6
Organised Interests, Development Strategies and Social Policies

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6.1 Introduction

The relation between organised interests and the state has been a major theme for research for some time now. It has naturally coalesced around the two major forms of state witnessed in the capitalist world during the twentieth century – the welfare state in advanced industrial countries and developmental state in the global South. The former has largely been an accompaniment to the onset of social democracy during the inter-war period, though earlier steps toward its institutionalisation were taken during the late nineteenth century, most notably in Bismarckian Germany. Starting with the wave of labour radicalism that took off after the Great Depression, and continuing into the immediate post-war period, social democratic parties gained influence in large parts of the Western world. At the heart of their agenda was an extremely ambitious programme of social welfare legislation, which was implemented as a direct response to their main social base, the industrial working class. Developmental states, unlike their welfarist counterparts, did not arise as a direct response to working-class pressure, though labour did sometimes figure as part of the political coalition supporting them. The most important constituency behind developmentalism was the domestic capitalist class. This difference in political base reflects the quite distinct dilemmas faced by social interests in advanced and developing countries of the world economy – the former being mainly concerned with accelerating the pace of capitalist development, and the latter with managing its social effects. But the difference in constituencies also directly affected the range of issues taken up by the political elites, and how these tasks have been prioritised.

This paper takes up the relation between organised interests and social policy in a developmental setting. By social policy I shall refer to the distributive dimension of state action – policies aimed at influencing the distribution of wealth and income. The most direct examples of such actions are what are known as social welfare policies, but it also includes state-sponsored employment programmes, and any other programmes that de-link the acquisition of goods from the consumer's participation in the labour market. Social policies, thus, cover the same range of activities normally associated with welfarism. But I shall also take up how the state's developmental commitments affected the distribution of wealth and income. This is because, in developing countries, state planning for growth was explicitly intended to accommodate concerns around distribution – planning was supposed to cover growth and social welfare, even though welfare policies did not figure as a distinct, stand-alone part of policy. So I shall examine the relation between social interests and state policy in the domain of development planning and social welfare.

Even though scholarship on states has coalesced around the two distinct themes of welfarism and developmentalism, it has drawn from a narrow range of theoretical perspectives in both domains. Over the past 25 years or so, as the influence of Parsonian functionalism has declined, state theory has become dominated by three basic approaches: pluralism, state-centrism and class analysis (Alford and Friedland, 1985). But of the three, it is the latter two in particular that have gained prominence, especially in the literature on the two state-forms under consideration here.[1] During the 1970s and into the early 1980s, it was the political economy and class-based approach that exercised a tremendous influence in analyses of the state; in the more recent past, the pendulum has shifted away from class analysis and toward a more state-centred approach.

India scholarship has been characterised by the coexistence of both approaches, though in recent years there has been a noticeable shift away from a serious consideration of the role of organised interests. But the most conspicuous element in the analyses of the Indian state has not been the theoretical approaches that govern it, but rather the subjects that have been taken up. There is a noticeable dearth of research on the evolution of social policies on the subcontinent. There is, no doubt, a rich body of work tracing the effects of various social programmes – their incidence, implementation, success rates and political geography. There is, in other words, considerable descriptive research on state policies. What is lacking is a careful analysis of the politics of policy formation – the role of interest groups, the autonomy of the state, the formation of policy, and so on. While there have been some noteworthy attempts to analyse the policy process, and I will draw upon some of them in this paper, they have been rather sporadic. This is not unusual among developing countries, where attention to the developmental component of state policy has been much more pronounced than to its welfarist side. But India scholarship has, it seems, been harder hit by this phenomenon than many other large developing countries.

The basic proposition of this paper stems from a class-based approach to state policy, and can be stated succinctly: in a capitalist setting, the basic orientation of state policy will be biased toward the interests of the business community, both with respect to social policy and economic policy. This is fundamentally brought about by the fact that states in modern economies depend on tax revenues for their reproduction, and taxes are derived from income coming out of the accumulation process – either as profits or as wages. In order to simply stay afloat, states, therefore, have to place the highest priority to keeping economic growth humming along. Economic growth in capitalism rides on the rate of investment, and investment is not in the hands of the state. By definition, investment in capitalism is in private hands. State policy, therefore, has to be geared fundamentally to maintaining a climate that investors consider appropriate to their profit calculations. Simply on a commitment to its own reproduction, then, the state in capitalism has to give the first preference to the preferences of the investor class, that is, capitalists. This structural power of capital is reinforced by the fact that capitalists also are the most well-financed and connected lobbying group in the political process. The political muscle of this group amplifies their economic power.

This does not mean that other groups are powerless in the policy process. To the extent that they are able to organise themselves and force their presence into the policy process, other social classes can insert their own interests into policy outcomes. In particular, labour can push its agenda if it participates in an organised and mobilised capacity. This is especially important in the analysis of the state's welfare functions, which have expanded in the twentieth century largely in response to demands by organised labour. The birth of the welfare state in the West was either directly or indirectly brought about by a mobilised labour movement, and its expansion appears to have been in tandem with the growth of labour's power (Hicks, 1999; Stephens and Stephens, 2001; Korpi, 1978). But it is important to note that the working class only counteracts capitalists' power in the lobbying process, and that too, rarely as an equal. Labour has no counterpart to capital's structural power, which is based on the latter's control over economic investment. While other groups can confront business as organised actors, they have no parallel power at the structural level.

This means that in all capitalist settings, the baseline direction of policy will be biased toward capitalist interests. In developing countries, this bias can be weakened by two other factors. First, capitalists can be a small and nascent actor in the overall economy, since agriculture typically accounts for a substantial chunk of the GDP. They will, therefore, have less structural power then their counterparts in advanced economies, and might have to share it with landed classes. Second, in addition to their small size, capitalists can be rather more dependent on the state than they are in rich countries – for finance, protection, technology acquisition, et cetera. This gives the state more leverage against local business than it has in industrial economies, a leverage that can be used to cater to other interests. Still, we should not exaggerate the effects of these factors. Though they certainly do modulate the influence of capital, they leave its basic primacy intact. First, even though landed classes might have considerable influence in the global South, they are, by now, typically capitalist landed classes. They represent another sector of capital, not a force arrayed against it. Second, the simple fact that states operate in a global capitalist economy means that they have to give special attention to local entrepreneurs, even if they are small in size. Indeed, one can say that, relative to its share in the economy, capital can be especially privileged in developing countries, since states are committed to creating a hothouse environment for their growth.

