

The Weakening of the Congress Stranglehold and the Productivity Shift in India

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Abstract

The paper provides evidence to demonstrate that there has been a weakening in the position of the Congress Party since 1984. Among the complex of reasons are the emergence of state-based and regional parties challenging the Congress in a number of states and the greater acceptability of the Bhartiya Janata Party as an alternative at the centre. Paradoxically, this weakening of the Congress has seen the adoption of pro-market reforms and other reforms aimed at improving allocative efficiency. Nevertheless, data shows that productivity shift occurred in the 1980s. This was connected to the introduction of pro-business reforms and preceding pro-agriculture policies. Politically the space at the centre is much more contestable, but the reform process, which has yielded improved growth dividends, will continue at a steady pace. Nevertheless, both for equity and growth reasons the slowing down in agricultural productivity improvements, which has occurred in the 1990s, needs attention.

1. Introduction

In India, the data clearly suggests that the pre-1989 hegemony of the Congress Party at the centre, especially after the 1984 elections, when it secured 404 seats out of the 514 contested and close to 50 percent of the total votes cast, has diminished in the subsequent period. Data to show this trend (see Tables 1 and 2) as well as an explanation of this is provided in this paper. Population-wise and in terms of seats contested, the most significant states in descending order are: Uttar Pradesh (UP) with 80, Maharashtra with 48, West Bengal and Andhra Pradesh with 42 each, Bihar with 40 and Tamil Nadu with 39. The States with between 19 and 30 seats in descending order are: Madhya Pradesh (MP) 29, Karnataka 28, Gujarat 26, Rajasthan 25, Orissa 21 and Kerala 20. Given the regionalization of politics in India, political developments in these states have an important bearing on the overall performance of the major parties, of which Congress has been in general the pre-eminent player.

An understanding of the different caste groupings is important, because of growing regional or state-based parties, using caste as the basis of political mobilization and party organisation in the post-1989 period; as well as to understand the shift in support between the major parties, the Congress and Bharatiya Janata Party (BJP). At the bottom of the caste pyramid are the Scheduled Castes (SCs) or Dalits, as they prefer to call themselves. They comprise 14.5/15 percent of the total population. Hence around 14.5 percent of the parliamentary seats have been reserved for them since independence. In 2004 out of the total of 79 SC reserved seats, 17 seats (21% of total seats in that state) were in Uttar Pradesh, 8 (19

% of total seats) in West Bengal, 7 each (around 18% of total seats) in Tamil Nadu and Bihar and 6 (14% of the total) in Andhra Pradesh (AP). The aborigines in India are called the Scheduled Tribes (STs) or Adivasis. They comprise 7/7.5 percent of the total population and hence 7.5 percent of the parliamentary seats have been reserved for them. In the 2004 parliamentary elections 41 seats were reserved for them. They have more than a third of the total seats in the newly created states of Jharkand and Chattisgarh respectively. They also play an important part in Orissa with around a quarter of the seats and in Madhya Pradesh and Gujarat with around a seventh of the seats.

Comprising between 46 to 50 percent of the total population are the Other Backward Classes (OBCs) or the 'intermediate castes' in the sense that they are between the Upper Castes (comprised of the Brahmins, Kashtriyas and Vaishyas) and the Dalits. This is an important constituency of middle and rich peasantry and any party, which wishes to govern at the centre can not do so without their support. Since Muslims comprise 13 percent, Christians 2 percent and Sikhs 2 percent, the upper castes, which have, because of their high levels of literacy and skills and relatively high level of capital, considerable influence in policy making and as opinion makers, make up only between 11 to 15 percent of India's total population. In the populous Hindi speaking states of Uttar Pradesh and Bihar, the upper castes form around 20 percent of the population and their share of the population is quite small in the South Indian states of Andhra Pradesh, Tamil Nadu, Karnataka and Kerala. Therefore, the *Hindutva* philosophy, which gained adherents and supporters for the Bhartiya Janta Party (BJP) in the 1990s, apart from an increasing proportion of the upper castes, included the OBCs and even the STs. An explanation of the expansion of the base of the BJP, which partly explains the decline in the position of the historically dominant Congress Party, is also, a part of this paper. There is also a brief discussion of the developments in the BJP in the post-2004 loss and its future, as is the discussion of the future of the Left Front, which has emerged as an important player in the post-2004 elections. Given the somewhat unexpected victory of the Congress in alliance with its partners in 2004, there is the question of whether or not the Congress will continue with its rule at the centre in the future. This is also briefly examined here.

In addition to the above political aspects, this paper examines the discontinuity and lift in the economic growth rate from the 1980s and provides an explanation for it.

In order to understand the present, we have to briefly look at the past. The next section briefly discusses the legacy of Indira Gandhi; section 3 goes on to look at the weakening in the relative position of the Congress Party and the reasons for it; section 4 at the future political scenarios and section 5 at the poor economic performance in the 1970s and the productivity shift in the 1980s and the reasons for these developments, while section 6 concludes. All the relevant tables are available at the end of the paper.

2. The legacy of Indira Gandhi and the diminishing Congress Party

Indira Gandhi became Prime Minister of India in 1966 and faced enormous problems, which were mostly the aftermath of the 1962 war with China, 1965 war with Pakistan combined with the 1965-66 droughts. The economic situation created by the 1965-66 droughts was considerably worsened by the sanctions imposed by the USA in the context of the war with Pakistan. These sanctions included the withdrawal of grain supplies, which were available previously under Public Law 480 and were paid for in rupees. India faced famine, labour unrest and misery in the wake of rupee devaluation and rising prices of essentials. Nutritional improvements, which had occurred in India in the post-independence period until the early

sixties, were somewhat reversed in the mid-sixties, because of these developments. One obvious lesson from this is that large-scale sanctions imposed against a regime, especially where foreign exchange is scarce and food has to be imported, hurt the poor. In this context, Mrs. Gandhi with the aid of Indian scientists and farmers in certain states with good irrigation facilities drove grain production over the 1967 to 1987 period, through what is termed as the “Green Revolution”. This was an important political and economic success story of Mrs. Gandhi’s long rule, which otherwise was marred in general by poor economic performance (see Table 5) and very limited improvement in social indicators. But even in agriculture productivity, improvements were, also, the results of policy changes introduced by the non-Congress Government in late seventies (see Section 5 below).

The Congress, which has been an umbrella organization or rainbow coalition, relied on the votes of the minorities, SCs and STs, but was dominated by the landlords and the upper castes. The most significant expression of the latter was the absence of land reform in the States controlled by the Congress. The other significant expression was the lopsided expenditure by the Indian state on tertiary education rather than on primary education and the mass illiteracy that continued to bedevil India and was highlighted in the 1960s by Gunnar Myrdal, 1968, *Asian Drama*, New York: Pantheon. High level of illiteracy remains a serious black mark against India even to-day. Absolute poverty levels remained above 50% during most of Mrs. Indira Gandhi’s reign, which was terminated in 1984, when she was murdered by her Sikh bodyguards. Nevertheless, some reforms undertaken by her, more importantly through land ceilings and the Green Revolution, improved the position of some sections of the OBCs, who have become important political players with time. The emergence of important regional and state-based parties owes much to the growing confidence of important OBC figures, such as Mulayam Singh Yadav and Lalu Prasad Yadav in the context of such reforms.

These reforms were connected to developments from 1967. In that year Congress suffered major political setbacks. In the fourth Parliamentary elections in February 1967, the Congress secured only 54 percent of the parliamentary seats, while in March 1967 in a number of States, non-Congress ministries came to power. These were Bihar, Kerala, Orissa, Madras, Punjab, and West Bengal. A Congress-led coalition government collapsed in Uttar Pradesh. Seeking to regain voter support, Mrs. Gandhi pursued a vigorous policy in 1969 of curbing the wealth and income of the upper castes. She placed a ceiling on personal income, private property, and corporate profits. She also nationalized the major banks and directed credit towards rural areas and small business; though improvements in agricultural productivity remained low in the 1970s (Table 5). The Congress split into two, but the largest grouping remained with Mrs. Gandhi and she continued in power with support from Left parties. In the fifth Parliamentary elections in March 1971, Congress (R), subsequently renamed as Congress-I, led by Mrs. Gandhi, gained a large majority in Parliament on the slogan ‘*garibi hatao*’ (eliminate poverty). Her position strengthened further after India’s decisive victory over Pakistan in December 1971 and the creation of Bangladesh and the return of around 10 million refugees to that newly formed country. Despite having such enhanced power, there was little that Mrs. Gandhi’s period in power has to show for either in terms of improved growth rate, or in reducing the number of the poor in the total population or in showing a significant dent in illiteracy over the next five to six years. Moreover, during this period in power, she undermined democratic institutions and good governance practices, not only through the 1975 Emergency, but by using the Governors’ powers to sack elected governments in non-Congress ruled states, which were extremely frequent between 1967 and 1971 period, by seeking defections to form Congress governments and by using the Ministry

of Information as a propaganda tool of her government. She, also, left a legacy of servitude towards the bosses and rudeness towards the juniors and towards the public in general among the politicians and bureaucrats and high levels of corruption as banes of India, even though she herself was free of corruption.¹ Though most of these practices continue to-day² the Anti-defection law of 1985, after her death in 1984, and its further strengthening in 2003-04 have reduced the importance of defections, though it has not eliminated them, as the 2005 defection/absorption of the Jharkhand branch of the Nationalist Congress Party to/by the Bhartiya Janata Party following the Jharkhand Assembly elections demonstrate. The change and appointment of Governors as political tools of the Government at the Centre and the use by the Governors of their powers to dislodge elected state governments, which was used as an art form under her, continues to remain a serious fetter in improving governance and strengthening democratic institutions in India even in 2005, as for instance the change of government in Goa in February 2005 illustrates. Against this, the emergence of the Election Commission as a robust and independent institution in the post-Indira Gandhi period, combined with the emergence of competitive and robust journalism and perhaps the checks imposed by an activist judiciary on the abuse of powers by the Governors has strengthened democratic practice, in the post-Indira Gandhi period in India. But the emasculation of the State governments under Mrs. Gandhi [as an example see the developments in AP, discussed briefly under 3A] and their poor governance has led to the continuation of misconceived populist policies, which have not only promoted corruption, but also undermined the effective role of the states in promoting primary education and schooling in general and in improving the provision of and performance of electricity supply as a critical input in production in general in India – acute power shortages are a feature of most states, other than the south Indian states of Andhra Pradesh, Karnataka, Kerala and Tamil Nadu. The latter states are much better managed and governance is considerably better; though bureaucratic hurdles have kept Kerala's rates of growth of low, despite its excellent social indicators.

