

## State and Redistributive Development in India

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States in the developing world play an essential role in promoting economic growth and in reducing inequalities and poverty. The Indian state is no exception. Over time the state in India has shifted from a reluctant pro-capitalist state with a socialist ideology to an enthusiastic pro-capitalist state with a neo-liberal ideology. This shift has significant implications for the possibility of development with redistribution in India. On the one hand, state's warm embrace of capital has been accompanied by higher rates of economic growth. Since levels of inequality in India are not enormously skewed, say, in comparison to Latin America, the recent growth acceleration is bound to be poverty reducing. On the other hand, however, the state-capital alliance for growth is leading to widening inequalities along a variety of dimensions: city vs. the countryside; across regions; and along class lines, especially within cities. Not only does rapid economic growth then not benefit as many of the poor as it could if inequalities were stable, but the balance of class power within India is shifting decisively towards business and other property owning classes. This creates the possibility of even more unequal development in the future. An important question then arises: can democracy and activism of the poor modify this dominant pattern of development?

This paper analyzes the changing nature of India's democratic developmental state. While the struggles for more inclusive development are occurring at various levels of the body politic, I argue that the eventual prospects for making India's growth process more inclusive are not encouraging. If rapid growth continues, some of this will necessarily "trickle down" and help the poor. Beyond that, however, the scope for

hastening this trickle via deliberate redistribution is limited. This is in part because deliberate redistribution is very difficult any where, in part because the Indian state's capacity to implement pro-poor, redistributive policies has always been quite limited, but mainly because of the emerging ruling alliance in India, which at core is an alliance of state and capital for growth. What might add some redistributive thrust to this growth-focused, elitist alliance is the fact that India is a vibrant democracy, with the poor and the near-poor constituting a majority. The excluded majorities are likely to continue to press their own case. A highly elitist apex and a mobilized fringe then define the political context in which India's current development drama is unfolding.

After situating very briefly the Indian state in a comparative context, I analyze below the Indian state's redistributive role at the national, state, and local levels. Given the complexity of the subject, the focus is selective. While situating India in a cross-national context, I correct some popular misconceptions, and argue that the developmental capacity of the Indian state is middling, somewhere between the more efficacious states of East Asia and the poorly performing states of sub-Saharan Africa. When discussing the Indian state at the national level, I suggest that, for the most part, there has been a considerable gap in India between redistributive ambitions and capacity. In the recent decades, however, this gap has narrowed, not because of any significant improvement in state capacity, but because of narrowing ambitions, focusing more on economic growth and less on redistribution. There is significant variation across Indian states in their redistributive capacities. The fact that states like Kerala and West Bengal have reduced poverty faster than most other Indian states suggests a positive relationship between distribution of power and distribution of economic resources. And finally, the

effectiveness of local governments is likely to be critical in the implementation of a variety of (minimal) poverty alleviation programs that are now on the policy agenda.

### I. Indian State in a Comparative Perspective

When assessing any state's capacity to accomplish specific tasks, scholars generally have some standards of comparison in mind. These standards may reflect either a normative ideal or some real world comparison with other similar cases. Let us set aside the issue of the ideals to which one should hold the Indian state. For the present purposes, let us focus on real world comparisons. How well do the capacities of the Indian state, especially redistributive capacities, measure up against those of other developing country states?

Some definitional and analytical clarity is essential at the outset. When discussing the state, I refer to both the political and the bureaucratic institutions of a society. While societal interests, especially dominant interests, always mold state institutions, it is also in the nature of institutions that they take on a life of their own; states thus enjoy some varying measure of autonomy from social forces. When discussing a state's developmental capacity, I refer fairly broadly to a state's capacity to promote growth, as well as to reduce inequalities and poverty. When discussing a state's redistributive capacities, I have in mind mainly the state's capacity to reduce inequalities and poverty. Poverty and inequalities are, of course, distinguishable; as in contemporary India, inequalities may be widening, but poverty conditions are improving. However, one should not push this distinction too far. Setting aside the case of economic growth enveloping more and more people—often a fairly slow process—most deliberate efforts

at poverty alleviation involve some deliberate redistribution and, more important from a political standpoint, are perceived as such. For example, strategies of poverty alleviation may focus on one or more of the following: asset redistribution; welfare provision; creation of human capital; or altering the pattern of economic growth. Since some of these strategies result in clear winners and losers, and others starkly pose the issue of who will pay, strategies of poverty alleviation readily come to be viewed as redistributive policies.

To return to the main issue at hand, let us situate the Indian state in a comparative context, at least briefly. As far as economic growth is concerned, the developmental capacities of the Indian state are middling, some where between the more efficacious East Asian states on the one hand and the poorly performing sub-Saharan African states on the other hand (Kohli, 2004). Indian state presided over an economy that grew at a relatively sluggish rate for some three decades following independence. Since 1980, however, the rate of economic growth in India accelerated. While numerous non-political variables help explain both the overall growth performance, as well as changes overtime, it is the case that the state's role in both promoting and hindering economic growth in India has been significant. The sluggish growth rate in India between 1950 and 1980 was a product of a state-dominated economy in which the state pursued a variety of goals simultaneously, and none too effectively. The roots of this "soft state" lay in a multi-class social base, a not-too-well-organized ruling party, and a bureaucracy that was relatively professional at the apex but not in the periphery; I have traced the economic consequences of these political traits systematically elsewhere (Kohli, 2004, Ch. 7). By contrast, the improved economic performance since 1980 can be associated with a

narrowing of the state and capital ruling alliance, the state's near-exclusive focus on growth promotion as a priority goal, and institutional insulation of key economic decisions from popular pressures (Kohli, 2006A and 2006B).<sup>1</sup>

As far as deliberate redistribution and poverty alleviation are concerned, the Indian state's capacity must be judged as fairly dismal. The attempts to redistribute land to the landless, to provide education and health to the poor, and to create employment via public works type of programs, have all been largely ineffective. The underlying causes include the absence of a real commitment among state elites, poor quality peripheral bureaucracy, but most of all, powerful vested interests who have often opposed or subverted such efforts. When viewed comparatively, however, most developing country states, especially those in Latin America and sub-Saharan Africa, have been even more ineffective than India in checking growing inequalities or in providing for their poor (for some exceptions, see Sandbrook et. al., 2007). While some such East Asian cases as South Korea, or possibly China, indeed provide examples of "growth with distribution," it is important that their pathways are understood correctly.

Land redistribution has been an integral component of the relatively egalitarian pathway followed by countries like China or South Korea. Early land reforms in these cases not only flattened the class profile in the countryside, but also raised peasant incomes, thus contributing to higher wages for the urban working class by reducing the size of the "surplus poor." Revolutionary communists and occupying U.S. forces helped implement land redistribution in China and South Korea respectively; these political

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<sup>1</sup> It is worth noting that, when averaged over five decades (1950-2000), the economies of India and of Brazil grew at a more or less similar pace, though obviously with different patterns of fluctuations. An average growth rate of some four to five percent situates these "middling" performers well above sub-Saharan cases, but also behind such East Asian cases as South Korea and Taiwan.

preconditions are not likely to be replicated in an India. Much is also made in the development literature of the role of labor-intensive, export-oriented industrialization in helping reconcile growth with redistribution in these cases. This is fine as it goes but the fact is that countries like South Korea pursued both labor-intensive and capital-intensive industrialization; even in a South Korea the latter was accompanied with growing income disparities. And, of course, growing inequalities in China's recent growth upsurge are quite well known.

