the historical legacy of sub-infeudation, of the extensive hierarchy of land rights, and of tenurial insecurity affecting production and accumulation incentives for the direct producer, has been identified as the impediment to agricultural progress. But even in some of these areas, recent years have witnessed unclogging the channels of productivity growth backed by the expansion of irrigation and public credit. This is true of atleast rich and middle farmers and even in many traditional monsoon paddy regions, the rise in productivity, spring and summer crops in particular, has been significant.[38] struggles over prices and subsidies were not only confined to fertilizers. It was also extended to irrigation and electricity which was vital inputs for ushering in Green Revolution to many parts of India. Since the late 1970s, the so-called new Farmers' movements came into being which played a pivotal role in mobilizing huge numbers of farmers across large tracts of rural India in placing demands upon the state for higher output prices and lower input costs or writing off of agricultural debt or waiving irrigation charges. [39]

However, those who extolled the virtues of "Green Revolution" in purely technological terms, without giving any serious thought to the way social relations might constrain investment, and seemed to be confident of the gradual spread of the 'Green Revolution' to the other regions of the country, found to their utter surprise that landlord capitalism is thriving only in limited pockets of assured irrigation and given the right profitability conditions. The outstanding feature of this land-lord capitalism is its inability to usher in a productive transformation in agriculture.[40] Utsa Patnaik, a noted Marxist scholar, writes poignantly in this respect, "Wherever the classes of well-to-do peasantry have been historically attenuated no socially broad based trend of investment can take place; it is not very surprising therefore that the era of the 'green Revolution' from the mid sixties to the mid seventies has not been one of accelerating growth, but rather the Converse".[41]

Further, while private capitalist investment in 'Green Revolution technology is initially land augmenting and raises the demand for labour as it is reflected in a higher absorption of labour per unit of area, but as soon as labour displacing mechanization is put in place in response to additional output expansion, it shows a declining labour absorption. Moreover, inadequate agricultural expansion which constitutes the whole of India excluding the North, reinforces the fact that internal market for capitalism is increasingly constrained by the reliance on private investment to accelerate growth within an unreformed structure. The proposition is also corroborated by the macroeconomic data.[42] According to the General Marxist understanding, the growth of capitalism in agriculture would be characterized by differentiation among the peasantry, leading to the formation of a capitalist farmer class exploiting a growing 'proletarianized' agricultural labour class. This, would, in turn, provide the basis for the mobilization of the latter. Evidently, this process has failed to generate adequate momentum in India. But the exponents of new agrarianism like Sharad Joshi and others put forward a new formulation counter-posing 'Rural Bharat' against 'Urban India'. They contend that 'remunerative prices' for agricultural commodities could solve the farmers' problems. Thus, a

vertical mobilization of agrarian classes was sought leaving aside the internal class contradictions of agrarian society. [43].

Therefore, one can see the post-green revolution years as representing an increasing accommodation of the interests of the surplus producing farmers. The new Agricultural strategy which was responsible for generating surpluses, provided the needed clout to this class to have the decisive influence over the policy-making apparatus of the Government. The price-based struggles led by shared Joshi, Nanjundaswamy, Rudrappa Naidu and Mahendra Singh Tikait were launched with this particular end in view. They have also stoutly resisted any attempt at reducing subsidies on inputs and outputs as well as keeping agricultural income exempted from taxation despite huge food-grain stocks in the warehouses and massive subsidies doled out to this categories of farmers.[44]

The most polemical issues that have cropped up following Green Revolution, is its social implications, in terms of its effect on social disparities, in particular. One radical Marxist critique of the Green Revolution contends that it has benefited mostly the big farmers, "Rich Peasants", Kulaks, or capitalists. Thus, it has led to an increasing gap between rich and poor peasants and landless, to "differentiation of the peasantry", class polarization, "growing landlessness", and "agrarian revolts". On the other hand, most non-Marxist perspectives highlighted the greater diffusion of the gains of the Green Revolution, though conceded to its "differential spread". They also argued that it is not an alternative solution for other problems of agrarian order, industrial agrarian relations, and economic development, in general.[45] However, a truly agriculture oriented economic development strategy would require both a reallocation of resources away from urban, industrial development and a keenness to accept a slow, gradual process of change instead of crash programmes with spectacular results. The overall policy was ideally to promote extensive, continuous, incremental change with a focus on preserving the viability of small farmers and promoting the interests of marginal farmers.[46]

As a direct consequence of the Green Revolution, the successful middle peasant now faces the state above them, and the landless and the rural poor located below them in the power hierarchy. The emerging 'new' crisis core and the nature of the conflictual dynamics of the Indian rural society have moved their site away from struggles against landlords to struggles against the state and against the poor, located at the lowest strata of the economic and power hierarchy of the society as the data on peasant movement studies indicate.[47] A perceptive observer has made a very insightful comment in this respect, "No doubt these overarching contradictions are in many ways the natural product of the apparently sweeping developmental policies of the state, democratic political participation in the sharing and shaping of power in the making of the state, the new production technology, the heightened sense of rural urban exchange (See Breman 1985; D. Gupta 1988), the rise of the dominant class of rich peasants (Macdougall 1979), the relatively unchanged condition of the rural poor and the lower castes, accelerated process of social mobility, migration, movement and communication-all merging to make Thorner's title, 'The shaping of modern India' (1981). It is in the midst of these transitions (see Desai 1979a; Oommen 1984) that we identify and locate the transformed nature of the of the 'old' Indian rural crisis-core into the 'new' crisis-core."[48]

However, Bardhan's model of the political economy of India was suggestive of the outcomes of conflicts and compromises between three dominant propertied classes: the Industrial capitalists, the 'rich farmers', and the class of white colour workers and public sector professionals. But, none of them was strong enough to hijack the state individually and thus, was engaged in relationships of competitive interdependence.[49] As he writes in this respect, The Indian public economy has become an elaborate network of patronage and subsidies. 'The heterogeneous proprietary classes fight and bargain for their share of the spoils of the system .....'[50]

A strikingly important expression of conflict between the urban industrial and professional classes and the dominant agricultural interests

is observed in the struggles over farm prices and input costs.[51] Which, according to Varshney, have been a major political question ever since the inauguration of the 'Green Revolution' era.[52] Michael Lipton, another critic of the Nehru Mahalanobis model, lambasted Indian planning for its neglect of agriculture. The policies regarding the allocation of public sector investments and the inter-sectoral terms of trade were accused of urban bias.[53]

However, the chief beneficiary segments of the society who have been centrally entangled in the politics of agricultural prices, whom Byres describes as 'Kulaks' (originally Russian term), became increasingly effective, and finally, appeared in many parts of India as the new dominant class in the emerging agrarian structure.[54] Gail Omvedt, based on NSS (National Sample survey) data, argues that there is no evidence to prove the existence of a 'capitalist farmer', 'rich farmer' or a 'Kulak' class in the Indian countryside. In her view, the rural bosses of the village are a goonda class (i.e. hired thugs) who derive their prosperity and power from non-agricultural sources like political corruption, smuggling, contracting, investment in other business, high level employment and control of local power structures like Panchayati Raj and co-operative bodies. According to her, contradictions within the village are primarily non-antagonistic in character.[55] In any case Chakraborty notes that increased public investment in agriculture is likely to crowd private investment in and lead to an outward shift of the supply function. Moreover, an agriculturally-oriented growth pattern is desirable on regional and distributional grounds. It would provide a cushion against reappearance of the Food crisis that affected the economy adversely untill the 1970s. The economy's highly stressed anti-poverty safety-net could also be strengthened by enhancing the sector's production capacity.[56]

III: Indira Gandhi and the Political Economy of Development in India.

The crisis in the economy and the political setback to the Congress Party in the late Sixties, led to rethinking in economics and politics. The emergence of the rich peasantry and the clamouring of this new force demanding its due share in benefits accrued from economic policies as well as seeking an upward mobility in the political process, was a hard reality. Another important development was the assertion of voting rights by the poor in a political Democracy who did not experience any perceptible change in their living conditions over the decades. Taking into account these emerging realities, the response was twofold in the sphere of economics. First, there was a strong, new emphasis on agriculture. The aim was to augment the output of food grains because the nation could not afford to continue its 'ship-to-mouth' existence. Moreover, a concern that if there was a shortage of food, the poor people suffered most. In any case, the Government, on the one hand, subsidized the prices of inputs like fertilizes, seeds, water, power or credit, on the other, ensured higher prices of output through a mechanism of procurement prices for producers and shifting of the inter sectoral terms of trade infavour of agriculture. Implicit in those array of policy measures, the political purpose of placating the rich peasants was quite obvious. Second, poverty alleviation programmes were introduced, though on a modest scale, in order to provide the poor with entitlements or assets to combat their exclusion. The crash scheme for rural employment, the Drought-prone Areas Programme, the small Farmers Development agency, and the marginal farmers and Agricultural labourers Development Agency were among the first few initiatives of the Government. In the sphere of politics, a strategy was devised characterized by three elements. First, a deliberate effort was afoot to co-opt the rich peasantry into the ruling coalition and preferably the Congress Party. Second, the dissent and the regionalism in the Congress Party was sought to be combated through a policy of 'divide and rule'. Third, populist rhetoric like the slogan of 'Garibi Hatao' campaign was launched in order to capture the popular imagination. The nationalization of Banks and the abolition of privy purses were the steps that helped Indira Gandhi to dominate politics right up to the withdrawal of

emergency rule in 1977 and maintained stranglehold on the political process through the democratic, populist and authoritarian phases of her rule.[57]

The problems confronting the Congress were partly symptomatic of wider changes in society and partly the outcome of its own actions. The first was due to centralization and the consequent tensions in the relationship between the centre and the states. Second, the emergence of the rich peasantry or surplus producers, promoted by the Green Revolution, was responsible for ushering in far-reaching economic and political changes. This class of farming community stood benefited from a series of Government Programmes like land reforms, the Community Development Programmes, Panchayati Raj system and the networks of co-operatives. In fact, they were more reluctant to be associated with the Congress and more willing to be a part of the coalition of opposition parties. This was, indeed, an important landmark in the process of economic and political Development of India.[58]

From the early 1970s, the Congress Government began confronting considerable discontent in the societal sphere. The rising prices, food shortages, industrial stagnation and massive unemployment ignited widespread protests adding to the Congress's woes. It was, no longer, regarded as a force of radical change, but as a party endorsing social inequality.[59] A Marxist scholar, while trying to capture the social scene of this period, explains, "since the 70s, rural areas in the heartland states of India (especially Bihar and Uttar Pradesh), and also in other large states such as Andhra Pradesh, have witnessed a steady increase in feudal oppression that has coincided with rising conflict between the forward castes (in Bihar, for example, they are the Brahmins, Rajputs, Thakurs, and Bhumihars), on the one hand and on the other, the other castes (Yadavs, and other Backward Castes, Scheduled Castes/Dalits, and Adivasis). In the post Emergency era, however, the oppressed castes often with the support of radical political organizations have in a number of states, offered resistance and struggled against such repression, with the result that caste violence against them has been unleashed by the forward castes with redoubled

force"[60]. With socio-economic crisis spiraling out of hand since mid-sixties, Congress Party and its leader Mrs. Indira Gandhi's position was threatened. She came up with a structural response to the crisis by introducing land reforms and some other social democratic measures which proved to be inadequate to meet the political challenges emanating from social contradiction. Around the mid-Seventies, she went in for a policy of structural freeze along with a series of power maintenance measures.[61]

Rudloophs, in their analysis of India's political economy, highlighted the role played in production and politics by small scale, self employed "bullock capitalists", cultivators who benefited from land reform and the "Green Revolution" and who rely more on family labour and their own human capital than on wage workers and machines They are more like 'yeoman farmers' who are both numerically dominant and control more land than any other group in the Indian country-side. The dominance of 'demand group', in their view, may be facilitating the 'centrism' of Indian politics in general, and constraining class politics, in particular'. The Congress Party, being the principal aggregative force in society and polity, has nurtured centrist politics with sufficient skill.[62] However, the Indira period witnessed steady disintegration of the Congress hegemony and its substitution by a populist and authoritarian leadership. The politics of this period is described as increasingly a politics of survival rather than a politics of development. The commercialization of agriculture and the increasing politicization of the lower classes had led to the emergence of new political forces within the Indian society.[63] Since the mid-1970s local civil wars have often taken the form of group atrocities perpetrated by higher castes and classes against local Harijans, ex-untouchables who happen to be, mostly, landless and agricultural labourers. State's inability to intervene effectively to promote citizen's civil rights and facilitate economic transformation was constrained by weak articulation and dependence on powerful local elites at the grass-root level.[64] Rudolphs argued again quite convincingly in this respect, "The paradox of India's weak-strong state arises from the juxtaposition of the Congress party's durable command of a centrist ideological and foreign policy consensus, social pluralism, permanent Government and a dynastic

charisma on the one hand. With highly mobilized albeit fragmented social forces that threaten Governability, political stability, and national purpose, on the other. Four developments have given concrete shape to state weakness: (i) Governments led by Indira Gandhi deinstitutionalized the Congress party and state structures; (2) increasing levels of political mobilization, embodied in demand groups that press for immediate and hard to fulfill demands, have created an overload on the state, (3) unofficial civil wars among castes and classes have beset the countryside, particularly in North India; and (4) a new religious fundamentalism is exacerbating hitherto latent or low level social cleavages, making it difficult for the state to accommodate them".[65] Against this socio-political background, Indira Gandhi sought to strengthen her power position vis-à-vis competing political elites by going "directly to the masses". She tried to gain the support of the lower classes by promising them redistributive policies. But, hollowing out of the party organization and a bureaucracy hostile to her social goals rendered her incapable of realizing these policy objectives.[66] It was recognized that neither agricultural nor industrial growth would be sufficient to address the problems of unemployment and underemployment. So, special programmes were incorporated into the Fourth five years plan in 1970 which included projects for small farmers and schemes for marginal farmers and agricultural labourers, all of which involved subsidized loans for the provision of productive assets, and subsequently an experimental crash scheme for rural employment and a drought-prone Areas programme.[67] Church argued that her populism may not be equated with political opportunism.[68] But, her role in recreating the Congress during the 1970s and the 1980s as a much more populist and personalistic organ, can hardly be ignored which eventually, created a significant institutional vacuum in the Indian polity.[69] populism, leadership dominance, and the organizational weakness was the basic hallmark of the entire Indira period. The chasm between promise and performance was being widened. Prior to the emergency, the political opposition also crafted a strategy of going directly to the masses with Jaya Prakash Narain led movement gaining

momentum, Indira Gandi's position was threatened like never before which prompted her to promulgate National Emergency in 1975.[70]