The upshot is that in any developing country where the local industry has progressed beyond a certain threshold, the policy orientation of the state will be biased toward the interests of domestic capital – agrarian and industrial. Between the two, there will be a tendency to increase the preference given to industry over agriculture, insofar as the state is committed to development. Within the policy domain, developmental functions will take preference over welfare functions. This is another reflection of a bias toward capital, in that, as I will show later, developmentalism has tended to commit to enhancing profits over wage growth. To the extent that the welfare orientation of the state depend, it will advance more or less in tandem with the growth in the power or the leverage of subordinate groups – the poor and labouring groups in urban and rural sectors, and political parties representing their interests. Here too, we can hazard a prediction: although social policy will be more advanced if subordinate groups have some presence in policy circles, it will be more effective and more munificent in cases where these groups are mobilised, as against simply being represented by intermediaries.

Thus, for the distributive dimension of development policy to be effective, it requires considerable inclusion of the poor and disenfranchised in the policy process; however, the manner in which they are included is of considerable importance. The most common form of inclusion in the developing world has been through various kinds of corporatist structures, which have the effect of relegating these subordinate groups to a passive role. Incorporation of this kind has been far less successful in fostering successful distributive policies. Where such policies have been more successful, working class and peasant organisations have been given, or have wrested for themselves, an active and participatory role in the policy process. This has required, in turn, that subordinate groups either be allowed to organise themselves independently of state control or that the state itself funnel resources toward such organisations of the working population. I will show this through an examination of the Indian case, with some comparative data from other developing countries. It is to be noted that this approach goes against the current thrust in Indian policy circles, where poverty reduction is increasingly relegated to market forces.

6.2 The evolution of policy in Indian development

The evolution of policy in post-independence India has gone through three broad phases, in which the balance between the state's developmental functions and its welfare functions has shifted over time. Table 6.1 summarises the shifts.

The Nehru years

The first period was under the leadership of Jawaharlal Nehru, whose tenure at the helm of the state stretched from 1947 to his death in 1964.

Table 6.1 Phases of state policy

Era	State's role in development	State's role in social policy
Nehru years	High (planned development)	Low (by-product of plans)
Indira Gandhi years	High (state-led development)	Increasing (welfare schemes)
Liberalisation	Low (reliance on market)	Low (reliance on market)

These years were marked by a near-absence of any real welfare policy, except in basic health and education. State policy was geared single-mindedly toward economic development, though under a dirigiste regime. Distributive matters were therefore folded into the domain of economic planning. Planning, for its part, was supposed to have been overseen by a state standing above sectional interests, and hence, able to cater to all social groups. But as we shall see, this was soon revealed to be a serious miscalculation, as dominant groups were able to turn policy outcomes toward their own interests. This not only precluded any real welfarist orientation, it also undermined the distributive goals of economic planning.

The Indira Gandhi era

The second period was largely coterminous with Indira Gandhi's rule, which extended from 1967 to 1980, with a brief hiatus in between. In the Gandhi years, the balance between developmentalism and welfare policy shifted somewhat toward the latter. This was in some measure because of Indira Gandhi's tilt toward the organised left, most of all the Communist Party, which gave a much greater opening to subaltern interests than had been possible under Nehru. But it was probably more powerfully driven by a wave of popular mobilisations starting in the late 1960s, extending into the mid-1970s, which pushed the Indian polity in a more populist direction. This was the period in which distributive measures were set up for the first time and poverty reduction was taken up explicitly as a goal of policy. Some real gains were made on this score, though they remained quite limited.

Liberalisation

The turn toward more market reliance is usually taken to have started in 1991, though in reality it began under Rajiv Gandhi in 1985, when V.P. Singh was the finance minister. Starting then, and more so since the mid-1990s, the state has turned toward a greater reliance on the market both for economic development and for distributional outcomes. This has had two implications for social policy: first, a diminution in the incidence of such policies; second, a shift away from universalism toward more targeted policies, apparently inspired by the American model of means-tested welfare programmes. In some respects this harkens to the Nehru years when social policy was almost absent from the state agenda. But now, it is accompanied by an unbridled and quite open celebration of market forces, as against the state paternalism of Nehru.

6.3 The Nehru years

State policy under the helm of Nehru's leadership was geared single-mindedly toward accelerating the rate of growth. The conventional understanding of the policy agenda that grew out of this commitment is that it led to a kind of dogmatic socialism, an obsessive valorisation of the public sector, to the point of squelching private initiative. A small, weak class of industrialists had little recourse but to go along, and worked to the best of its ability within the parameters established by the state (Bal Dev Nayar, 1989; 1999). In fact, the conventional picture is vastly overdrawn. Nehru was very careful to keep public sector expansion within the bounds that were acceptable to Indian business houses.[2] Almost every major body set up to design policy and new state institutions in the aftermath of independence was dominated by business leaders. It was taken for granted that Indian development would be a capitalist development, based primarily on the private sector. Nehru issued statements espousing socialism to be sure; but he did so while changing the meaning of the term. Socialism for Nehru basically meant a kind of state capitalism, with some influence from highly paternalistic Fabian leanings.[3] And this too, did not touch the dominance of Indian business houses in the industrial sector, nor did it make much of a dent in the power of landed classes. This had grave consequences for both development policy, as well as social policy. For while it was assumed, or hoped, that growth would take care of distribution, the influence of elite groups only further undermined an already weak impulse.