The quality of human capital in countries like China and South Korea is clearly superior to that in India. Here there is much room for improvement in India. Once again, however, how China and South Korea got to where they are needs to be kept in mind. The efforts to improve education and health conditions in China were very much part of the revolutionary transformation of China, a process not likely to be repeated in countries like India. Even in a non-revolutionary South Korea, certain unique factors contributed to the benign outcome. First, the colonial legacy in the field of primary education was relatively favorable. Second, following land redistribution, landlords often invested their compensations into a system of private education, hoping that their progeny will thus find alternative routes of upward mobility. And finally, of course, public investment into education has been consistently significant, though even here one should not underestimate the role that a growth-oriented authoritarian state expected primary education to play in creating a productive but propagandized working class.

What one might legitimately expect from the Indian state in terms of deliberate redistribution thus needs to be tempered by a correct understanding of what others in the developing world have or have not achieved. Relatively egalitarian initial conditions and

a more labor-intensive product mix have been important components of reconciling growth with distribution; both of these factors are largely missing in India, especially the first. Investments in education and health have been the other components of creating a more level social field in select East Asian cases. These too were facilitated in part by unique social and political conditions. With a highly stratified society and a narrow ruling coalition, India is thus not likely to replicate East Asia. And yet, this is not the whole story! What India has that many other East Asian or Latin American cases have not had, is a sustained democracy. The issue that needs to be raised is, does this make any difference, and if so, how?

## II. Indian State, Over Time

How has the Indian state changed over time, and what are the implications of these changes for development with distribution in India? In what follows, I paint in sweeping (really sweeping, often building on my earlier work) brush strokes the main changes in both India's political and bureaucratic landscapes, and then trace the implications of these changes for such redistributive policy areas as land redistribution, taxation and public investment, building human capital, and public works programs. I argue that political changes, especially since about 1980, have been fairly dramatic: a reluctant pro-capitalist state that flirted with socialism has essentially been supplanted by an enthusiastic pro-capitalist state with a neo-liberal ideology. This narrowing of the political apex, however, has not gone unchallenged, as excluded masses are pursuing both democratic and not-so-democratic means to express their dissatisfaction, especially in a number of states. By contrast, the changes in the bureaucracy have been a lot less dramatic; the basic characteristics of a professional apex and a vast network of not-so-



professional lower level bureaucrats remain in tact. The overall result is that the national state has become less redistributive in its intent than in the past on the one hand, but the capacity to implement even these more limited policies has not improved on the other hand.

The nature of India's post-independence developmental state has been studied extensively.<sup>2</sup> I too have developed my views on the subject in a number of publications (Kohli, 1987; Kohli, 1991; Kohli, 2004; and Kohli 2006 A and B); only the briefest recapitulation is necessary here. Political power in post-independence India rested mainly in the Congress party. Led by the likes of Nehru, the early Congress party was nationalist and socialist in its ideology. While seeking to represent the interests of the "nation" as a whole, the Congress came to be influenced disproportionately by "proprietary classes" (Bardhan, 1984). For example, business groups played a significant role in early economic policy making (Chibber, 2004), and Congress built its political support in the countryside via upper caste, landowning groups, thus incorporating landed interests into the heart of the body politic (Frankel, 2005). Professional urban classes, as well as the well heeled bureaucrats, also exerted considerable influence on the state. And yet, the Congress was never a party of the Indian elite alone. Gandhi mobilized segments of the Indian peasantry into the nationalist movement. Nehru's socialist commitments further broadened Congress' social base, at least promising—though seldom delivering—progress to India's downtrodden.

The Congress party, with a left-leaning nationalist ideology and a multi-class social base, was never very well organized; the transition from an anti-colonial nationalist

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<sup>2</sup> An incomplete list of some of the notable contributions might include (listed in no particular order), Frankel (2005), Nayar (1989), Bardhan (1984), Chibber (2003), Potter (1996), Pingle (1999), and Herring (1999). For further references see Kohli (2004), pp. 438-41.

movement to a ruling party was never fully accomplished. Of course, the early Congress had some organizational structure: there were paid members; party officers were selected by intra-party elections; those at the lower levels elected those at the higher levels; party offices operated throughout the country, providing some minimal services to supporters; there was some sense of what Congress party stood for; and the *khadi clad* Congress party workers were even identifiable by an informal dress code (Weiner, 1967; Kohli 1991). Most of these institutional attributes, however, either did not take deep roots, or were not maintained, leading to significant organizational erosion during the 1960s and the 1970s. For example, power came to be relatively concentrated at the apex, especially in the person of Nehru. Moreover, nationalism declined—though slowly—and the commitment to socialism proved superficial fairly quickly. The results included a decline in Congress' public-spiritedness. India's dominant political party then increasingly became an arena in which a variety of private interests competed for personal or sectional benefits. The main organizational characteristic of the Congress party became long chains of patronage that spread from the center to a vast periphery.

Following independence, the Congress rulers inherited a relatively well organized colonial bureaucracy; after some back and forth, India's new rulers also chose to maintain the colonial state structures, building on the well established core. This turned out to be a Faustian bargain, enhancing the capacity of the new rulers to maintain political stability, but only at the expense of creating a real developmental state. As the ICS (Indian Civil Service) became the IAS (Indian Administrative Service), it grew in numbers but maintained its core characteristics: an exam based, meritocratic civil service of generalists with its own *esprit de corps* (See Potter, 1996). During the 1950s and the

1960s, the IAS attracted India's "best and brightest." The service was also relatively insulated from political interference in these early years, boosting its professionalism. This high quality, professional civil service proved, and has remained since then, vital to India's governance. As a law and order bureaucracy, however, the contribution of this civil service to a more activist state agenda of creating and running factories, promoting exports, or implementing land redistribution was less successful. Moreover, the quality and professionalism of bureaucracy below the level of the IAS was relatively poor, further diluting the capacity of the new rulers to translate their edicts into real outcomes in the periphery.

As is well known, India's new rulers, especially Nehru, pushed India into adopting an ambitious state-led model of development. Much too much has already been written on this subject; this is also no place to review related debates. Suffice it to note that Nehru's heavy industry-oriented, import-substitution model of growth had mixed results. In spite of neo-liberal criticisms, Nehru's policies successfully laid the foundations of an industrial economy; the roots of the more recent growth upsurge can often be traced back to these early beginnings (Rodrick and Subramanian, 2004). This is not to suggest that Nehru's model lacked heroic mistakes, such as the neglect of agricultural growth (Myrdal, 1968), or that the system did not develop numerous inefficiencies (Bhagwati and Desai, 1970). Some of these were rooted in ideologically driven policy choices but, for the rest, they resulted from a significant gap between the state's economic ambitions and its political and bureaucratic capacities (Kohli, 2004). On the whole, however, as far as economic growth is concerned, Nehru's economic

policies led to impressive growth in India's industry (for a balanced overview, see Jalan, 1991).

