Publisher: *Public Policy Research* is published by Blackwell Publishing, 9600 Garsington Road, Oxford OX4 2DQ and 350 Main Street, Malden, MA 02148, USA, for the Institute for Public Policy Research.

Journal Customer Services: For ordering information, claims and any enquiry concerning your journal subscription please contact your nearest office:

UK: Email: customerservices@oxon.blackwellpublishing.com
Tel: +44 (0) 1865 778315; Fax: +44 (0) 1865 471775

USA: Email: subscrip@bos.blackwellpublishing.com
Tel: +1 781 388 8206 or 1 800 835 6770 (Toll free in the USA); Fax: +1 781 388 8232

Asia: Email: subs@blackwellpublishingasia.com
Tel: +61 3 8359 1100; Fax: +61 3 8359 1120

Information for subscribers: *Public Policy Research* is published in four issues per year. Subscription prices for 2006 are: Premium Institutional: £296 (Europe), US$497(The Americas), £296 (Rest of World); Personal: €60 (Europe, Euro zone), £40 (Europe, non-Euro zone), US$ 67 (The Americas), £40 (Rest of World). Customers in the UK should add VAT at 5%; customers in the EU should also add VAT at 5%, or provide a VAT registration number or evidence of entitlement to exemption. Customers in Canada should add 7% GST or provide evidence of entitlement to exception. The Premium institutional price includes online access to the current and all available previous year electronic issues. For other pricing options or more information about online access to Blackwell Publishing journals, including access information and terms and conditions, please visit http://www.blackwellpublishing.com/newe

Back issues: Single issues from current and recent volumes are available at the current single issue price from Blackwell Publishing Journals. Earlier issues may be obtained from Periodicals Service Co. (http://www.periodicals.com)

On-line: This journal is available online at Blackwell Synergy. Visit www.blackwell-synergy.com to search the articles and register for table of contents e-mail alerts.

Periodical ID statement: PUBLIC POLICY RESEARCH (ISSN 1744-5396) is published four times a year. US mailing agent: G3 Worldwide (US) Inc., 8701 Bellanca Ave., Los Angeles, CA 90045. Periodical postage paid at Los Angeles, CA and at additional mailing offices. POSTMASTER: Send all address changes to PUBLIC POLICY RESEARCH. Blackwell Publishing Inc., Journals Subscription Department, 350 Main St., Malden, MA 02148-5020.

Paper: Blackwell Publishing's policy is to use permanent paper from mills that operate a sustainable forestry policy, and which has been manufactured from pulp that is processed using acid-free and elementary chlorine-free practices. Furthermore, Blackwell Publishing ensures that the text paper and cover board used in all our journals has met acceptable environmental accreditation standards.

Printed in the Singapore by Ho Printing Pte Ltd

ISSN 1744-5396 (Print)
ISSN 1744-540X (Online)

For submission instructions, subscription and all other information visit: www.blackwellpublishing.com/newe

volume 13
issue 3
September – November 2006

ippr

public policy research

ppr

Contents

Joseph KJ (2002) *Growth of ICT and ICT for Development: Realities of the Myths of Indian Experience* Discussion Paper No 2002/78, WIDER-UNU, August, available at http://www.wider.unu.edu/publications/publications.htm
Kearney AT (2005a) *FDI Confidence Index 2005* available at http://www.atkearney.com
Kearney AT (2005b) *Making Offshore Decisions 2005* available at http://www.atkearney.com
Kumar N (2000) (ed) *Indian Economy under Reforms: An assessment of Economic and Social Impact* New Delhi: Bookwell
Kumar N (2001) 'Indian Software Industry Development: International and National Perspective' in *Economic and Political Weekly* Vol. 36, November
Kumar N (2005) 'Liberalization, Foreign Direct Investment Flows and Economic Development: The Indian Experience in the 1990s' in *Economic and Political Weekly* 2 April
Kumar N and Pradhan J (2003) *Determinants of Outward Foreign Direct Investment From A Developing Country: The Case of Indian Manufacturing Firms* RIS Discussion Paper No. 44, New Delhi: RIS
Kumar N and Joseph KJ (2004) *National Innovation Systems and India's IT Capability: Are there any Lessons for ASEAN New Comers?* RIS Discussion Paper No. 72/2004, New Delhi: RIS
RIS (2006) *Towards an Employment-Oriented Export Strategy: Some Explorations*, New Delhi: Research and Information System for Developing Countries
Rodrik D and Subramanian A (2004a) *From Hindu Growth to Productivity Surge: The Mystery of the Indian Growth Transition* IMF Working Paper, WP/04/77, International Monetary Fund
Rodrik D and Subramanian A (2004b) *Why India can Grow at 7 Percent a Year or More: Projections and Reflections*, IMF Working Paper No WP/04/118, Washington, DC: International Monetary Fund
Singh N (2004) *Strategic Approach to Strengthening the International Competitiveness in Knowledge Based Industries: The case of Indian Automotive Industry*, RIS Discussion Paper No. 82, New Delhi: RIS
UNCTAD (2005) *World Investment Report 2005* New York: United Nations
UNCTAD (2004) *World Investment Report 2004* New York: United Nations
Wilson D and Purushothaman R (2003) *Dreaming with BRICs: The Path to 2050*, Goldman Sachs Global Economics Paper No. 99