Industrial policy

The first three five-year plans were guided by the basic assumptions of Keynesian growth theory a la Harrod and Lewis, which focused powerfully on securing a jump in the rate of investment. This, in turn, required an increase in the savings rate, which was assumed to depend on funnelling income toward wealth holders. So a firm commitment to boosting investment seemed to depend on clamping down on consumption and increasing savings among asset-holders. If achieved, this would generate an increase in growth and employment, and hence, greater economic security for the poor. Note that, when the political ramifications of this apparently technical schema are considered, it cannot but privilege the interests of the wealthy. I will return to this later. But as regards labour, economic security for labour was taken to be a by-product of the growth process. The role of the state was to ensure

that the required investment took place, at the appropriate level and in the warranted direction – this was the meaning of planning.

What would be the place of distribution in this framework? The primary instrument through which labour has pursued its distributive interests in the twentieth century is through collective bargaining. The Indian labour movement had powerful currents pressing for a reliance on this mechanism for setting wages in manufacturing. But while the new government did give lip service to encouraging direct negotiation between employers and employees, it set up various measures that in fact discouraged it. The prospect of disruption through strikes or job actions could not be countenanced in the crisis setting of the post-war years. So the new legislation developed an elaborate apparatus for arbitration of industrial disputes. The Industrial Disputes Act of 1947 forced unions to issue a 14-day notice in the event of a planned strike action, but also empowered the state to send the contending parties to compulsory arbitration if it deemed necessary. The involvement of the state into industrial relations was magnified by the passing of the minimum wage legislation in 1948, which called for the establishment of regional and sectoral wage boards, which would ensure a fair schedule of wages in key lines.

What is noteworthy is that, in the industrial sector, Nehru did not establish instruments specifically geared toward poverty reduction or income redistribution. These were folded into the planning framework, and subordinated to the growth imperative. Nonetheless, the government also did not settle for a complete reliance on the market for fair distributional outcomes. Guided by its basic paternalism, the state introduced itself as a participant and an adjudicator in industrial relations. The aim was to stop short of actually reversing market outcomes, but to still have some influence in their basic direction. If the profit motive was to be harnessed to developmental goals, the state would still smooth out some of its sharper edges.

On paper, the wage legislation and adjudication system seemed promising – since it presumed a basic neutrality vis-a-vis the key actors. But to the extent that investment was assumed to come from the private sector, policy decisions could not but privilege employer interests over those of labour. Nehru and the Indian National Congress fully internalised the imperative to build an appropriately friendly investment climate, to build business confidence. During the first two plans in particular, the worry about keeping business placated quickly overshadowed all other commitments. It would have been a mighty force in its own right under any circumstances. What made it especially pressing was the material situation after 1947. The Partition created a significant economic dislocation, magnifying the marginal effect of even a small downturn in investment. But even more importantly, Indian capitalists went on a political offensive after independence, exacerbating the economic disruption of the years with an investment slow-down. For more than two years, the Congress and the Indian capital were in a stand-off on the basic direction of policy for India's future development (Chibber, 2003, Chapter 6; Kidron, 1965). At the heart of this conflict was the issue of the state's power over the private sector – what would be the scope of industrial planning, what instruments would be put into place to implement it, and what would be the range of powers that planners would arrogate to themselves? The initial designs drawn up by the Congress leaders gave planners great authority to not only draw up economic plans, but also ensure business compliance with their dictates. But this initial vision broke against the shoals of business opposition.

In order to encourage the resumption of investment, planners found themselves scrambling to placate the business community. The first victim was labour policy. Legislation that had been passed would be implemented only if it did not interfere with the plans, and since the plans depended centrally on the participation of private capital, the implementation of labour legislation came to be influenced heavily by the demands of Indian business. The immediate expression of this new dynamic was the successful delay by the Planning Commission in the implementation of the Minimum Wages Act of 1948. Industry was extremely suspicious of any wage boards or statutory wage legislation, and this resulted in the state adopting a very cautious stance on the matter. Hence, there was a ten-year delay in the setting up of the wage boards that were to administer minimum wage legislation. Despite the fact that the law was passed in 1948, it was not until the late 1950s that the boards were in fact set up.[4] This left matters of distribution to individual or to collective bargaining. But here too, the intrusion of the arbitration system favoured employer interests. While the law provided for compulsory arbitration, it did nothing to ensure rapid delivery of a verdict. Management was left with the ability to drag out the proceedings for months, even years (Ramaswamy, 1984: 44–8)). This meant that under the new dispensation, collective bargaining held little value to employers, as their recalcitrance was only likely to deliver the parties to a conciliator or arbitrator, and in such a case, the whole matter would turn on which of the parties would give in first. And with immeasurably greater resources at its command, the odds, of course, always favoured management.

Agriculture

Matters were arguably worse in the agrarian sector. In industrial policy, the state did beat a retreat on many of its more ambitious designs at building a developmental state. Nevertheless, it remained programmatically committed to imposing some discipline of the pattern and direction of private investment – without which planning would be an entirely academic exercise. This, in turn, presumed some degree of discipline on local firms, and an apparatus designed to impose such discipline. Industrial policy required some degree of encroachment on the property rights of local capitalists. With regard to the agrarian sector, however, the retreat of the state was even more dramatic. Congress programmes had for quite some time been announcing a commitment to land reform, one of the cornerstones of its political agenda. But upon its ascension to power, the Nehru government backed off from its agrarian programme. The basic story is very well known, and does not require reiteration.[5] The retreat on land reform occurred in two steps: first, the matter was declared the responsibility and the prerogative of individual states, not the central government; and second, once at the state level, it was allowed to slowly die on the vine – hardly a surprise, as state legislatures were largely dominated by representatives of landed interests. While there was some success in the acquisition of surplus land, the progress of land-to-the-tiller reform never got very far.