3. An explanation for the weakening relative position of the Congress Party

Fortunately, the erosion of Congress's political power since 1989 (see Tables 1 and 2), combined with liberalization, which has reduced the powers of the bureaucrats, including in Government Business Enterprises or GBEs, has also seen improved changes in the behaviour and culture of the bureaucrats and politicians, though India continues to rank poorly in terms of the Corruption Perception Index³. It has also somewhat liberated the Indian capitalist class and Indian entrepreneurial spirit, which is currently driving economic growth in India in the 7-8 percent range.

The reasons for the erosion in the Congress's political power are complex. They are mainly connected to (A) the increased marginalization of Congress in two of the largest states, Uttar Pradesh and Bihar in the North and the weakening of Congress in the largest south Indian state of Tamil Nadu, since 1967, because of the language issue- these developments are connected to the emergence of the OBCs or intermediate castes as dominant players first in the southern states of Tamil Nadu, Andhra Pradesh, Karnataka, and somewhat with a lag in Bihar, Uttar Pradesh, Madhya Pradesh;⁴ and the consolidation of the Left Bloc, under the leadership of the Communist Party of India (Marxist), in another large state, West Bengal; (B) the emergence of the BJP as an alternative to the Congress, which is in part connected to its Panchmarhi philosophy and its subsequent Declaration of this philosophy; (C) the split in the Congress in the second most populous state of Maharashtra; and (D) other factors.

3A: Marginalisation of Congress in some important states

Congress has steadily lost support to regional or state based parties in a number of states. Among these important states are, not necessarily in chronological order, Uttar Pradesh (UP), Andhra Pradesh (AP), Tamil Nadu, Bihar and West Bengal.

Since the language controversy erupted in 1967, Congress has had difficulty in making inroads in the important southern state of Tamil Nadu, despite the split in Dravida Munnetra Kazhagam (DMK), brought about by the formation of the All India Anna Dravida Munnetra Kazhagam (AIADMK) in the early seventies. In the 2005 elections, Congress played second fiddle to Karunanidhi's DMK. Anti-incumbency pattern has been a strong feature of elections in Tamil Nadu and DMK and AIADMK have had improved outcomes and held power in alternate elections. Therefore, forming an alliance with DMK does not guarantee Congress an improved outcome for this alliance in the next parliamentary elections. Given the strong state sentiment against Congress in the post-1967 period, it is unlikely that it will regain its dominance in this state.

Congress also lost support in AP, another important southern state, from 1983 onwards; though it recovered state government in 1989, lost it in the subsequent election and recovered it again and in 2004. This means that in this state Congress remains an important force. It is clear that the language issue was more in the background here and even in the Parliamentary elections in 1977, Congress did very well in this state and against the trend in the rest of the country. But the ire of the constituents steadily increased during the 1978-1982 period of its misrule, as opposition members were bought over through bribes and perks, while the Congress High Command in Delhi belittled its chief ministers and changed them four times during that period. When the great Telugu actor of that time N.T. Rama Rao formed in 1982 the Telugu Desam Party (TDP) with Congress dissidents, he attracted mass following. After his death in 1996, the TDP has been led by Chandra Babu Naidoo and ran the state government until 2004. Though Congress won the state elections in 2004 on the grounds of farmers' neglect and deaths, it is not necessary that it will be able to hold on to this state in the next elections. This is because it is a highly indebted state and providing free electricity to the farmers, as promised by the Congress before the elections, will not help the other objectives of improving health, education and physical infrastructure. Moreover Telugu nationalism remains strong; though certainly not as strong as Tamil nationalism.

The weakness of the Congress in the important North Indian states of UP and Bihar is a more recent phenomena. It is also more significant in that it has created, since 1989, a fractured outcome at the centre. This development was ushered through a split from Congress by V.P. Singh in the late-eighties and the formation of the Janata Dal, with growing support from an increasingly assertive group of OBC (Other Backward Class) leaders, as well as the Muslims alienated from the Congress steadily from early. 1986 onwards, because of the 'soft Hindutva' policies of the Rajiv Gandhi government. In February 1986, the padlocks were removed for the entry of Hindu priests to the Babri Masjid on the orders of the District and Sessions Judge of Faizabad, K.M. Pandey, with the Rajiv Gandhi Government failing to react. Whereas this was a covert act, a few days before the November 1989 elections, the Rajiv Gandhi government allowed the Vishwa Hindu Parishad to perform the controversial *shilanyas* (laying of the foundation stone) for the Ram Temple on that disputed land, by declaring the land to be undisputed. Preceding this development, there had been in mid-October 1989 the Bhagalpur riots in which around a 1,000 Muslims had been killed.

Though V.P. Singh disappeared from the political limelight within a short period of eleven months of being Prime minister, his implementation of the Mandal Commission, [under which an additional quota (on top of the 22 percent for the SCs/STs) of 27 percent of the seats in public higher education institutions and in central administration came to be allocated, from 1993 onwards, for OBCs], changed the political landscape in UP and Bihar. Though unlike the SCs/STs, there was no quota of seats in the elections for the OBCs, it strengthened the growing political confidence of the latter. They had benefited from the commercialization of agriculture in the 1970s and 1980s⁵. This is evident from the growing clout of the groupings of the largest OBCs, such as the Yadavs and Kurmis in Uttar Pradesh and the Yadavs in Bihar. The ability of Mulayam Singh Yadav to effectively combine his support base among the OBCs with the Muslims has helped him and his Samajwadi Party (SP) to a nearly dominant position in Uttar Pradesh in 2004-05. For a period, the BJP in the aftermath of the demolition of the Babri Masjid and riding high on the agenda of building a Ram temple in Ayodhya assumed ascendancy, with solid support from the almost 20 percent of upper caste voters and with significant support from the OBCs, particularly from the Kurmis led by Kalyan Singh- the lack of respect subsequently towards Kalyan Singh by the upper caste establishment in BJP has led to the drift of the influential Kurmi vote towards Mulayam Singh Yadav's SP. Similar combinations have seen Lalu Prasad Yadav and his Rashtriya Janta Party (RJD) towards even greater dominance of Bihar for a considerable period. The main growing oppositions to SP and RJD respectively are from the Dalit based parties, such as the Bahujan Samaj Party (BSP) of Mrs. Mayawati in UP, since the early 1990s and the Lok Jan Shakti Party (LJSP) of Ram Pilas Vaswan in Bihar in 2005. Since Dalits historically have been an important constituency of the Congress, the emergence of BSP in particular, with around 70 percent of this vote going to it in UP⁶, has led to a reduction in the share of Dalit vote going to Congress (see Table 3 below). Given the considerably smaller Dalit base than that of the OBCs and the fragmentation that occurs in these groups, the growing strength of these Dalit based parties is due to and is based on sections of the upper castes, opposed to the Congress, voting tactically for these parties in these states. The BSP, [whose share of popular vote in UP has risen from around 9 percent in 1991 to around 25 percent in 2002 in the state elections, see *Ibid.*], does draw support from the Muslims in UP, but the other Dalit-led parties hardly draw any Muslim vote; though Paswan is assiduously wooing the Muslim vote in Bihar by insisting on a Muslim Chief Minister for that state following the fractured mandate, which resulted from the March 2005 assembly elections in that state. The upper castes' main support in these states and in other North Indian Hindi speaking states has drifted towards the BJP and away from Congress; BJP currently dominates Madhya Pradesh, Rajasthan and Chattisgarh. In the latter state, it has managed to draw support from STs. What is likely to pose a problem for the two main India-wide parties, the Congress and the BJP, are the increased number of candidates fielded by the regional parties, more specifically the BSP and the SP, both in the national elections and the state elections. For instance, the BSP contested 210 seats in the 1996 *Lok Sabha* elections and 435 seats in the 2004 elections; in 1996 and 2004 the SP contested 111 and 237 seats respectively. The fielding of candidates by the BSP tends to hurt the Congress. This is because, apart from West Bengal and Kerala, where the Dalit vote goes to the Left Front, the Dalits tend to vote heavily for the Congress Party. In fact apart from weakening the Congress in UP, BSP has also weakened it in Madhya Pradesh, where BSP is able to extend its support base from the neighbouring constituencies in UP. But the lack of organizational base and limited funding outside of UP and to some extent MP has meant that the BSP has posed only a marginal threat to the Congress in the rest of India so far. In the future as both these constraints are lifted and the BJP may provide such a support, BSP will pose more of a threat to the Congress. The SP draws votes from both the Congress and the BJP, because of the

growing middle class voters among the OBCs, who would otherwise gravitate towards the BJP. In terms of funding Congress and BJP are much better placed; though SP, because of its large base in the largest state UP and the Nationalist Congress Party (NCP), because of its base in the rich and second largest state of Maharashtra (see under 3 D below) appear to be drawing increased funding. As organisations both the BJP and the Communists have the most committed cadres, while Congress because of its long period in power have a well-developed party grass-root base; though it shrank during the 1991-98 period, as the party drifted, somewhat rudderless. This period also saw the growth and success of the state/regional parties (See Tables 1 and 2 below).

