ENCYCLOPEDIA OF *India*

editorial board

ENCYCLOPEDIA OF *India*

VOLUME 3

K–R

Stanley Wolpert

Editor in Chief

CHARLES SCRIBNER'S SONS

An imprint of Thomson Gale, a part of The Thomson Corporation

THOMSON ™

GALE

Detroit • New York • San Francisco • San Diego • New Haven, Conn. • Waterville, Maine • London • Munich

THOMSON
GALE

Encyclopedia of India

Stanley Wolpert, Editor in Chief

For more information, contact
Thomson Gale
27500 Drake Rd.
Farmington, Hills, MI 48331-3535
Or you can visit our Internet site at
http://www.gale.com

LIBRARY OF CONGRESS CATALOGING-IN-PUBLICATION DATA

Encyclopedia of India / Stanley A. Wolpert, editor in chief.
p. cm.
Includes bibliographical references and index.
ISBN 0-684-31349-9 (set hardcover : alk. paper)—ISBN 0-684-31350-2 (v. 1)—ISBN 0-684-31351-0 (v. 2)—ISBN 0-684-31352-9 (v. 3)—ISBN 0-684-31353-7 (v. 4)
1. India—Encyclopedias. I. Wolpert, Stanley A., 1927–
DS405.E556 2005
954'.003—dc22

2005019616

This title is also available as an e-book.
ISBN 0-684-31512-2
Contact your Thomson Gale representative for ordering information.

Printed in the United States of America
10 9 8 7 6 5 4 3 2 1

Indian Christian theology and he was actively involved in the Christo Samaj.

Indigenization of Christianity was possible within the framework of the Indian church organization. Those who stood outside the church were concerned more about the nationalists' critique of Christianity than the anxieties of the Christian community, which was drawn largely from the lower castes. In this process of Indianization, they could function within a miniscule community of Christian intellectuals based on an estrangement with the Christian community and the church organization.

Vincent Kumaradoss

See also **Christian Impact on India, History of**

BIBLIOGRAPHY

Arooran, Nambi K. *Tamil Renaissance and Dravidian Nationalism, 1905–1944.* Madurai: Koodal Publishers, 1980.

Grafe, Hugald. *History of Christianity in India: Tamil Nadu in the Nineteenth and Twentieth Centuries*, vol. IV, part 2. Bangalore: Church History Association of India, 1990.

Houghton, Graham. *The Impoverishment of Dependency: The History of the Protestant Church in Madras, 1870–1920.* Chennai: Christian Literature Society, 1983.

Sundkler, Bengt. *Church of South India: The Movement towards Union, 1900–1947.* Rev. ed. London: Lutterworth Press, 1965.

Thangasamy, D. A. *The Theology of Chenchiah.* Bangalore: Christian Institute for the Study of Religion and Society, 1967.

Thomas, M. M. *The Acknowledged Christ of the Indian Renaissance*. Chennai: Christian Literature Society, 1991.

Thomas, P. T. *The Theology of Chakkarai.* Bangalore: Christian Institute for the Study of Religion and Society, 1968.

LEGAL SYSTEM. *See* **Judicial System, Modern.**

LIBERALIZATION, POLITICAL ECONOMY OF In July 1991, just a month after assuming power, and with India facing an acute balance-of-payments crisis, the government of Prime Minister P. V. Narasimha Rao announced a major reorientation of economic policy. Rao's finance minister, Dr. Manmohan Singh, quickly began lowering trade barriers, scaling back industrial regulation, and inviting in foreign investors. The gradual process of policy change, which came to be known generically as "liberalization" or "economic reform," was sustained until the Congress Party coalition lost power in 1996. Succeeding governments—of the left and right—have continued to steer India's economic policy toward a greater reliance on markets and increased exposure to the world economy.

Not every reform recommended by market-oriented economists, or proposed by the government itself, has been introduced. Almost a decade and a half after liberalization began, the long-promised "exit policy," to relax laws that restrict firms' ability to shed workers, had yet to be implemented. Reforms to India's agricultural economy also lagged behind, as did pledges to rein in government expenditure and privatize state-owned firms. India's import tariffs remained consistently higher than many had hoped for, and important controls on the movement of capital were retained.

Nevertheless, the shift of economic paradigm beginning in 1991 has been profound. Liberalization's radical implications emerged only slowly over time, as key policy reforms became rooted and new measures accumulated. Surely, this slippery-slope approach—hoping that early reforms would acquire a self-propelling momentum—helped to neutralize some of the political resistance to liberalization. Of considerable value to reformers was the widespread idea that the reforms were limited in scope, not permanent, and, most of all, were being introduced by prominent members of a political class that had seemingly no interest in shrinking a state to whose largesse they served as gatekeeper.