The result with regard to organised interests and redistribution was two-fold: first, landed power remained largely intact in many parts of the country, though the limited redistribution that did take place created a new stratum of large peasants. What is relevant here is that the creation of rich peasants did not mitigate the unequal distribution of power, but simply created a new stratum within the rural elite. Economic policy would not, therefore, take on less of an elitist bias – it simply would be turned toward the newly emerging dominant group. Second, the failure of reform left intact a vast ocean of agrarian labourers clutching on to marginal holdings, or surviving as an underemployed rural proletariat. For this class of rural dwellers, there was a pressing need to deliver some kind of economic entitlements, since their own participation in rural markets fetched such meagre returns. Agrarian policy from the First Plan onward had to address this issue, however, cursorily.

The dilemma in the agrarian sector with regard to distributive outcomes was of the same kind as in industrial policy. The basic constraint lay in the development strategy itself, which viewed distribution as a by-product of the growth process. This being the case, welfare concerns were put on the back-burner as all attention came to be focused on boosting agrarian production. In the first three plans, which were drawn up around a heavy industrialisation strategy, this meant viewing the agrarian sector mostly through its supply dimension, not as a source of demand for consumption goods. Indeed, the Mahalanobis strategy was geared toward discouraging consumer goods, as resources were funnelled to heavy industry. This naturally meant that agrarian incomes were not a primary concern, and nor, by extension, was the matter of distribution. Even more, since a mobilisation of the agricultural surplus was of primary importance, any disruption of the reigning institutional structure was viewed with great trepidation. Hence, even while changes in property relations were pushed off the agenda, even a change in operational holdings – as through cooperativisation – failed to gain momentum. As Francine Frankel has chronicled, the commitment to agricultural cooperatives, as declared in Congress's Nagpur Resolution of 1959, remained, like so many other Congress resolutions, largely ornamental (Frankel, 1978, Chapter 5).

The second constraint was that the failure of reform left untouched the power of dominant groups in the countryside. This had the effect of enabling landlords to circumvent or block what little was tried in the way of redistribution or entitlement schemes during Nehru's time. Starting in the Second Plan, especially its latter years, and extending into the Third, Nehru instituted some measures to provide greater security of consumption and incomes to the rural poor. The main such measures were attempts at cooperatives, state trading in foodgrains and the community development programme (CDP). All of these were either responses to the glaring shortcomings in food policy, or, in the case of the CDP, an attempt to reorganise rural resource mobilisation in lieu of asset redistribution. But each one of these programmes came apart through resistance from the landed elites, typically in alliance with local merchants and traders. The fundamental problem of class constraints on state action was never tackled directly, and hence, proved to be the critical weakness of the strategy. The very institutions that were supposed to implement government policy – the Congress Party machine and the local state organisations – were thoroughly penetrated by groups hostile to agrarian policy. Even the halting attempts at reform tried by Nehru foundered against their resistance.

The Nehru years were thus marked by a conspicuous failure with regard to social policy. The basic framework for economic policy was such that it could not directly attend to the interests of the poor. Plans were geared primarily toward increasing the rate of growth, and since investment remained largely in private hands, a commitment to increasing the pace of investment could not, but translate into a special concern with the interests of dominant classes. There was a hope of sorts that the development process itself would deliver greater security to the poor and destitute; and in fairness, the Congress did initiate some attempts at protecting the economic interests of urban and rural workers, though wage and price legislation. But this was based on a fantasy – that the state could remain a neutral actor in the political arena. The ex ante bias toward the wealthy, embedded in any capitalist state, was further reinforced by the growth models that Indian planners adopted; and this favouring of the interests of dominant classes was aggravated by the latter groups' own political muscle, which resisted and undermined the few attempts at redistribution.

6.4 Indira Gandhi and the turn to social policy

The development experience under Nehru's tenure as prime minister was not without its achievements. India posted a respectable growth rate for the three plan periods, and even though land reforms were largely unsuccessful, there were real gains made in the distribution of foodgrains. But the one in which the Nehru era was a clear failure was in poverty reduction. The realisation of this fact among planners gained ground in the mid-1960s. Efforts to address the issue directly were boosted by economic and political developments at Nehru's death, when Indira Gandhi came to power. Gandhi initiated a move to the left in a kind of populist phase, which put the issue of poverty at centre stage. Finally, there was also an upturn in social unrest, which might very well have added to the urgency of the situation in the mind of political elites.

By the middle years of the Third Plan, there was a growing suspicion among planners that whatever the success of the first two plans might have been, there did not seem to have been many gains against poverty. One of the earliest studies of the extent of poverty, and the policy space to tackle it, was taken up by Pitambar Pant in the perspective planning division of the Planning Commission. Pant and his colleagues found that poverty levels remained at alarmingly high levels, and proposed a series of measures that might be taken to marry the growth strategy adopted by the Planning Commission with a minimum standard of living for the poor.[6] It is hard to say how far this concern with poverty reduction would have progressed had circumstances continued along the same groove as had been set by Nehru. After his death, however, an opening emerged that pushed the matter closer to the centre of policymaking.

The critical component of the new dispensation was probably the peculiar situation in which Gandhi found herself as she took power in 1967. While she was nominally the party leader and the prime minister, her base within the organisation was still exceedingly narrow. She found herself with the formal reins of power, but under the authority of the older generation of party bosses, known, ominously enough, as 'the syndicate'. The story of her tussle with this layer of regional bosses is very well known, and need not be reiterated here (see Frankel, 1978). But in 1969, Gandhi engineered a split within the Indian National Congress (INC), launching a new formation under her leadership, the Congress (I), which now became the ruling party. What is relevant for our purposes is the fact that, in launching this new party, Gandhi leaned heavily on the Congress left, which was disaffected with the experience of the past two decades, and reached out to the Communist Party of India for support in Parliament. The launching of the Congress (I) was thus coeval with a leftward turn in the Congress political orientation.