Democracy, development and India's struggle against corruption

public policy research ppr

Rob Jenkins
Birkbeck College, University of London

In 2005, India was ranked near the middle of Transparency International's league table of the world's most (and least) corrupt countries (Transparency International 2005). Of the 159 countries surveyed, India was tied with eight others in 88th position, with the top slot claimed by squeaky-clean Iceland, and Bangladesh and Chad sharing last place. The technical challenge of measuring something as furtive as corruption, and the near impossibility of presenting the findings of a global survey in ways that are fully comparable across countries as different as Angola (151st) and Austria (10th), mean that few Indians take such international rankings all that seriously.

That's not to say that no one in India discusses the survey results. Scoring considerably ahead of Pakistan (way down at 144th) is a source of mild satisfaction for many Indians. There is also a lurking suspicion that China's ranking (10 places *ahead* of India, at 78th) reflects various aspects of its authoritarian regime. India's free press and multi-party politics, according to this view, mean that allegations of corruption in India will always be more pervasive and publicised in greater detail than in China, even if the actual incidence of corruption in the two countries was identical.

Moreover, Transparency International measures *perceptions* of corruption, including among foreign investors, diplomats and other external actors. Hence the suspicion, in some quarters, that China's score benefits unfairly from the *appearance* that its government is cracking down on corruption – a perception nourished whenever Chinese courts execute a bribe-taking official by using fast-track methods unavailable to India's prosecutors, who operate in a legal system with strong due-process protections.

Whether or not such explanations are convincing, they underscore the tendency for democracy to figure prominently in debates about corruption in India – not that the discourse is always logically consistent. There is, in fact, a great deal of ambiguity in the relationship between corruption and democracy. Note, for instance, the contradictory uses to which the two examples of Pakistan and China were put: Pakistan's poor score was seen to be exacerbated by its non-democratic political system, whereas the Chinese government's freedom from the burdens of democracy was considered a boon, providing officials with the tools to stamp out the most growth-retarding forms of corruption.

Indeed, discussions about the relationship between democracy and corruption parallel similar debates concerning the link (or lack thereof) between democracy and economic growth. India's democracy is seen as either its greatest asset – providing rule-bound institutions for enforcing contracts, and mechanisms for managing the social turbulence that comes with economic take-off – or else a costly drag on growth, with electoral politics driving the adoption of suboptimal fiscal and micro-economic policies.

The implications of corruption for India's growth trajectory are a matter of increasing contention. For decades, neoliberals and others considered corruption a manifestation of the same over-regulated policy regime that also produced decades of economic underperformance. Liberalising the economy, fighting corruption, and increasing growth were expected to go together. Now, however, thanks to India's high growth rates of recent years, the impression has been created that perhaps India's economy can flourish even amidst what no one denies is a sea of graft. Sustained growth, strong corporate earnings, a booming equity market, and (most surprisingly) a modest but significant improvement in India's fiscal position have combined to dampen worries about the impact of corruption on the functioning of the private sector.

Corruption, some have concluded, may just be a kind of unfortunate tax – irksome, but not fatal. Would India's economic performance improve if corruption were reduced? Of course it would. Corruption is an important reason why India's infrastructure is less impressive than it should be. Ports would function better if fewer bribes were necessary to grease the wheels of the customs bureaucracy. Roads would be in better shape if officials monitoring contractors were not so easily bought off. Regulatory institutions would work more efficiently if a culture of rent-seeking were not so prevalent.[1]

But is corruption a key obstacle to sustained economic growth or a constraint sufficient to prevent Indian firms from continuing to evolve into world-class producers? The current consensus is a definite 'no'. India, by this logic, is now too alluring an economic prospect for corruption to keep foreign investors away.