Indeed, in 1991, the new economic policies were greeted by many observers as yet another doomed attempt—one in a long line of half-hearted reform episodes dating at least to the mid-1960s—to fundamentally change India's *dirigiste* framework. Even so, for analytical purposes, it is helpful to treat the politics of these two processes—of initiating and then sustaining economic reform—separately.

The Politics of Initiation

The theoretical backdrop to the politics of economic reform was a widely held set of assumptions concerning the change-resistant qualities of Indian democracy. Powerful interest groups were thought to exercise a collective veto over any attempt to restructure the policy regime. Pranab Bardhan's model of the "dominant proprietary classes"—widely quoted during the late 1980s and early 1990s—was the classic statement of this view. The clout wielded by these groups appeared to have been demonstrated conclusively when attempts to reform the Indian economy—by Indira Gandhi during the early 1980s, and by Rajiv Gandhi later in the decade—faltered. In both cases, relatively modest policy initiatives were seen to have given way to politically inspired backtracking, or at least a failure to follow through with more far-reaching reforms. The lack of constancy was blamed on the influence of such powerful constituencies as subsidized farmers, protected industrialists, and rent-seeking bureaucrats, though some accounts highlighted ideological attachments as much as material incentives.

Much of the debate during and since 1991 focused on the role of the international financial institutions (IFIs), namely the World Bank and the International Monetary Fund (IMF), in provoking India to introduce a new, more radical wave of market-oriented reforms than had been contemplated during the 1980s. There were conditions—or "policy conditionalities"—attached to some of the loans that the Indian government received from the World Bank and the IMF at the height of the foreign-exchange crisis. The government's insistence on remaining vague about the nature of the agreements, and widespread awareness within India that conditionalities contained within such loans to other developing countries were in some cases draconian, fueled domestic political speculation that the new government had been forced to announce a wholesale change of policy orientation. Critics of the new wave of reforms argued that India was suffering only a short-term balance-of-payments crisis, not a fundamental economic catastrophe. Only IFI pressure, said the critics, could explain why a short-term crisis was met with such far-reaching policy reversals.

Another view, expressed at the time and bolstered considerably since then, was that India was not pushed by the IFIs into reforming, but that it jumped of its own volition. Montek Singh Ahluwalia, the chief official at the finance ministry during the early 1990s, subsequently argued that India's reform effort was "homegrown," a view also taken by scholars who have examined closely the sequencing of reform initiatives in such policy domains as financial markets and telecommunications regulation. During the mid-1980s, when India was not under direct pressure from the IFIs, decisions were taken to liberalize slowly in these and other areas, and government-appointed commissions had offered recommendations that subsequently formed the basis of government policy. From this perspective, the IFIs were by 1991 pushing at an open door, not one locked shut by interest groups fearful of losing their perquisites.

Others see the IFIs as an important element in the push toward reform, but as actors operating less through coercion and more through a process of modified persuasion. Devesh Kapur (2004) argues that remittances sent back home to India by its global diaspora include "social remittances," among which he classifies the knowledge and networks of India's large cadre of foreign-trained economists. Mitu Sengupta (2004) focuses on the key role played by economists of Indian origin who had previously spent time working in the World Bank and the IMF. There were indeed—in the 1980s, but particularly in the 1990s—a sizable number of high-profile "lateral entrants" to the upper echelons of India's extended economic bureaucracy, people who because of their expert knowledge and transnational professional networks were brought into the policy process, either as special advisors, as secretaries to government, or as economists running government-affiliated research institutes, like the National Council of Applied Economic Research, or working within bodies such as the Planning Commission. The lateral entrants brought with them an intangible clout due to their training and experience at elite institutions abroad. This cut both ways, of course, since some of their opponents charged them with being out of touch with Indian realities, or in the thrall of abstract models; others questioned their motives, claiming that plum jobs in Washington awaited them if they towed the IFI line while serving as government officials.

Sengupta takes a more nuanced, and plausible, position on this question. What secured these lateral entrants their positions was a widespread (and probably correct) perception among senior Indian political leaders that the lateral entrants were likely to be treated favorably by IFI representatives when arguing India's case for additional funding, better terms, and so forth. In other words, the lateral entrants would enter government largely due to their ability to act as external interlocutors, officials who could speak the language of the "Washington Consensus." They were like ambassadors to a foreign court. Even so, the internal influence of lateral entrants on policy debates was not expected to be great: after all, the politicians who appointed these lateral entrants could arrange for them to exit laterally as well. As it turned out, a number of these "official economists" proved politically deft, in some cases relying on privileged access to bank-conducted research studies in order to prevail in policy battles raging within the upper echelons of Indian officialdom.