In West Bengal, the Left Front, led by the Communist Party of India (Marxist) or CPM has been in power since 1977. In 1977, it was swept to power, as part of the anti-Congress wave in the aftermath of the 1975-77 Emergency; though one important reason why the Janata Party won is because, for once, the opposition parties came together to fight the Congress and because Jagjivan Ram, who was the effective leader of the Dalits, left the Congress I, and joined the Janata Dal coalition; even then the Congress obtained around 35 percent of the total votes cast in the 1977 Parliamentary elections. Once in power in West Bengal, effective land reforms, [which have transferred land to the agricultural labourers/tenants and the landless, combined with improved education has enabled the peasantry to make use of improved provision of rural credit and support services through the enhanced use of the panchayats or village councils], have maintained support for the Communists. These reforms have seen major improvements in the lives of the ordinary people. This has made the Left Front popular in West Bengal and more so in the rural areas. The split in the West Bengal Congress Party by Mamta Banerjee, who formed WBTC (West Bengal Trinamool Congress) in 1998 weakened the Congress in that state. The WBTC's off again on again behaviour towards the BJP did not help the NDA in the 2004 elections either. Buddhadev Bhattacharjee, who replaced Jyoti Basu as Chief Minister has also managed to change somewhat the image of Kolkata towards a can do administration and in the process made it a more attractive destination for both Indian and foreign investment. This process of change weakened the support that WBTC obtained in Kolkata in 1999: WBTC won only one seat in 2004 parliamentary elections compared to eight in 2004. The weakening of WBTC has also helped the Congress, but given the growing pragmatism in the CPM, it is unlikely that the Congress will make much headway in this state.

3B. The emergence of the BJP as an alternative to the Congress

One of the important reasons for the growing acceptance of BJP as an alternative is connected to the Congress's growing dilemma in the post-1989 period. It is that the Congress needs partners to form a government at the centre and in a number of states, yet it feels that in doing so, it may be diluting its votes and seats. Therefore, instead of forging pre-electoral and post-electoral alliances and leading them, it accepted to support the non-BJP governments at the centre in 1990, 1996 and 1998 under the leadership respectively of Chandreshekar, Deve Gowda and Gujral⁷. These governments lasted only for a short period of time and were eventually brought down by Congress withdrawing support from them. This was a factor in the emerging greater acceptability of BJP as an alternative to the Congress among the growing middle class and more importantly among a section of the opinion making industrial and media barons, who were looking for greater political stability and the continuation of the gradualist reform agenda that the minority Congress government had initiated over the 1991-96 period. The 1998 Panchmarhi Declaration by the Congress that it would not in general have any electoral alliance with regional or smaller parties gave an opportunity to the BJP to

consolidate and broaden its support among a number of regional parties, such as Telugu Desam Party (TDP), who wished to influence the centre's allocation of resources in their favour, to form a viable majority in the 1999 elections, after coming close to securing one in the 1998 elections. The DMK appeared to be implicated, in the eyes of a number of Congress powerbrokers, in the murder of Rajiv Gandhi by the Sri Lankan separatist movement LTTE or Tamil Tigers and therefore the DMK was willing to form an alliance with the BJP. A number of other state based parties had also experienced the heavy hand of the Congress. These were for instance the National Conference in J&K state and Shiromani Akali Dal in Punjab. The Hindutva agenda of the BJP aligned it closely with Maharashtra's Shiv Sena and even Tamil Nadu's AIDMK. The BJP had gone with AIDMK in 1998, but its leader Jayalalita appeared too demanding and therefore BJP had shifted to an alliance with DMK in 1999. In West Bengal, having broken ranks with Congress, Ms. Bannerjee's WBTC, found it opportune to form an alliance with the BJP.

This leads us to the connected issue of the growth in political support of BJP and as an acceptable alternative to the Congress at the centre. Until 1977 Jana Sangh, which was the political wing of the Rashtriya Swayamsevak Sangh or RSS, was seen to be highly communal and anti-Muslim and therefore untouchable by other parties. Jana Sangh's *Hindutva* agenda included the building of temples in Ayodhya (*Ram Janambumi* or the birth place of Lord Rama) Kashi or Varanashi (the birth place of Lord Shiva) and Mathura (the birth place of Lord Krishna) to replace mosques, which it argued had been built on and over the previous sites of temples under the Moguls. Other core agenda items included total ban on cow slaughter; ban/restrictions on the conversion of Hindus by the proselytizing religions; enforcement of Hindi as the national language; repeal of Article 370, giving special status to Jammu and Kashmir; enforcement of Article 44 on Common Civil Law for all, including for the Muslims, who are currently governed separately under Muslim Civil Law and where Sharia Law gives Muslim men the right to marry up to four wives. Apart from Kashmir, which was/is a major outstanding matter between India and Pakistan, other issues, with major external implications were those of blocking infiltration from Bangladesh, the strengthening of diplomatic relations with Israel and the creation of India as an overtly Nuclear Power. Most political parties had seen the Jana Sangh, because of its strong right-wing ideology, as an untouchable party. In this context, Jay Prakash Narayan (J.P.), who had started the mass movement against Mrs. Indira Gandhi in 1975 had asked Jana Sangh to merge with the Janata Party. But after its 1977 victory the Janata Party leadership (though not J.P.) asked Atal Bihari Vajpayee and Lal Krishan Advani, the two main players from the former Jana Sangh to give up their membership of the RSS. Under pressure from other coalition partners, they were forced to resign from government in 1980. Vajpayee and Advani had then realized that they had to expand the base of the political wing of the RSS beyond that of the Jana Sangh and from the core of Hindu traders in North India, who had provided the RSS leadership. Thus began the shift to the modern BJP, formed in 1980. It attempted, through its new name and by adopting Mahatma Gandhi's teachings, mainly of what it termed his 'cultural nationalism' and by accepting J.P. Narayan's 'integral humanism' as an important part of its agenda, to claim to be the legitimate successor of Janata Party. Though the building of temple in Ayodhya, as well as other elements of the Jana Sangh philosophy have remained part of the BJP, in practice, it has softened its stand on several of them and despite being the leader of the National Democratic Alliance (NDA) in 1998, 1999 and 2004, the contentious issues were not part of the NDA manifesto. Even within the BJP's core ideology, there has been some rethink. This made it more acceptable as a partner to a number of regional parties in the subsequent period and more so in the 1990s. By accepting the role and importance of regional languages, BJP moved away from its preoccupation with Hindi as the national language. The

anti-Muslim stance was softened by defining the concept of Hindu more broadly to accept all those who were born in India, and to redefine *Hindutva* as cultural nationalism and to bring Muslims, who saw themselves as a part of the mainstream India, into the fold; so far without much success.

But we are running ahead of our story. In the 1984 elections, in the aftermath of the murder of Mrs. Indira Gandhi by her bodyguards, the RSS cadre shifted *en masse* to the Congress led by Rajiv Gandhi, thus giving it a massive 404 seats out of 514 contested and in the process reducing the BJP to only two seats. This support in turn led to the adoption of 'soft Hindutva' by the Rajiv Gandhi government, as discussed earlier, between 1984 and 1989 elections. It also set the stage for the alienation of the Muslim votes from Congress, which dropped from highly solid 70 percent in 1984 to around a third in 1991. The high support in 1984 was connected to Rajiv Gandhi responding to Muslim concerns in the Shah Bano case. Rajiv Gandhi had first welcomed the Supreme Court judgment in the Muslim divorced woman Shah Bano's Case, granting maintenance or alimony from her husband, and then proceeded to negate it through legislation, because of agitation by some Muslims and on the recommendation of the Muslim Personal Law Board. Having done a "favor" to Muslims in the Shah Bano Case, before the 1984 elections, Rajiv Gandhi, as we have seen, under the influence of Vishwa Hindu Parishad, proceeded to organise the unlocking of the Babri Masjid (Ayodhya) structure in a bid to please a section of the Hindus for whom Ayodhya as *Ram Janambumi* (Lord Rama's birthplace) has a deep religious meaning. In the process, he alienated the Muslims and also two sections of the Hindus – (a) those who have favoured a Common Civil Code for all Indians, irrespective of religion and (b) those who were opposed to any compromise in favour of the Hindus on the issue of Ayodhya. More importantly, he made *Hindutva* in the process a more respectable ideology among the bulk of the Hindus. There was a shift away from the Congress in the 1989 elections, when BJP won 89 Lok Sabha seats in 1989 (compared with two in 1984) as a result of seat adjustments with Janata Dal of V.P. Singh and 119 seats in 1991 in the aftermath of the Ram Rath Yatra, led by Advani from Somnath to Ayodhya in 1990 demanding the construction of a Ram temple at Ram Janmabhoomi, which increased substantially BJP's popular support across the Hindi heartland.