The dominant agricultural interests in India had genuine reasons to be alarmed of the Emergency regime. The basic class alliance between the bourgeoisie and the landed gentry was threatened by the regime of emergency."[71]

However, the bureaucratic excesses in North India, the urban resettlement programme and coercion associated with family planning were the immediate causes responsible for the massive setback that the elections of March, 1977, had produced for Mrs. Gandhi.[72]

Deepak Nayyar writes in this context, "An erosion of the political mandate strengthened the opposition both inside and outside the Congress Party. In response, Indira Gandhi sought to control and curb the political opposition, to establish herself as an undisputed leader in the mode of Caesar. The majoritarianism soon turned into an authoritarianism. But this was not consistent with the checks and balances needed in a political democracy. And, it was this, rather than an economic crisis, which led to the Emergency".[73]

But, the emergency itself demonstrated the limitations of authoritarian rule from the centre, when it extended only to control over state-level politicians, without having any wherewithal to rein in the kulaks, in particular. Partha Chatterjee found a roadblock for the secular, socialist, democratic India in 'the message of Charan Singh's politics'. The expanding political power of the rich peasanty was firmly established in North India. But, the end of Emergency had inaugurated a new phase of rural agitations as Gail Omvedt has observed. C. Narayanasamy launched a stir over the issues of writing off loans and the reduction of electricity rates in Tamilnadu. Movements based on identical demands were also reported from different parts of North India. It was evident that the rich peasant power did not fit into the ruling power bloc.[74]

In any case, the weak representation of the middle peasatry in the Congress of Mrs. Gandhi, the break-up of the Janata Coalition and the return of Mrs. Gandhi to power at the Central Government in 1980 posed serious threats to peasant interest. The danger to the middle peasantry emerged in the possibility that MRs. Gandhi and the congress might be moving in the direction for resolving the dual contradiction between agrarian social structure and economic development strategy at their expense, by reinstating the policies of rapid large scale industrialization coupled with measures to keep the poor content such as rural works programmes, cheap food, and tolerable wages for the industrial workers.[75]

Thus, the Farmers movements was gathering momentum based on issues of market dependent, bureaucratically - oppressed peasantry which 'really exploded' in 1980.[76]

IV: The Political Economy of Development in India in the Eighties.

Indira Gandhi returned to power in 1980 following the premature demise of the Janata experiment, and decided to move 'rightwards' and be more 'pragmatic' in her approach to economic issues. Congress was literally, wiped out by the Janata Party in the 1977 elections in the entire Hindi heart-land. Notwithstanding 'Victory' in the 1980 election, she was not very confident of her support base in the Hindi heart land. Moreover, seeing the business communities in India standing solidly behind Morarji Desai's Government, she felt quite insecure especially in regard to future electoral financing.[77] More importantly, in the 1980s, the Farmers movement spoke with one voice that exploitation by the Indian elite (identified variously as the state, urban India etc), was responsible for the poverty of the entire population. One of the chief architects of the movement, Sharad Joshi used "India versus Bharat" imagery to highlight the urban-rural distinction – 'India' standing for the modern, westernized, urban elite, 'Bharat' for the rural poor. All these regional movements led by peasant leaders were characterized by the major line of contradiction between the exploiting urban/state based elite and the rural community as a whole. However, the peasant leaders might have articulated their demands in different ways. In Karnataka, Nanjundaswamy with a Lohia socialist background, spoke of 'internal colonialism'. Tikait in Uttar Pradesh raised his accusing fingers against urban exploiters and anti Brahmanism was explicit in the case of Tikait. On the other hand, Sharad Joshi drew, Quite often, extensively from the language of phule and the non-Brahman movement. [78]

Again, the Janata victory in the 1977 state assembly elections owed a great deal to the support of the middle peasantry. The second period of non-Congress rule in U.P (Uttar Pradesh) witnessed an even more sincere attempt to promote peasant interests and agricultural development. Government policies were directed virtually exclusively towards rural development and promotion of agriculture. The UP (Uttar Pradesh) Government's determination to insure a good return to the cultivators of sugar-cane was quite discernable when it went a step further by adding its

own subsidy to the cane-price in addition to the support prices provided by the Union Government.[79]

Meanwhile, leaders of agrarian based parties in India such as Charan Singh called for major changes in Indian economic development strategy and envisaged a massive shifts of resources for extensive agricultural development to benefit all the viable peasantry, for vastly increased funds for rural development generally, including provision of basic amenities of life for the villages of India, and for a promotion of labour absorbing local, small scale Industries.[80]

In this context, Atul Kohli writes, "After 1980, Mrs. Gandhi sought to build her support in the Hindi heart-land and among the business communities by shifting away from the earlier themes of "Secularism and socialism". The new political posture had two ingredients: (I) an emphasis on "Hindu Chauvinism" and "Communalism" that had great appeal in the Hindi heart-land and (2) a more pragmatic, pro-business attitude to accelerate economic growth and to build up her support with Industrial and commercial groups. It must have been clear to Mrs. Gandhi by then that her "Socialism" was not working. The anti poverty programs had not been particularly successful. Thus, her continuing electoral support among the poor was not due to concrete rewards but rather to her ideological and rhetorical appeal. She believed that she could maintain the rhetoric even sticking to a watered down version of the overall "Socialist Program".[81]

However, the compulsions of political democracy inaugurated an era of populism in both economics and politics. In the realm of economics, some important changes in policies were put into effect. First, there was a proliferation of subsidies on Food, fertilizer and exports. Both public utilities like irrigation, electricity and road transport and public sector such as Steel and Coal were either to give under-priced services or produce under-priced goods. The implicit and explicit subsidies was, evidently benefiting the rich peasantry. But, the Industrial capitalist class stood benefited as the public sector provided them with cheap inputs and the nationalized banks extending to them loans which eventually turned into non-performing assets

and the Government came to the rescue of the big firms through the loan waivers. Second, besides subsidies, there was a striking dissimilarity between the rapid increase in public consumption expenditure of this period and the expansion in public investment expenditure. Some of them contributed to social consumption and, thus, paved the way for an inclusion of the poor. But, a lot of such public expenditure like salaries of those employed in the Government and in the public sector, supported increases in private consumption. All of these contributed to an increase in aggregate demand.[82] As Deepak Nayyar argues elsewhere "In so far as the increase in fiscal deficits did not translate into a corresponding increase in current account deficits, the increase in aggregate demand would, in the presence of excess capacity and unemployment, have led to an increase in output. Such an increase in capacity utilization would also have raised the productivity of investment which is reflected in significant productivity growth during the 1980s".[83] Third, a good number of anti-poverty programmes were launched. They were designed to create employment or provide incomes to the poor. On the other hand, through the integrated rural development programme, an attempt was made to provide the poor with entitlements, assets or capabilities.[84]

At the level of politics, a competitive politics of populism began under electoral compulsions both at the centre and in the states. As a result, the promises made multiplied, but the number of promises kept dwindled. The state was increasingly unable to mediate between conflicting interests and competing demands. Thus, it resorted to a politics of patronage in a bid to promote the interests of the constituent of the ruling elite through a wide variety of schemes and programmes.[85]

Mean while, the Congress Party had already lost interest in the slogan of peasant unity after it returned to power. The Indira Gandhi led Congress devised a different strategy for undermining strong leaders from farming communities. She tried to mobilize the electoral support from the dalits and minorities along with the top stratum of the social hierarchy. In a sense, this had democratized politics but at a cost of constricting political space for the

farming communities. The main plank of the electoral strategy of the new Congress under Indira Gandhi, was populist promises for enlisting the support of the back-ward, dalit and minority vote by appealing to their ethnic identities.[86]

However, Indira Gandhi herself altered India's political economy around 1980 in the direction of an alliance between state and business for economic growth. Evidence shows that the post-emergency Indira Gandhi down played redistributive concerns and prioritized economic growth; sought an alliance with big business; adopted an anti labour stance; put brakes on the growth of public sector industries and diluted the significance of economic planning and of the planning commission.[87] A leading Indian daily, editorialized in 1981, "A change of considerable significance is taking place in India ..... the emphasis has shifted from distributive justice to growth".[88]

Indira Gandhi and her advisors also estimated that an alliance with big capital may not be too costly in political terms. She thought that the country's poor were already with her. Moreover, state support to business would lead to increased productivity. This would, surely, lower inflationary pressure on the economy and would, invariably, receive appreciation from India's largely poor electorate.[89]

But, this political estimate did not turn out to be true as Atul Kohli observes, "The shift in development strategy also created significant political problems, especially how to win the support of a majority, where the majority poor, or near poor, and the rhetoric of socialism and of *garibi hatao* are slowly being put on the back-burner, while this is no place to discuss these issues, Indira Gandhi's flirtation with ethnic politics in this period, especially themes of Hindu Chauvinism and interfering with Sikh politics, was part and parcel of the new political economy."[90] Jagdish Bhagwati, a renowned economist, was of the opinion that India's 'weak growth performance reflect (ed), not a disappointing savings performance, but rather a disappointing productivity performance'.[91] He, further, argued that Indian planning model was bound to produce an inefficient, bureaucratized,

over-licensed and often corrupt economic system. Not only that, it would take on a nightmarish, even Kafkaesque quality and finally, it was a failed experiment.[92] The Government under Rajiv Gandhi was, initially, swayed by a pro-reform idea and produced the budget in 1985 which reduced income, corporate and wealth taxes, cut import duties on capital goods, provided tax breaks to exporters and largely removed licensing restrictions on investments in twenty five Industries.[93] Around this time, Rajiv Gandhi himself summed up his Government's economic approach as entailing a "judicious combination of deregulation, import liberalization and easier access to foreign technology."[94]

As discussed earlier, Indira Gandhi was increasingly diluting her commitment to socialism after she returned to power in 1980. But, Rajiv Gandhi went one step further by dropping the pretense of socialism altogether and publicly making a strong case for his Government's commitment to a new "liberal" beginning. Individuals like L.K. Jha, Manmohan Singh, Montek Singh Ahluwalia and Abid Hussain were appointed as Rajiv's key economic advisors at this point of time. The basic point that one needs to emphasize here that the decision to undertake major reforms of the economy was already up the sleeves of these key policy-makers during the 1980s. They were only looking for an opportune political moment to come.[95]

The drive towards liberalization of the economy under Rajiv Gandhi, was slowed down after the initiatives of 1985-86. Possibly, it incurred the wrath of two numerically significant social groups: the "middle peasants" and the "scheduled castes". As a result, Congress felt politically threatened. Thus, the "logic of democracy" prevailed over the "logic of efficiency". So, the trajectory of development, as planned by Rajiv Gandhi, in conossance with liberal ideas, had to be re-directed towards the underlying tendencies of the Indian economy-towards increasing public expenditure, increasing imbalance in taxation which prodded it to go for commercial borrowing. Consequently, India found it increasingly difficult to balance its books given the fact that it had limited commercial intercourse with other countries.[96]

During the 1980s, no government in India could afford to ignore altogether the power of the rural lobby. The hike in the fertilizer subsidy in the years from 1982-83 to 1984-85, is a testimony to this. This lobby gained in enormous strength through the second half of the 1980s notwithstanding the differences among the key leaders. Sharad Joshi, one of the chief exponents of this lobby, is reported to have said that: 'our farmers' movements is a movement for a second independence..... The British tried to squeeze this country for the benefit of the empire. The "Black British" are doing the same for the benefit of "India" at the expense of "Bharat". On the other hand, Mahendra Singh Tikait emerged as the chief spokes person of richer farmers of North India after the death of Charan Singh. The Bharatiya Kisan Union under Tikait, achieved some local successes in the late 1980s and early 1990s. The Bharatiya Kisan Union (BKU) enjoyed support mainly in western Uttar Pradesh (UP) and Haryana and was engaged in campaigning for lower input prices rather than higher farm out-put prices. In any case, poor peasants and landless labourers were brought into the fold of these farmers' movement largely through coercion and ties of caste and kinship.[97] The agrarian populism of the Farmers' movements might have also contributed to the enhancement of communalization of political symbols and form for generating and reinforcing undifferentiated notions of a community of commodity producers.[98]

Rajiv's overall political popularity suffered setback in late 1986. His party has virtually conceded defeats in every state election that took place after the assembly elections in March 1985. But, the loss in Haryana which was a traditional Congress stronghold in the Hindi heart-land, was, indeed, a barometer for understanding the fall-out of economic policy shifts since 1987. Two important implications of the Haryana election stand out quite prominently: First, opposition's attempt at painting Rajiv and his Government as pro-rich was successful. Second, Reverting back to populist socialistic economic policies could only arrest further slide of Rajiv's electoral popularity. Predictably, Rajiv re-established socialism as the framework between 1987 and 1989. He also slowed down the rate of change

in economic policy as India returned to its usual 'pattern of muddling through'.[99]