The Politics of Sustainability

The second key question concerned the ability of India's reformers to overcome the daunting political obstacles facing them, whatever their motivation for initiating reforms in the first place. Rob Jenkins argued that the reorientation of India's development strategy could be characterized, to a considerable degree, as "reforming by stealth"—a process in which various tactical maneuvers were employed by governing elites. Based on a strategy of delay, key actors deliberately refrained from highlighting the longer-term implications of initial reform decisions. Narasimha Rao, after leaving office, said of effecting this kind of policy reversal: "What it really entails is a complete U-turn without seeming to be a U-turn."

Jenkins's explanation stressed three interrelated factors: the political skills of India's reformers, the fluid institutional environment within which they operated, and the incentives created by the initial policies employed to address the 1991 crisis. The institution of federalism, for instance, meant that politicians in the central government could pass the burden of fiscal reform to the states. Politicians in New Delhi could also rely on state governments to fall in line with the liberalizing ethos, regardless of their preferences: once the central government loosened restraints on private investors the states would be forced to compete for inward investment by reforming their own policy environments. Over time, federalism began to influence the nature of India's engagement with institutions of global governance. Several state governments entered into structural reform agreements with the World Bank. Moreover, states ruled by "regional" parties became points of leverage for regionally concentrated economic interests adversely affected by the central government's approach to the World Trade Organization (WTO). With a well-placed regional party advocating their case, such interests were sometimes able to exploit the fact that regional parties had become key elements in national coalition governments. Increasingly, a regional party's support for a national coalition government was conditioned upon policy favors from New Delhi that would help provincially important economic interests—including measures to cushion them from the effects of WTO agreements.

Another explanation for the political durability of India's reform program of the 1990s was offered by Ashutosh Varshney (1999), who claimed that the government had, during the first several years of reform, focused mainly on issues of little concern to India's masses, such as financial-sector reforms and trade policy. In other words, reform was politically durable only because India's was a skewed, cautious, version of reform. India's reformers had thus mastered the "elite politics" of reform, but had not tackled the "mass politics." The reformers had achieved what they had, moreover, only by relying on the enormous social cleavages—particularly in the rural sector—that impeded collective action among adversely affected constituencies. Ultimately, Varshney argued, India's reformers would need to devise a political discourse through which the idea of markets as a social instrument could be sold to a mass audience. The explanations offered by Jenkins and Varshney are not, however, fundamentally in contradiction. Jenkins argued that one of the three factors identified in his framework for understanding the politics of reform—the political skill to cloak policy change in the guise of continuity—is in fact one of the means by which India was able to prevent any reform decisions from entering mass politics. Rather than disagreeing on the nature of causal mechanisms, the difference between these two authors is that Varshney considers one of the variables fixed (the degree to which policy decisions enter mass politics), whereas Jenkins sees it as susceptible to the exercise of political skill.

Future Questions

The future research agenda in this field lies largely in sectoral studies, or in research that charts the political implications, rather than the political determinants, of policy choices. These will respond both to existing theories as well as to new challenges to the orthodoxy surrounding India's economic performance. Dani Rodrik and Arvind Subramanian (2004) represent one such challenge, arguing that whatever one thinks about the intensity (or political durability) of the reforms ushered in by Narasimha Rao and Manmohan Singh, the reformers of the 1990s had the distinct advantage of taking office at the end of a decade—the 1980s—during which India's long-term "Hindu rate of growth" (3–3.5 percent annually) had jumped to 5 percent and more. This performance during the 1980s was achieved, according to Rodrik and Subramanian, without fundamental reforms having been undertaken. It was a matter of government sending the correct signals to business interests at the beginning of the 1980s.

This could be interpreted to mean that India's 1980s growth performance relieved the Narasimha Rao government of the obligation to undertake, in 1991, the truly difficult (mass-affecting) reforms for which many analysts called. Another reading would be that the twenty-year time frame merely indicates how important is a gradual approach to achieving sustained reform.

Rob Jenkins

See also **Development Politics; Economic Reforms of 1991**

BIBLIOGRAPHY

Bardhan, Pranab. *The Political Economy of Development in India*. Oxford and New York: Oxford University Press, 1984 (rev. ed., 1998).

Echeverri-Gent, John. "Financial Globalization and India's Equity Market Reforms." In *The Politics of India's Next Generation of Economic Reforms*, edited by Rob Jenkins and Sunil Khilnani. Special Issue of *India Review* 3, no. 2 (November 2004): 306–332.

Harriss, John. "The State in Retreat: Why Has India Experienced Such Half-Hearted Liberalisation in the 1980s?" *IDS Bulletin* 18, no. 4 (1987): 31–38.

Jenkins, Rob. *Democratic Politics and Economic Reform in India*. Cambridge, U.K.: Cambridge University Press, 1999.

———. "How Federalism Influences India's Domestic Politics of WTO Engagement (And Is Itself Affected in the Process)." *Asian Survey* 43, no. 4 (2003): 598–621.

———. "Labor Policy and the Second Generation of Economic Reform in India." In *The Politics of India's Next*