This period was also connected to adverse developments in the Kashmir Valley. The Kashmiri *Jehadis* supported by Pakistani's encouragement through cross-border infiltration, had forced out the minority Kashmiri Pandits (Hindus) through violence and intimidation from the Valley and this minority became refugees in India, ie in their own country, in the early 1990s. There was a reaction against Pakistan and also against Muslims in some quarters. The RSS cadre, which had supported the Congress in 1984, began to actively support the BJP again. The BJP's strength in UP has waxed and waned with the issue of *Ram Janambumi* (substantially up in 1996 with the demolition of the Babri Masjid in 1992, somewhat down in 1998, but substantially down in 1999 and 2004); but overall in the country the BJP's trajectory until the 2004 elections was up (See Table 1), rather than down. Nevertheless, in terms of the share of votes, BJP is having difficulty raising it beyond the 25 percent it achieved in 1998 (see Table 2). In Bihar, BJP continues to be an important player, but only because of its alliance with Nitish Kumar and George Fernandes' Janata Dal (United) Party, which has a traditional base as the former Samata Party in that state.

Though the *Ram Janambumi agenda* of building a temple at Ayodhya remains unresolved, some of the items on the *Hindutva* agenda have been implemented under the NDA. Externally, the process of strengthening ties with Israel was begun by the Rao Congress Government between 1991-96. Therefore, it became easier for the BJP led NDA to

assume overt and strong relations with Israel. The Rao Government toyed with the idea of exploding the bomb, but desisted from doing so, under pressure from the US and Russia. But it laid the groundwork for Pokhran II undertaken by BJP in May 1998.

BJP's problem remains, as we shall see under Section 4 below, the requirement to dilute its *Hindutva* philosophy, because of its need to broaden the base and to gain greater acceptability from the state and regional parties, other than the Left Front, and the determination of its parent body, the RSS and the strident Vishwa Hindu Parishad, that it stick more rigidly to the core of *Hindutva*.

3C. The split of the Congress in Maharashtra

On this aspect, Mrs. Sonia Gandhi's considerably delayed assumption of the leadership of the Congress Party in 1998, when the assassination of Rajeev Gandhi took place in 1991, had contradictory outcomes for the Congress Party.

On the negative side, it created a split in the Congress, with its most significant impact being in the important state of Maharashtra, where the main base of the Nationalist Congress Party (NCP) led by Sharad Pawar is. NCP's main differentiating plank from the Congress, until the 2004 elections, was its opposition to a foreigner i.e Mrs. Sonia Gandhi becoming Prime Minister.

On the positive side, given the importance of the Nehru-Gandhi family to the Congress Party, it gave the dynastic name and leadership to that Party, which was missing after the death of Rajeev Gandhi. In hindsight, it is probable that if Mrs. Sonia Gandhi had assumed leadership of Congress, immediately on the assassination of Rajeev Gandhi then she would have got the sympathy vote and consolidated her power within the Congress party more effectively then. By 1998, such sympathy had dissipated. In addition, the inexperience of Mrs. Sonia Gandhi and the arrogance of the Congress Party that it would do better without allies, led to a worst outcome in 1999, with the Congress dropping to 114 seats in the *Lok Sabha* elections from 141 in the 1998 elections (see Table 1). Despite its vote share being higher in 1999 than in 1998 (see Table 2), the effective alliances formed by the BJP, led to a drop in the number of seats won by the Congress. The victory of the Congress-led United Progressive Alliance in 2004 shows the growing political maturity of Mrs. Sonia Gandhi as well as the importance of striking the right alliances- not only for Congress, but also for the BJP, which showed hubris and arrogance in the way it had treated some of its NDA allies⁸ such as the DMK in Tamil Nadu, Indian National Lok Dal in Haryana and even the Janta Dal (United) in Jharkhand. Nevertheless Congress has only secured 145 seats and its share of total votes is down on the 1999 one (see Table 2).

3D. Other Factors

Among the other factors are developments in Orissa and growing inter-state inequalities.

Inept handling, by the Congress Orissa state government, of the Super Cyclone, which hit Orissa on 29th October 1999, has led to the considerable weakening of support for Congress in that state. The formation of Biju Janta Dal, after the late highly popular Biju Patnaik, and its alliance with the BJP has been highly effective in keeping down the support for Congress in this state.

The introduction of pro-market reforms in the 1990s, which increased the dynamism and resilience of the Indian economy, also, increased inter-state inequalities (see Table 10). This development contributed to the strengthening of the regional or state-based parties in the lagging states of Uttar Pradesh, Bihar and Orissa.

4. The future

In the coalition politics of the future, it is unlikely that Congress's share of votes and even of seats won will rise. The splintering of congress in Maharashtra and West Bengal, which began in the late nineties, appears set to continue with the splintering in Kerala in 2005 with the formation of National Congress (Indira). The dominance of the Left bloc, led by the Communist Party of India (Marxist) in West Bengal and the effective opposition it provides to the Congress in Kerala combined with the inability of the Congress to make inroads in the important states of Uttar Pradesh and Bihar makes it extremely unlikely that Congress will gain an absolute majority at the centre in the foreseeable future. This means that political power at the centre is more contestable than it has ever been. This is more so because the trend in the post-1991 period has been for regional/ state based parties to gain an increasing proportion of votes and seats. Moreover, as we have seen BSP is fielding candidates nationwide and this tends to cut into the Congress votes. In addition regional/state alliances by either the BJP or Congress tend to strengthen, rather than weaken such regional parties and yet both the major parties have no option, but to strike alliances with such regional parties, if they wish to form government at the centre. If the Congress wants to do better in the future, then it has to do far more in terms of its support base, which is comprised of the Dalits, lower strata of OBCs and Muslims (Tables 3 and 4). Land reforms combined with effective extension and credit support may help. Otherwise, Congress is likely to continue to lose support to the caste based and regional parties, such as BSP and SP, as they gather support nation-wide, from their current regional support base.

The problems are equally, if not more serious for the BJP. Its 2004 loss, its aging leadership, the desire of RSS supreme leader, Sudarshan, to gain greater control over the agenda of the BJP and how these are resolved will be important in determining the performance of the BJP in the future. Equally important though are its ability to handle the more assertive and important OBC leaders within its ranks.

To form the government, BJP has to make itself more acceptable to the growing number of regional parties and this requires it to substantially dilute the core *Hindutva* agenda. Therefore, though the BJP will continue to play an important role, given its support base among the upper castes and the *Hindutva* philosophy, which also draws support from sections of the OBCs and Adivasis or STs, it is also likely to find it difficult to marry this *Hindutva* philosophy, a philosophy, which will be continuously pushed by the party's mentor the RSS, with the need to extend its support base among the large proportion of the voters and other parties, which find large parts of this philosophy highly objectionable. There is a tension between the core Jana Sanghis ie the RSS/VHP with their stress on the core ideology of *Hindutva* and the moderates, who wish to extend their base and therefore are willing to substantially dilute this ideology in order to gain power. In fact, the latter are in the ascendancy. This is reflected in giving some key positions in the party to Muslims (one of the Vice-President's of the BJP is a Muslim) and considerable number of seats to Dalits or SCs and Adivasis or STs. For instance, 26.8 percent of BJP's elected members at the Centre in the 2004 Parliamentary elections were from the SC/ST group, while only 22.1 percent of those for the Congress were from that group⁹. The reservation of 140 seats for SC/ST; 79 for Dalits

and 41 for the Adivasis forces all major parties to field SC/ST candidates. But this has to be seen in the context of the Congress having a significantly larger support base among the Dalits and somewhat larger support base among the Adivasis than the BJP— though BJP has made significant gains among the latter. In the post-Bal Thackeray era, it will pay BJP to jettison its alliance with the somewhat rabid and xenophobic Shiv Sena, partly because of its need to move towards the centre, but also because of the weakening support and factional feuding of the latter party in Maharashtra, as its ailing supreme, Bal Thackeray, attempts to foist his son Uday on the party. This softening of BJP's image is necessary in the post-Godhara carnage in Gujarat, which has made it difficult for the BJP to find allies among a number of regional parties for which Congress historically has been the enemy. More importantly, it has damaged India's image externally as a democratic nation, which protects the rights of the minorities. Narendra Modi, who has been an effective Gujarat Chief Minister in areas of electricity, agricultural and family planning reform and who acted rather belatedly, but toughly in the end to stop the carnage of Muslims, remains a highly divisive figure not only for the country as a whole, but also for the BJP as a modernizing party, which has ambitions of re-gaining power at the centre. Narendra Modi will have to be eased out by the BJP, if it wants to broaden its appeal and support base and to regain external respectability; though the rejection and cancellation of his visa by the US Embassy in March 2005 may have given a new lease of life to his Chief Minister-ship. This is because the BJP as a party of *Hindutva* cannot accept the USA's right to determine, who its leaders are. The question is whether or not the BJP will use the anti-US sentiment, which Mrs. Indira Gandhi was so effectively able to mobilize from time to time during her period in power? The US decision to sell F-16s to Pakistan and before that to confer the title on Pakistan of a major non-NATO ally, despite the non-representative nature of the government there, gives the BJP a basis to mobilize the large anti-Pakistani constituency in India by attacking the US policy towards Pakistan. But the BJP is unlikely to take this course. This is because the BJP understands that the future emergence of India as a major global power, and this being its overriding objective, requires considerable US support and improved economic ties with its neighbours, including Pakistan. At the same time, there is the US interest in promoting a dynamic and liberal democratic India, as a counter to the growing global ascendancy and assertiveness of China, but under an authoritarian Communist leadership. Without BJP support, it would be difficult for the Congress-led UPA Government to promote closer India- US relations. Apart from the continued tension between its ideologues and moderates [brought out more clearly in the aftermath of early June 2005 Advani's visit to and positive statements in Pakistan on its founder, Muhammad Ali Jinnah and his repentance over the demolition of the Babri Masjid]¹⁰, there is also a serious problem faced by the BJP in its necessity to move to the second-generation leaders from the aging leadership of Vajpayee and Advani. They were respectively 80 and 77 years in 2005. An attempt to give more responsibility to such second-generation leadership in post-2004 election period failed because of bickering between the then Party President, Venkaiah Naidu and the fiery BJP leader from Madhya Pradesh, Uma Bharti, forcing Advani to resume the Party Presidency. In April 2005, Sushma Swaraj was implicitly backed by K.S. Sudarshan, the RSS chief, who also criticized and made derogatory remarks respectively about Uma Bharti's tantrums and background. It appears very likely that Sushma Swaraj will emerge as the next President of BJP. RSS chief Sudarshan has attempted to re-assert, his extra-constitutional power, by belittling the contribution of Vajpayee as Prime Minister and by asking both Vajpayee and Advani to resign and make way for younger leaders. Building of the Ram temple at Ayodhya is likely to emerge as the major plank of BJP's agenda in the next election and was implicitly flagged by Sudarshan. This is to ensure continued support from the core constituency, who are attracted to the BJP because of its *Hindutva* philosophy. At the same time, to broaden its appeal, other contentious issues, such