More pertinent for our purposes is how we analyze the impact of the Nehruvian state and its policies for redistribution and poverty alleviation. Here the judgments have to be fairly negative. The simple but powerful fact is that the overall growth rate of the economy was relatively sluggish in these years, population grew at a significant rate, and the number of poor in India grew steadily. Below this nearly banal sounding -- but tragic -- reality of India's slow suffering laid numerous policy choices and poorly implemented policies.

Nehru's emphasis on heavy industry meant the neglect of agriculture, a set of policy decisions with serious negative consequences for India's poor, majority of whom lived in the countryside. It is no exaggeration to suggest in retrospect that there was no systematic policy to promote agricultural growth in Nehru's India. Much reliance was put instead on reeducating the peasantry (via Community Development Programs), and on altering the incentives of the land tiller via land reforms. The former was probably mistaken even in conception, and given the poor quality of peripheral bureaucracy, was certainly implemented very poorly (Myrdal, 1968). The issue of land reforms, however, requires further comment.

There was some success in India in eliminating the largest *zamindars* (landowners) but much less in ensuring that land was redistributed to the rural landless. *Zamindari* abolition was thus mainly a political phenomena (as distinct from a class phenomena), in the sense that many *zamindars* were allies of the British, lost power as the nationalists gained, and posed an obstacle to the Congress rulers to build political

support in the periphery. Congress rulers thus pushed hard and succeeded in reducing the size of *zamindari* holdings. Those who gained were generally the “lower gentry,” rather than the land tillers. By contrast to *zamindari* abolition, the several subsequent rounds of land reforms (redistributing land above a certain “ceiling,” or ensuring the rights of tenants) were mostly a failure (Herring, 1983; Appu, 1996). There was some variation on this score across Indian states; I will return to that issue in the next section. On the whole, however, land reforms failed mainly because state authorities in India proved either unwilling or incapable of confronting powerful class interests in the countryside (Myrdal, 1968). Significant factors that contributed to the state’s limited capacities on this score included Congress party’s incorporation of landed interests as pillars of party support in the countryside, a federal structure in which land redistribution was the responsibility of state governments in which the power of landed classes was especially significant, a less-than-professional lower level bureaucracy that was readily co-opted by the rural powerful, a legal system that was biased in favor of property owners, and a relatively low level of mobilization and organization among the potential beneficiaries.

Beyond the neglect of agriculture and failure of land reforms, other notable Nehruvian policies with adverse consequences for the poor included a capital-intensive pattern of industrialization and the neglect of primary education. The focus on heavy industry reflected both Nehru’s vision of how to build a strong and sovereign India (Nayar, 1989), and the prevailing economic logic of the time that, since you can not eat steel, such a focus will enhance savings and facilitate rapid industrialization (Charkravarty, 1988). Whatever the underlying motives, the consequences were clear: India’s industrial growth did not create enough new jobs to make a dent into the growing

number of poor. Similarly, a focus on primary education might have not only served important economic goals by raising the quality of human capital, but would have also been an important development end in itself (Sen, 1999). Nehru's focus instead on creating "pockets of excellence," for example, by creating the Indian Institutes of Technology, remains to this day a much debated set of policies. Why India's primary education has continued to lag dramatically also remains somewhat of an enigma. Myron Weiner's provocative argument (1991) that the neglect reflected the exclusionary mindset of India's upper caste elites probably has some merit. However, even with a shift in national priorities on primary education that is currently underway, the fact is that numerous problems of implementation at the level of state governments and below remain; I will return to some of these issues in the next section.

By the 1970s, a new political generation had come into being, the legacy of nationalism was declining, and along with it grew a sense in India that politics was less about the pursuit of ideals but more about mundane realities of who gets what, when, and how. Congress party was thus in a danger of losing its hegemonic hold under the strain of a variety of distributive conflicts. By accentuating populism, Indira Gandhi recreated a new type of Congress hegemony in which power became even more personal, Congress party was further deinstitutionalized, leaders below the apex came to be appointed from the top, often rewarded for little more than loyalty to Indira Gandhi, and even the well established civil service and the armed forces felt the strain of growing politicization (Rudolph and Rudolph, 1987; Kohli 1991). While politics has always been in command of economic policy making in India, the Indira Gandhi years were especially notable for

the politicization of the economy, first in a distributive direction in the 1970s, and then in a more pro-business direction during and following the Emergency in the 1980s.

The Nehruvian model of economic development was accentuated in a populist direction by Indira Gandhi: banks were nationalized, Maharaja's were stripped of their remaining privileges, anti-monopoly laws were strengthened, new taxes were imposed on the rich, access to credit was broadened, stricter land reform legislation was passed, and public works programs that may supplement the income of the poor were brought into being. The early 1970s was thus a moment in India with real social democratic possibilities. Unfortunately, the experiment was mostly a failure, not because social democracy in a poor setting is a non-starter (Sandbrook, et. al., 2007), but because Indira Gandhi's personal power led more to centralization and powerlessness, (Kohli, 1994) and less to the creation of a well organized social democratic power bloc that might be capable of confronting dominant class interests.

On the growth front, under pressure from the U.S., Indira Gandhi adopted the green revolution policies. While overall agricultural growth did not go up significantly, productivity based growth kicked in, leading to a slow but steady growth in food production that by now has made the perennial threat of famines a distant dream; on balance, this must be judged a positive contribution. As interesting, however, was the fact that the green revolution marked the first major instance of the Indian state actively collaborating with producer classes to facilitate economic growth; while an aberration in those years—especially in a milieu dominated by the heady rhetoric of socialism—by now this pattern has become the norm of how India produces economic growth. The results included – then as now -- some gains in production, but growing inequalities,

certainly across regions, but also possibly along class lines. By contrast, the rate of industrial growth declined during these years: public investments were channeled into a variety of “consumption” activities aimed at building political support (Bardhan, 1984), and the socialist rhetoric and a variety of new anti-monopoly laws discouraged private investments (Ahluwalia, 1985; Kohli, 2004, Ch. 7).

The failures on the redistribution front were especially glaring because of the gap between promises and outcomes. The main achievement probably was to limit the growth of inequalities, though, as critics will rightly add, this was more a matter of sharing poverty than wealth. Some of the monies invested into such poverty alleviation schemes as employment generation programs probably also did reach the poor, especially in states with committed leaders and better bureaucracies. By contrast, public education and primary health were ignored. The failure to acquire and to redistribute above ceiling land, and to improve the lot of tenants, was the most notable failure (Appu, 1996). All the rhetoric and some real legislation aside, the pursuit of land redistribution was left mainly in the hands of state governments. A few state governments made good use of the new, permissive political space, but these were seldom states with Congress governments. In the modal Congress run state, the political structures consisted of two main hierarchies: a top-down, loyalty- and patronage-based chain that was the Congress party, without a well organized social base; and a bureaucratic hierarchy, in which the quality of bureaucracy declined as you went down the hierarchy. Where these political hierarchies stopped in the countryside began real social power, i.e., power of landowning elites. Neither the local level party nor the bureaucratic elite were in a position to confront the landed elite; on the contrary, at times the party and the landed elite were the



same people, and nearly always the local bureaucrats were deeply entrenched in local power structures (Kohli, 1987). When on occasion some redistributive success seemed close at hand, tenants were either evicted by force or land ownership cases ended up in courts, where they probably still languish.

