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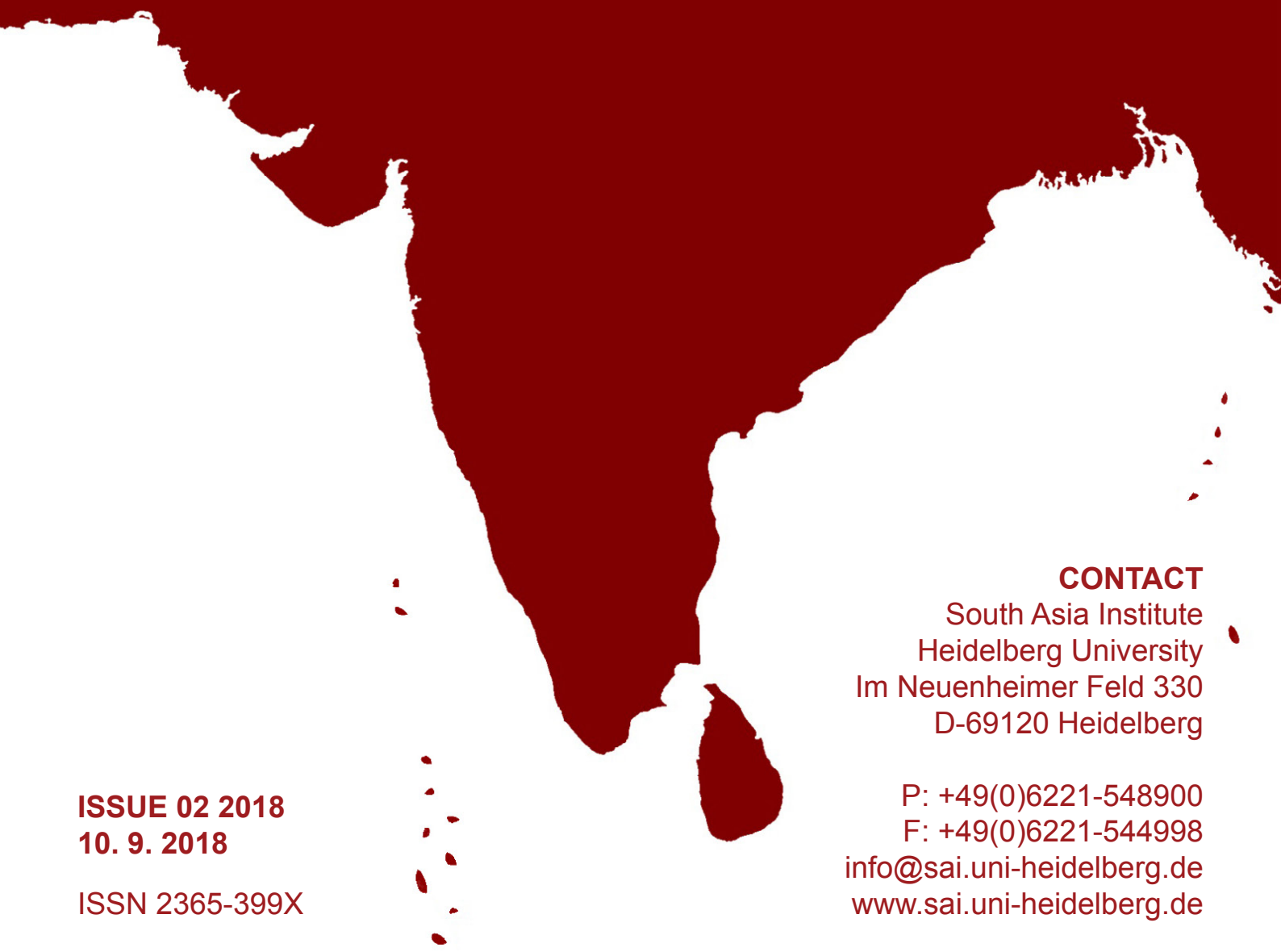
Governing India: What do we know and need to know?



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Governing India:

What do we know and need to know?

Rahul Mukherji

This paper is part of the Heidelberg Inaugural Lecture delivered in the Alte Aula on 15 November 2017, and of a public lecture delivered at the centre for Economic and Social Sciences in Hyderabad. It presents a view regarding state capacity in India after discussing the extensive literature on clientelism. It proposes that state capacity in India has much to do with the way in which the central and sub-national states cogitate about policy goals and the means to achieve them. For example, is import substitution or export promotion the way to grow? Will growth trickle down to the poor or is non-market re-distribution the way to alleviate poverty? These issues are debated between puzzling bureaucrats and powering politicians, and when they reach a tipping point, we see that the state finds capacity to deliver even in a liberal democracy like India. The paper proposes a tipping point model for understanding state capacity in the Indian liberal democracy. It suggests a way for liberal democracies to fight clientelism and develop the capacity to pursue their goals, even though these goals are often unrealized.