as the introduction of common civil code, are likely to be dropped from the party manifesto. If Uma Bharti quits the BJP following the remarks of Sudarshan, then the party will be weakened in Madhya Pradesh (MP), where Ms. Bharti has tremendous following. The BJP/RSS hierarchy have difficulty in accommodating leading OBC figures, such as Kalyan Singh in UP and Uma Bharti in MP, and will continue to pay the price of emerging weaknesses in the affected states of UP and MP as well as elsewhere where they may not be able to accommodate assertive OBC leaders with strong electoral support. In addition, in order to gain power BJP will have to woo important regional leaders, with an important regional base. These include Mulayam Singh Yadav and Sharad Pawar with their respective bases in UP and Maharashtra. Sharad Pawar, a Maratha, is the leader of the NCP, with a strong support base in Maharashtra. Though NCP currently is with the Congress, there is no reason, why it would not join the NDA, if the BJP swears by secularism. But if the desire of RSS Chief Sudarshan to gain greater control over the agenda of BJP succeeds then BJP will not only have difficulty in shedding its hard core *Hindutva* image, but given the strong *Swadeshi* wing in the RSS, it may have difficulty in supporting the liberalization agenda and some of the economic reforms being pursued by the Manmohan Singh government- reforms which the BJP had favoured when it was in power.

There is also the prospect of the 'third bloc' re-emerging with the Left Front led by the Communist Party of India (Marxist) gaining 61 seats in the 2004 Parliamentary elections and the Samajwadi Party led by Mulayam Singh Yadav winning around 40 seats. But the Communist/Left support remains localized in West Bengal and in the much smaller state of Tripura; though in alternative election periods its support improves (waned) in Kerala, where in 2004 Parliamentary elections it swept the board. The rapid emergence of China, under the leadership of the Communists, could improve the prospects of the Communists in India in the future. This is specially so given the improved relations between the two Asian giants in this decade and re-enforced by the visit of the Chinese Premier in April 2005. But there is a failure to understand the reasons for China's success by the Indian Communists. China has lowered trade barriers much more speedily than India, it has been far more open to foreign investment than India and has been far more concerned with expanding new jobs than with protecting existing workers in formal sector employment. In India any company employing more than 100 workers requires the permission of state authorities to sack workers and the Indian Communists remain opposed to relaxing this rule, enabling more flexible China to gain in a major way from the abolition of Multi Fibre Arrangement¹¹. Consequently, China has emerged as the third largest trading nation in the world within a short span of time, even as India continues to lag behind most nations. China is a major recipient of FDI, while Indian communists continue to impose hurdles against FDI. While China continues to liberalise at a break-neck pace, Indian communists consider opposition to trade and investment liberalization as a badge of honour and neo-liberalism as a swear word. Bureaucratic hurdles are far higher in India than they are in China, because of this mind-set. For instance, it takes 67 days to register property in India, against 32 days in China and it takes 10 years to complete bankruptcy proceedings in India against 2.4 years in China. The lessons from China are that the poor would be better served, by something that the CPM has done well in West Bengal, through land reforms, improved use of *panchayats* at the village-level and credit and extension support for farmers and by, something that the CPM has not so far been willing to countenance, focusing on lowering entry barriers, increasing competition by reducing bureaucratic hurdles and by encouraging expansion of businesses through proper pricing rather than hampering their growth through poorly targeted subsidies and price ceilings. This is particularly serious for government-owned energy companies, which are being strapped for funds because of such policies. The Chinese Communists have moved away from being a

party of bureaucratic controls to one focused on expanding infrastructure and supplies and thus of employment, whereas the Indian Communists seem stuck in a bureaucratic rut. This is more so in Kerala, where the Communists, when in power, successfully introduced land reforms. Though much is made of Kerala's excellent social indicators, this is more to do with historically progressive rulers and the role of the missionaries in pre-independence period and the higher status of females in that state, than to the educational and health policies of the Communists. Kerala had a strong head start over other states in India in education and health, which it has maintained to its credit. But unlike China, where the complimentary policies, including trade and investment liberalization and muzzling of trade union power, has lifted the return to education, it remains low in Kerala. By backing militant unionism and unresponsive bureaucrats, the Communists, despite Kerala having excellent social indicators, have stifled the growth of the Kerala economy. An inter-generational shift is taking place in the CPM, which may lead to a substantial rethink of policies. We do not rate the chances of the Communists/Left Front improving their tally beyond that achieved in the 2004 elections. This is because the space, they could have occupied in other states has been effectively captured by state-based and OBC supported parties, such as Samajwadi Party (SP) in UP, RJD in Bihar, DMK in Tamil Nadu, Telugu Desam Party in Andhra Pradesh, Shrimani Akali Dal in Punjab, Indian National Lok Dal in Haryana and to some extent the Dalit-based parties, such as BSP in UP and LJSP in Bihar. Therefore, the Left Front would need to form an alliance with other regional parties. But the lack of accord between the SP and the RJD and between the RJD and LJSP makes it more difficult to form such a front. Nevertheless, if the building of the Ram temple is pushed too hard, then it may lead to a larger number of parties, including the important Telugu Desam Party, led by Chandra Babu Naidoo in the demographically important state of Andhra Pradesh, joining the third bloc and moving out of the NDA. To counter this problem and to broaden its base, BJP may ask its members to vow to protect secularism and to not practice discrimination based on caste, religion or sex. But will then the RSS, under Sudarshan, continue its support for the BJP? At the same time, the potential for the RJD, DMK and NCP breaking with the UPA alliance and joining the third bloc remains. But here even if the all non-Congress and non-BJP parties came together, they still will not have the majority of seats in parliament.¹²

Given that a fractured outcome is the likely outcome in the future, any combination is possible. Even an alliance of Congress and BJP, unthinkable in the past, has been advocated by that old time Marxian, Meghnad Desai, to strengthen the pace of the bourgeois revolution, which is under way in India. Though it appears to be a no-no currently, if the BJP swears by secularism and accepts the current different civil code for the Muslims, it opens an option for the two all India parties to come together to pursue a reformist economic agenda on which they are both agreed. This is because Congress is aligned with the Left parties on the issue of opposing *Hindutva* and the re-writing of textbooks but on domestic economic policies and on foreign and defence policies the Congress has more in common with the BJP than with the Left parties, led by CPM. In opposition, the BJP has opposed reforms, which it had supported, while in government but which it was not able to implement. This is making the implementation of some reforms by the UPA government more problematic. As an example, the muddle in the introduction of VAT from 1 April 2005, has been partially created by the five states controlled by the BJP, refusing to introduce it in those five states. This has led to the prospect of considerable cross-border leakages and tensions in the states, which have implemented VAT. More importantly, it has increased the compliance costs of firms, with bases in both the VAT implementing and the non-implementing states. For a party claiming to be nationalist, this is an anti-nationalist act; though differing VAT rates between implementing states on a number of items will also raise compliance costs, but these are

being worked through. Nevertheless on an emerging defence alliance with the US, penned by the UPA's Defence Minister, Pranab Mukerjee, BJP supports the government, even as the Left parties oppose it.

But even without the Congress and BJP alliance, the reform process will continue. It may be somewhat slower than some may wish, but in terms of policies at the centre, it will not affect the overall performance of the economy. The more serious problems are at the level of the states, which have important responsibilities in terms of health, education and family planning. The mid-day meal, which is the most significant element in improving health and even basic literacy and family planning, as demonstrated by the successful experience of Tamil Nadu, requires effective implementation by the states. Most states lack the financial and administrative capacity to implement it in the rural areas. Similarly, effective primary education is being undermined by the lack of payment of teachers' salaries in some cases and the lack of teachers or their non-attendance in a number of other cases. There are also serious problems with power supplies; not only in terms of shortages, but, also, because of non – availability. There is also a lack of a clear-cut policy and institutional framework at the state level for foreign firms to invest in this vital sector.