The shift to the left did not come out of the blue. It built on a general upswing of social movements and a commensurate improvement in the non-Congress Left's political fortunes. The parliamentary elections of 1967 were something of a turning point in Indian electoral history. The INC experienced a massive decline in its parliamentary seats. Though it still pulled in a majority of the seats, its share declined from almost three-fourths of the seats in 1962, to just over half in 1967. Meanwhile, the two communist parties and the major socialist parties increased their share of seats by almost 60 per cent, going from 47 seats in 1962 to 78 seats in 1967. To be sure, the right made equally impressive gains, with the Swatantra Party and the Jan Sangh balancing the left parties almost perfectly.[7] But the election showed two things: first, a shocking decline in the Congress Party's hegemony in Indian electoral politics, and second, an apparent polarisation in the political culture along the left–right divide. This electoral shift was accompanied by the outbreak of radical mobilisations in several parts of the country. Rural conflict led by the Maoist break-away groups was especially strong in West Bengal and in Andhra Pradesh, but a wave of radicalisation was sweeping across large parts of the country (Banerjee, 1984). One ought not to exaggerate the threat that these posed: India was not by any means on the verge of a revolutionary upsurge. Nevertheless, the intensification of class conflict was the most significant since 1947.

What, then, was the impact of the rising social conflict, if the threat that it actually posed is questionable? It is likely that its main contribution was to lend credibility and legitimacy to Gandhi's authoritarian populism. That is to say, because there was a real and visible mobilisation from below, which was acknowledged by political elites and magnified by the print media, Gandhi could use it as a lever to prise political capital for herself in her swing to the left. The party split in 1969 marked a turning point in her resort to radical legislation and populist strategies. Most spectacular was the bank nationalisation of 1969, but this was contemporaneous with her adopting the Garibi Hatao slogan, the public railing against large business houses, the passage of the Monopolies and Restrictive Trade Practices Act, and other measures apparently tilted against economic elites. Gandhi was able, in the course of this shift, to lean on the perception that she was responding to a real radicalisation of the population, a mobilisation from below. And in so doing, she could claim to be restoring the waning prestige of the Indian National Congress.

The political context is relevant to our purposes in two respects. First, it opened a greater space for redistributive policies than had been operative before. The combined effect of popular unrest and Gandhi's populist turn put the issue of poverty, and the failure of the plans in alleviating it, at centre stage. On the technical front, it could no longer be claimed, or even hoped, that the growth process itself would make any significant impact on poverty. It was clear that the particular regime of accumulation that India had adopted was generating a stable distributive outcome, one that was tilted markedly toward asset holders. On the political front, the ruling party could not any longer take for granted its hold on power, whether at the centre or in the states. Even had Gandhi not swung to the left after 1969, it is hard to imagine that the ruling party – Congress or not – could have ignored poverty alleviation as a real imperative. The weaknesses in India's economic model were now showing up in the political arena.

The political conjuncture, thus, propelled a move toward welfare measures. Starting in the 1970s, some well known policies were passed that were directed toward the poor – the PDS, the IRDP, the scheme for rural employment and credit programmes for rural producers. Of these, the PDS and the IRDP seem to have emerged as the most ambitious over the next couple of decades, though rural employment schemes have also figured prominently in some states. These new schemes were now added on to the existing expenditures for health and education, to form the backbone of the Indian states' social policy package.

While there was a move to expand the welfare functions of the Indian state, its specific modalities were mediated by the second aspect of the political conjuncture that is relevant for our purposes – the fact that the reforms were mainly the result of inter-elite competition, not a real mobilisation from below. As already noted, Gandhi's turn to populism was justified on grounds of a response to radical threats; these threats, however, were more flash than substance. They certainly pointed to a growing credibility gap for the Congress, but they did not amount to a broad-based mass mobilisation. What was more effective as a proximate cause of the left-ward turn was Gandhi's desire to outflank the party bosses, most of all the syndicate, and to establish her authority as a political leader. This very fact explains the most puzzling aspect of the reforms that she launched, which is their largely ornamental status.

Commentators have noted that while, Gandhi launched the Garibi Hatao campaign with great fanfare, it made little dent in actual policies. The Fourth Plan, launched in 1970, had almost no space for actual poverty alleviation programmes (Patnaik and Patnaik, 2001). Gandhi, for her part, embarked on a media campaign soon after her rout of the syndicate in 1969, to quell rising expectations of a serious radical turn, warning the party base to be realistic about what was actually possible. Of the measures described above, it is probably the IRDP that was a new venture; the PDS built on a system of food distribution put into place by the British (Swaminathan, 2000; Mooij, 1999), which had largely been abandoned in the 1950s and was now revived – and this did not require a great deal of administrative heavy-lifting. And most importantly, any real gains in poverty reduction did not begin registering until the late 1970s, a full decade after the left turn (Patnaik and Patnaik, 2001).

On the basis of the propositions outlined at the outset of this paper, the gap between rhetoric and reality ought not to be a surprise. To the extent that redistributive programmes actually transfer income or assets away from the rich and to the poor, they have required, historically, some genuine pressure on ruling classes and political elites. In its absence, the predicted outcome is what we witness under Gandhi's rule: some measures that score high on visibility but low on actual ambition, meant more to create public opinion than to address the real demands. These measures were meant more to widen her mass base than to actually tackle poverty. Hence, their efficacy remained limited.

In sum, the political context in which social policy has been conducted has established the basic parameters for its scope and scale. The basic thrust of Indian development policy has been to favour the propertied classes over the poor. This has made for little internal momentum for an ambitious social policy agenda. The developmental orientation has itself been a product of the underlying imbalance between labour and capital, but it has also, reciprocally, reinforced this

imbalance. In the absence of a real mobilised threat, welfare policy initiatives have been the result of inter-elite competition for votes and mass constituencies. Gandhi's populist turn – more accurately, her turn to authoritarian populism – was the first and one of the most significant of such incidents. The kind of welfare state that this has produced is one in which the efficacy of social policy has been limited, and more geared toward patronage.