There is some historical evidence to support this contention. From the 1950s through the 1980s, South Korea managed to combine high levels of economic growth with systematic corruption (Kang 2002). It was only in the late 1980s, when South Korea began its process of political liberalisation, that the extent of the corruption was revealed. Going further back, there is abundant evidence that during a key phase in America's economic ascendancy (in the late 19th and early 20th centuries) the country's political system was riddled with institutionalised corruption (Johnston and Heidenheimer 2002: 261).

One could argue that South Korea and the US would have performed even more spectacularly had they not been burdened by the policy distortions and associated inefficiencies that large-scale corruption produces. But such claims tend to neglect the real world of political competition, whether under democratic or authoritarian systems.

Either way, these kinds of historical arguments cut little ice with aid agencies, which have, over the past decade and a half, positioned themselves as champions of 'good

1 In a finding of relevance far beyond this one area of regulatory activity, a recent World Bank-funded study (Bertrand *et al* 2006) found that New Delhi's bureaucracy for testing drivers and granting driver's licences was not only corrupt, but, also, because of pervasive bribe-taking, licensing unqualified drivers. The study thus 'rejects the view that corruption is used primarily to circumvent socially unimportant parts of regulation'. There are, in other words, hidden social costs to corruption.

government' in the developing world. It is understandable that agencies supported by public funds from rich countries would not want to be seen to be endorsing the view that corruption can, under certain conditions, coincide with robust economic performance. Indeed, aid agencies – whether bilateral donors such as Britain's Department for International Development or multilateral development institutions such as the World Bank – must justify development assistance in highly moral terms (Jenkins 2001).

It is, therefore, no surprise that the World Bank has for years deployed variations on a standard scatter-plot graph to map the relationship between corruption and economic performance (see Mauro 1995; and Wei 1997). The graph shows that low growth (and low per capita income) tends to be associated with high levels of corruption, and high growth with low levels of corruption, a finding that even a cursory examination of Transparency International's league table tends to confirm.

Mushtaq Khan (2002) has questioned the direction of causality implied by this analysis. He argues that, while the World Bank interprets the inverse relationship between rates of growth and levels of corruption to mean that lowering corruption is the key to increased growth, it is just as plausible to argue that it is the greater wealth produced by sustained growth that in fact increases the chances that corruption will be reduced.

If substantially true, this view of the relationship between corruption and economic performance – when combined with the mainly rosy forecasts for India's growth outlook over the next decade and more – raises the question of how much growth is needed, and for how long, to make a noticeable impact on corruption. It also leaves unanswered such crucial questions as to whether a certain type of growth (concentrated in certain sectors, for instance) is necessary for the corruption-reducing effects of economic growth to be felt.

The profile of India's economic performance makes this a question of more than just academic concern. Analysts from a wide spectrum of political persuasions agree that the Indian economy, for all its dynamism, has not been producing jobs at anything like a sufficient rate.[2] The agricultural sector, on which more than half of Indians rely for their livelihoods, is shrinking as a percentage of GDP, and India's expanding service sector is not generating enough jobs to make up the difference.

Though 'business-process outsourcing' is often hailed as the saviour of the Indian economy, Information Technology-Enabled Services account for just 0.2 per cent of employment. And while certain sub-sectors of precision engineering have done well, the manufacturing sector is not generating employment at the required levels either.

In a democracy, growth that does not produce enough jobs to keep pace with a growing population is a dangerous

2 Fears that India may be stuck in a phase of jobless growth are no longer confined to academic economists: mainstream business publications catering to international investors now regularly comment on the phenomenon (see Maidment 2006). The phenomenon of jobless growth was also a feature of India's economy during the 1980s, the transition decade during which growth rates began to rise from the 3-3.5 per cent that characterised the first three and a half decades following independence in 1947 (see Srinivasan and Tendulkar 2003: 72). The 1990s was also characterised as a decade of jobless growth by many analysts (see Battacharya and Sakthivel 2003).

proposition. There is considerable anxiety about whether a continuation of this trend could precipitate a political reaction against the liberal economic policies that have fuelled increased growth.