5. Poor Economic performance, the productivity shift and their explanations

It is quite clear from the data that economic performance of India was quite poor until 1980. Even in agriculture, despite the changes ushered in by Mrs. Gandhi's government in the post-1967 period, the substantial productivity improvements occurred in the 1980s (see Table 5). These were more the result of policy changes in favour of the rural sector, including the expansion of the co-operative movement and extension of substantial credit to the farming and rural sector, introduced by the first non-Congress Government, which came to power in March 1977; though to give credit to Mrs. Indira Gandhi, these policies were continued by her, when she returned to power in 1980.¹³ In the 1970s, India's economic performance deteriorated, even from the poor level of the 1960s; rate of economic growth was lower and total factor productivity was negative according to different sources (see Table 5). But significant productivity improvement and shift occurred in the 1980s and continued in the 1990s (see Table 5). What is probably surprising is that productivity growth was higher in the 1980s than in the 1990s, when major reforms occurred.

The poor performance of the 1970s can be explained as a combination of poor economic policies and several shocks to the system.

In order to discuss the poor economic policies, the Indian post-independence period can be broadly divided into two. Until 1991, it was essentially driven by dirigistic & autarkic policies of government ownership of 'the commanding heights of the economy', substantial controls over production in the private manufacturing and services' sectors, heightened in banking and finance through nationalization, under Mrs. Indira Gandhi, self-sufficiency in production, autarky in trade and foreign investment. Foreign direct investment and foreign ownership of the means of production was anathema, much more under Mrs. Gandhi than under her predecessors.

As we have seen in section 2 above, 1970s was the aftermath of the period, when Mrs. Indira Gandhi had tightened controls over internal production considerably over the levels existing under the previous Congress regimes, which were already quite extensive. Her policies forced investment not only into areas, where the returns were quite poor, but her cossetting of workers, led to extremely poor work practices; while her centralization of power

led to sycophancy and lack of any critical policy perspective. If we add to the rigidity and therefore the limited resilience of the economic system created by Mrs. Indira Gandhi, the external and internal shocks, which hit India during this period, we are able to explain the very poor performance of this period. These shocks included the flooding of around 10 million refugees from East Pakistan (now Bangladesh), under the repression unleashed by the Pakistani military regime in 1970-71, the 1971 war between India and Pakistan in this context, a very severe draught in 1972, followed by the 1973-74 oil-shock, another severe draught in 1979 and the 1979-80 oil-shock. Though the caring of large number of refugees, without recourse to international assistance was commendable, it diverted resources from other alternatives and did not add much to India's output. Similarly though the war was justifiable in terms of India's interest in creating stability on its border with East Pakistan and even from a human perspective, it was extremely costly and did not add much to India's output. The two draughts, especially the 1972 one, subtracted from output and the oil-shocks led to the loss of income to the oil-exporting countries and added to costs of production within India.

In terms of economic policy, some shift occurred after 1980. The defeat of Mrs. Gandhi in the 1977 elections at the hands of the Janata Party, formed from an incongruous group of opposition parties, particularly in the Hindi heartland, is a watershed in terms of changing policies away from limiting the expansion of the large business houses, towards allowing them more space to expand and enjoy some economies of scale. More importantly and more significantly, as we have seen at the beginning of this section, the expansion of credit to and of co-operatives in agriculture expanded productivity in that sector. The internal bickering in the Janata Party did not give it time to see effective outcomes, but in the 1980 elections Mrs. Indira Gandhi came back to power on a totally different slogan from the one that she had used in the 1969 elections: "Elect a Government that works." Though Kohli¹⁴ exaggerates the shift towards the large business houses from 1980 onwards- business houses have remained important in India in the post-independence period- those who had the ear of Mrs. Gandhi and then Rajiv Gandhi, such as Dirubhai Ambani, the founder of the Reliance industries, flouted the limitations on capacity that remained in operation under the license-permit raj's planning restrictions. Data (Table 5) clearly shows that there was a substantial spurt in productivity and economic growth in the 1980s.

There are two views on why this occurred. One view is that it was based on what is termed as the introduction of **pro-business policies** aimed at gathering support from the existing Indian business houses¹⁵ as distinct from **market liberalization**. Pro-business policies are defined, by Rodrik and Subramanian, as raising the profitability of established industrial and commercial establishments and included easing restrictions on capacity expansion for incumbents, removing price controls, and reducing corporate taxes. Rodrik and Subramanian explain that the terms of trade were falling during the 1980s and therefore the external environment was not favourable during that period for India; but it was a much more stable internal and external environment than the sixties and the seventies. Oil prices drifted down and there were no wars, in which India was involved. The only major internal shock was the severe draught of 1985. More importantly, the policies initiated by the Janata Party coalition, in support of the rural sector were continued, explaining the spurt in agricultural productivity in the 1980s (see Table 5). These improvements in agriculture effectively increased internal demand and therefore, allowed the pro-business policies to work.

The other view is that growth was mainly driven by 'fiscal expansionism'¹⁶ and borrowing from abroad.¹⁷ Though Rodrik and Subramanian (p.18) use capacity utilization

figures for the 1970s and 1980s to argue that 'fiscal expansionism' explains only a small part of the spurt in productivity during the 1980s, it is quite clear from their discussion that there are some question marks about the reliability of capacity utilization figures for India for the 1970s and 1980s. In addition, they validly argue that given the rise in external debt and current account deficit, there were leakages abroad from this fiscal expansionism. But India was a highly closed economy and in some ways a more closed economy in the 1980s than in the 1970s, as the effective rate of protection increased, initially because of devaluation and subsequently because of increases in tariffs, even as some quantitative restrictions were removed (see Table 6 below). Therefore import leakages were highly limited; though they increased over the period.

A more composite view then is that it was driven by expansion in agricultural productivity and demand, some relaxations on capacity of business houses, by reductions in taxes and easing access to imported capital inputs for large business houses, but substantially by a lax fiscal policy, combined with external borrowings. Protection and effective assistance of industry increased rather than diminished during the eighties. Moreover, the improved productivity spurt in the 1980s is at least partially an artifact and reflects a number of elements. The crises of the 1970s, which included the Indo-Pak war of 1971, the severe draughts of 1972 and 1979 and the oil shocks 1973-74 and 1979-80, had created excess capacity and saw total factor productivity being negative in the 1970s decade (see Table 5). As demand increased by farming recovery (see Table 5) and falling oil prices in the early eighties and by a lax fiscal policy mostly in the second half of the eighties, capacity recovered and capacity utilization improved, as government relaxed controls on large Indian business houses and productivity saw a marked jump. But Indian competitiveness, despite rupee devaluation in 1980, in the absence of more rational production and competitive policies remained poor, contributing to the balance of payments crisis of 1990-91. In addition, since the value-added was excessively protected during the eighties, it gave a somewhat exaggerated picture of improvements in productivity during that period. Moreover, it has to be seen in the context of and as an aftermath to the negative productivity 1970s' decade. Therefore, though technical efficiency improved, allocative efficiency as well as dynamic efficiency remained poor; allocative efficiency worsened, if we go by the data on average effective rate of protection. At the same time evidence produced by M. Govinda Rao, K.P. Kalirajan and Ric Shand,¹⁸ shows that technical efficiency in the important electricity industry of India was among the lowest in 1991 in Asia. Given the heavy cross-subsidisation of farmers, allocative efficiency is also poor in this industry. Driven by populist policies, this industry's performance in the post-reform period has not improved; though the 2003 Electricity Act, with a policy of compulsory metering and the requirement for the states to pay their SEBs for any policy of free electricity to the farmers, has the potential to improve it. The expected unbundling of generation and distribution, also, has the potential to improve efficiency.

Equally seriously, the aftermath of 1980s laxity in fiscal policy -average consolidated government deficit jumped from 5 percent of GDP in the 1970s to 9 percent of GDP in the 1990s¹⁹ saddled India with a fiscal crisis, which remains an ongoing problem. In the 1990-91 fiscal year, Gross Fiscal Deficit of the Centre hit a massive 7.85 percentage of GDP! In 1991, it also placed India in the external category of severely indebted, from which it moved through prudent management of the central bureaucracy and the Reserve Bank of India (RBI) to that of less indebted category by 2001.²⁰ This fiscal crisis has also raised the cost of capital to the private sector and has dampened somewhat its growth in the post-1990 period. The policies of financial repression and directed lending raised the non-performing assets

(NPAs) of the commercial banks and other financial institutions. In 1993–94, the Gross NPAs of the commercial banks as a percentage of their total assets hit 24.8% and this was measured at the lax standard of 180 days of these NPAs outstanding, rather than the international norm of 90 days. In the post-liberalisation period, they have been cut steadily and more swiftly after the creation of Asset Reconstruction Companies in 2002 and the enactment of Securitisation and Reconstruction of Financial Assets Bill in late November 2002.²¹ By March 2005, measured at the international standard of 90 days outstanding, Net NPAs of commercial banks had dropped to 3%; though the normally used and the more relevant Gross NPAs were higher at 6.5%! This has been a remarkable achievement. But a flip side of this has been the cut back in credit being made available by the commercial banks to the rural sector. In turn, this is reflected in lower productivity growth in the agricultural sector during the 1990s as compared to the 1980s (Table 5).