Introduction

Seventy years of political independence is an opportune moment for reflecting on how India governs its growth and citizen well-being. The substantive part of India's democracy is ridden with many challenges. First, India's diversity had puzzled social scientists. How could a single state live with such diversity in language, religion, cultural and economic attributes (Harrison 1960)? How could democracy emerge without a substantial bourgeoisie (Moore 1966)? How could a nascent and underdeveloped state serve rising citizen aspirations due to industrialization, urbanization and modernization (Huntington 1968)? Second, India's democracy was often characterized as procedural rather than being a substantive one. Citizens voted, the military never came to power, and yet poverty and deprivation were rampant. Scholars addressed this puzzle by suggesting that India is a clientelistic democracy where political parties purchase votes in return for particularistic privileges rather than seeking to benefit the citizenry at large (Piliavski 2014, Chandra 2004, Witsoe 2013, Vaishnav 2017). Does India's liberal democracy, amidst unprecedented diversity, and rampant clientelism possess the capacity to serve the citizen and play a responsible role in the world?

We review the literature on clientelism. It reveals why India is unable to grow more rapidly and serve its citizens with greater ease. This literature is significant for explaining India's failures in governing both economic growth and citizen well-being (Mukherji 2014b). Despite these substantial challenges to growth and well-being, however, populous, large and economically dynamic India has assumed a significant role in shaping global governance. India is the world's third largest economy in terms of purchasing power parity and its growth rate is among the highest in the BRICS (Brazil, Russia, India, China and South Africa).[1] The country's growth rate even surpassed China's. This is significant, even though China's historic most rapid growth known to mankind has produced a substantially larger economic pie.[2] What is more interesting is that India's growth is driven to a greater extent by its inter-

1 See The World Bank, World Development Indicators (2017). Date accessed: 6.7.2018 http://databank.worldbank.org/data/download/GDP_PPP.pdf

2 Ibid.

nal rather than the global economy compared with China's.[3] India's growth forces us to think that rapid economic growth is possible in a post-colonial and diverse liberal democracy – very different from the standard narratives of rapid economic growth in East Asia.[4] This implies that we need to explore how a liberal democracy such as India sometimes transcends clientelistic politics that characterized dismal rates of growth (Bardhan 1984).

Concerned about miserable levels of citizen well-being, the country has launched one of the world's largest employment guarantee schemes, as part of a rights-based approach to development that includes the right to work, education, and forests rights, among others. Growth with redistribution is making an impact on India's poverty rate (Markussen, 2011; Maiorano, 2014; Mukherji, 2014; Klonner and Oldiges, 2014; Muralidharan, Niehaus, and Sukhtankar, 2016; Mukherji and Jha, 2017).

This paper presents a way of thinking about the mechanisms of citizen-friendly governance in a democracy, where patronage-based clientelism is rampant. We begin with a review of the literature on clientelism. This will tell us a great deal about the pathologies of governance in India and it will make clear why the glass of India's development is half empty.

We then turn to the issue of governance. For example, how did India govern its rapid economic growth? How did states like undivided Andhra Pradesh implement the right to work and successfully transfer resources to the poor?

Thereupon, I present a tipping point model to suggest that ideas within the state matter for understanding how the Indian state develops the capacity to govern in a citizen-friendly manner. We demonstrate that ideas within the state in India evolve as a result of bureaucratic puzzling and political powering to reach a tipping mark. When politics and technocracy point largely in the direction of a certain policy paradigm, and an ideational threshold has been reached, the state develops the capacity to deliver for reasons largely

3 Trade to GDP ratio (Trade % of GDP) in China is 38 in 2017 whereas this rate in India is 41. See The World Bank, World Development Indicators (2017). Date accessed: 6.7.2018. These figures are different from the conventional wisdom, which is in the text.
https://data.worldbank.org/indicator/NE.TRD.GNFS.ZS

4 For the difference between India and East Asia see Herring (1999) and Mukherji (2016).

internal to the state. This is the story of gradual path-dependent economic change.