As Rajiv's popularity waned, the opposition parties took populist posture and started lambasting Rajiv for the neglect of farmers and the poor. This political move was orchestrated by V.P. Singh in the Hindi heart land and by others like Jyoti Basu of the CPI(M) in West Bengal and NTR and Hedge in the south which threatened to alienate Rajiv from the lower classes. The increased allocations to pro-farmer and anti-poverty programmes proposed in the budget for 1988-89 bore testimony to the fact that electoral pressures compelled Rajiv to backtrack on his pet project of liberalizing the economy, at least temporarily.[100]

In any case, with the installation of the national Front Government led by V.P. Singh in 1989, outstanding loans of small and middle farmers were written off. Thus, the fiscal crisis was, further, deepened and it had doubled over the previous decade. So, the country was unmistakably, moving towards the economic crisis of 1991.[101]

The 1980s witnessed a Keynesian type of spending boom in the economy. As a result, growth rates averaged around 5 per cent per annum over the decade and it got past the 'Hindu' rate of growth of 3.5 per cent which had been the characteristic feature of growth trajectory in earlier decades. However, the multiplier effects of this process contributed to a modest growth of employment in the rural areas. But, employment elasticities in all the important sectors had dwindled. Inflationary pressures were sought to be contained by the gradual moves towards import liberalization. This led to a substantial growth of non-oil imports over the decade as well as the increasing import intensity of domestic manufacturing production. Obviously, this expansion fuelled by fiscal deficit could not be sustained as the internal and external imbalances in the economy paved the way towards a situation in which a crisis of payments became unavoidable.[102]

At the end of the 1980s food prices had spiraled despite three consecutive good monsoons. The contributory factors to the inflationary

pressures on the economy, were also the huge fiscal deficits and an excessive growth in money supply. In the 1980s, domestic resource mobilization by way of direct taxes was progressively reduced while imposition of indirect taxes were fraught with the danger of fueling inflationary pressures on the economy or ended up being regressive or both. The problem was, further, compounded by a profligate increase in public expenditures triggered in part by the competitive politics of populism and in part by the cynical politics of soft options. However, the root cause of the fiscal imbalance was the revenue expenditure incurred in excess of the revenue receipts. The financing of this revenue deficit through borrowing implied that borrowing was used to meet consumption expenditure. Besides, the defense and social sectors expenditure did not bring in tangible returns, so the rates of return on public investment elsewhere had to be exceedingly high so as to ensure healthy income flow to the state coffers, such a fragile fiscal regime was destined to be collapsed beyond a point of time. [103]

Deepak Nayyar, following the same logic, argued in this context, "The drift to an overwhelming reliance on patronage in the 1980s, however, simply represented a path of least resistance and a strategy of survival in state power. It was a means of buying time. This populist politics and cynical economics, taken together, translated into soft options, which had the most serious consequences for the economy. It was possible for the Government and the country to live beyond its means, on borrowed money, for some time, but it was not possible to post-pone the day of reckoning forever. The inevitable crunch did come at the end of this phase."[104]

Pranab Bardhan in trying to understand and analyse the political economy of development in India argued that the autonomy which the Government might have enjoyed in the 1950s, when the planning commission was in greater control of things, was lost by the 1960s in the wake of opposition to agrarian reform by richer farmers and the industrial bourgeoisie lobbying actively to insulate them from competition. As a result, there was a role reversal from a developmental state to a regulatory one and naturally, the state in India could not rein in the rent seeking proclivities of

the proprietary classes who were instrumental in keeping Governments, especially the Congress Party in power. The people, at large, had to pay a heavy price because of this inaction despite high rates of growth in the 1980s. It could not, eventually, make any serious impact on poverty reduction. Although public spending had a small impact on the rural poverty in the 1980s and job creation.[105]

Partha Chatterjee, another perceptive observer of Indian politics, using his theoretical sketch of 'passive revolution' in India contended that the deepening of Indian democracy and the ruralisation of Indian politics facilitated for a more extensive capitalist transformation of the Indian country-side. The agricultural growth in the 1980s and of the new farmer's movements, virtually, clipped the wings of the Congress Party which had to, willy-nilly, respond to their demands knowing it fully well that they stood benefited enormously from congress's policies, and still, was being branded as 'their' (Bharat's) principal enemy. Thus, the political power, slowly, travelled to the states and districts to be followed only by fiscal transfers. So, the hollowing out of the Congress Party in the 1980s was a foregone conclusion.[106]

V: Reforms, state and Development since the 1991

A change in Government policy was finally taken place in 1991. Some maintain that the reforms of the 1990s were essentially a response to the economic, fiscal in particular, excesses of the 1980s. In accepting this view, one must not be totally blind to the successes of the 1980s and the critical role played by some of India's business leaders in making a strong case for reforms to promote their corporate interests. However, the Indian economy in the late 1980s got a little overheated and as a result of which a chasm was created between the real economy and the financial economy. Moreover, increases in rural wage rates in the 1980s were not financed in full or by more than 50 per cent by increases in productivity. Other contributing factors like increased Government spending, loan waivers and subsidies went unmatched vis-à-vis increases in Government tax and other receipts. In fact, Rajiv's reforms eased tax burden on middle class households. It is worthy to note that India decided in the 1980s and in the late 1980s in particular, under Rajiv Gandhi and V.P. Singh, respectively, to finance its deficits by borrowing liberally from domestic captive financial institutions and from commercial banks abroad. Despite the fact that savings in India continued to be high through the 1980s, the public sector comprising the union Government, state Governments and public sector enterprises indulged in increased dissaving. It, thus, pushed India's fiscal deficit to nearly 9 per cent of GDP and inflation was going above 10 per cent mark. Obviously, the fiscal deficit impacted negatively on India's balance of payments in the late 1980s. So, Indian economy was cripped by mounting debt burden as well as dwindling reserves of foreign currency. By the early 1991, India reached an even precarious condition when she could only pay for barely two week's worth of imports from its reserves of foreign currency. Accordingly, India's credit rating was downgraded by leading International rating agencies. In 1991 when a Congress Government led by Narasimha Rao took over, Manmohan Singh, a respected economist and ex-governor of the Reserve Bank of India, was appointed as finance minister, with a clear-cut goal of reinstating India as an economically competent country to the outside world.[107]

The crisis of 1990-91 was precipitated by a number of factors: They were (a) the repayment needs for the 1981 IMF (International monetary Fund) loan borrowed by Mrs. Indira Gandhi after her 'second coming' as the prime minister of India. The loan was meant for structural adjustment and the loan was a whopping five billion dollars. (b) the large size of the private international bank loan, coupled with rising fiscal deficits that created uncertainties about loan repayment,; (c) the Gulf crisis of 1990, which, on the one hand Jacked up the oil import cost massively and on the other hand, caused sudden disappearance of $ 2-3 billion of annual remittance from Indian working in Kuwait, Iraq and other Gulf countries. (d) the heavy speculative outflow of NRI (non-resident Indian) funds to East Asia within a short time.[108]

A scholar tuned politician wrote in this context, "The crisis came about partly because of events that were outside the control of the Government (such as the Gulf crisis) and partly because of a shift in the policy objective in the mid 1980s, when the Government had decided to build the domestic consumer durables Industry, for catering to the needs of the domestic elite, with money borrowed from privately owned International banks. We can also add that while macro-economic management was, on the whole, satisfactory during the 1970s and the first half of the 1980s, the system went out of balance during the second half of the 1980s, as loans and debt service ratios soared, fiscal deficit widened and inflation reached new heights. All these were compounded by a sharp drop in India's credit rating and the unwillingness of the private international banks to offer any more loans, thus repeating history."[109]

No doubt, the crisis provided an opportunity for a major overhauling of Indian economic policy. Prime Minister Narasimha Rao and his finance minister Manmohan Singh, seized the opportunity and major reforms were under taken.[110]

The new Government led by Narasimha Rao which took over at the end of June 1991 committed itself to a programme of structural reform, but, stabilizing the economy was on the top of its agenda. The immediate

objectives were to contain inflation, improve the balance of payments position and restore the fiscal health. The objective was also to minimize the adverse consequences of stabilization on real income and output, and put the economy on a high growth trajectory as fast as possible.[111]

The structural reform advocated by multilateral financial institutions, seeks to shift resources (a) from the non-traded goods sector to the traded goods sector and within the latter from import competing activities to export activities; and (b) from the Government sector to the private sector. Besides resource allocation, structural reform seeks to improve resource utilization (a) by emphasizing upon the openness of the economy and (b) by reducing the role of state intervention to make way for increased reliance on the market-place. It also seeks to curb controls to rely more on prices and de-emphasizing the public sector to depend more on the private sector.[112]

The package introduced in 1991, contained liberalization, privatization and globalization as essential parts and was popularly known as the LPG model.

Liberalization – The kernel of liberalization is that economic management should be left to the market forces. The rationale behind the idea is to make sure that allocation of resources, commodities, labour power, foreign currency etc. would be optimal and efficient. And any deflection from it would entail avoidable social costs. So, in order to ensure smooth functioning of the market, all controls and regulations including entry barriers, ought to be dismantled. In this scheme of things, state has to take a back seat as any intervention from the state in the form of controls, subsidies, selective protection etc. would distort prices and render the resulting allocation inefficient, thus slowing down economic growth.

Privatization - In sync with this Economic Philosophy, all public sector economic activities, save, perhaps, a few natural monopolies and strategic industries, should be either closed down or phased out or handed over to the private sector. P rivatization is important because it would not only improve their efficiency but also prevent further drain on the state's

resources and bring in much needed funds for narrowing down the fiscal gap.

Globalization – The third major aim of the new economic policy (NEP) is globalization. The idea is that any action that hinders the free flow of capital, goods and services, is bound to produce sub-optimal results. Thus, Import substitution strategy makes the economy inward looking, increasingly backward and deprives it of cutting edge technology and managerial expertise. It strongly argues that a country should specialize in production and export only in those areas and items wherein it enjoys a comparative advantage.[113]

The very first set of measures in June 1991 deregulated all but eight Indian Industries by virtually dismantling the licensing system and allowing Indian Industries to decide what, how much, where, and how to produce. The private sector was given green signal to enter into areas hitherto reserved for public sector. Towards trade liberalization, import tariffs were lowered drastically. It was followed by devaluation of the Indian rupee which was made convertible on trade account very shortly. The requirement to obtain import licenses was virtually scrapped as increasing number of importables came under open general license (OGL).[114] Restrictions under the monopolies and restrictive trade practices Act were relaxed. Entry requirements including limits on equity participation for foreign direct investment were eased. Private investment both domestic and foreign, were thrown open to sectors such as powers which had hitherto been exclusively reserved for public sector investment. Disinvestment of equity in the public sector was also under-taken.[115] Selling part of the equity of PSEs (public sector enterprises) to the public was the standard procedure followed for privatization of the PSEs. It also discouraged and drastically cut fresh investment in PSEs.

Financial sector also underwent a series of reforms. Interest rates have now been freed. Private Banks are allowed to set up their shops. With the open electronic trading and establishment of securities and exchange board of India (SEBI) as an apex regulatory authority, the functioning of stock market was made much more transparent.[116] Narasingham Committee

recommended the pruning of inefficient bank branches, ending of interest subsidy, allowing foreign and private Indian ownership in banks and insurance, and making a strong case for no further Nationalisation.[117] Stuart Corbridge and John Harriss wrote, "India's banks thus served a social role and were only indirectly required to make lending decisions on the basis of commercial considerations. The reforms have changed the context in which India's banks have to work. Staffing levels have not yet been greatly altered, and nor have domestic banks been faced with a rigorous programme of privatization. But new private banks have been allowed to emerge (including a significant number of foreign banks), and they have been allowed to raise funds in the capital markets".[118] By mid-1998, private banks were able to carve out a niche for itself contributing for about 17 percent of bank assets surpassing its earlier share of 11.5 percent in 1991-1992. At the end of the 1990s a huge momentum was being gathered for further reforms in the non-banking financial sector with the insurance sector not beyond the scope of this reform agenda.[119]

However, the reforms in India adopted a gradual approach by focusing, in the first phase, on macro-economic stabilization and in the second phase, simultaneous reforms of industrial policy, trade and exchange rate policies, coupled with tax reforms, financial sector reforms and public sector reforms would be attempted. Most importantly, in addition to stabilization measures, structural reforms were introduced that minimized the extent to which the public sector controls and influences the private sector.[120]

A measure of 'privatization' has been put into effect by new policies which have encouraged the entry of private firms into areas that were categorically reserved for nationalized sectors. However, robust exit policy for sick firms, reforms of the agricultural sector with a special focus on harnessing export potential, proposal for possible dismantling of the Food Corporation of India, downsizing the public distribution system, ostensibly, for better 'targeting' of its beneficiaries - were proposals doing the rounds but actual implementation seemed to have dithered. At the end of the

1990s, there were signals that future reforms would take a new course by phasing out controls on domestic trade in agricultural products and de-reserving of agro-industries which are presently on the small scale industry reservation list. Some of them would certainly open up opportunities for the new class of rich farmers. Again, resistance to the reform process could not be ruled out when this new class of rich farmers are exposed to competition from foreign seed suppliers or Agro-chemical Corporations.. However, the crucial question for which the Government would have to take a call vis-a-vis the fertilizer, water and power subsidies, which the rich farmers had long enjoyed and protected through the 1990s.[121]

Utsa Patnaik and Prabhat Patnaik pointed out the imperfections involved in the reform process in the 1990s in these words: "The post-reform period from 1991 has been in fact not a consistent but a fluctuating picture with respect to macro-economic contraction largely because of the exigencies of elections. In the first two years up to 1993 the Finance Minister of the minority Government under the guidance of the international monetary Fund and the World Bank, undertook a large fall in the net fiscal deficit to GDP ratio (from 8.4 percent to 5.9 percent in the first year), and manufacturing growth decelerated sharply. Some expansionary rise in the ratio took place however from 1993-94 onwards, despite warnings from the international monetary fund, as seeking public support became important; combined with trade liberalization and sharp increase in the growth rate of both exports and imports to over 20 percent, this then allowed play to the pent-up demand for consumer durables, resulting in much higher growth in the three years 1993-94 to 1995-96. Such a one-time stimulus, once it was played out, led to growth petering off, turning into a recession by 1996-97, a situation inherited by the new coalition Government formed after the 1996 elections"[122]

Another scholar focusing on the period from 1991-98, argued that the reorientation of India's development strategy could be seen as a process of 'reform by stealth'. This was made possible by a combination of three factors; the political management skills of India's politicians, the fluid

institutional environment within which they operated and the political incentives generated by the initial policy measures they adopted to overcome the 1991 economic crisis.[123]

Bhagwati and Srinivasan as critics of 'dirigiste development' of the 1970s and 1980s, praised the reforms initiated by Manmohan Singh and lauded his determination to push them through in the face of opposition from 'vested interests' and 'academic orthodoxies'. However, they maintained that the reforms introduced in the 1991-93 had yet to complete a full circle.