Given this basic set of parameters, it should not be surprising that poverty reduction became more prominent as a state initiative in the late 1970s. The Congress rout in 1977 was no accident; it heralded the end of one-party dominance as an accomplished fact in Indian politics. Starting with the Janata experiment, political competition became much more intense than it had been in the preceding three decades of independence. But underlying this was a deeper fissure in Indian politics, brought about by the transformation in rural relations by the green revolution, and by the aggregative effects of land reforms in some parts of the country. By the mid-1970s, traditional sources of political stability in the countryside were starting to break down, as rural class relations underwent a deep transformation (see Kohli, 1990; Corbridge and Harriss, 2000). A new stratum of the rural rich was asserting itself, turning away from the INC, and starting to throw up political formations of its own. The Congress found itself having to scramble to establish new linkages with rural elites, and emerging political leaders – as did other parties. The same incentives that impelled Gandhi toward a faux populism now emerged again, only more powerfully. Social policy, therefore, had a more powerful thrust behind it – while nevertheless remaining limited in its basic scope.

The basic argument about the relation between organised interests and social policy is strengthened if we examine the phenomenon at a subnational level. In recent studies of poverty reduction, the states that have fared most favourably have been those in which unions and popular organisations have been active forces in the political process. Timothy Besley and his colleagues have summarised the relevant findings, and report that West Bengal and Kerala have had the most success in rolling back poverty (Besley et al., 2007). It is worth examining this finding. Kerala is probably the more well known case of the two. It was one of the first states to acquire a ramified PDS system, largely because of mass pressure, as early as 1942–3 (Ramachandran, 1996). Over the course of five decades, a political culture has persisted in which unions and mass organisations have been highly mobilised for political ends. It is significant that, while Kerala's achievements are sometimes identified with the successful history of the CPI(M) there, the latter has not ever held office for an extended period of time. Since it first took office in 1957, the CPI(M) has alternated its rule with the Congress Party, unlike its experience in West Bengal where it has held uninterrupted office for 30 years. In this period, Kerala has consistently scored the highest of any Indian state in per capita welfare measures – despite long periods of sub-par economic growth. This cannot be directly attributed to having a communist party in power, since the Congress has shared office with it. The direct reason is that, in the presence of a highly mobilised and articulate populace, the state faces a real threat to its stability if it ignores mass demands.

West Bengal is in some measures like Kerala, in that it also boasts a highly politicized electorate. But since the CPI(M)'s ascension to power in 1978, it cannot claim to have the same degree of mobilisation as Kerala. Indeed, in some respects, the communists have very adroitly de-mobilised parts of their base.[8] But the CPI(M) is programmatically committed to redistributive policies, and has positioned itself at the left of the political spectrum in West Bengal. It came to power with a very radical programme for redistribution, effected a land reform that, on most every account, was highly successful. This reform has been supplemented with a very ambitious expansion of the PDS, which made the state one of the biggest beneficiaries of the programme by the 1980s (Swaminathan, 2000). Thus, asset redistribution has been supplemented by an extension of entitlements. The findings of Burgess et al. confirm what Atul Kohli found in his research of poverty reduction programmes in the 1980s, that they are most successful in states where a mobilised electorate can be found, and where this base has organised links to a political party (Kohli, 1987).

This is not the only route to successful social policy. Other states have had some success in poverty reduction, though it is significant that, of all the states that score highly in Burgess et al.'s study, it is only Orissa that can claim to base this on state programmes. Other states where poverty has been receding – Andhra Pradesh, Punjab and Haryana – have also experienced high growth rates, so it is possible that it is the latter and not social policy that is behind this phenomenon. But if Orissa's success is real, then it is worth examining the conditions that might explain it.

The general pattern of subnational fortunes with social policy tends to confirm the proposition that welfare measures are directly linked to an organised pressure by the poor. In India since independence, such pressure has not been very high, nor very organised. To the extent that national legislation has tackled the issue, it has been a top-down effort at controlled mobilisation and patronage. This elite competition expanded in the decades after 1970. This explains why poverty reduction in India has been largely a failure, while still exhibiting a definite favourable trend in the decades before the liberal turn.

By the 1990s the Indian state had stabilised its pattern of intervention. Perhaps the most noteworthy point in this regard is that even though the per capita poverty reduction expenditures in India rose between 1970 ands 1990, they remained very low, both on an absolute level and relative to other state expenditures (Mundle and Rao, 1997, Table 7). Second, on an international scale, Indian expenditures remained at average or below average levels.

6.5 India under liberalisation

In the years of India's dirigiste development strategy, welfare policy never occupied an important policy space. I have argued that this was not a simple product of the technical aspects of the economic models that were followed – though these did reinforce the class bias of the policies. The weakness of India's social policies was a direct outcome of the balance of power between social groups – domestic business and landed classes on one side, and workers and the rural poor on the other. In other words, India was never not pro-rich. What shifted in the pre-reform period was the nature of political rule, from a stable polyarchy to a kind of competitive polyarchy. This had two effects: it allowed for the emergence of real measures to attract the poor into new political alliances, but it also kept the range of social policy within strict limits.

Despite the inadequacy of the social policy framework during these years, it cannot be ignored that the 1980s did witness some real progress with regard to poverty reduction. Over the past 15 years, however, in spite of the gains made in the recent past, the state has drawn back from many of its social policy commitments. This has occurred in a context in which the basic framework of dirigisme has also been overturned – bringing in train a shift in the balance of power between dominant and subordinate groups.