To its credit, the coalition government of Prime Minister Manmohan Singh recognised the potential political hazard of continued jobless growth soon after taking office in June 2004. This was natural enough: the United Progressive Alliance (UPA) government was widely perceived to have been elected on a wave of discontent among poorer Indians, fed up with an economic boom that seemed to have little to offer them. Though this was a contestable proposition – arguably it was the choice of electoral allies and the local peculiarities of caste politics that determined the electoral outcome (Wilkinson 2005) – the perception remained that some kind of ameliorative action had to be taken, or at least be *seen* to be taken.

The most high-profile measure Singh's government has introduced to cope with the political fallout from the perception that growth is leaving the vast majority of Indians behind is the National Rural Employment Guarantee Act (NREGA). The NREGA was passed by India's parliament in 2005 after a long period of consultation and public debate. Modelled on a programme that has existed in the state of Maharashtra since the early 1970s (created in response to a devastating drought), the NREGA 'guarantees' a minimum number of days of employment on government works programmes for poorer families. Enacting such legislation was a UPA manifesto commitment, though it is often joked that it would not have featured so prominently as a campaign pledge had Manmohan Singh and his electoral allies actually expected to win.

Though not a panacea for India's structural employment problems, the NREGA is still an important piece of legislation, both substantively and as a symbol of the Indian state's commitment to providing a safety net for its most vulnerable citizens. More specifically, the NREGA has often been cited by government ministers – including by Finance Minister P Chidambaram, who had earlier expressed serious reservations about the potential cost of the programme – as a key plank in the government's response to jobless growth.[3]

But perhaps the most widespread concern, expressed by many critics of the NREGA, is that the programme will be a huge source of corruption. There are ample grounds for such fears. While it is impossible to quantify the percentage of funds filched from Maharashtra's Employment Guarantee Scheme (EGS) over the years, there is no doubt that much of the money has not made it to the mainly landless people who were its intended beneficiaries (Gaiha 1996).

A nexus of politicians, bureaucrats, local elites, and labour contractors have colluded to divert a large portion of EGS resources to their own pockets. The most prevalent method is for local officials to doctor 'muster rolls', the registers that list the names of day

3 Chidambaram mentioned the NREGA when asked about the Indian economy's sluggish job-creation during the question-and-answer session that followed his address on 'India and Globalisation' at The Guildhall, London, 3 February 2005. The NREGA was mentioned in a similar context in a statement delivered (by video link) by government minister Prithviraj Chauhan to the '2nd Annual India Conference', organised by investment bank Bear Stearns, New York, 7 August 2006.

labourers on public works projects and how much each labourer was paid. Muster rolls on employment generation programmes throughout India are padded with bogus names, allowing officials to collect fat payments on behalf of phantom workers.

Often the 'works' themselves exist only on paper. Projects are often for works of a transitory nature: unlined irrigation ditches or unpaved rural roads, for instance. This makes it easier for those involved in defrauding the state's exchequer to avoid detection: by the time any physical auditing of the works takes place, if ever it does, corrupt project administrators can claim that monsoon rains washed away the evidence of the works completed. For projects that involve building materials – cement, lumber, roof tiles – outright theft is often practised, and kickbacks from local suppliers are standard. In some cases, works are undertaken on private lands owned by prosperous members of the locality: community centres that get incorporated into the homes of village elites, or irrigation works carried out in the fields of large landowners (Echeverri-Gent 1988).

It may well be that corruption in employment-generation schemes such as the NREGA is relatively small potatoes compared to the massive kickbacks involved in defence procurement, or the huge bribes paid by industrialists to ensure that regulatory decisions are taken in their favour, or even the payoffs that allow urban real-estate projects to violate zoning and environmental rules. But from the perspective of the complex relationship between corruption, democracy, and growth, the abuses that afflict schemes such as the NREGA may be more consequential.

After all, programmes like the NREGA are designed to compensate the 'losers' from economic reform. They are the means by which, in a democracy, it is theoretically possible to ensure that conditions among poorer people do not deteriorate to the point where the political sustainability of liberal economic policies (and the continued globalisation of the Indian economy) is endangered.[4] If, because of pervasive abuses in the systems through which they are administered, these compensatory programmes cannot perform their key function of cushioning the poor from the shocks of economic adjustment, then corruption can threaten the viability of future growth by further undermining support for the still-fragile consensus behind market reform.