Starting around 1980, Indian political system began moving in a new direction, especially in terms of developmental priorities and, related to that, in terms of the underlying state-class alliances. After returning to power in 1980, Indira Gandhi increasingly prioritized economic growth, and put the rhetoric of socialism on the back burner. This complex political shift reflected several underlying political realities that I have analyzed in detail elsewhere (Kohli, 2006A): a growing realization that redistributive possibilities were increasingly limited; the negative impact that radical rhetoric had had on the state's relations with the corporate sector, as well as on the corporate sector's willingness to invest; and, of course, relatively low economic growth, especially industrial growth, during the 1970s. Report after report had also underlined the inefficiencies of the public sector, limiting governmental options. Looking for higher rates of economic growth, Indira Gandhi in the early 1980s sought to reorder the state's class underpinnings, tilting it towards capital and against labor. Thus began a steady process which, over the next quarter of a century, propelled the power of capital in the Indian polity to near hegemonic proportions.

Late Indira Gandhi and her son Rajiv Gandhi moved the Indian state away from its socialist ambitions to a growth-promoting state that worked with the corporate sector. The policy shifts were not only of the liberalizing types that limited the state's role in markets but went beyond, actively supporting the profitability of the corporate sector.

Liberalizing changes included removing a variety of restrictions on the activities of big indigenous business. More activist changes included tax breaks and subsidies to the corporate sector, continuing public investments, expansionist monetary and fiscal policies, a variety of supply side supports to some such favored industries as computer and soft-ware, and limiting labor's capacity to strike. The impact on growth was significant. As both public and private investments grew, industrial growth picked up. Since the composition of industrial investment shifted towards consumer goods, and since technology imports became possible, productivity of the economy also improved. The 1980s thus marked a break in India from the "Hindu rate of growth" (Nagaraj 2000; Rodrik and Subramaniam 2004).

The distributional impact of the state's shifting role was mixed, though the negatives were not as negative as what was to follow in the 1990s. State elites increasingly downplayed the rhetoric of socialism. A major fatality of this ideological shift was that land redistribution and tenancy reforms lost luster as policy options. While these policies had never succeeded much in India, now even their desirability became questionable. The computer boys of Rajiv Gandhi looked instead to integrate India into a global economy. Also, very few new efforts emerged to improve primary education or public health. The pattern of economic growth favored big business houses.<sup>3</sup> Mercifully, however, both Indira and Rajiv Gandhi kept up public investments. In this important sense India during the 1980s did not embrace neo-liberalism; that followed in the 1990s, but even then only partially. There was also no real "state reform" in India in the 1980s in the sense of privatization of public sector firms or in the sense of shedding or reorganizing the bureaucracy. While political interference in the IAS grew, on balance,

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<sup>3</sup> One study that broadly supports this claim is, Banerjee and Piketty, 2003.

the IAS remained a privileged, professional, and competent civil service. And finally, external opening of the economy remained fairly limited up until the early 1990s. The limited shift in the state's role in India in the 1980s thus put a check on the worst forms of growing inequalities that followed in the 1990s. Most important, public investments in agriculture put a brake on growing rural-urban divide, and by the same token, continuing public investments helped the BIMARU states from following further behind in their relative rates of economic growth.

The state-business alliance for growth has pretty well continued to characterize India's model of development since about 1980, with another important "liberalizing" shift in 1991, when integration with the global economy also picked up speed. Once again, I have analyzed the political causes and the growth consequences of this shift in more detail elsewhere (Kohli, 2006B). To summarize very briefly, the fiscal and balance of payment "crisis" of the early 1990s provided more the occasion and less the deeper cause of the policy shifts in 1991. Even before 1991, India's ruling elite had sought to liberalize India's economy on numerous occasions but had run up against a variety of obstacles (Kohli, 1989). By 1991 a number of new forces emerged that facilitated "liberalization;" two of these, one external and the other domestic are especially notable. India's external relations changed dramatically with the decline of the Soviet Union. Needing to shore up its relations with the United States, India increasingly opened its economy to American goods and investors. Within India the most important shift over the 1980s involved shifting policy preferences of big business in India. Whereas Indian business opposed external liberalization in the 1980s, by the 1990s, this unified opposition dissolved. Some Indian businesses, especially in the service sector, supported

opening of the economy. Import substitution protected business houses either became more competitive over the 1980s or lost their political capacity to sway policy. As the newer, more globally oriented business houses converged around a refurbished, government-supported chamber of commerce -- the Confederation of Indian Industry -- the alliance of state elites and of select members of the corporate sector was able to push through an external opening of the economy.

The economic consequences of “liberalization” have been widely debated. Our concern here is mainly with distributive issues. On the growth front, suffice it to note that industrial growth did not accelerate in the post-1991 period (though there seems to be some such tendency since 2004-5) and that annual agricultural growth averaged nearly a whole percentage point below that achieved in the 1980s. The higher rates of growth in the service sector compensated for the lower rates of growth in agriculture; the overall rate of economic growth in India in the 1990s and beyond (say, up until 2005) has thus been about the same as that in the 1980s. The distributional consequences of the post-1991 pattern of growth, however, have been distinctly less benign.

There is no doubt that a poor country like India desperately needs economic growth. In spite of growing inequalities, it is the case that the relatively high rates of economic growth over the past quarter of a century have helped alleviate some of India’s poverty. This needs to be acknowledged fair and square. However, those who stop there also ignore numerous disturbing trends that are making India a starkly unequal society, with potentially serious political consequences in the future. Declining public investments, for example, have hurt agricultural growth, a sector on which most of India’s poor still depend for their livelihood. The same decline has also hurt the growth

prospects of India's poorest states, leaving the Bihars and the Uttar Pradeshs of India way behind its Gujarats. The evidence that class inequalities within cities are widening is also fairly clear. And finally, business concentration has increased over the 1990s.<sup>4</sup> Are such growing inequalities an inevitable product of higher rates of economic growth?

The premise of this essay is that such growing inequalities are not totally inevitable, that the state can intervene to modify these patterns, and thus help India move along a somewhat more egalitarian pattern of development, as well as hasten the process of poverty alleviation. With land redistribution and tenancy reform pretty well off the policy agenda (whether these should and can be brought back on the policy agenda is a whole separate discussion), most redistributive interventions at the national level will depend on patterns of public investment. Since public investments remain a function of availability of public revenues, improving revenue intake by reforming patterns of taxation ought to be a first order priority of any reform minded Indian government. With more resources—or by reallocating the use of existing resources—there is a desperate need in India to increase public investment into agriculture and into the poorer states. Not only will this be growth enhancing, but as Datt and Ravillion (2002) have demonstrated, “sectoral and geographical imbalances of growth” In India in the 1990s may have cut the poverty reducing capacity of economic growth by as much as one half.. Enhanced public investments into such basic areas of human capital formation as primary

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<sup>4</sup> The evidence here is also fairly clear. For example, my own calculations suggest that market capitalization of the top 10 private companies increased from 2.2 percent of the GDP in 1990 to 12.9 percent in 2004 and sales of the top 10 companies during the same period grew from 2.3 to 9.3 percent of the GDP. These calculations are based on company data from *Business World*, Aug. 22-Sept. 6, 1998 and Dec. 27, 2004 and the sales data were collected from [www.valuenotes.com](http://www.valuenotes.com). As R. Nagaraj explained to me in an informal conversation, value added would be a better measure than sales; unfortunately, the figures on changes in value added by firms are not readily available.

education and health will also be desirable; the contribution of such investments to both growth and well being are widely recognized.