In general, it is reasonable to conclude that despite some changes in the 1980s, the period before the fiscal year 1991, was one, when econocrats were unimportant in effective policy making and implementation and that economic efficiency took a back seat in political and economic discourse. As is clear from Table 6 below, Average Effective Rate of Protection increased from a high level during the second half of eighties and declined only in the nineteen-nineties and more so in the second half of that decade. Though there was some removal of restrictions in the import of capital and consumer goods during the second half of the eighties, these began to be removed in a serious manner only in the nineteen-nineties.

6. Conclusion

As Amartya Sen has explained, Indian policy-making has suffered both from an overactive government and under-active government.²² It has been overactive in stifling industrial initiative through excessive government and bureaucratic controls — they reached their height during Mrs. Gandhi's period as Prime Minister in her earlier period between 1967 and 1977, when she lost to a united opposition in the aftermath of the excesses of her Emergency rule. Microeconomic efficiency suffered a great deal and poor resource allocation kept a check on India's growth rate. The Indian government has been under-active in other areas, such as school education, basic health care, land reforms and micro credit. Effective land reforms were only conducted in Kerala and West Bengal under the Communist governments; though Mrs. Mayawati did achieve some success in Uttar Pradesh in this decade, but she was in power for a very short period. Other governments of whatever persuasion have failed here. Though land ceilings were imposed, the ineffectiveness of the governments in imposing them and the clogging of the cases in the courts has diverted important resources from elsewhere and has restrained productivity growth in a number of states, such as Bihar and Uttar Pradesh, where administration was poor. On the one hand, it created uncertainty among the landlords and therefore affected production adversely. On the other hand, a section of the OBCs, who belonged to the category of the rich peasants or *kulaks*, such as the *Jats* in Haryana and West Uttar Pradesh, *Patels* in Gujarat, *Yadavs* in East Uttar Pradesh and Bihar, and *Reddys*, *Khamnas & Kapus* in Andhra Pradesh, benefited. This strata of the OBCs was generally unaffected by the land ceilings and therefore pursued policies of expanding production coupled with buying land from the traditional landlords. They also benefited from free or highly subsidized electricity, other subsidized inputs, such as fertilizers and in some states from provision of irrigation and no income tax. Agricultural reforms, including electricity reforms, now remain a hostage to this powerful constituency of farmers and the state Congress parties and more seriously state governments led by the Congress Party in a number of states, such as Punjab, Haryana, AP, Karnataka and Maharashtra, pander to this

constituency. In addition attempts to introduce agricultural income tax faces powerful resistance. Nevertheless, the growing importance of econocrats at the Centre gives cause for optimism; though most states still seem stuck in the populism of the past. State governments, attempting to introduce economic tariffs for electricity for farmers, lose to oppositions promising free electricity and forgiveness of arrears. The 2004 Parliamentary elections, where regional factors played an important role, clearly shows the importance of the farming vote, which went against the incumbents, where the parties in power wished to enforce the electricity tariffs on the farmers.²³ But it is also clear that the introduction of the Securitisation Act and the related sharp fall in the NPAs of the banks has reduced credit flows to the rural sector. The slowing down of agricultural productivity growth in the post-reform period and more seriously under the Vajpayee government is a serious issue. There is an essential requirement to make alternative credit provisions for the important agricultural sector, which given the large size of population dependent on it is essential from both macroeconomic growth and equity point of view.

Politically, it is quite clear that the Congress's position has weakened considerably and without allies it will have difficulty in forming a government at the centre. It appears likely that as BSP improves organizationally, it will compete more effectively against the Congress for the Dalit vote not only in UP and Madhya Pradesh, but also elsewhere. This is likely to weaken the Congress further; as will the pressure from allies like the RJD, NCP and DMK for a greater share of the seats in Bihar, Maharashtra and Tamil Nadu respectively. The same applies to the BJP as an alternative to the Congress currently. It is losing out to the SP in UP and as the SP extends itself more effectively elsewhere, it will tend to take the OBC votes away from the BJP; though it may also take the Muslim vote away from the Congress. In addition, the BJP will have to considerably soften its *Hindutva* agenda if it wishes to gain more allies, but may face opposition from its parent organization, the RSS. The growing strength of the regional parties and somewhat enhanced strength of the Left Front creates the prospects of the third bloc gaining power. But here the rivalry between the SP and the RJD, as well as the unlikelihood of an alliance between the Dalit led parties and the OBC led ones in UP and Bihar makes it difficult for this front to come to power and then to stay in power. In addition there is the rivalry between the DMK and AIDMK in Tamil Nadu. What is clear from this is that the space at the centre is even more contestable in the future than it has been since 1989.

In conclusion then, while Congress remains one of India's most popular parties, it has lost the support of key regional leaders, many of whom have formed their own state parties, appealing to regional pride and local economic and political interests.

Fortunately and interestingly, the reform agenda, which began in a very limited way in the 1980s and accelerated somewhat in the early 1990s, is being maintained in the face of such changed fortunes at the centre. This has brought substantial gains to most Indians. Given the growing gap with China and the increased liberalization in that country, it is unlikely that such reforms will be reversed in India, but distributional issues, which have not formed a part of this paper, remain important and will have to be tackled, if continued support for reforms is to be maintained. Certainly 'economic growth with a human face' vision of Prime Minister Manmohan Singh captures this clearly. How to implement it, given that implementation, particularly of important social infrastructure aspects, such as school education and health, are with the states, with their populist policies and serious fiscal constraints, particularly in the lagging and large states of UP and Bihar, remains a tough ask.

Table 1
Performance of Selected National parties since 1984 in Lok Sabha Elections

Year /Party	1984	1989	1991	1996	1998	1999	2004
BJP	2	85	120	161^	182@	182!	138
CPI+CPM	28	45	49	44	41	37	53
Congress	404	197	232+	140	141	114	145~
Total national Parties	451	471#	466	403	387	369	364
Total State parties	58	27	50	129	101	158	159
Total Results	514*	529	521	543	543	543	543

Another 27 held in 1985, of which Congress won 10.

Janata Dal (JD) led by V.P. Singh won 143 seats and formed a minority govt. supported by BJP. After 11 months V.P. Singh resigned and Chandrasekhar led the party and govt. with support from Congress.

+ Congress led by Rao formed minority govt.

^ BJP attempted to form a govt. & failed; United Front led by JD, Communists and regional/state parties formed minority govt. with support from Congress

@ BJP formed NDA and was in power for a period, but lost vote of no confidence by one vote.

! BJP led NDA govt for 5 years

~ Congress leads UPA minority govt. with support from the Left Front.

Note: Totals don't add up, because registered (unrecognised) parties and independents not shown

Source: Election Commission Of India

Observe: the growing share of seats of the regional parties since 1989.

Table 2
Share of Votes of Selected National Parties and State Parties in Lok Sabha Elections (%)

Year /Party	1984	1989	1991	1996	1998	1999	2004
BJP	7.74	11.36	20.11	20.29	25.59	23.75	22.16
CPI+CPM	8.58	9.12	8.65	8.09	6.91	6.88	7.07
Congress	49.1	39.53	36.26	28.8	25.82	28.30	26.53
Total national Parties	79.8	79.34	80.65	69.08	67.98	67.11	62.89
Total State parties	11.56	9.28	12.98	22.43	18.79	26.93	28.9

Note: Totals do not add up to 100, because share of registered (unrecognised) parties and independents not shown

Source: Election Commission of India

Observe: In the 1990s the stagnation in the share of BJP; the increasing share of state based parties and the declining share of Congress

Table 3
Congress Vote by Community Lok Sabha Elections 1991 to 1999 (%)

	1991	1996	1998	1999
(1) Hindu upper (12%)*	36	27	20	16
(2) Hindu OBC (49%)*	32	22	21	27
(3) Dalit (14.5%)*	39	32	27	32
(4) Adivasi (7.5%)*	45	41	38	40
(5) Muslim (13%)*	38	34	43	50
All	36	29	26	28

Notes: for Table 1, 2 and 3: National Election Study (NES) 1996, NES 1998, NES 1999, all conducted by the CSDS. The figures reported here are from the post-poll surveys with a sample size of 9614 (NES 1996), 8166 (NES 1998) and 9418 (NES 1999).

* Figures in brackets are shares of the respective groups in total population

Source: Yogendra Yadav down loaded the following URL on 14^t April 2005

<http://www.india-seminar.com/2003/526/526%20yogendra%20yadav.htm>

Observe: Marked decline in support of Upper castes; decline in support of OBCs, who are the important group; some decline in Dalit and Adivasi support, but marked recovery in Muslim support after Mrs. Sonia Gandhi became leader. (1) Congress is losing upper caste support rapidly to BJP; (2) Congress is in competition with OBC based regional parties, such as SP in UP, RJD in Bihar, TDP in AP, NCP in Maharastra, Akali Dal in Punjab, INLD in Haryana, BJD in Orissa and with the BJP, who is drawing support from the upper crusts of OBCs gaining from economic growth, but also in some states, such as MP, Rajasthan and Gujarat (3) Congress in competition with BSP, which had 30% Dalit support in 2004 (4) Congress is in competition with BJP, which is gaining ground (5) Muslims have returned to the fold under Sonia Gandhi; though SP and RJD are wooing them in UP & Bihar.

Table 4
Congress Vote by Class Lok Sabha Elections 1991 to 1999

	1991	1996	1998	1999
High	39	23	27	23
Middle	37	27	25	28
Low	36	30	26	29
Lowest	37	31	26	31
All	37	29	26	29

Note: Class has been defined here with reference to occupation, house type and assets of the respondents.