The extent of this risk is seriously underestimated. It is at least as important as the pervasiveness of bribery in India's Byzantine labour, environmental and factory inspectorates, for instance. Moreover, the widespread abuse that plagues social welfare programmes is precisely the kind of corruption for which the market has no real antidote. Where excessive business regulation provides officials with the ability to abuse their positions of discretion to obtain illicit income, deregulation remains a possible remedy. But, when it comes to state programmes aimed at compensating for the negative side effects of economic liberalisation, only the most ardent market fundamentalists hold out much hope for market-oriented solutions.

Though their aim is certainly not to rescue liberalisation from itself, India's social activists

4 There are, however, ways in which certain forms of corruption can in fact be useful in securing essential political backing for economic reform, a topic treated at length in Jenkins (2000).

and non-governmental organisations (NGOs) have, over the past decade, experimented with techniques for curbing abuses in programmes whose viability is critical for the wellbeing of marginalised people. In some cases, their initiatives have been complemented by the work of state agencies, but usually only after much protest action. Perhaps the most impressive example of this kind of anti-corruption campaigning in recent years has been the work of an activist group in the north-western state of Rajasthan. Since the mid 1990s, the Mazdoor Kisan Shakti Sangathan (or Worker Farmer Power Organisation) has mobilised people in several localities to conduct popular audits of government projects. A particular target has been employment-creation schemes not hugely dissimilar from those envisaged under the NREGA.

MKSS is led by Aruna Roy, a former bureaucrat from the elite Indian Administrative Service.[5] In the early 1990s, after serving as an official and then working in a prominent NGO, Ms Roy, along with a handful of activists from outside the district in central Rajasthan where the MKSS is based, successfully organised local people to demand documents from the bureaucrats who administer the employment generation projects on which they worked as day labourers. While administrators were understandably reluctant to part with accounting records they had a large hand in doctoring, a few sympathetic officials did so.

The MKSS volunteers, working with local people, then went about cross-checking the official documents against physical assets that were supposed to have been created (school buildings, medical dispensaries), but which in many cases were nowhere to be found. Local people who were owed – and had been vociferously demanding – unpaid back wages for the ditch-digging and rock-breaking they had performed on these works found that government records showed them as having been paid in full. This fuelled a sense of collective outrage that was given voice at unofficial MKSS-organised 'public hearings'. At these impressive events, government accounting statements for individual public works projects were read aloud to the assembled locality, and local people were invited to provide testimony contradicting what they had heard.

On the basis of discrepancies identified through the public hearing process, the MKSS sought to file cases against the officials implicated in falsifying documents. In an inspired piece of activist theatre, one public hearing was held on the site of a non-existent school building, the project records for which showed it to have been completed on time and on budget. The MKSS also sought to press charges against local bureaucrats who had signed-off on wage payments that the 'recipients' testified to never having received.

Getting the police and auditing agencies to take further action on these cases has been almost impossible. In fact, a 'Drive against the Bribe' campaign in which the MKSS was involved during July 2006 publicised the fact that alleged irregularities amounting to hundreds of thousands of rupees, unearthed in a public hearing in central Rajasthan in 2001, had yet to be investigated by police (*The Hindu* 2006). The MKSS's work has, nevertheless, raised people's awareness, not only of the mechanics of corruption, but also of their own efficacy as agents of collective action. As a result, the MKSS spearheaded a movement to pressure the state government of Rajasthan to enact a law recognising people's Right to Information, a necessary precondition for this kind of grassroots anti-corruption activism to proliferate.

There have been similar developments in other states, though the methods and outcomes have varied enormously. In the state of Kerala, India's most far-reaching programme of democratic decentralisation, initiated by a left-wing coalition government in the mid 1990s, included provisions for participatory auditing of public expenditure in each village. Both in Kerala and in other states (including Goa, Maharashtra, Madhya Pradesh and Tamil Nadu), governments passed Right to Information laws. Some were more liberal than others, and the take-up of this right by people seeking to expose corruption has been uneven at best. But, by 2000, the link between access to government-held information and the ability of ordinary people to combat corruption at levels that afflict them in direct personal terms had been firmly established in public debate and in policy discussions at the national level.