Such redistributive reforms face serious political obstacles, however. At stake are both the state's goals and capacities. Given the ideological proclivities of the state elite and the underlying class basis of state power; it seems increasingly unlikely that redistributive reforms will be prioritized. One set of pressures that may push the policy in a more redistributive direction is the simple fact that both rural groups and the poor states within India can be powerful swing factors in electoral politics. However, power of numbers in most democracies is no match for class power. Notice that, even in India, as democracy "matures," all major political parties, including the communists, prioritize economic growth and pretty well embrace "liberalization." Also notice that, following the 2004 national election, when it became clear that the Congress will need to depend on the CPM to form a government, foreign capital voted with its feet, withdrew funds in hordes, leading to a near crash of the stock market. Sonia Gandhi's concession to the stock market by announcing India's "pro-liberalizing" economic team essentially meant that the democratic verdict was diluted, at least partially.<sup>5</sup> Beyond issues of ideology and class power that influence the state's priorities, there are also more mundane but serious obstacles of bureaucratic capacity. Lower level bureaucracy in India remains relatively inefficient, and no serious reforms are under consideration. These inefficiencies hurt numerous redistributive policies, any where from tax collection to managing public

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<sup>5</sup> I say "partially" because it is important to not ignore marginal gains. For example, in the 2007 budget speech Chidambaram (India's Finance Minister) promised greater outlays for education, health, and rural infrastructure. If pursued effectively (a big "if"), these are clearly steps in the right direction. The same is true of the National Rural Employment Guarantee Act of India, 2005, where concrete implementation so far has been minimal.

primary education in the countryside. We will visit these issues again as we travel down the state hierarchy in the following sections.

### III. Variations Across Indian States

While retelling the Indian “story” in brief, I have argued so far that the redistributive accomplishments of the Indian state have been relatively limited, and that this limitation is best understood in terms of the ideology and organization of the ruling elites on the one hand, and the class nature of the state on the other hand. I have also argued that, as the class base of the state has narrowed over time, even the earlier redistributive intent has been diluted. Pursuing similar themes across Indian states may help sharpen the argument further now, for it is the case that the redistributive capacity of provincial states within India varies quite a bit. Since state governments in India are responsible for a host of such policies as land reforms, education and health, it is important to understand how and why their capacities to pursue these policies vary.

I provide some simple data in Table 1 on rankings of states according to how much poverty has been reduced within them over the last several decades. The states that have reduced most poverty include Kerala, West Bengal, Punjab, Andhra Pradesh and Tamilnadu; whereas those in which poverty has been reduced the least include Assam, Jammu and Kashmir, Bihar, Madhya Pradesh, and Rajasthan. While rates of economic growth are a significant predictor of these trends, as or more interesting is the fact that states vary enormously in the “efficiency” with which they reduce poverty for a given level of growth. For example, the growth elasticity of poverty in Kerala and West Bengal (-1.23 and -1.7 respectively) are some four times than, say, in Bihar or Madhya Pradesh (-0.30 and -0.39 respectively) (Besley, et. al., 2007, Table 3.1). That suggests that Bihar

Table 1

Rankings of Indian States by Poverty Reduction, Growth Rates,  
and Growth Elasticity of Poverty, 1958-2000\*

State	Poverty Reduction	Growth Rate	Growth Elasticity of Poverty
Kerala	1	7	1
West Bengal	2	11	2
Punjab	3	2	3
Andhra Pradesh	4	5	4
Tamilnadu	5	3	8
Gujarat	6	6	6
Orissa	7	12	5
Karnataka	8	8	10
Haryana	9	1	9
Uttar Pradesh	10	15	7
Maharashtra	11	4	12
Rajasthan	12	14	11
Madhya Pradesh	13	9	13
Bihar	14	16	15
Jammu and Kashmir	15	13	9
Assam	16	10	14

\*Source: Adapted from Besley, et. al., 2007, Figure 3.1. Besley and coauthors ran regressions between poverty and growth in the form  $P_{st} = \gamma_s + \beta_s Y_{st} + \epsilon_{st}$ , where  $s$  denotes an Indian state  $t$  and denotes a year,  $\gamma$  is a state fixed effect,  $P_{st}$  is the log of the poverty head count ratio, and  $Y_{st}$  is the log of income per capita. Because both poverty and income per capita are measured in logs, the coefficient  $\beta$  is the growth elasticity of poverty.

This table should only be treated as broadly indicative because, as a recent paper by Suryanaryana (2007) points out, there are significant measurement problems with pre-1980 consumption data in India on which these rankings are based. In addition, the issue of remittances from overseas complicates the calculation of the “growth elasticity of poverty” in some such cases as Kerala.



and Madhya Pradesh will take some four times the growth rate of Kerala and West Bengal to reduce the same amount of poverty. How does one best understand such differential capacity across Indian states to reduce poverty?

Some scholars—mostly economists associated with the World Bank—have sought to identify numerous proximate variables (for example, growth rate of farm yields, and such initial condition as irrigation infrastructure or literacy (Datt and Ravallion, 1998); or access to finance or security of property rights, among others (Besley, et. al., 2006) -- that may help explain why growth is more poverty reducing in some states than in others. Other scholars—mostly political sociologists—have sought instead to go deeper into the causal chain to investigate how such more “distant” variables as distribution of political and social power, and/or bureaucratic effectiveness, may mold redistributive outcomes (Herring, 1983; Kohli, 1987; Echeverri-Gent, 1993 and Harriss, 2003).<sup>6</sup> The latter, more of a qualitative approach than quantitative – at least in part because it is difficult to quantify measures of class and power -- is more appropriate for the concerns of this paper. Continuing in this tradition, several patterns are notable in Table 1: the two states that reduced poverty the most, West Bengal and Kerala, have long had experience with left governments; all the four southern states—Kerala, Andhra Pradesh, Tamilnadu, and Karnataka—are among the top half of those states that have reduced poverty the most; and all the Hindi-heartland states—Bihar, Uttar Pradesh and Madhya Pradesh (also

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<sup>6</sup> Notice that, if well done, the deeper political and social variables ought to be connected systematically with outcomes via some of the more proximate variables acting as intermediate variables. Thus, for example, it may be the case that broader based, well organized regimes end up alleviating poverty more “efficiently” because they facilitate investments into irrigation, implement land reforms and secure property rights, and/or invest in human capital formation. I do not promise such a full, systematic analysis in this paper.

Rajasthan)—are among the bottom half of the states that have reduced poverty the least. How might one interpret these patterns?