Source: Heath and Yadav (1999), provided in

Yogendra Yadav down loaded the following URL on 14 April 2005

<http://www.india-seminar.com/2003/526/526%20yogendra%20yadav.htm>

Table 5
India: Aggregated and Sectoral Growth Accounting

	1960-70	1970-80	1980-90	1990-99
Bosworth-Collins (B-C)				
Output	3.84	2.98	5.85	5.59
Output per worker (Q/L)	1.87	0.69	3.90	3.27
Capital per worker	0.83	0.61	1.06	1.32
Education	0.29	0.58	0.32	0.34
Total factor productivity (TFP)	0.74	-0.50	2.49	1.57
IMF				
Output	3.75	3.16	5.64	5.61
Output per worker	1.77	0.86	3.69	3.30
Total factor productivity ^{1/}	1.17	0.47	2.89	2.44
Total factor productivity ^{2/}	-0.94	-2.07	1.28	0.94
Disaggregated growth of Q/I based on current Employment shares				
Agriculture ^{3/}	1.20	0.13	2.57	1.29
Manufacturing		2.00	6.30	6.00
Services (B-C)		2.12	6.32	6.57
Services (IMF)		3.14	5.30	6.69

Notes: 1/ Based on labour force

2/ Based on average years of schooling in population above 15 years of age

3/ From World Bank's World Development Indicators

Source: Dani Rodrik and Arvind Subramanian, 2004, 'From "Hindu Growth" to Productivity Surge: The Mystery of the Indian Growth Transition', *IMF Working Paper*, WP/04/77, Table 1.

Table 6
India: Measures of Trade protection, 1980 to 2000

	1980-85	1986-90	1991-95	1995-2000
All Industries				
Average effective rate of protection	115.1	125.9	80.2	40.4
Import coverage ratio	97.6	91.6	38.0	24.8
Import penetration ratio	10.0	11.0	12.0	16.0
Intermediate Goods				
Average effective rate of protection	147.0	149.2	87.6	40.1
Import coverage ratio	98.3	98.3	41.8	27.6
Import penetration ratio	11.0	13.0	15.0	18.0
Capital Goods				
Average effective rate of protection	62.8	78.5	54.2	33.3
Import coverage ratio	95.1	77.2	20.2	8.2
Import penetration ratio	12.0	12.0	12.0	19.0
Consumer Goods				
Average effective rate of protection	101.5	111.6	80.6	48.3
Import coverage ratio	98.7	87.9	45.7	33.4
Import penetration ratio	4.0	4.0	4.0	10.4

Source: D.K. Das, 2003, "Quantifying Trade Barriers: Has Trade Protection Declined Substantially in Indian Manufacturing", Indian Council for Research on International Economic Relations, **Working Paper No. 105**, p.18, Table 3

Table 7
Congress Vote by Class: State Assembly Elections, 1998to 2003

State and elections	Deviation from party's average vote share among different classes				Average vote share
	High	Middle	Lower	Lowest	
<i>Party of the downtrodden: the lower the class, the higher the vote</i>					
Delhi 1998	- 15	- 9	+ 3	+10	48
Karnataka 1999	- 9	- 5	- 3	+13	45
Assam 2001	- 14	- 5	+ 3	+ 4	40
Gujarat 2002	- 10	+ 1	+ 5	+ 8	40
Madhya Pradesh 1998	- 6	- 1	0	+ 4	40
Uttaranchal 2002	- 7	- 1	+10	+ 7	27
Orissa 2000	- 5	+ 1	0	+ 3	34
Punjab 2002	- 9	+ 4	+ 4	+ 11	38
Haryana 2000	- 4	+ 1	+ 3	+ 4	31
Rajasthan 1998	0	- 6	+ 2	+ 5	45
<i>A mixed profile: no sharp deviations, tends to better in the middle</i>					
	- 3	+ 3	- 3	+ 1	30
Andhra Pradesh 1999	0	+ 9	0	- 5	43
Himachal 2003	- 2	+ 8	- 2	- 7	40
Bihar 2000	- 1	+ 1	- 1	+ 2	11
West Bengal 2001	- 3	- 2	+ 1	0	12
<i>A party of the well heeled: the higher the class, the higher the vote</i>					
Uttar Pradesh 2002	+ 5	+ 2	- 4	- 7	9
Kerala 2001	+ 9	+ 4	- 3	- 7	47
Tamil Nadu 2001	+13	+ 1	0	- 2	4

Note: Class has been defined here following the same principle as in Table 2. But the exact definition may vary from state to state depending on the availability of information and on the distribution of respondents

Source: Yogendra Yadav down loaded the following URL on 14 April 2005
<http://www.india-seminar.com/2003/526/526%20yogendra%20yadav.htm>

Table 8
Congress Vote by Community: State Assembly Elections, 1998 to 2003

State and election year	Deviation from party's average vote share among					Average vote share
	Upper caste	Hindu OBC	Dalit	Adivasi	Muslim	
<i>Party of dalit, adivasi and minority; distrusted by the upper caste Hindus</i>						
Delhi 1998	- 10	+ 2	+ 15		+ 24	48
Uttaranchal 2002	- 5	0	+ 13	+ 9	+ 1	27
Himachal 2003	- 7	- 2	+ 14		+ 36	40
Gujarat 2002	- 24	+ 4	+ 30	+ 8	+ 25	40
Maharashtra 1999	- 4	- 2	+ 20	- 3	+ 6	30
Karnataka 1999	- 12	- 11	+ 6	- 5	+ 38	45
Rajasthan 1998	- 7	- 10	+ 15	- 2	+ 27	45
Andhra Pradesh 1999	- 2	- 5	+ 20	- 11	+ 11	43
Orissa 2000	- 9	- 2	+ 7	+ 1	+ 27	34
Haryana 2000	- 4	+ 5	+ 18		- 10	31
<i>Variations of the same profile with some difference</i>						
Madhya Pradesh 1998	- 7	- 5	- 5	+ 7	+ 44	40
Assam 2001	- 12	0	- 4	- 14	+ 18	40
Punjab 2002	+ 17	+ 19	+ 4		38	
Kerala 2001	0	- 19	- 14	- 17	+ 14	47
<i>Lack of a clear social profile</i>						
Tamil Nadu 2001	- 3	- 1	- 2		+ 11	4
West Bengal 2001	- 5	+ 3	- 3	- 9	+ 12	12
Bihar 2000	+ 6	- 5	0	+ 24	- 4	11
Uttar Pradesh 2002	+ 9	- 3	- 3		+ 1	9

Source: for Tables 4-6: State election surveys undertaken at the time of state assembly elections by the CSDS. For Maharashtra, Karnataka and Andhra Pradesh, the data is from the question on the assembly elections in the NES 1999. The data for assembly elections held in 1998 is from exit polls with sample around 5000. All the remaining surveys were post-poll surveys conducted after polling but before counting of votes. The sample size varied between 1,000 and 2,000. The methodological and sampling details for each of the survey are available from CSDS. The reported vote has been weighted by actual vote share to eliminate survey errors. But this does not make any difference to the pattern of sectional voting as reported here.

Note: for Table 4 and 5: Table entries are for percentage point deviation in each category from the mean vote share for the Congress in that state in the relevant election. For example, Congress's overall vote share in Delhi assembly election was 48 per cent. But the survey indicates that it secured only 38 per cent votes among the upper caste. This has been reported in the table as '- 10'. Among dalit voters, 63 per cent reported voting for the Congress; it has been depicted here as '+ 15'. The same principle is followed in all the table entries.

Source: Yogendra Yadav down loaded the following URL on 14th April 2005
<http://www.india-seminar.com/2003/526/526%20yogendra%20yadav.htm>

Table 9

The story in the numbers					
Pol Year	House strength	Cong seats	JS/BJP seats	Combined seats	vote%
1952	489	364	3	367	48.28
1957	494	371	4	375	53.75
1962	494	361	14	375	51.16
1967	520	283	35	318	50.09
1971	518	352	22	374	51.03
1977	542	154	93	247	-N.A.-
1980	542	353	16	369	-N.A.-
1984	542	415	2	417	55.50
1989	543	197	85	282	50.89
1991	543	232	120	352	56.37
1996	543	140	161	301	49.09
1998	543	141	182	323	51.41
1999	543	114	182	296	52.05
2004	543	145	138	283	48.69

Vidya Subrahmaniam, 2005, "It is not an easy alternative," *The Hindu* May 2nd 2005

Table 10

Inter-State Inequality as Measured by Standard Deviation of 14 Major States' Per Capita Output

Year	State GDP	Agriculture	Industry	Services
1980-81	0.29	0.33	0.37	0.33
1981-82	0.29	0.34	0.37	0.34
1982-83	0.30	0.38	0.36	0.34
1983-84	0.29	0.34	0.36	0.34
1984-85	0.30	0.33	0.36	0.34
1985-86	0.31	0.36	0.39	0.35
1986-87	0.31	0.36	0.39	0.33
1987-88	0.31	0.39	0.37	0.34
1988-89	0.31	0.37	0.37	0.33
1989-90	0.33	0.37	0.37	0.34
1990-91	0.33	0.38	0.37	0.35
1991-92	0.33	0.39	0.35	0.36
1992-93	0.36	0.40	0.39	0.37
1993-94	0.36	0.39	0.40	0.40
1994-95	0.38	0.39	0.44	0.40
1995-96	0.39	0.40	0.45	0.42
1996-97	0.40	0.44	0.45	0.42

Source: Reserve Bank of India, using real GDP with a 1980-81 based series

Endnotes

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