In agriculture, income growth has been limited by a general stagnation in the entire sector. Remarkably, however, in spite of the generally unspectacular rates of growth, state support to dominant groups in the rural sector continued on an upward ascent in the 1980s and 1990s (Gulati and Narayanan, 2003). The steady character of this support reflected one of the most important developments in Indian politics during the decades after Nehru's death, which was the emergence of a newly consolidated and assertive lobby of rich farmers (Brass, 1995). In the wake of the spread of new agricultural technologies of the 1970s, subsidies for power and fertilisers became an especially central component of economic policy, since these technologies were, famously, scale-neutral, but input-intensive, – that is, they required heavy investments in power, water, fertilisers, et cetera. So while farmers in some states – particularly in the north and north-west – were certainly able to commit to the use of new techniques, they also pressed their demands that the state defray as much of the costs of this venture as was possible. The first inkling of these new groups' power was the rise of Charan Singh in the Janata Party, culminating in his short premiership (Byres, 1981). But it continued and even accelerated through the 1980s and 1990s, and formed the political basis of the steady rise of agricultural subsidies (*see* Corbridge and Harriss, 2000). The significant point here is that the continued subsidisation during the 1990s represented a quite conspicuous sop to dominant rural classes, even as the rhetoric of scaling back state expenses continued – and more importantly, even as the wage growth in the rural sector showed little improvement (Himanshu, 2005).

The developments in agriculture did not reflect a shift in political power – dominant classes always had an upper hand in the sector – so much as its assertion in a new form. It was in industry that a more palpable shift in power occurred. Research on the politics of liberalisation in industry is still very thin, but some of the broad contours can now be gleaned. Liberalisation began in some significant ways during Rajiv Gandhi's tenure in the mid-1980s, and was adopted as a full-blown policy after 1991. This represented a turn away from the dirigisme of the Nehru–Gandhi years, and was driven by two forces. First, new business groups, which had appeared and matured under the statist regime, found themselves blocked in their further growth because of the cosy nexus that had been established between state planners and established business houses. While Dhirubhai Ambani's Reliance Group has often been pointed to as a driving force in this dynamic, it is probably not representative of the forces behind liberalisation. Reliance was, if anything, a paradigmatic example of adroit manipulation of the licence regime, not of direct opposition to it. More significant, probably, were smaller units that grew as subcontractors and suppliers to dominant houses, and which sought to break into new lines, but found themselves shut out because of state regulation on new investment. These smaller groups established themselves in regional as well as national parties as vocal opponents of the 'licence-quota raj' (*see* also Kohli, 2006a and 2006b).

The other force behind the shift was undoubtedly the political elite with some higher echelons of the economic bureaucracy (Shastri, 1995). Some caution is needed here. Much of the scholarly literature on liberalisation points to the decisions taken by Rajiv Gandhi and by his finance minister, V.P. Singh, to initiate liberalisation in the mid-1980s – making it seem like an autonomous move by the state. But it is also true that Rajiv Gandhi took measures to ensure that there would be a solid base among the Indian business community for this shift – indicating that he expected opposition, and that he was aware that states cannot ignore the sentiments of the most powerful economic actors. Perhaps the most important political measure he took was the promotion of the Confederation of Indian Industries (CII), which had hitherto been a minor business association, mainly of engineering firms, but was now adopted as a major partner of the Indian state. In so doing, he actively sought to create a counterweight to the established business associations like FICCI, which were under the leadership of the biggest business houses (ibid., Chapter 6). Within a few years, the CII became a rival to FICCI and other chambers, and was also the most active supporter of liberalisation.

By the early 1990s, when the wholesale turn away from dirigisme was adopted, the India state had developed a considerable base in the business community in favour of the turn. In addition to the smaller and middling groups that had been chafing under the old regime, there was also now a phalanx of bigger, more dynamic firms in the CII that were allied with the economic bureaucracy. This opened the door to a noticeable shift in social policy as well.

The most direct effect on welfare has been through trends in wages in the organised sector. There is evidence of a more aggressive stance by employers toward industrial disputes, as evidenced in secular rise in lockouts (Datt, 2003; Shyam Sundar, 2004). This increase in lockouts has been concurrent with a drastic decline in strike activity (Anant et al., 2006: 252–3). Employers have, thus, become more aggressive, and labour more cautious, in an environment in which the state has made clear its impatience with labour regulations and protections. Unsurprisingly, this trend in industrial conflict has resulted in a noticeable shift in the distributive sphere – an appreciable decline in the share of wages in the manufacturing sector, and as its concomitant, a jump in the share of profits. A detailed study of industrial relations since the 1980s by Debdas Banerjee reveals a drop in the wage share, from 33 per cent of net value added to 17 per cent between 1985 and 2000; conversely, the profit share rose from around 16 per cent in the mid-1980s to 30 per cent in 2000 (Banerjee, 2005, Figure 2.1). Together, this data points firmly in the direction of a shift in the balance of power away from labour and in capital's favour.

The shift in income shares has occurred in a context where employment generation has been much slower than hoped for. A recent study by R. Nagaraj found a drop of 15 per cent in the number of workers employed in the manufacturing sector between 1995–6 and 2001–2 (Nagaraj, 2004) – in spite of the protections against lay-offs supposedly provided by Indian labour law. Nagaraj refers to this process as 'reforms by stealth', as governments have either decided to not enforce the laws, or have found it harder to do so. Indeed, a spate of recent studies has questioned the proposition that labour law has been a drag on flexibility at all (Shyam Sundar, 2004; Deshpande, 2004). These laws have certainly looked fearsome on paper, but employers appear to have found a great many avenues to avoid their force, especially in recent years. In sum, recent research suggests that not only have the working poor experienced a loss in job opportunities, but that the quality of employment has declined – with less power to negotiate their terms, less leverage against employers, and a declining share of income. The liberalisation era has, it appears, worked to the favour of capital in quite striking ways.