Chidambaram in the Deve Gowda Government, carried forward many of Singh's good initiatives' and a 'second round of reform was promised in October 1999 by the new BJP led Government.[124]

Kuczynski and Williamson in a recent book entitled 'After the Washington consensus', made three main points crucial to understanding reform's second Generation which would help assess NDA's (National Democratic Alliance led by BJP) performance during its term in office. First, Conceptualising a second generation reforms agenda must include the unfinished business from the first generation. Second, reformist momentum would be stalled and the functioning of the market would be difficult without giving top priority to institution building. And, third, the political sustainability of the reform project is crucially contingent upon the issues of equity.[125]

India's composite budget saw a steep rise between 1997-98, the last year before the BJP came to power, and 2002-3. In 1997-98 it hovered around 7 percent of GDP which exceeded 10 per cent of the GDP and was still rising by 2002-3. It was, indeed, difficult for a Government to hastily reverse the course of trends inherited from its predecessors on Government salaries, in particular. And the BJP-led NDA did not want to leave an impression that it intended to try anything dissimilar to those used by its predecessors. Naturally, it also fell back on privatization proceeds for bridging the widening budgetary deficit. NDA's performance in the area of public expenditure was obviously limited both by imperatives of coalition politics and external forces. In fact, the limits imposed by coalition

Governance evidently exerted much more influence than did the external forces.[126] Rob Jenkins writes in this context, "In the current phase of India's electoral politics, in which regional parties are significant contributors to the forging of parliamentary majorities, the category of 'coalition constraints' overlaps very substantially with what might be termed regional pressures. This, by implication, highlights the important role played by those non BJP coalition partners that also ruled state Governments. The large bloc of MPs from the TDP which ruled Andhra Pradesh, was a crucial component of the NDA coalition's parliamentary majority. The TDP leader, and then chief minister of Andhra Pradesh, N. Chandrababu Naidu, exerted pressure on the NDA that made it difficult, if not impossible, for the Government of India to exercise fiscal restraint."[127]

The pressures from coalition politics scuttled a number of other reforms having a direct bearing on public expenditure. VAT (value added tax) is a classic case in point. It is, again, political pressures which compelled the erstwhile Finance Minister Jaswant Singh to backtrack on the issue just before the deadline - 1st of June, 2003. However, the NDA could successfully pass the fiscal responsibility and budget management Act (FRBMA). But, the FRBMA set 2008 as the target year by which India's fiscal deficit would be eliminated. The UPA (united progressive alliance) Government under Prime Minister Manmohan Singh in late May 2004, shifted the deadline back to 2009 immediately.[128]

Nevertheless, the reforms has made some steady progress and quite a lot has been done over the 1990s The two united front (UF) Governments and the two BJP led coalition Governments that followed the Congress Government of Narasimha Rao, have not avoided the route and by and large, remained loyal to the reform process. Political mindset has changed to the extent that no Party talks of rolling back the reforms. Over the decade, tax rates have been rationalized, Import tariffs have been lowered and consumer goods imports have been eased. The process of tariffication of quotas has started. Financial market liberalization has made much head-way. In February 2002, there was a talk of heralding further reforms in the areas of

subsidy reduction and privatization. The Indian economy is still showing up several loopholes. With poor infrastructure, not putting any exit policy in place as yet, subsidies and loss-making public sector enterprises still straining Government exchequer, the Government is faced with a mounting fiscal deficit which emerges as a key problem to be addressed. Procedural delays and corruption opportunities are still there and which are looked upon as important areas of concern.[129]

Coming back to Second Generation reforms, World Bank president James Wolfensohn's conceptualization is worth-noting here. He argues that the second Generation issues revolve around the questions of the structure of the right institutions, of the improvement of the administrative, legal, and regulatory functions of the state, addressing the incentives and actions that are required to have private sector development and to develop the institutional capacity for reforms. He also wants equity and fairness to be incorporated as core issues and forms a cardinal feature of political discourse and not just a part of the economic strategy and this should invariably address a broader social constituency.[130]

The economic and distributional consequences of the trade and fiscal reforms are important. Economic efficiency requires that prices ideally reflect the costs and benefits of different products and activities. It leaves no room for doubt that the Indian trade and fiscal systems have had the baneful effects on the economy as a whole, possibly, for neglecting economic efficiency criteria leading to distortions. Thus, economic inefficiency is thrived. There are other sources of distortion, including much industrial and labour legislation, and many controls that are, still, there. Ignoring reforms in these areas, benefits from the fiscal and trade reforms remain an elusive goal.[131]

However, despite being a Champion of Reforms, Joshi and little warned the votaries of reform in these languages, "But every reform has distributional consequences. Even if the vast majority will eventually gain, there will always be losers who never gain if only because they die too soon. And in the short and medium run, there will be many losers who fear they

may never gain even if they will. Many of the losses and gains will be quite small: and we should not worry about some of the losers because they are rich enough to be ignored. All we should do is to try to identify significant losses among the very poor, and look for ways to compensate them. We need not warn politicians of other less deserving potential losers who may be able to mount opposition to the reforms."[132]

Reforms and its impact on some vital sectors of India's of Economy

Agriculture is the mainstay of the Indian Economy from the perspective of poverty alleviation and the associated goal of employment generation. Agriculture provides gainful employment to nearly two thirds of our labour force. Casual agricultural labourers, tenants and share croppers and marginal and small farmers constitute the overwhelming majority of the rural poor. Nevertheless, economic reforms and liberalization process that was inaugurated in July, 1991, largely by-passed this segment of population.[133]

The shift in economic priorities during the early 1990s ensured a near complete marginalization of the rural society and agrarian economy in the popular discourses in India. This neglect of agriculture and rural economy has affected not only the farming communities but also the landless labourers who were the hardest-hit to securing employment on viable wage because of crisis in agriculture.[134] Jayati Ghosh captures this process very brilliantly when she writes, "The complete collapse of rural incomes or job opportunities has created an almost unprecedented situation of desperation among the landless, who rely exclusively on wage labour to survive. Some of this problem originates further back, in the inadequate development of non-agricultural work opportunities in most of rural India. This was directly related to the decline in public expenditure on rural development, which had adverse multiplier effects on rural non-agricultural economic activity in general. More recently, farm related activities such as dairy have been hit by the decline of cooperatives (some of them killed by official design) and the pattern of trade liberalization"[135]

A sharp rise in agricultural production was expected after the introduction of globalization. However, there were not enough agricultural goods for exports under the new political economy, as envisaged by the advocates of comparative advantage, who wanted India, a poor country with surplus labour, to specialize in agricultural production. But, notwithstanding the fact that many favourable conditions such as high support prices occasioned by the new political economy (NPE), good rainfall for fifteen consecutive years and the support of the Government, the agricultural production during the 10 years under structural adjustment was recorded less than the figures for the previous 10 years.[136]

Higher agricultural prices have, surely, benefited the agriculturist. But, poor and non-poor households of agricultural labourers, artisans, the urban poor and Industrial workers had to suffer because of higher food prices. The distress-selling by the poor agricultural producer who are rather forced to sell their agricultural produce at a throw away prices immediately after harvesting only to purchase the same produce at a premium price subsequently.[137]

After the Green revolution which was based on high yielding seed varieties and associated inputs, land reform was de-emphasised. During most of the 1950s and 1960s, land reform was, in fact, buzzword in Government and bureaucratic circles. This was virtually reversed in subsequent years as they maintained not only silence but also talked of undoing land reform by changing the laws on land reform.[138] While talking about possible reform agenda in agriculture, Prof. T. N. Srinivasan, an ardent supporter of Economic reform, also tried to under-emphasize land reforms, in these words, "it is useful to organize the discussion of the possible reforms of agricultural sector policies into those relating to foreign trade, inputs such as fertilizer, water and fuel, infrastructure such as transportation and communication, outputs, processing, distribution, and marketing. Although it is no longer politically correct to talk about land and tenancy reform, let me note that although 'Operation Barga' of West Bengal has successfully registered share-croppers, thereby providing security of the

terms of tenure, it is unlikely that other states will follow. There is also some controversy on the contribution of 'Operation Barga' to the apparent acceleration of agricultural growth in West Bengal in the 1980s."[139]

However, liberals contend that there are many agriculture related areas, such as research extension, and investment in infrastructure, where reforms and increased investment are badly needed. But, the removal of input subsidies and the freeing of international trade are two major areas of concern. They argue that input subsidization work eventually ensured fall in the employment elasticity of output and therefore, tended to be poverty creating, given the level of output. According to them, trade liberalization would lead to higher output prices if it is linked simultaneously with removal of subsidies. An estimate for 1992/1993 indicated that output prices might rise by 15-20 per cent. Evidently, it might compensate for the loss of subsidies which may be around 11 percent to agricultural GDP (Gross domestic product). Therefore, input subsidization itself is not an equalizing or poverty alleviating measure. The compensation for reduced subsidies meant higher output prices for the farmers. But, for the subsistence farmer, this is virtually no compensation at all. This makes a strong case for retaining some subsidies for the very small farmers where targeting, by the size of ownership and operational holdings, may be the criteria for identification.[140]

However, agriculture being a way of life for more than two thirds of the population and more importantly, most of whom largely produce for their own consumption, agricultural development is inextricably linked with the concern for food security. Of late, 'food security by way of trade' argument is being put forward dismissing the quest for domestic self-sufficiency in food production. But, the fundamental task of producing food for meeting domestic needs cannot be ignored.[141]

Both the early 1980s and the early 1990s were periods which witnessed substantial stock accumulation. In the 1980s, part of the stocks were used for food for work programmes which had obvious poverty reducing impact. But, in the 1990s, in sync with market reforms, stocks

were largely used for exports and open market sales to processed food enterprises leading to a poverty-augmenting effect. In agriculture, cropping pattern changes began in the 1980s in response to more skewed domestic demand. However, it got accelerated in the post reform period with opening up of trade in agricultural products and policy thrust towards promotion of agro-exports. This led to significant decline in the area under food grains in favour of export crops. The cultivation of coarse grains declined by 4.8 million hectars between 1990-1991 and 1995-96 and the cultivation of pulses witnessed a net loss of nearly a million hectars between 1990-1991 and 1995-96. The fall in area under cultivation of food grains saw a corresponding rise in area under oilseeds and raw cotton. The export of these items had been allowed to increase six-fold over five years. As a result the domestic price of yarn rose sharply and the situation was, further, complicated by large volume of yarn exports leading to the closures of a large number of power looms.[142]

The rise in food prices would certainly hit the poor very badly as food expenditure constitutes a larger part of the budget of the poor, even in a very rich society. However, in a rich country, incomes of non-workers also compensated in part for change in relative prices through familial or public transfers.[143] Vijay Joshi and I.M.D. little wrote in this respect. But in India with no public welfare system this certainly cannot be relied on. The upshot is that one might expect the old and the incapacitated to be most affected by a relative rise in food prices. Food subsidies reduce or prevent a rise in the retail price of food when farm gate prices rise. If, as seems likely, this largely prevents a compensating rise in money wages, then the subsidy does not go mainly to the workers. This suggests that it would be better to target the poor and make direct transfers to them."[144]

VII: Social sectors, Reform and the state in India

The social sector as a whole is constrained by funding in India, with a huge role for private provision.[145] The social welfare reforms proposed consequent on the economic reforms of 1991 entailed reductions in public expenditure on education, health, investment in drinking water and sanitation, in subsidies on food and anti-poverty policy. On the top of it, GATT (General agreement on trade and tariff) ratification would lead to increased prices for internationally patented drugs.[146] As Dolly Arora warns against this anti welfare tendencies, in these words, "Many of the state policies have not only sustained but also furthered gender, caste and class based inequalities by worsening the state of those at the weaker end of the relationship. These patterns of decline of welfare of the poor, weak and marginalized are likely to be furthered as a result of the recent policy of structural adjustment, for despite all talk of 'adjustment with a human face', state support is clearly being withdrawn, not strengthened. Expenditure cuts and the swift dismantling of welfare provisions, however unsatisfactory their present status might have been, will only have numerous extremely anti-welfare fallouts".[147]