The main hypothesis that best explains these patterns is that poverty has been reduced the most in states where effective governmental power rests on a broad political base; in such cases rulers have minimized the hold of upper classes on the state, successfully organized the middle and lower strata into an effective power bloc, and then used this power to channel resources to the poor.<sup>7</sup> While the ground level realities are a lot messier (they always are), on balance, I believe that this simple hypothesis survives empirical scrutiny. Let me elaborate. First, let us consider the two left-leaning states of India. Much has been written on both Kerala and West Bengal. There is more of a consensus around the case of Kerala. Poverty in Kerala has been reduced sharply and its human development indicators are far superior to that of rest of India. (Dreze and Sen, 2002). And all this was accomplished while economic growth rates in Kerala have been close to the all India average. Underlying these redistributive achievements are complex historical roots, including the political mobilization of lower castes and classes well before independence.<sup>8</sup> This broadened political base then facilitated the rise of a well organized, communist party to power. A more pro-poor regime interacted with a more efficacious citizenry, creating what Dreze and Sen (2002) have rightly called a “virtuous” cycle. This created both a supply of and demand for a variety of successful pro-poor public policies, including land reforms, higher investments into and better implementation of education and health policies, and greater gender equality (Shah and

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<sup>7</sup> I would like to acknowledge the helpful comments of Vivek Chibber in sharpening this formulation

<sup>8</sup> The social and political side of the Kerala “story” has been well told by others. The accounts that I find most compelling are those of Patrick Heller. See a variety of his writings (Heller, 1999; and Heller, 2000). Also see his Kerala chapter in Sandbrook, et. al., 2007.

Rani, 2003). The fact is that, when compared to other Indian states, by now the cultivated land in Kerala is distributed most evenly and wages of landless laborers are highest in India (Suryanarayana, 2007, see Table 3.2.6, p.75 and Table 3.2.17, p. 90).

The case of West Bengal has also been well studied but the evidence is more mixed. It is clear by now (as seen in Table 1) that poverty in West Bengal has come down significantly. The underlying determinants of this trend, however, are less clear. I argued two decades back that the communist government of West Bengal was relatively effective at pursuing tenancy reforms and promoting other anti-poverty programs because of its superior party organization and a broad political base of power; the ruling party excluded upper classes from direct access to state power, successfully incorporated middle and lower strata into a social democratic power bloc, and then utilized this cohesive power to pursue moderate redistribution (Kohli, 1987). Others subsequently disagreed (Mallick, 1995).<sup>9</sup> Yet others intervened in the debate and found supporting evidence for the CPM's redistributive capacities and/or for its superior capacity to implement anti-poverty programs in West Bengal (Lieten, 1992; Harriss, 1993; and Corbridge, 2003). The main dynamics of poverty alleviation again seem to be that a well organized regime with a broad political base has been relatively effective at pursuing tenancy reform, helping push up minimum wages – though only somewhat -- and implementing centrally sponsored anti-poverty programs more effectively than other states. Land inequality in the countryside in West Bengal is also among the lowest in

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<sup>9</sup> Another more recent study (Bardhan and Mookherjee, 2005) finds that the strength of the CPM alone does not explain very well the success of land reforms in West Bengal; what is needed additionally are considerations of electoral competition. While an interesting set of findings, the research design of the study—which compares villages within West Bengal—is really not suitable for isolating the impact of the CPM on land reforms. This is because the areas in which Congress party is influential locally, as well as areas in which the CPM and Congress compete, are all operating in a political milieu dominated by the CPM. In order to isolate the significance of the CPM then, one would need to compare West Bengal to other states.

India by now, though wages of agricultural laborers are only marginally above the all India average (see Suryanaryana, 2007, Table 3.2.6, p. 75 and Table 3.2.17, p. 90.) Some economists have also found evidence that tenancy reforms—via enhanced security and bargaining power—have helped agricultural productivity, thus making growth in West Bengal more inclusive (Banerjee, et. al., 2002).

If India's "social democratic" states have effectively leveraged superior party organization and a broad political base to pursue modest redistributive reforms, how does one interpret the fact that all of India's southern states are above average in their poverty alleviation capacities? To begin with, one should not exaggerate the sense that all southern states are similar. They include Kerala at one extreme and Karnataka and Andhra at the other, which at times do not fare much better than Uttar Pradesh on some dimensions of poverty alleviation. And yet, it is the case that poverty in all the southern states has come down relatively rapidly (Table 1) and their human development indicators are better than all India averages (Dreze and Sen, 1997, Table 1, p. 38). Economic growth rates across the southern states, though above average, vary quite a bit. So what other characteristics besides growth do they share that distinguishes them, say, from the Hindi-heartland states, and might help explain their superior capacity to alleviate poverty?

India's southern states share two sets of distinguishing political traits, one well researched and the other much in need of research. The well established fact is that narrow domination of Brahmins was more effectively challenged in all the southern states relatively early in the twentieth century (Frankel and Rao, 1990). Since independence, the political base of power in these states has generally been middle castes and classes,

and in some instances even lower classes (Table 4, Harris, 2003). This is quite distinct from the Hindi-heartland states, where Brahmanical domination was only challenged relatively recently. The other fact is that the quality of state level bureaucracy in the South has generally been superior. I hesitate in asserting this “fact” because, to the best of my knowledge, it has not been documented by scholarly research; comparison of state level bureaucracies across India is crying out for further research. I make this observation mainly on the basis of impressions gained while conducting research in these states. During field work, I was repeatedly struck by a sharper sense of professionalism among state level bureaucrats, especially in Tamilnadu, more akin to the IAS than to prevailing practices in the Hindi-heartland. The roots of this may go back to the traditions of direct rule in the Madras Presidency.<sup>10</sup>

How might prolonged rule by governments with broader political base and more effective bureaucracy influence poverty alleviation? Leaving Kerala aside, land redistribution has not been very effective in the Southern states. The main policy instruments of poverty alleviation have instead been somewhat different. Over the last several decades the Southern states have invested more heavily in education and health than in the Hindi-heartland states (Singh, forthcoming, Ch. 4). John Harris (2003, p. 225) also notes that, on the whole, Southern states have benefited more from subsidized public distribution of wheat and rice; populist leaders and superior bureaucracy must get the credit. With a more effective bureaucracy, other poverty alleviation programs (such as a variety of employment generation programs) have also been implemented better.

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<sup>10</sup> Of course, it is entirely possible that the differences I refer to (if real) are of more recent origin, with repeated governmental instability and intense politicization of the bureaucracy the main culprit in the Hindi-heartland states. All this awaits further research.

The contrast with Hindi-heartland states is striking. Of course, these states have also experienced low growth rates, underlining the point that, though higher growth rates do not assure better distribution or rapid poverty alleviation, low growth rates make the obstacles formidable. Nevertheless, growth rates are not the whole story; as already noted, it will take four times higher growth rate in a Bihar to reduce the same amount of poverty than in a Kerala. What factors help explain the poor capacities of Hindi-heartland states to improve the lot of the poor?