Indeed, in 2000, the previous government in New Delhi – the National Democratic Alliance, headed by the Bharatiya Janata Party's Atal Behari Vajpayee – passed India's first nationwide Freedom of Information legislation. A wide range of activist groups, including a Delhi-based organisation called Parivartan, have used its provisions to expose malfeasance and to help improve the responsiveness of service providers in the capital. Parivartan, the MKSS and other groups pressed the UPA government to replace this initial Freedom of Information Act with more substantial legislation. In June 2005, the UPA government engineered the passage of a new Right to Information Act, which provides access to information from virtually all levels of government, as well as from state-owned firms and other parastatal entities.

These and other developments are promising signs that segments of India's vast civil society may be in a position to work with sympathetic elements within the state to peel back the veil of secrecy that, as much as over-regulation, permits corruption to flourish.

The use of Public Interest Litigation has been another key instrument in the process of overhauling the way the Indian state treats corruption. Parivartan, for instance, was among the groups that filed suits following the killing in 2003 of a government official, Satyendra Dubey, who had blown the whistle on corruption in the Golden Quadrilateral scheme, a $10 billion highway construction project designed to link India's four main metropolitan regions. It is widely suspected that Dubey was murdered at the behest of powerful interests who sought to prevent further revelations of fraud. Partly as a result of this litigation, in May 2004 the government's chief agency for ensuring probity in the public sector, the Central Vigilance Commission, issued an administrative order outlining procedures to be followed to protect whistle-blowers (Central Vigilance Commission 2004).

This was, however, a rare example of a headline-grabbing case in which revelations of corruption led to substantive changes to the operation of government. The 1990s witnessed a dizzying array of high-profile cases: the 'stock market scam' of 1992 was followed in quick succession by the 'sugar scam', the 'urea scam', the 'telecom scam', the 'fodder scam', and, most sensationally of all, the publication of a prominent industrialist's diaries, listing what appeared to be names of politicians from across the political spectrum alongside amounts allegedly paid to each. Since 2000,

5 A detailed examination of the MKSS's anti-corruption activism, which places it in comparative perspective, is found in Jenkins (2004).

there have been other high-profile 'corruption spectacles', as Visvanathan and Sethi dismissively describe such cases (1998). In the last year, a cash-for-parliamentary-questions scandal came to light and the World Bank suspended funding for a large health programme due to corruption charges.

Perhaps the most notable case in recent years involved the videotaping by undercover investigative journalists of high-ranking politicians apparently agreeing to fix defence contracts in exchange for cash, which in one instance was visible as it was handed to the then-president of the Bharatiya Janata Party. Those captured on video both professed their innocence and charged the journalists behind the sting operation with entrapment. Leading figures in the ruling party were also allegedly responsible for engineering government investigations into the parent company of the website in question, Tehelka.com, and harassing its investors, until the site was forced to cease operating (it has since re-emerged). Very little by way of criminal punishment or even political accountability has resulted from these or other cases.

There have, of course, been instances in which corruption charges produced political consequences, even if convictions or serious administrative reform have almost never resulted. In 1989, accusations that Rajiv Gandhi and his associates received kickbacks from the procurement of artillery weapons from the Swedish defence contractor Bofors were instrumental in galvanising an electoral wave that swept Rajiv and his Congress Party from power. Cumulative charges of corruption have also played a role in ousting various state governments. But the question of why flagrant corruption is so seldom punished at the ballot box is very difficult to answer with any degree of precision.

One view is that corruption is built into the nature of what Kanchan Chandra calls India's 'patronage democracy' (2004). Politicians find it convenient to court ethnic groups (defined largely in terms of caste affiliation) with promises that discretionary benefits will be steered in their direction, while voters find it convenient to sell their votes in exchange for such promises. This kind of 'political market' – which undermines the notion that government duties should be performed impartially – works, in a crude sort of way, for both sides.

But a hidden side effect of 'clientelist' politics as it is practised in India is that it provides a kind of legitimacy for corruption. Pratap Mehta, president of the Delhi-based Centre for Policy Research and one of India's leading public intellectuals, has advanced the controversial argument that disproportionately providing goods and services to one's own ethnic group and (even more importantly) placing members of one's own group in positions of authority from which they will be able to derive illicit income, both of which involve corruption, has become the accepted route to group social mobility in India. It is how low-status groups have gained a foothold in Indian politics. To the extent that the rise of such groups is one of the most visible manifestations that Indian democracy, for all its faults, is democratising a deeply unequal society, it provides a powerful mechanism for legitimising corruption (Mehta 2003: 117-19).