A comprehensive public distribution system (PDS) may be put in place in order to ensure remunerative prices for the farmers as well as insulate the food purchasing sections from price spiraling. However, the trend under globalization was not to nourish and nurture the public distribution system, at the same time, dismantling the PDS might invite popular backlash interms of political opposition. So, a watered-down version of PDS which is known as 'targeted' public distribution system was put in place with the promise of supplying around 35 kilograms per household meant for below poverty level consumer households.[148]

It is to be noted that in 1997-98 spending by the central Government on all major poverty alleviation and basic needs programmes combined together, stood at 8.9 per cent of the central plan budgetary expenditure. Although it was narrowly defined, it came close to a modest 1.45 per cent of the gross domestic product (GDP). Most importantly, more than a third of

this expenditure is devoted to taking care of the untargeted food subsidy of the PDS. Some argue that even the meagre expenditures on anti poverty programmes were largely misspent and cost ineffective. The study of Radhakrishna and Subba Rao (1997) points out that in 1986-87, the PDS and other consumer subsidy programmes accounted for less than 2.7 per cent of the per capita expenditure of the poor in rural areas and 3.2 per cent in the urban areas. PDS's impact on poverty and the nutritional status of the population was negligible. At the most, the PDS was credited to have brought down the poverty ratio to 38 per cent from 40 per cent that year. By and large, the abolition of PDS would have had a minimal impact in the rural areas where overwhelming majority of the poor people live. The cost of the transfer through the PDS and other subsidies was very high and compared to the PDS, the most cost effective scheme was the ICDS (Integrated Child Development Scheme) which cost 1.80 rupees to transfer one rupee to the poor. Therefore, the PDS subsidies are not particularly pro-poor in its impact.[149]

Under revamped PDS in 1992 additional quantities of cereals were made available at a subsidized issue price covering 1,775 blocks in backward areas. Given the inefficiency and corruption of the Food Corporation of India (FCI) and the food departments of state Governments, the efficiency of the revamped PDS may well be questioned. To remedy the situation, doing away with the corrupt PDS while retaining some food subsidy would be the best option. Bhagwati and Srinivasan (1993) came up with an idea of Food stamps which can do everything the PDS or a reformed PDS can do and do it more flexibly and in a cost effective manner.[150]

Vijoy Joshi and I.M.D. little seem to be in agreement with the idea of food stamps when they say, "The value of the stamps issued can be varied to take care of variations in the price of commodities. Their permissible use can cover a wide basket of commodities, or be limited to a few, for example to cereals only. There would be no need for public distribution and Government shops. Government buffer stocks could still be operated,

purchases and sales being made through normal commercial channels. The problem of targeting would however remain."[151]

Nevertheless, the impact of PDS is socially redistributivist.[152] With high inflation in food and in the prices of necessities, the incidence of poverty increases. The price rise which is concentrated in the price of wage goods, probably, contributes to the process of redistributing incomes away from the poor leaving them worse off.[153] public spending as a percentage of agricultural GDP in 2000-2002 was about four times larger on subsidies than on pubic investment. However, at the beginning of the 1980s public investment was larger than the subsidy component. The net effect of this subsidy component on food articles is that most of the subsidized food do not reach the poor. This is particularly true of the rural consumers in the poorest states where the public distribution system is dilapidated and corrupt.[154] Bhaduri and Nayyar make a very succinct point in this connection when they argue that public spending in itself is neither a vice nor a virtue. What matters is the uses to which such public spending is put and the social rate of return that it earns.[155]

VIII: Reform, labour and the public sector enterprises

The main objectives underlying reforms were to reduce the activities of the public sector, to facilitate the closure of sick units in the public sector and off-loading of the burdens on the exchequer on account of public sector.[156] The Industrial policy statement which was laid before parliament on 21 July 1991, by the then finance minister, Manmohan Singh raised some important issues, namely, downsizing and out-sourcing, growth of insecure employment and gradual dismantling of the public sector.[157] On attaining independence India opted for planned development in conformity with the 'standard practice' followed in socialist countries such as erstwhile soviet union. It also went in for a mixed economy with both the public sector and private sector operating side by ride. But, the private sector had to live with regulations and controls. A license was needed to start Industry and these industries were not allowed to venture into core industrial areas. However, the Industrial policy statement laid before parliament on 21 July, 1991, differed fundamentally from the past policies. The new industrial policies were in sync with the prevalent approach of structural adjustment and globalization of finance and investment. The policy aims at undermining the public sector and thereby, restricted employment opportunities in the formal sector. It also stresses the need for reviving the economy through privatization. One of the strategies devised to oft-load public sector enterprises is to sell them to the private investor at throw away prices. BALCO, Modern Bakery, VSNL, etc were sold at prices that did not even match the value of the assets they possessed. Moreover, labour laws, the Industrial Disputes Act (IDA) in particular, have been under threat so that It becomes less protective of permanent employment. Flexible rules to shut down enterprises are tried to be promoted by the Government in the name of 'exit' policy which met with stiff opposition from the trade unions eventually forcing the Government to shelve the idea temporarily. Another important tool for promoting such policy is the voluntary retirement scheme (VRS) through which companies can reduce the number of their work force through 'voluntary' retirement of their workers.[158] The Economic survey for 2004-05 brings to the fore that the total employment in the formal sector on

31 March 2003 was 27 million. So, employment declined by one million since 2000. Again, there seems to be no change in employment in terms of numbers since 1991. The informal sector, on the other hand, has expanded tremendously. The decline of the formal sector may well be attributed to closures of the public sector enterprises.[159] However, the inefficiency of the public sector has been documented and emphasized by many institutions, committees, and economists.[160] As Vijay Joshi and I.M.D. little wrote in this context, "The return to investment in public sector manufacturing from 1976/1977 to 1986/1987 have been estimated as 3-5 per cent compared with 17-23 per cent for private sector manufacturing. The public sector has always absorbed a lot of investment and given little back. Most recently (1993/94) it absorbed 42 per cent of gross fixed capital formation while producing 29 percent of GDP. This was a big improvement compared to earlier years. For instance, in 1986/87 it absorbed 50 percent of investment while producing 27 percent of GDP."[161] In 1992-93 number of loss making public sector enterprises swelled to 104 out of a total of 237 central public sector enterprises. By the end of 1994, 53 loss-making manufacturing CPSEs (Central Public Sector Enterprises) had been referred to the Board for industrial and financial reconstruction (BIFR). The objective of the new liberalization is to make industry more efficient in its uses of resources and thus to contribute substantially to the welfare of the people. So, reduction in the labour force and a partial divestment of the equity of the central public sector enterprises (CPSEs) were two important policy initiatives designed to arrest further slide in the financial health of many CPSEs as well as unfolding intention of the Government that it is not going in for wholesale privatization. But, in any case, It cannot be considered as an alternative to privatization.[162] Vijay Joshi and I.M.D. little further, argued forcefully that the alternative to privatization is a reform of the principles and practice of controlling and managing PSEs that gives far more freedom and security to management, while maintaining reasonable public accountability. The need for such reform has been recognized for thirty years or more, but nothing seems to have been achieved.[163]

The formal sector registers a negative growth in employment whereas the small scale manufacturing sector records significant growth. The 2004-2005 survey demonstrates that this sector absorbs around 28 million workers and it is growing interms of employment by over 4 percent per annum. The considerable increase in the paid up capital for small scale industry implied that it is possible to upgrade technology and include high technology industries in this sector. Both the NDA and its predecessor Congress Government Operated in an identical manner in this respect. As a result, small scale sector accounted for 35 per cent of India's export earnings. This is a welcome development notwithstanding, corresponding improvements in terms of better wages and social security could not be extended to ameliorate the condition of its labour.[164] AS a champion of the market reforms cryptically comments "It is still the case that employees of the public sector and organized manufacture are a labour aristocracy which is a small proportion of the labour force. This aristocracy enjoys relatively high wages, security of employment, pension and health benefits, housing allowance, paid vacation and leave travel concessions, and other perquisites none of which is available to the over-whelming majority of the labour force".[165]

The economies of China and Vietnam underwent a sea change as they have been successful in expanding labour–intensive manufacturing jobs on a massive scale. The problems of inadequate long term finance for small firms and infrastructural bottlenecks coupled with rigid labour laws and a policy of reservation of a large number of products for small scale industries (over the years the list of such products has come down from more than eight hundred to less than forty) are factors responsible for tardy progress on this front.[166]

T.N. Sreenivasan, a pro- market economist, advocating for labour reforms, argues that the reform of our labour and bankruptcy laws are indispensable for moving forward privatization drive and rehabilitation of sick industrial units. By making hiring and firing costly, labour laws have raised the cost of labour relative to capital. The 1980s witnessed virtually no

growth of employment in organized manufacturing enterprises in the private sector. Output growth in part may be attributed to steady investment. Thus, It rendered production excessively capital intensive.[167]

However, trade unions of different political persuasions in India have been opposed to any labour market reforms. But, they represent a small fraction of the total industrial labour force. On job security, the policy of hiring and firing has to be combined with a reasonable scheme of unemployment compensation on adjustment assistance.[168] Therefore, it is undeniable that the trade union movement has largely zeroed in on problems of the organized sector workers. They represent around 8 percent of the total work force. The work force in the unorganized sector despite being the hardest-hit, failed to organi ze themselves and articulate their demands and needs as their counterparts in the organized sector did. Reasons are not far to seek as to why organized sector workers have been able to consolidate their gains in terms of improved conditions of work and living. Now, the informal sector is being pitted against the formal sector. As job opportunities shrink in the formal sector, informal sector provides employment to nearly 28 million people. These workers are not covered by the existing labour laws, thus, depriving them of protection in employment and social security. It makes a strong case for them to get unionized.[169]

Finally, Deepak Nayyar warns us against public sector reforms which are being carried on in sync with market principles, in these words "This approach to public sector reform which emphasizes asset sales and closures represents the most rudimentary forms of privatization and restructuring. It is neither adjustment nor reform. It may imply selling the flagships and keeping the tram-ships, or selling white elephants to the slaughter house, but there is no systematic attempts to address problems of efficiency and productivity. We also need to remember from experience elsewhere, for example, Britain that privatization is a good strategy to impose discipline on the public sector so long as it is a potential, credible threat. It loses its virtue as soon as it becomes a reality."[170]

IX: Farm sector and reforms in India

Farmers' movement ran out of steam in the 1990s following differences of opinion between its leading exponents. Sharad Joshi, a prominent mass leader of the farmers' movement, sided with liberalization, while Nanjundaswany of Karnataka established his credential as the staunchest critic of globalization. He organized semi violent campaigns against Cargill, Macdonald's and finally, Monsanto through much of the 1990s Sharad Joshi got the solid support of the Gujrat organization, a developing farmers' movement in Haryana and one section of the Punjab BKU (Baratiya Kisan Union), while Nanjundaswamy combined with Tikait and another section of Punjab farmers to oppose globalization. The split within the farmers' movement did not take place centering only around abstract support of or opposition to liberalization. Some concrete issues like technology, seeds, irrigation, and development came up for discussion and became a subject-matter of contestation in the context of liberalization. Thus, within the farmers' movement, two groups were at loggerheads with each other. It also turned against the state and other social movement organizations as well.[171]

However, the pro-GATT (General Agreement on Trade and Tariff) campaign led by Sharad Joshi coincided with the gradual demise of the farmers' movement. Congress (i) stood benefited in electoral terms when the rich farmers, the sugar-cane farmers of western Maharashtra in particular, rallied behind it. Both the Janata Dal(JD) and the BJP were locked up in a fierce competition for the support of the farmer's constituency in Karnataka. However, the Janata Dal scored a point over the BJP by championing the farmers' demands and won a comfortable majority in the state assembly Elections of 1994. However, the Karnataka farmers' association received a huge electoral drubbing in as much as the same manner as Sharad Joshi's Swatantra Bharat was reduced to a political non-entity in the neighbouring state of Maharashtra.[172] This prompted an expert to make a very poignant point in these words, "This only lends credence to my contention that political lobbying by mainstream political parties within the existing power

structure is far, far more effective than any political campaign that an 'autonomous farmers' movement' is capable of waging"[173]

Two factors stand out quite prominently from the farmers' movement. First, it is evident that both "Nehru model" of development as well as market-oriented reforms since the nineties, did not come up with big plans for agriculture, notwithstanding the fears of backlash from the farmers' lobby." And, second, the farmers' movement have displayed different intellectual orientations of the leadership of local and regional movements rather than the mass base character of farmers' themselves.[174]

However, reforms in agriculture must be preceded by consensus on issues like subsidies, internal free trade, procurement prices, etc. The first round of reforms failed because it didn't cover the states. It may be contended that the WTO (World Trade Organization) may be leveraged to evolve a consensus on agricultural reforms as it happened in case of Industry.[175] In fact, there has been very little changes in those areas which affect the common people. The issue of subsidy in agriculture is a classic case in point which has been handled with soft hands. The Government might think that the issues have a direct bearing on the common people and naturally, have had the potential of snowballing into an issue of mass politics. So, the Government decided to put them on hold.[176]

Nevertheless, liberalization policies have contributed substantially to the further degradation of agriculture. Agricultural policy under liberalization, is mainly, constitutive of two elements-removing state support to agriculture and diluting import curbs which contributed to further worsening of agriculture during the last two decades betraying the promised growth and development of the farmers in the developing countries. On the contrary, the developed nations, the USA (united states of America) and the European Union countries in particular, did not do away with policies of state support to their farmers and kept up pressure on the developing nations to scale down their tariff barrier for facilitating imports or paving the way for free entry of multinational companies in the seed and pesticide markets. The developed nations leveraged the WTO terms to their advantage .