A number of relevant studies of U.P. and Bihar already exist (Dreze and Sen, 1997, Ch. 2; Corbridge, et. al., 2003; Witsoe, 2006). Based on these, as well as on my own earlier work on these states (Kohli, 1987; and Kohli 1991), it is not difficult to list the factors that help explain “what is wrong with the Hindi-heartland.” Well into the late twentieth century, the main mode of politics in these states was Congress party rule that rested on a narrow political base of upper castes and classes.<sup>11</sup> With patron-client ties as the key defining unit of the political society, factional bickering among the patrons was the core trait of state politics. This personalistic bickering detracted from any type of constructive use of state power, whether in promoting growth or distribution. With long traditions of *zamindari* or *taluqadari* rule (forms of indirect rule), the quality of state level bureaucracy that these regions inherited was also generally low. Virulent patronage politics politicized the bureaucracy in post-independence years, further diluting the state’s developmental capacity. For some three to four decades following independence

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<sup>11</sup> The fact that the lowest castes also voted for the Congress in these states, say, up until the end of the 1960s, did not make Congress a broad based party. Members of lowest castes often depended on members of upper castes and were entangled in a variety of patronage relationships. In spite of an apparent broad social base Congress’s effective political base in these states was thus quite narrow.

then, a narrow political base, personalistic factionalism, and a less-than-professional state level bureaucracy characterized the nature of state power in this region of India.

Land reforms were very poorly implemented in the Hindi-heartland states. With upper-caste landowners wielding considerable power—both in the state and in the society—and with a readily corruptible bureaucracy, this failure was not surprising. A variety of other state interventions that might have helped the poor were also ineffective. For example, I documented some two decades back the poor implementation of employment generation schemes in U.P. (Kohli, 1987). In recent decades, the political base of state power in all of these states has broadened, though social power of upper caste landowners remains significant. Over time this broadening of state power may lead to some greater benefits to the poor, as has recently been evident in Madhya Pradesh; this of course will remain in tension with the political developments at the national level, where redistributive policies are likely to remain on the backburner. Meanwhile, factional bickering and politicized bureaucracy have nearly been institutionalized in the Hindi-heartland areas, leading to policy ineffectiveness.<sup>12</sup> Thus, Dreze and Gazdar (in Dreze and Sen, 1997, Ch. 2) document with great care the continuing poor implementation of public services in U.P., especially education. In a recent ground-level study of select districts of Bihar, Corbridge et. al., (2003) similarly document the relative ineffectiveness of lower level governments in providing for the poor. Decades of malign neglect and policy ineffectiveness have thus accumulated in the Hindi-heartland, creating the largest concentration of the poor within India.

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<sup>12</sup> In a recent interview with a senior IAS officer in Lucknow, he/she noted that “in my nearly two decades of service to various ministers I have hardly ever heard the word policy mentioned or discussed.” I conducted the interview in July 2007. Since the officer is still an active member of the new government in U.P., I will not identify them by name or gender.

To wrap up the discussion on Indian states, I have continued to emphasize both the political base and the organizational effectiveness of governmental power as variables that help explain varying success in pursuing poverty alleviation policies. States with a broad power base in society, well organized ruling parties, competent bureaucracy, and an activist citizenry—e.g., in Kerala and West Bengal—have effectively implemented modest redistribution and direct attacks on poverty. India’s Southern states as a whole share some of these political traits of India’s “social democratic” states—a broad power base and competent bureaucracies—but not others—well organized ruling parties and an activist citizenry—creating within them some capacity for poverty alleviation. Hindi-heartland states pretty well lack most of these traits, creating a political landscape in which repeated redistributive failures have by now become a norm.

#### IV. The Role of Local Governments in India

India’s local governments have generally been quite ineffective at pursuing either redistributive policies or poverty alleviation programs. Of course, there has been some variation on this score, with some pockets of success, especially in states that have prioritized the welfare of the poor. On the whole, however, *panchayats* have not functioned very well because of the complicity of corrupt local politicians and bureaucrats on the one side, and the powerful among the upper castes and classes in the village society on the other side. A variety of distributive programs sponsored in Delhi or in state capitals have thus failed to reach the intended beneficiaries. Future efforts to pursue such minimal poverty alleviation programs as public works employment



generation or delivery of public health and education in the countryside will require more effective *panchayats*.

*Panchayats* have a long and checkered history in India; the details are readily available elsewhere (Mullen, 2007; Kumar, 2006; and Ghosh and Kumar, 2003). As the lowest rung of the Indian state, our interest in *panchayats* here is limited to their evolving role in redistributive development. Three issues need to be addressed: why did *panchayats* play a fairly limited redistributive role in the past; how does one best understand their limited success in some regions and in some time periods; and what is their likely role now that local elections have been constitutionally mandated (in 1992-3),

Most of India's poor live in villages. If government sponsored programs are to help the poor they must somehow reach the poor. That local governments should implement such programs and policies is then clearly one viable option. Following independence, for several decades local governments in much of India were mainly administrative organizations in which lower level bureaucrats sought to implement policies made at higher levels. Up until 1992, when they became the law, regularly elected *panchayat* governments were rare in India: Maharashtra and Gujarat have conducted regular elections since the 1960s and West Bengal since the 1970s. Off and on, Karnataka flirted with elected local governments. For the most part, however, state governments found local elected governments a constraint on their ability to create patronage chains and thus avoided them. The fact that it was political compulsion that led a few states to violate this norm—i.e., to actually institutionalize locally elected governments—only underlines the general point (see Ghosh and Kumar, 2003).

In much of India government sponsored programs in villages were implemented by lower level bureaucrats, say the Block Development Officer, who worked closely with local politicians, say, the member of the legislative assembly, and a variety of local “big” men. The story of how these local elites appropriated much of the little that was intended for the poor has been told so many times that it is too tedious to retell (e.g., for my version of this story, see the chapter on U.P. in Kohli, 1987). The main point that is usefully reiterated is that, for some three decades following independence, most of India’s rural poor were deeply embedded in a variety of patron-client relations dominated by propertied upper castes. This was not a fertile soil for social democratic interventions. Even if the commitment of the state elite to help the poor was genuine—which it often was not—prior preconditions for success were either mobilization of the poor, or forceful public intervention via well organized parties and responsive professional bureaucracy. For the most part, these conditions were absent in India. As a result, *panchayats* either did not function or functioned mainly as agents perpetuating the status quo.

What about the few instances in which elected *panchayats* actually came into being well before the constitutional amendment of 1992? Maharashtra and Gujarat have long had elected *panchayats*. However, local governments in these states were really not redistributive, either in intent or in outcome. Both of these states are India’s economically advanced states, and in both the growing economic pie enabled the accommodation of intermediate groups. The regional dominant castes -- Marathas in Maharashtra and the Patels in Gujarat -- were the main beneficiaries of the well functioning *panchayats* during the 1960s. With her populist rhetoric and intent, Indira Gandhi during the 1970s weakened *panchayats* in Western India, channeling resources

via the bureaucracy instead (see Ghosh and Kumar, 2003). For the most part, the lower level bureaucrats during the Indira phase were captured by local power structures and proved to be relatively inept as agents of redistributive development; a partial exception was Maharashtra's well known employment guarantee scheme, though this functioned as a result of several unique conditions and, even then, there is doubt whether the beneficiaries were the poorest of the poor (Bagchee, 2005).