This data makes it especially worrisome that the state has also decided to roll back its social policy commitments at the same time as labour finds its economic fortunes waning. It means, quite directly, that labour is being squeezed from both sides – with less success in the labour market, and with decreasing support from the state. A recent survey by Dev and Mooij shows that social expenditure in the reform decade was noticeably lower than in the 1980s, falling from close to eight per cent of GDP to less than seven per cent by the end of the 1990s (Dev and Mooij, 2002, Table 3).[9]

One indication of the way in which debate reflects the underlying balance of power is with regard to the future of social policy. It is now a growing opinion within the political elite that, if subsidies and entitlements are to continue as a part of state policy, they will have to be packaged as targeted transfers, not universalistic. The United States is viewed as a model in this regard. This has led to a lively debate on whether means-tested programmes are in fact more cost-efficient, and whether they can effectively achieve their purpose, given the difficulty of accurately measuring for income and insecurity (Swaminathan, 2000). Such debates focus carefully on the economic merits of universal versus means-tested programmes. However, there is a political

logic to this as well, which is often overlooked. This is the fact that targeted programmes bring with them a severe political liability, for in limiting their scope to one section of the population, they also narrow the support base for such policies. Furthermore, this support base, being the poorest and the most destitute, will also tend to be the weakest politically, since it has the fewest resources for collective action. Finally, in excluding large sections of the population from its ambit, it automatically creates a constituency that gains nothing from the programmes, while nonetheless having to contribute to it through taxation. It thus creates a lobby that sees such programmes as largely a cost, with no direct benefits. And, since this lobby belongs to the wealthier sections, it also has greater resources.

If the future of Indian social policy is in the direction of means-tested programmes, then they are likely to be embattled and on the defensive – much as they are and have been in the US since the passage of the New Deal. It is striking that the programmes that have had the greatest resilience in the US against the neo-liberal assault are those that are universalistic in scope – social security and medicare. The political logic of targeted programmes is a very distinct one, because of the manner in which it interacts with organised interests.

6.6 Conclusions

For most of the twentieth century, state-building and state policy in the developing world was geared toward accelerating the growth process. Almost without exception, the emphasis of policy was thus focused away from distribution and toward asset accumulation. The main exception to this was in the realm of agrarian policy, where land reforms acted as a major source of redistribution, and hence, of poverty reduction. But it needs to be stressed that even though land reforms served the ends of redistribution, they were typically motivated by the growth imperative and not by a social democratic impulse. In any case, the motivation to push growth rates to entirely new trajectories generated, across the developing world, a state form that has come to be known as the developmental state. This form of state was quite distinct in the range of tasks that it took up, when we compare it to the welfare states of the advanced capitalist world. In the latter, growth and accumulation were left more to market forces, and governmental institutions were pushed to intervene more concertedly in the sphere of income distribution. Hence, whereas growth policy was the core of state objectives in the global south, social policy was at the heart of states in the capitalist core.

Institutions for social policy have therefore been less developed in the South – and so has the scholarly study of social policy. Despite the relative paucity of literature on the phenomenon, I have suggested that the basic dynamics of policy in post-independence India conform to the predictions coming from the scholarship on the core states. Insofar as welfare policy is conducted in a capitalist context, it is fair to expect that its success will be positively related to the degree of power and representation achieved by labouring groups. While this is true in advanced economies, it is even more so in the South, where the focus on growth enhancement lends a built-in bias toward asset-holders. Any shift of income away from them requires direct political pressure from its putative recipients.

The Indian case confirms this in a striking fashion. While it is accepted that the failure of land reform was a symptom of the INC's capture by landed classes, it is not widely appreciated that industrial policy also bore the imprint of organised pressure by dominant classes, in this case the giant business houses. For the labouring poor in rural and the industrial sector, therefore, the state did not turn out to be a significant source of poverty alleviation in the early years of independence. What was established in these years under Nehru was a basic framework in which policy was basically geared toward the interests of the dominant classes, but with a great deal of legislation ostensibly aimed at protecting the economic welfare of subordinate groups. But at the same time, these groups were rapidly demobilised and folded into the state apparatus through various institutional means, hence, depriving them of any real mechanism for exerting real political pressure. Legislation, therefore, remained ineffectual, largely ornamental, despite its progressive gloss.

This pattern was modified somewhat during the years of Indira Gandhi's and Rajiv Gandhi's rule, as policy shifted somewhat toward more redistribution. But it still hewed to the basic pattern. Since it was fundamentally driven by deepening inter-elite competition, it was geared toward acquiring patronage and vote banks, not toward actually addressing the root causes of poverty. And since the basic growth model remained the same, the state's orientation was kept steadfastly hitched to elite interests. The places where it was most effective was states where working class mobilisation did achieve lasting success, and where land reform were successfully implemented – much as our theory would predict.

The two decades under liberalisation have not yielded much hope for this pattern to be reversed. With regard to the state's relation to organised interests, the hold of dominant groups over policy has, if anything, tightened. And the space for labouring classes has narrowed, as their

political muscle has waned, and their presence in the policy apparatus has become more precarious. Whereas in the years of dirigisme, the state at least gave lip service to poverty reduction, the very idea is now being rejected out of hand. Market forces are now presented as a panacea for achieving what state policy did not over five decades. But this is to take the wrong lesson from the years of economic planning. If international experience is any guide, the way to tackle distribution is by better social policy – not its abandonment.

Notes

1. In sociology, pluralism has very little influence these days. In political science, it is very powerful in the study of electoral politics, which automatically gives it great prominence – but less so in the scholarship on welfare states and the political economy of development. In economics it is probably the dominant approach.
2. This changed in later years, especially the 1970s, and it is very likely that the image of the Leviathan state in Nehru's time is a backward projection of this phenomenon to his years.
3. The identification of Nehru's state capitalism, or statism, with socialism is incredibly common in the literature. For an early – and rare – exception, *see* Michael Kidron, *Foreign Investments in India* (Oxford, 1965).
4. *See* the ILO (1960), p. 33.
5. One informative source for the history of land reform is Appu (1996).
6. *See* the 1962 *Report of the Committee on the Minimum Standard of Living*, in Bardhan and Srinivasan (1974).
7. AICC, *The Fourth General Election: A Statistical Analysis* (1967) Delhi.
8. For a controversial presentation of this argument, *see* Mallick (1992). In my view, Mallick's work – though problematic in several respects – has been too glibly dismissed in the literature.
9. Expenditure rose to close to 7.5 per cent in 2000, but this was likely a result of the implementation of the Fifth Pay Commission's recommendations. *See* also the data in Radhakrishna and Ray, 2005, Chapter Four.

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