vis-à-vis tariff regimes, anti-dumping laws and dumping food in the name of aid or dumping other agricultural produce in the markets of the developing countries, with their farmers enjoying high subsidy, it must have a cascading effect on the farmers' economy of the developing nations. In fact, the agricultural growth in the post reform period recorded a decline to 2.4 percent per annum during the 1990s as compared to 3.5 per cent during the 1980s. In 2004-05, it, further, nosedived to 1.5 per cent. The share of agriculture in GDP (Gross domestic Product) has been coming down steadily. Public spending in agriculture has gone down. Thus, the farming community in India are hemmed in from both sides - by the high cost of seeds and pesticides of the foreign supplier groups and cheap imports from the western nations who subsidized their agricultural produce heavily, on the one hand, and the lackadaisical approach of the state coupled with withdrawal of its support to the farm sector, on the other.[177]

The terms of trade between agriculture and manufacturing in India showed improvements between the early 1980s and the middle of the first decade of the twenty-first century. As a result, private investment in agriculture increased substantially especially in the high demand non-grain products. However, public investment in rural infrastructural projects such as irrigation, rural electrification, rural roads and provision of extension services have gone down. In a sense, escalating Government spending on subsidies has crowded out public investment. As a matter of fact, most of the producer subsidies go to the big farmers and nearly half goes to uncompetitive fertilizer producing units. It is generally recognized now in Government circles that there is need for increased public investment. The bulk of public investment in agriculture is directed towards surface irrigation, but, most projects are affected adversely by time and cost overruns and lacked in sufficiently sustained efforts to promote local level management and maintenance. Thus, much of the irrigation potential generated at great expense does not have corresponding impact in improving productivity.[178] It is universally recognized that especially in traditional agriculture, smaller farms have higher land productivity, primarily because of labour advantage. But this labour advantage is increasingly dissipated by

the difficulties that small farmers are to face in arranging credit, insurance, and marketing facilities. With the diversification of agriculture into cash crops and more importantly, horticultural and livestock products, cold-storage and refrigerated transportation, insurance against market fluctuations, and organized large scale marketing become, all the more, important. Thus the smaller farms may be rendered economically unviable in view of the new needs of diversified production and the market and ecological risks involved.[179] World Bank has also acknowledged that the slowdown of the Indian economy in 1997-08 may be attributed to a decline in agricultural growth in the preceding years.[180] Stuart Corbridge and John Harriss argued in this correction, "what it chose not to acknowledge was that India's agricultural successes in the 1980s and 1990s depended heavily on just that Government spending which it now decried, or that, more generally, the reforms in India might have succeeded rather more in their own terms had they attended to the strengths as well as the weaknesses of the pre-reform system of economic accumulation and management".[181]

It is a truism of sorts that the Agricultural sector remains virtually untouched by the liberalization process, notwithstanding the fact that this sector alone engages two thirds of the working population and accounts for 30 per cent of the Gross domestic product (GDP). It hinges on the failure to create employment as an effective wherewithal to deal with poverty. An indiscriminate approach to foreign technology and investment coupled with opening up of markets to global competition have, further, widened rural-urban chasm which smacks of urban bias.[182]

X: The intersections of Economics and politics - the issues of concern

Some encouraging trends in the Indian economy in the recent years have been discerned interms of growth rate of GDP hovering around 8 per cent, savings rate rising to about 29 per cent of the GDP in 2004-05 compared with 23.5 per cent in 2001-02, gross domestic investment rate going beyond 30 per cent mark in 2004-05, reduction in revenue deficit, and direct taxes reaching 5 per cent of the GDP for the first time since independence. Nevertheless, India is credited to have a dubious distinction as a wide gap in inter-sectoral growth rate exists. For example, both industry and services recorded a 9 percent growth while agriculture registered a growth of only 2.3 per cent in 2005-06. The periodic reports of suicide deaths of farmers due to inability to repay relatively small debt stand in clear contrast with a small fraction of the population belonging to professional-industrial class flaunting a luxurious life. There has been an increase in unemployment rate both in rural and urban areas among males and females alike as the recent 60th round of National Sample survey organization (NSSO) data reveal. Unemployment of rural males went up from 5.6 per cent in 1993-94 to 9 per cent in 2004. The rise of unemployment among urban males in the same period increased from 6.7 per cent to 8.1 per cent. The unemployment rate for women, in general has also increased. Thus, the rise in unemployment across the board has a direct bearing on the incidence of poverty in India.[183]

Another disturbing factor which appeared as one of the most tangible implications of structural adjustment at the local level, has been the rise in prices of essential commodities. The removal of subsidies and restrictions on public expenditure has led to the skyrocketing of prices of food-grains and pulses which, despite high buffer stock levels, have recorded an increase by more than 60% since 1991. The wholesale price index have also registered an identical increase in the period between 1991 to 1996.[184] Atul Kohli argued that contemporary higher economic growth rate in India is characterized by increasing inequalities, growing capital intensity of the economy, increasing concentration of ownership of private industry and

almost stagnant growth in employment in manufacturing industries, in particular.[185] However, the debate on the extent of poverty ranges from Bhalla's argument that poverty has come down to as much as 15 percent to the much more realistic assessment of world bank economists that there has been a modest decline and much less than what has been possible from about 39 to 34 per cent.[186] As one scholar states, "There is, however, ambiguity regarding decline in poverty but inequality has increased. There is increasing in formalization of labour and weakening of their unions. Reforms have created losers who are opposed to it. This includes the marginalized sections of society, e.g, the poor peasantry, landless labourers, industrial/service sector labourers, the lower middle classes, SCs and STs. The apprehension is that they would get further marginalized."[187] It is important to observe that the state level behaviour of income poverty and human poverty indices are dependent on the policies toward rural reforms, public expenditures, the public distribution system, health and Education. It is evident from the fact that in the 1990s even operating within a framework of cutting down public expenditure in order to contain fiscal profligacy as part of reform measures, some states fared well in registering declines in poverty, who did lower than average degree of contraction in public expenditure coupled with the continuation of rural and tribal PDS coverage in addition to provision of additional food subsidy out of state resources. This may be attributed to the fact that basic food grains prices were kept affordable for the poor. Some states recorded a very marginal rise in poverty who followed one or the other of these policies. On the contrary, sates which adopted none of these policies, has to witness substantial rise in poverty. This is, further, corroborated from evidences in Haryana which witnessed a sharp decline in poverty to low levels in the 1980s while the 1990s drained out these gains quite significantly.[188] Datt, Kozel, and Ravallion state that the decline in poverty has been modest and the pace has been slightly slower than the decline recorded from 1987-1988 to 1993-1994. They attribute this to the failure of pro-poor growth. Agricultural growth has been impeded. This has crucially hurt the poor. The problems of joblessness and lack of growth in educational opportunities with no

manifest thrust interms of policy direction towards the funding of education and health, contributed to the further worsening of the conditions of poor.[189]

The new economic policy introduced in India in 1991 advocated for drastic cut on public expenditure meant for a slew of social welfare programmes like education, health, investment in drinking water and sanitation, in subsidies on food and anti-poverty initiatives[190] Even a World Bank paper argued that the positive welfare effects of higher rates of economic growth is contingent upon adjustment depended on the extent to which this growth is capable of generating employment opportunities and real wage increases.[191] Anand and Ravallion conclusively proved that while public and private expenditure for welfare may be historically sequenced, the role for public expenditure is a critical determining factor in the initial phase of poverty removal, which may be a long-drawn project. Thus, it makes a strong case for the state as the social welfare regulator.[192]

However, the fact that public spending has been shied away from the social sector since 1990, admitted by World Bank in its India: 1998 Macro-economic update:

As part of the fiscal adjustment, direct capital spending by the central Government (excluding defense capital) fell from about 1.4% of GDP in 1990-91 to 0.7% of GDP in 1997-98, representing 40% of the cut in its deficit. In the states, direct capital spending also fell ..... private infrastructure provision may eventually offset some of these investment cutbacks and raise efficiency. However, in many other areas, such as roads, power transmission, urban infrastructure, primary school buildings, and health infrastructure, a strong case exists for more public investment.[193] The editor of the India development report, 1999-2000, estimated that around 50 million children in the age group of 6-11 are deprived of formal schooling today. This implies that 50 millions uneducated citizens of India for the coming decades.[194]

The reluctance on the part of Indian state to invest in universal primary education may be described as an example of riding roughshod over her own stated intentions, on the one hand and on the other, depriving

children of school-going age of a colossus number who are in need of state support for an opportunity to improve their life chances or choices. But, this apathy and non-challant approach of the state vis-à-vis social sector investments, education in particular, cannot be identified with the inauguration of the age of economic reforms.[195] Right to education was out of focus in education policy. Even the National Education policy of 1986 did not mention the issue. But, of late, there has been a healthy revival of public concern for the right to education.[196]

The second National Family Health Survey (1998-99) states that 47 per cent of all Indian children are undernourished, 52 per cent of all adult women are anaemic, and 36 percent have a body mass index (BMI) below the cutoff of 18.5 commonly associated with chronic energy deficiency. These nutritional deficiencies have cascading consequences for the general well being and future of the Indian people. Under-nutrition arising out of all pervasive hunger contributes handsomely to the reduced learning capacities, greater exposure to disease and thereby, clogging the channels of individual and social opportunities.[197]

The data from National Family Health Survey confirms that in India, mal-nutrition among women as manifested in the very large incidence of anemia, has increased between 1998-99 and 2005-06. More shockingly, 1.5 million plus Indian children die every year falling prey to waterborne diseases like diarrhea and dysentery. In an era of high economic growth, this points partly to an outcome of policy deficiency.[198]

However, India after independence has never had a system of public health and sanitation on a scale as it is warranted by the exigencies of the situation. Systematic planning and delivery of public health services as opposed to curative medical services or sustained large-scale disease control were conspicuous by its absence.[199]

Nonetheless, the efforts underway in India seem to be moving in keeping with the health sector globally at the behest of international financial institutions. The experience of African and Latin American countries with a large sections of the population steeped in abject poverty,

widespread prevalence of hunger, huge morbidity and mortality rates and state abdicating responsibility in pubic provisioning of health care services, further impaired capacity of the poor to access to health care facilities. Against such a backdrop, Health sector reforms in India gave emphasis upon contracting, public private partnerships, user fees, and privatization of public facilities in the name of efficiency and effectiveness instead of providing quality care by public health services.[200] The impact of these health sector reforms on the common people has not been very pleasant. Escalating medical expenditure is emerging as a prime cause of impoverishment of families as the health system collapsed. The Decentralization endeavours have only widened the gaps.[201]

Household survey data indicate that 85 percent of all visits for health care in rural areas are done by private practitioners. Even the poorest people, who cannot otherwise afford are forced to visit chamber of private doctors. Around 60 percent of all hospitalizations in India are in private health care providers.[202] Even a protagonist of economic reform argued, "In analyzing the determinants of the health status of individuals and groups, it is useful to go beyond variables such as income, occupation, location and personal characteristics and examine factors related to policies in non-health sectors. These would include policies relating to the provision of education and physical infrastructure, public goods such as water, sanitation, and vaccinations, and lastly, health policy related factors such as access to health centers, hospitals, and other publicly provided services".[203] However, the expansion of child immunization programme is surely a positive development and the relatively rapid decline of child death rates during the last few years, may have been attributed to it.[204]

In the 1980s a good number of schemes had been initiated and these array of schemes were to be funded by the centre to the extent of around 80% and these were designed to benefit rural household. They included the Integrated Rural Development Programme (IRDP), the National Rural Employment Programme (NREP), the Rural Landless' Employment Guarantee Programme (RLEGP), Jawahar Rozgar Yojana (JRY), the

Employment Assurance Scheme (EAS) and a programme for the Development of Women and Children in Rural Areas (DWCRA).[205]

Central expenditures on elementary education increased in the 1990s primarily because the central Government finally decided at the end of the 1990s to borrow from external sources. A number of Externally - Aided Projects (EAPs) were launched mainly during the 1990s focusing attention on different aspects of the primary sub-sector of elementary education. Strategies were devised for improving access and retention of children belonging to disadvantaged groups, in particular. Improving the quality of primary education was also high on the agenda.[206]

However, since independence until 1990, 25-30 percent of education expenditure was devoted to higher education. That share dropped after 1990. But, the share of elementary education in education expenditure never reached 50 percent in the history of independent India. No doubt, fund allocated to education sector in respect of GDP is much lower in India. In 1990 central and State Governments together earmarked 35 percent of its education budget to primary education while Thailand devoted 56 percent of its education expenditure to the primary levels and Korea 44 percent. Unfortunately picture in India is not much different even in 2000.[207]

In 1995-96, the National Programme for nutritional support of primary education (NP-NSPE) was launched as a National Programme This programme is popularly known as mid-day meal programme which was expanded in a phased manner from 1995-06 to 1997-08. The primary objective of this programme is to give a fillip to the spread of schooling. It also aims at raising the nutritional status of primary school-going children. Since 2000-01 the central Government has launched an umbrella scheme, the SSA (Sarva Shiksha Abhiyan) or (Education for all" campaign). Incorporating all existing programmes of elementary education in the central and centrally-sponsored category under the new framework in consultation with the states, this major initiative to universalize education in India particularly at the primary and lower secondary levels was to reach the targets by 2007 and 2010 respectively.[208]

National Rural Health Mission was flagged off with the particular target of increasing access to primary health care for the rural poor. To achieve this end in view, the Government committed itself by more than doubling the fund devoted to this prgramme.[209] The United progressive Alliance (UPA) made a commitment in the National Common minimum programme (NCMP) in 2004 that the total public spending on health would be raised to the level of 2 to 3 percent of GDP. The 11th Five year plan also confirms this. Nevertheless, the combined budgetary allocation (that is, the total outlays from both union Budgets and state budgets) for health stands at a meagre. 1.06 per cent of GDP in 2009-10 (BE/Budget estimate). The union Government's allocation for health through the ministry of health and family welfare records a negligible increase from 0.35 per cent of GDP in 2009-10 (revised estimate) to 0.36 percent of GDP in 2010-11 (Budget Estimate). Therefore, even after budget of 2010-11, the Government is way behind the NCMP (National Common Minimum Programme) target of raising the total public spending on health to 2 to 3 per cent of GDP. The National Rural Health Mission (NRHM) has also failed to attract significant budgetary support to bridge the huge infrastructural gaps and address the human resource crunch in the health sector across the country so critical for any successful intervention in this respect.[210]

However on the education front, there has been a healthy revival of public concern for the right to education which has recently been incorporated in the constitution mandating elementary education as a fundamental right of every child. Nevertheless, It is to be noted that the reach of the schooling system has spread significantly in a period of structural adjustment amid general disengagement of the state. The growing recognition of elementary education as a fundamental right of every child has inspired the education activists to campaign relentlessly and successfully thwarted any attempt to bypass the constitutional commitment to free and compulsory education of children until 14 years of age.