Prior to 1992, the only state in which local governments effectively supported some redistribution and implementation of anti-poverty measures was West Bengal. The ruling communists in the state chose to penetrate the countryside by facilitating the election of "red *panchayats*" and then by channeling resources to these bodies. Since the landed elite were effectively isolated at the lower wrung of the state, the *panchayats* were used to implement tenancy reforms and to pursue effectively the centrally sponsored schemes for the poor (Kohli, 1987). The success was notable but also partial. The power of Bengali communists in the countryside often rested on small land owners and tenant farmers rather than on the landless. This limited their redistributive intent; for example, they seldom pushed hard for higher wages for agricultural laborers, gains that would have undermined the income of their key supporters. Over time, moreover, new stake holders developed: school teachers, party functionaries, variety of white collar employees, small landholders, and tenants farmers whose security depended on the regime, all became part of West Bengal's "new class." (Ghatak and Ghatak, 2002) While the power pyramid in the state was definitely truncated, quite a few poor were still left out of the power structure. For now, even in a communist run state these poor must depend on a buoyant agrarian economy to improve their life chances.

Ever since the 73<sup>rd</sup> constitutional amendment that mandated elections for local governments, the issue that has again arisen is, can the dynamics of electoral politics be translated into gains for the poor? The few available studies of the subject are not overly encouraging. For example, there was much excitement among decentralization enthusiasts about Digvijay Singh's experiment in Madhya Pradesh. One recent study of the experiment concluded, however, that local governments in M.P. continued to exclude the lower strata and the level of interest in *panchayats* as agents of development was pretty low (Ruth J. Alsop, et. al., 2000). Another study found that the limited dynamism in M. P. depended nearly on a single leader, and a few "mission" oriented participants—traits that are not likely to be institutionalized—and that the "success" of most programs was "not too high" (Kumar, 2006, p. 85). In the case of Karnataka, at least one scholar found that the refurbished *panchayats* are working well for the poor, even better than in West Bengal (Mullen, 2007). Her underlying reasoning is that electoral competitiveness in Karnataka inclines political leaders to seek the support of the poor by channeling real gains to them; conversely, the near hegemonic hold of the communists in West Bengal has made them at least complacent, if not corrupt. If borne out by further evidence, such findings are encouraging, because electoral competition is more likely to increase than decrease in the future.

The results of other studies are distinctly less encouraging. Gaiha et. al. (1998) analyzed the effectiveness of *panchayats* in implementing the Jawahar Rozgar Yojana (a public works scheme intended to create employment for the rural poor in the lean season). Using state-wise data across India, they found that majority of the beneficiaries of this scheme were not the really poor. While the design of the scheme was in part to

blame (wages were often set higher than prevailing local wages, attracting those less-than-destitute), captured and unaccountable *panchayats* were also to blame, especially in a state like Uttar Pradesh. Another study analyzed the role of *panchayats* in the post-1992 period in provision of primary education and health in select states (Kumar, 2006, Ch. 6). The results are definitely mixed. Even the “red panchayats” of West Bengal have only recently made some efforts to improve literacy and health. Moreover, the “model” that seems to attract politicians in both Madhya Pradesh and West Bengal – states in which there is some enthusiasm for *panchayats* -- is the one that creates alternate pathway for the really poor, opening up the possibility of a two track system, one for the better off and the other for the downtrodden.

As one looks ahead, the types of redistributive programs that will be pursued in India are likely to be less-than-radical. Neither asset redistribution nor a basic shift in the growth model towards greater labor intensity is in the cards. As discussed above, past failures and the emerging pattern of state-class alliance at the apex preclude these options. What is more likely is that greater investments may be made in improving education and health, and in helping the poorest of the poor by creating public works type of employment generating programs. Some of these programs are already on the books. They are mainly a product of political pressures, some from those who represent the interests of the poor, and others because investment in “human capital” is deemed to be supportive of growth. The real issue with these limited programs is if they can be implemented properly. It is in this context that the role of *panchayats* becomes important. On the whole, the past performance of *panchayats* as agents of redistributive development has been discouraging. The factors that help explain poor performance in

the past include the power of those with local influence, political and bureaucratic corruption, and low levels of mobilization among the really poor; none of these underlying variables is likely to change dramatically in the near future.

### V. Conclusion

I have in this paper provided a sweeping analysis of the state's role in India in pursuing redistribution and poverty alleviation. Many important topics were discussed only in haste, and others were necessarily ignored. While noting a few pockets of success, the thrust of the analysis above was to underline the limited redistributive capacities of the Indian state. These limitations are rooted in part in the nature of the society, but also in patterns of politics. The caste and class structure of Indian society, and the changing balance of class forces, especially the growing power of big capital, put definite limits on redistributive possibilities in India. However, politics also matters: ideology and organization of rulers, quality of bureaucracy, mobilization of the lower strata, and, of course, pressures of democratic politics, all have some bearing on the extent of redistribution and poverty alleviation. The analytical task above was to trace how such variables interact at the national, state, and local levels in India.

In conclusion, only three final set of comments are necessary. First, there remains an unresolved tension in my argument above concerning the extent to which I believe democratic politics can counter class power. While some of this tension is driven by the underlying analytics, it is also a real world tension. Advanced capitalist democracies, for example, vary anywhere from the more free market Anglo-American model, all the way to the social democratic Scandinavia. As a large, complex society and polity, India is not

likely to evolve either along the Anglo-American pathway or the Scandinavian route. And yet, the broader question remains: can democratic forces in India moderate emerging class and other inequities? While my answer above has tended towards the negative, the evidence is also mixed, replete with tensions; the most significant tensions are worth underlying at the end. First, notice that, whereas India's main model of development is being driven by a close alliance of state and capital, in order to stay in power the current rulers need to accommodate communists and other left-leaning forces that are more representative of broader social interests. Second, below the near-hegemony that is evident at the national center, politics in state after state across India is moving in nearly the opposite direction; even in Uttar Pradesh a party of the lowest castes and classes has just been installed into power. And finally, whereas in the past members of the upper castes and classes readily controlled local governments, by now the process is a lot more complex, forcing the political and social elites to channel some resources to those below them to secure their political support.

A second concluding comment concerns prescriptive issues: given substantial constraints, where, if anywhere, is there room for policy intervention that may support redistribution and poverty alleviation in India? The most significant policy areas are two: modifying patterns of public investment; and reform of lower level bureaucracy. Given rapid economic growth, the state will increasingly have more resources to spend. There is also much room for improving tax collection, both via more efficient collection and by covering newer areas, such as the service sector. With more resources, there is a desperate need to invest more public resources into agriculture and into the poorer states of India. Growing investments in infrastructure, education and health will also need to be

continued. What is not being given sufficient attention, however, is how well these resources will be utilized. Here there is pressing need to further understand why bureaucratic capacities in some states are so low, and how to improve the quality of bureaucracy nearly everywhere in India at the lowest level.

Finally, we come to the core concern, namely, what does it take to successfully reduce poverty? An analysis of the Indian materials above strongly supports the view that poverty alleviation is a broad social and political process that goes to the heart of the issue of how state and class power in a society are organized. If one is genuinely concerned about poverty alleviation, one need go beyond palliative efforts that aim to channel a few crumbs to the targeted poor. Such palliatives are praise worthy but seldom enough. What is needed instead is a much broader program that may combine elements of asset redistribution, altering the pattern of growth, building human capital, and then providing some welfare. Policy regimes that have succeeded in pursuing such a program have more often than not been social democratic.



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