This combination – of corruption's perverse legitimacy and the fact that voters find it less attractive to vote on the basis of which party is most likely to clean up government than to support one that promises group rewards – constitutes a formidably intractable obstacle to combating corruption. This is not to downplay the inventiveness of India's civil society or the increasing tendency for its growing middle class to demand better governance. There is undoubtedly a heightened awareness that fundamental institutional reforms – public financing of elections, a complete overhaul of India's 19th century policing system, regulation to democratise the internal workings of political parties – are needed to strike at the heart of corruption. But the idea that markets, or the economic growth that market-orientation has helped to spur, are sufficient to bring these changes about is both a misreading of history and a misunderstanding of current political realities in India.

Battacharya BB and Sakthivel S (2003) 'Economic Reforms and Jobless Growth in India in the 1990s' *Working Paper No. 245* Institute of Economic Growth, New Delhi

Bertrand M, Djankov S, Hanna R, and Mullainathan S (2006) 'Does Corruption Produce Unsafe Drivers?' *NBER Working Paper No. 12274* Cambridge, MA: National Bureau of Economic Research

Central Vigilance Commission (2004) Office Order No. 33/5/2004, Subject: Govt. of India Resolution on Public Interest Disclosures & Protection of Informer, Issued 17 May 2004, New Delhi

Chandra K (2004) *Why Ethnic Parties Succeed: Patronage and Ethnic Head Counts in India* Cambridge: Cambridge University Press

Echeverri-Gent J (1988) 'Guaranteed Employment in an Indian State: The Maharashtra Experience' in *Asian Survey* 28 (1988): 1294-1310

Gaiha R (1996) 'The Employment Guarantee Scheme in India: Is It Mistargeted?' in *Asian Survey* 36, No. 12 (December): 1201-1212

The Hindu (2006) 'No chargesheet filed yet in Janawad scam case' *The Hindu* 10 July

Jenkins R (2000) *Democratic Politics and Economic Reform in India* Cambridge: Cambridge University Press

Jenkins R (2001) 'Mistaking Governance for Politics: Foreign Aid, Democracy and the Construction of Civil Society' in Kaviraj S and Khilnani S (eds) *Civil Society: History and Possibilities* Cambridge: Cambridge University Press: 250-68

Jenkins R (ed) (2004) 'In Varying States of Decay: The Politics of Anti-Corruption in Maharashtra and Rajasthan' in Rob Jenkins (ed) *Regional Reflections: Comparing Politics Across India's States* Oxford: Oxford University Press: 219-52

Johnston M and Heidenheimer AJ *Political Corruption: Concepts and Contexts* Brunswick, NJ: Transaction Publishers

Kang DC (2002) *Crony Capitalism: Corruption and Development in South Korea and the Philippines* New York: Cambridge University Press

Khan M (2002) 'Corruption and Governance in Early Capitalism: World Bank Strategies and their Limitations' in Pincus JR and Winters JA (eds) *Reinventing the World Bank* Ithaca, NY: Cornell University Press: 164-84

Maidment P (2006) 'India's Biggest? Think Oil, Not Tech' in *Forbes* magazine, 31 July, available at: www.forbes.com/columnists/business/2006/07/28/india-oil-banking_cx_pm_0731india40intro.html (accessed on 25 August 2006)

Mauro P (1995) 'Corruption and Growth' in *Quarterly Journal of Economics* 110: 681-712

Mehta PB (2003) *The Burden of Democracy* New Delhi: Penguin India

Srinivasan TN and Tendulkar SD (2003) *Reintegrating India with the World Economy* Washington, DC: Institute for International Economics

Transparency International (2005) *Corruption Perceptions Index 2005* Berlin, October

Visvanathan S and Sethi H (eds) (1998) *Foul Play: Chronicles of Corruption in India 1947-1997* New Delhi: Banyan Books

Wei S (1997) 'Why is Corruption So Much More Taxing Than Tax? Arbitrariness Kills' *NBER Working Paper* 6255

Wilkinson SI (2005) 'Elections in India: Behind the Congress Comeback' in *Journal of Democracy* Vol. 16, No. 1 (January): 153-67