Another encouraging development is the right to information movement which can substantially minimize disempowering effects

experienced by ordinary citizens due to lack of information and the in-accessibility of public records. This sustained campaign paved the way for Right to Information Act Subsequently. [211]

However, Aruna Roy, one of the pioneers of the movement that led to the formulation of the Act, cautions us in these words, "The whole nature of the right to information Campaign arose out of a demand to share power. It arose out of the premise that in a Democracy people must have the power to access not only services and resources but also information on policy planning and Government functioning. It was premised on the idea of people's inspection to determine whether there is ethical functioning of the Government or not, whether there are situations in which officials do not implement the law."[212]

In 2004, the National Democratic Alliance Government came up with a health insurance and old age pension social security scheme for workers in the un-organized sector. This could well be a starting point for putting in place a structure of social security that would take care of a vast majority of workers who are highly insecure and vulnerable. [213] The tenth Five-year plan notes with concern that growth rate of employment slowed down in the 1990s. However, average annual rate of growth of GDP was recorded 6.7 per cent in the 1990s than in the 1980s when it was hovering around 5.2 per cent. The rate of growth of employment nosedived to 1.07 percent in the 1990s compared to the preceding decade when it registered a growth of 2.7 per cent. The plan document mentions that with a higher rate of growth (8 percent per year) during the plan period coupled with an alternative labour intensive strategy for employment generation, it may be possible to absorb the additions to the labour force and thereby reduce the backlog by 50% at the end of the Tenth plan. Against this backdrop the National Rural Employment Guarantee Act. 2004 was enacted by the United Progressive Alliance (UPA) Government as part of their common minimum programme, to enable a significant number of poor people to come out of the quagmire of poverty as they failed to be absorbed in the mainstream economy even at the end of the tenth and eleventh plans.[214]

Jean Dreze who is actively involved in monitoring the implementation of the National Rural Employment Guarantee Act (NREGA) across India, high lights its social relevance by arguing that disadvantaged communities benefit from the NREGS not only as wage earners but also in many other ways. For instance, the programme is an entry point for their active participation in gram sabhas and other institutions of local governance. It is also an opportunity for them to organize around common interests - this may turn out to be one of the most important roles of the NREGA.[215]

Partha Chatterjee, one of the leading political commentators of our times, argues in the context of this social sector initiatives in a climate of general disengagement of the state, in these words, "Finally, as in other countries, Government agencies in India provide some direct benefits to people who, because of poverty or other reasons are unable to meet this basic consumption needs. This could be in the form of special poverty removal programmes, or schemes of guaranteed employment in public works, or even direct delivery of subsidized or free food. Thus, there are programmes of supplying subsidized food grains to those designated as "below the poverty line", guaranteed employment for up to 100 days in a year for those who need it and free meals to children in primary schools. All of these may be regarded, in terms of our analysis, as direct interventions to reverse the effects of primitive accumulation"[216] No doubt, the National Rural Employment Guarantee Scheme (NREGS) is the only plan scheme of the union Government anchored in an entitlement based approach. However, an entitlement based approach towards public provisioning in the social sectors would call for a significant strengthening of the regular and sustained Government interventions in these areas, which seem to be not on the Government's policy agenda as yet.[217]

XI: Issues of contemporary concern in Indian politics

The 1980s and 1990s were important milestones in the history of contemporary India. It was perhaps for the first time in the post independence period that there was a general feeling of unease and doubt about the efficacy of paradigm of development planning underpinned by pre-eminence of state which was pioneered by Nehru immediately after independence and by and large, continued until reform introduced in the Indian economy in the early 1990s. Therefore, the 1990s witnessed the Indian state embracing new framework of Economic development characterized by preponderance of market principles. The language of development discourses and politics of social change also underwent very many changes. Class analyses are, no longer, the focal theme. It moves on to address the question of culture. The focus shifts from revolution to empowerment, from politics to governance, from production to consumption. Questions of human rights, caste, gender, and ecology/Environment became the recurring theme in Indian politics. However, these changes also contributed considerably in according low priority to certain 'old questions' which are of critical significance even today and more importantly, have serious implications for a vast majority of the Indian people. The issue at stake is, obviously, the marginalization process experienced by the rural people in general and of those dependent on the farm sector, in particular.[218] A political analyst writes in this context, "Declining significance of agriculture, one would think, is quite 'natural' and perhaps a desirable process with the development of industry and modern servicing sectors, it has happened everywhere in the world. However, there is something quite unique about the Indian experience unlike other regions of the world, marginalization of agriculture in the Indian economy is not being accompanied by a similar degree of shift of population to non agricultural employment. Given that India is a democratic country, such a reality becomes even more challenging".[219]

XII: Farmers' Suicide Issue

The evolution of agrarian relations after independence, seem to have passed through three phases: reform and consolidation of the agriculture during the 1950s and 1960s on the lines charted out during the freedom struggle; the green revolution and the growth of political populism during the 1970s and 1980s; and that of liberalization and the deterioration of the farmers' condition during the 1990s and after.

Karnataka, Kerala, Tamilnadu, Andhra Pradesh, Maharashtra, Gujrat and Punjab are the worst-hit states by the new menace of agrarian distress. The new strategy employed during Green Revolution, paid rich dividend interms of boosting agricultural productivity, but, it also accompanied unintended consequences which negatively impacted rural life. The changing nature of agriculture demanding high investment in modern inputs and wage labour forces a farmer to draw more and more credit to plough it into the land. So, the demand for credit went up several times compared to the earlier period. Lack of remunerative prices, further, added to the woes of the farmers. Therefore, the farmers' economy became extremely vulnerable in case of crop failure with no insurance coverage around worth speaking of. The twin shocks of crop failure and fluctuating prices of agricultural produce are the contributory factors responsible for causing a great deal of mental distress to the farming community. The liberalization policies which are characterized by withdrawal of state support and easing of import curbs also constrained the options of farmers. But, with the expansion of markets both at the national and Global levels, a low crop yield in a region does not guarantee higher prices. Volatility in crop production and low prices for several years together wreak havoc with farmers' lives.[220] A perceptive observer of the scene writes in this respect, "whether it is low prices, Usurious interest rates, high input costs or high cost of education and health, all seem to be various ways to transfer wealth from cultivators to traders, manufacturers, money lenders, doctors, lawyers, educational entrepreneurs or the salaried classes. In development economics they call this extraction of surplus from agriculture. But, now,

the word surplus has little meaning because it is not the surplus, the difference between the value of the produce finally realized and the cost of production, but expropriation of a portion of investments made by the farmers in the form of paid out inputs. Due to this the survival of farmers is endangered."[221]

XIII: The debate around the Special Economic Zones

In India, more than 100 million people in the rural areas have no land of their own and another 80 million households own agricultural holdings less than five acres. But, under the new economic regime, the special economic zone (SEZ) policy has been tried to be projected for solving the unemployment problem of the country through massive industrialization. To achieve this goal, both the central and the state Government have been actively involved in acquiring arable land in huge chunks at the behest of Industrial Houses and real estate promoters only to be handed over to them at a throw away prices. Drawing inspiration from china in setting up SEZs, India has already set up 19 SEZs, approved another 234, accorded "in principle" approval for 162 and notified 19.[222]

In 2000, the first SEZ policy in India was drafted and the SEZ Act came into force in 2005. The SEZ was thought to be the locomotives of India's modern Industrialization that would (i) Spur economic growth at a very fast pace, (ii) usher in prosperity in rural areas, (iii) Create a huge number of job opportunities in manufacturing sector and other services, (iv) attract global manufacturing and technological skills, (v) bring in investments from both home and abroad, (vi) develop infrastructural facilities (vii) make Indian firms more competitive and (viii) help slow down rural-urban migration. A number of State Governments in India were, virtually, locked up in a competition to woo prospective investors to come into their respective territories. Needless to say, a large scale concessions and incentives were on offer to lure the prospective investors on behalf of the states. Strikingly enough, section 49 of the SEZ Act, 2005 authorizes the Government to make free any or all SEZs from the purview of any central

law. It implies that the SEZs would not be subservient to the law of the land. Further, it is feared that because balance between requirements and incentives is grossly skewed in these Zones that are subsidized by both the Government and public on a huge scale, substantial loss to exchequers in tax revenues cannot be reversed.[223]

The nature of the land which is being used for establishing SEZs in different States in India reflects to a large extent the vulnerability of the rural poor engaged in primary activity. An economist has expressed concern that this would pave the way for entry of foreign corporates into agriculture and allied activities through contract systems and domestic corporates into urban food retailing by sourcing from agriculture which would, obviously, negatively impact food grains availability and intensify the problem of unemployment among petty traders over a longer haul.[224]

Surveys have established that workers in SEZs work 5.3 percent more hours than those in non-SEZs and at hourly wages that are 34 percent lower. This shows that there is crass exploitation of labour for increased corporate profit and international price competitiveness in the Global Production System. More importantly, SEZs are declared as "public utility services". It renders the labour laws including the minimum wages act. and the contract labour (Regulation and abolition) Act, toothless as leniency in implementing them is permitted under SEZs. Even strikes may be declared illegal within the SEZ's Jurisdiction. On the other hand, Governments have taken recourse to the land Acquisition Act. (LAA) of 1894 to take away the rights of marginal people over the common property resources from where they are supposed to collect firewood, fodder for their animals and minor forest produce for their physical survival. Progressive legislations like the Panchayati Raj (73rd Amendment) Act of 1992 entitling rights to villagers to decide their own course of development as well as the Panchayats Extension to the Scheduled Areas Act, 1996, empowering the indigenous peoples for self-rule were thwarted. The preamble to the National relief and rehabilitation policy (NRRP), 2007 clearly states that while acquiring land the state needs to take utmost care to minimize displacement and accords

priority in taking over waste lands, degraded or un-irrigated lands over irrigated agricultural land. Multi cropped land may be avoided altogether. It also mentions that adequate rehabilitation packages for the weaker sections in particular, ought to be implemented speedily.[225]

However, the ground reality speaks otherwise as Sarma writes, "SEZs displace people on a large scale. The displacement is both physical and occupational. In coastal states like Andhra Pradesh, some SEZs are located along the sea coast, cutting off Fishermen's access to the sea from which the latter eke out their livelihood. In many places, small agriculturists are thrown out of their homelands and along with them, those that depend on agriculture, such as artisans and rural workers have also lost their livelihood".[226] In any case, the coming decades would witness land and water emerging as two intensely contented resources in our country. Good governance, not policies based on sops, subsidies and political patronage, can ensure Economic development, growth and industrialization. Good governance to be effective, it is imperative in a democratic country that it is anchored in the endeavours of providing genuine opportunities for public consultation.[227]

There is no doubt that over the past few years when the Government tried to acquire land for industrial, mining or infrastructural purposes, it created may flashpoints of peasant unrest and violence. The political debates and agitations revolve around the issues of highly inadequate compensation and inefficient and scanty efforts at rehabilitation of the displaced farmers. Of late, the Indian Government is trying to replace the land acquisition Act of 1894 with a new piece of legislation to address some of these grievances.[228]

XIV: Disinvestment of PSUs and the BALCO Episode

The liberalization of the Indian economy following the announcement of the new Industrial policy by Government of India in July, 1991,led to dramatic changes, facilitating the process of strategic restructuring of business firms in the country in sync with the emerging competitive environment, technology up gradation on a huge scale and organizational repositioning. To augment competitive advantage in the business, the focus of both public sector undertaking and private firms, had shifted to a combination of cost competitiveness and product and service differentiation. To optimize labour cost through downsizing the workforce became a critical element in the overall endeavour of organizational restructuring.[229]

Privatization of BALCo (Bharat Aluminum Company Limited) was one of the most hotly debated disinvestment cases in India. The leaders of the trade unions and the workers at large, expressed their apprehensions right from the beginning of the strategic sale of the company as they feared that job security of 7,000 workers might be put at stake. Nevertheless, the department of disinvestment was of the view that the strategic sale won't be detrimental to the interests of the workforce as adequate clauses to safeguard the interest of the employees of the company had been incorporated in the shareholders' agreement.[230]

However, the agreement made between the Balco Bachao Samyukta Abhiyan Samiti (BBSAS), that is, Joint committee for the defence of Balco and the sterlite Industries, the new management of Balco, was flouted. On March 2 the agreement was signed to sell off Balco's largest plant at Korba to Sterlite industries, the workers under the leadership of BBSAS went on a strike for registering their protests against this take over. Subsequently, an agreement was also reached between BBSAS and Sterlite Industries on the following conditions:-

a) Workers would be paid two months' wages;

b) There would be no retrenchment or victimization.

But, within a couple of days, Sterlite Industries retrenched 2000 workers on the ground that their contracts had expired. Moreover, Sterlite Management declared that two month's pay was merely an advance to be adjusted with the workers' future wages. Thus, the management operated at cross purposes with the spirit and substance of the agreement.[231]

However, the specific instructions in the shareholders' agreement and guidelines in the supreme court verdict must have clipped the wings of the Sterlite management to go for wholesale retrenchment. Nevertheless, they did try to get rid of the "surplus" workforce through two possible ways-first, by adopting a policy of non-filling of positions arising out of normal retirement or superannuation and second, introduction of an early retirement package or voluntary retirement scheme (VRS).[232] A Field study has affirmed that various modes of coercion were tried out by the new management in implementing the VRS agenda. Notwithstanding the fact that there was any open or direct threat from the management to accept the VRS, many VRS optees felt that they were being forcefully dragged into the scheme. The new management had resorted to indirect pressure tactics at workplace and manipulations of various kinds towards realization of the objective of rationalization of workforce.[233] It is to be noted here that Balco deals ran counter to the Fundamental Rights of the tribals. Supreme Court of India in its historical judgment given in the land-mark Samata Case, upheld inalienable right of the tribal people over their land and forbade its transfer to private companies or any other party.[234]

Therefore, any crucial policy decisions such as privatization or disinvestment should not only be judged in terms of economic efficiency, social and welfare aspects ought to be anchored in the overall design of such policy as inbuilt components.[235]

As Arnold C. Herberger has warned: Even people as generally market oriented as myself are advising Governments to move carefully, to go slowly and to think about the prices they are getting and alternate terms on which to achieve privatization. Governments should, in particular, try to have a saleable asset before putting it for sale.[236]

XV: Re-emergence of Corruption as a potential threat to Democracy and good Governance

In India, the Government programmes such as public works, public distribution system management and construction projects including roads and Dams etc. is plagued by major inefficiencies and rampant corruption, thanks to the politician-bureaucrat-private contractor nexus. And this trend is as much pronounced at the local level as it is found at the central level.[237] It is argued that the Nehruvian State-directed planned economy spawned rent-seeking through the grant of licenses and permits which made a strong case for substantial changes in the regime of bureaucratic controls.[238] At the central level, charges of inefficiency and corruption have figured in Government debates and press reports on a regular basis during the period of economic liberalization. The Bofors, Reliance and HDW scandals, dating from the period of Rajiv Gandhi's new economic policy, remain the subject of public probing. The multi-billion rupee Bombay Stock Exchange securities scandal involving offences which allegedly include the illegal withdrawal of Rs.965 crore from public sector banks by stockbroker Harshad Mehta hinges on the Government reforms in the financial sector which have privatization as important component. It is also marked by endeavours diluting the position of public sector banks by allowing entry of private and foreign banks into this segment.[239]

The privatization policies, have, no doubt, contributed substantially to the creation of new opportunities for corruption for bureaucrats or politicians. This has also legitimized land grabbing by politicians in league with criminal gangs. More importantly, ethos of liberalization and its accompanying rhetoric of necessity has created a friendly environment whereby such actions have become politically justifiable and have encouraged a new regime of private capital accumulation which is increasing levels of dependency and volatility in the Indian economy.[240] As an observer forcefully argues, 'liberalization process is also one that affects both the ideological outlook as well as values of public officials in a manner that makes them more inclined to act in the interests of private capital. The

positioning of private sector as more efficient than the public sector, the idea that the state should not interfere in the working of the market, and the concept of the public-private partnership are integral elements of the world-view associated with liberalization which public officials tend to internalize. There is also a celebration of money making in a liberalized context that can increase the proneness of corruption of public officials. Permissiveness in the Indian case, more than a decade and half of liberalization cannot be said to have reduced corruption".[241]

Throughout 2001, the National Democratic alliance Government (NDA) led by BJP reeled under a series of allegations beginning with the Tehelka.com scandal in March. In December 2001, 'Coffin gate' scandal broke in parliament which involved officials in the ministry of Defence who authorized payments of US-$ 2,500 per coffin meant for Indian casualties of the Kargil War (1999), the actual price being US-$ 172 per casket. In 2001, two financial scandals having wide-ranging implications, occurred. In the first scandal, Foreign institutional investors in league with local stock brokers, rigged share prices of equities in order to cream off profits worth Rs. 35 billion and that amount was illegally repatriated. And, in the second case, the price collapse of Unit Trust of India's (UTI) US-64 fund exposed the 'Promoter-Politician-Financier' network to dupe ordinary investors. Thereafter, a series of corruption charges, namely, the Taj Corridor scandal, Telgi Paper-Stamp scandal, Ajit Yogi bribery case and finally the death of Satyendra Dubey, following his complaint to the Prime Minister's Office in respect of 'looting' in Bihar of a $12 billion scheme to build 12,000 kilometers of roads across India, rocked the BJP-led Government at the Centre. However, Vajpayee and some of his minister's personal integrity helped them to sustain broad appeal emanating from these corruption charges notwithstanding its record of Governance was no less distinguished than its predecessors.[242]

Corruption as such is not a new phenomenon in India. But the scale of high level corruption in recent times have certainly made people angry at the impotence of the system to punish the guilty promptly. The 2G spectrum

scam, the irregularities in the conduct of the Commonwealth Games in New Delhi and the various instances of abuse of power and bribery exposed by wiki-leaks' India cables point to the ineffective anti-corruption laws and anti-corruption agencies in the country.[243]

On the whole, the way the state has directed the economic reform in India, has thrown open lucrative rent-seeking opportunities to state personnel, the political and permanent executive, in particular.[244] As Bhaduri and Nayyar argued that it should come as no surprise that the proposed escape from bureaucratic controls has led to a liberalization of corruption. It has neither unshackled the elephant nor uncaged the tiger....we have simply moved from an old world of licences or permits to a new world of percentages or kickbacks, for the Neta-babu raj has remained the same. This raj is no less adept at corrupting market forces than it was corrupting state intervention. That is the lesson to learn.[245]

XVI: Tribal People, State and the Maoists – the Dilemma of Democracy

Dalits and Muslims have had some impact in shaping the national discourse on Democracy and Governance in India after her independence. However, the tribals who constitute 85 million Indians, and particularly, around 70 million tribals who live in the heart of India spread over a clutch of states like Gujrat, Rajasthan, Maharashtra, Madhya Pradesh, Chattisgarh, Jharkhand, Andhra Pradesh, Orissa, Bihar and West Bengal remain largely unnoticed.[246]

B.D. Sharma, one of the most respected scholars on Tribal affairs, depicted a picture featuring some important dimensions of the tribal scene in the initial years of the new era characterized by Globalisation and free market. i) The Constitutional scheme of an autonomous tribal sub-system within a nation dedicated to the establishment of an egalitarian society stands virtually rejected. ii) Since the sub-system frame is not in vogue, there is no place for the habitat as the life-support system of the tribal people. iii) The superimposition of the concept of individual rights in total

disregard of the community and suppression of oral tradition has made it amply clear to the tribal people that their rights over land-water-forest resources rest on a shaky foundation. (iv) A new frontier spirit: In the earlier phase of the opening up of the tribal areas, there was a risk of unknown involved, a possible backlash and more importantly, constraints of State's moral responsibility. The constraints of state responsibility towards the tribal people have gradually disappeared because a studied indifference and non-action. In the context of a new socio-cultural millieu, enterprises are not being constrained by any guide-lines which is an important feature of public sector enterprise. (v) As the state is now formally wedded to the so-called liberalization, the message received by the administration is clear. And, this is paving the way for the loot, plunder and genocide of the tribals.[247]

The advent of Globalisation has negatively, impacted the tribals and as a result, they have been further marginalized. The fundamental right of the tribals to own land has been flouted by the state and the corporate sector. The outcome of growth of the market led to a process of privatization of formerly communal land and ownership from supra-village and community or clan is devolved upon family. This impact of market led to the rise of big men or big families tied to the external world. This also led to the demise of earlier forms of reciprocity that impeded accumulation.[248]

Going by conventional indicators of Development, the adivasis (Tribals) are even worse off than the dalits. The literacy rate of adivasis stands at 23.8 percent. Moreover, as many as 62.5 percent of adivasi children who enter school drop out before they matriculate. While 41.1 percent of dalits live under the official poverty line, almost half of the adivasi population is languishing under the shadow of abject poverty and destitution. Failing to provide Adivasis with decent education and health care facility, the Indian state has deprived them of equal opportunities for social and economic development as guaranteed by the constitution. Moreover, the policies followed by the Government were responsible for virtually dispossessing a sizeable chunk of the adivasis of their traditional

means of life and livelihood. The closeness of adivasi people to nature's bounty such as forests, rivers and mineral resources provided them with the means for subsistence and survival. But, the twin pressures and imperatives of 'Development' and 'Conservation' turned them into 'sacrificial lamb' forcing to leave their hearth and home to make way for the claims and Demands of Development and 'Conservation'.[249] By the 1960s, reports commissioned by the Government of India identified specific problems faced by the adivasis, namely, callous and corrupt officials, the loss of land, indebtedness, restrictions on the use of the forest, and large scale displacement. However, these reports did not advocate for a course correction through appropriate policy for reversing the ill-effects of India's Industrial and economic development on its tribal people.[250] On the contrary, the policy of the state has been directed to systematically attack on the life of the local people. The 'massive repression' unleashed by the Government led the forest people to embrace a 'path of struggle'. The Government's Forest policy showed a total disregard to the forest people's right to differ. The sources of their employment were under severe strain leading to a decent burial to their right to work. Thus, the democratic character of adivasi social and economic life was in jeopardy.[251] A recent FICCI (Federation of Indian Chambers of Commerce and Industry) report states, "Judging from their past experience with Development, the tribals have a right to be afraid of the mining and constructions that threaten to change their environment."[252]

Thus, Ramachandra Guha points out that Indian environmentalism stands in contradistinction to First world environmentalism and argues that the Indian variety links issues of ecology with questions of human rights, ethnicity, and distributive justice. Anchored in issues of subsistence and survival, it is also based on a wholesale critique of crass consumerism and unbridled economic development.[253]

In any case, the adivasis have been subjected to utter neglect by the state and its agencies - for example, public officials are reluctant to work hard, Doctors shy away from attending the clinics assigned to them or

school teachers do not turn up at their schools on a regular basis, or Magistrates remain busy for lobbying actively for transfer back to the plains. On the other hand, the Maoists do not behave with them as 'alien elements' and get coalesced with them for holding village-level meeting and attend sympathetically to their grievances. Thus, this intimate interface between the Maoists and the tribals have provided the former with an opportunity to thrive.[254] In certain parts of Bihar, it is found that 30-40 percent of development spending (for example, on the Employment Assurance Scheme) is siphoned off by contractors. But, the idea that the labourers might take their employers to court for failing to pay the statutory minimum wage flies in the face of reality in all, save, a few blocks where the 'Naxalite' groups are active in organizing the labouring poor.[255] The opening of the Indian economy has led to an increasing exploitation of unprocessed raw materials, particularly in the states like Orissa. This has exposed a more brutal face of globalization.[256] A perceptive observer writes, "Never had corporations had it so good in the country's history. Even the most culturally and ecologically sensitive areas are being opened up in the name of rapid growth and globalization to mining, industries, ports, express ways and the like. Profits of companies have naturally sky-rocketed, on account of cheap raw materials and labour, tax-treaks, relaxation of land and environmental laws, and all kinds of incentives offered by the central and state governments. The so-called 'free market' is actually able to show remarkable progress because the state heavily subsidises it. And it does so at the expense of millions of people whose land and resources and water are taken away to be handed over to corporations. The state even backs this up with the use of force against anyone who resists."[257]

Tribals now demand community-based rights to all forest produce which had been taken away by the colonial Act of 1870. However individual land purchase rights to tribals in tribal communities has been given by an act of UPA (United Progressive Alliance) Government. But, the act falls short of espousing collective rights of the tribal which they now want to be extended to agricultural land also.[258] On the other hand, social and economic advancement of the adivasis is not the primary objective of the

Maoists. The capture of state power through a process of armed struggle is their larger game-plan for which they are leveraging the dissensions of the tribals and directing their ire against the state.[259] Sumit Sarkar and Tanika Sarkar, while commenting upon the recent Lalgarh movements of the tribal people in West Bengal, assessed the role of the Maoists in these words, "Maoists have done incalculable harm to the movement. Their activities and intentions are shrouded in mystery, their secret terror operations express total indifference to human lives, their arms deals lead them, inevitably, into shady transactions with rich and corrupt power-brokers at different levels. The typical patterns of their activities is curious. They come into an already strong and open mass movement, they engage in a killing spree, discrediting the movement, and then they leave, after giving the state authorities a splendid excuse for "crushing it."[260]

Therefore, it is evident that the Adivasis (tribals) are being pressed and pierced from both sides, i.e., the state and the Naxalities. So they have a very vulnerable position being sandwiched between the two. However, ending Maoist insurgency or at least containing them should, above all, strive to make adivasis a true partners in the development process by granting title over their cultivated lands, allowing them to manage forests sustainably or by giving them a solid stake in industrial or mining projects which are coming up at the expense of their home, life and livelihood.[261]

As a commentator writes in this context very succinctly, "A course correction, urgently, radically and sincerely, is needed. This means pursuing the agenda not just of "development" – building roads, schools and hospitals, and so on – but of social justice and people's rights. It is only when the down-trodden are convinced that the state is willing to give them real rights over land, forests and natural resources and practise inclusion that the naxalite "problem" will be resolved."[262]

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