Clientelism and the Pathologies of Democracy

Let us consider the powerful view that India is merely a procedural democracy. The democratic failure to serve the citizen has been described by the term clientelism. Clientelism is based on patron-client relations where electoral outcomes can result from ethnic or class based populism that does not serve all citizens impartially. Clientelism occurs when people trade votes for particularistic favors (Wilkinson, 2007; Hicken, 2011). The first form of clientelism has an ethnic basis in India. Oftentimes, citizens vote on the basis of the age-old ascriptive Indian institution – caste. Kanchan Chandra, for example, argued that the poor and most oppressed Dalit voters voted for the Dalit-Chamar caste based Bahujan Samaj Party (BSP) in Uttar Pradesh not because the party would uplift the socially and economically marginalized groups. They voted to feel more secure with their own caste or ethnic group in prominent positions of leadership. Ethnic voting for Chandra becomes rational because the marginalized Dalit population felt comfortable with a Dalit party in the absence of other candidate information in a predatory social system. The Congress Party had earlier provided representation to Dalits but the BSP was a Dalit party that gave representation to upper caste groups as well. The tables had clearly turned (Chandra, 2004).[5] Another scholar argued that the rise of backward caste groups in the poverty-stricken state of Bihar, though considered a governance failure for investment and growth, actually led to a general reduction in poverty, even though the substantial benefit went to one particular powerful backward caste group, the Yadavs. India has experienced a silent democratic revolution, where the hegemony of the upper castes is challenged by the numerous backward and most depressed caste groups (Witsoe, 2013).

The second form of clientelism has a class basis. Pranab Bardhan and Ashutosh Varshney contended that interest-based coalitions in India such

5 On the ethnography of clientelism in India see Piliavsky (2014).

as powerful farmers, industrialists and professionals have a stake in regressive and fiscally unsustainable policies such as free electricity to farmers, no agriculture tax, subsidies for unproductive industrialists and professionals, not because these benefit the citizenry at large (Bardhan, 1984; Varshney, 1998a; Mukherji, 2007; Murali, 2017). These subsidies were accorded to strong and powerful voting coalitions. The state in India, unlike East Asia, had failed in infrastructure provision and growth because it splurged resources on subsidies to powerful constituencies rather than investing in productive resources.

Such is the power of caste or class-based conceptions of policies and electoral outcomes in India that scholars were really puzzled by the big-bang economic reforms of 1991. Why did India embrace globalization and greater private sector orientation when political scientists and economists had largely theorised India as a "caged tiger"? One scholar argued that these changes were due to pressures from the business class (Pedersen, 2000). Another argued that these changes could only be initiated by stealth. Policy-makers pretended as if old policies were being continued when they were really changing the policy paradigm on the ground (Jenkins, 1999). Both these arguments did not support a democratic process. Others just described the changes as the result of an elite revolt, without properly conceptualizing the nature of that elite (Kohli, 2012; Corbridge, Harriss and Jeffrey, 2013).

There is also a third form of clientelism in the Indian context. Historian Partha Chatterjee argued that India lives in a political rather than a constitutional civil society. Politicians and bureaucrats afford citizens some rights, but not by making constitutional provisions to safeguard them. Rather they look in the other direction when citizens grab basic amenities such as housing and spaces for selling by illegal means. Poor people vote more often than the rich, so it is important to make these illegal exceptions to garner the vote. Even this logic of governance is clientelistic – the state acts to help the ruling party remain in power rather than benefit the citizenry at large (Chatterjee, 2011).

Clientelism is a kind of populism based on caste, class and other narrow interest group pressures. Clientelism-based explanations reveal why India

lacks the capacity to grow and serve the poor. Scholars therefore need to turn their gaze to other explanations for exploring the roots of rapid economic growth and poverty alleviation. Clientelistic politics tells us why the glass of India's development is half empty. If we wish to explore why it is half full as well, we need to pursue another explanatory path.

The Governance Literature

How did the Indian state develop the capacity to govern? India's consolidation as a democracy and its rapid economic growth in the new millennium, has spurred scholarship on governance. Several arguments have been proposed in this regard. Scholars such as Atul Kohli, Pradeep Chhibber and Irfan Nooruddin have argued, for example, that the nature of the party in power mattered for the provisioning of public goods. Kohli (1987) contended the Communist Party of India – Marxist, with a pro-poor social base and coherent ideology, was much better positioned to launch land reforms in West Bengal than was the centre-left Congress Party in the province of Karnataka. Chhibber and Nooruddin proposed a different conjecture. Two-party competition was more likely to engender public goods rather than a contest among many parties. Bi-polar competition was likely to garner overarching interests rather than a large number of parties each serving a small voter base (Chhibber and Nooruddin, 2004).

Parties oftentimes worked indirectly with non-governmental organizations (NGOs) to serve citizens. It has been contended that the BJP was able to reconcile its upper caste social base with lower caste voters because some NGOs favoring the BJP but seemingly independent of it, provided higher quality of health and education services than the ones provided by the government. The NGOs would seemingly work as non-party organizations. Closer to the elections, however, these NGOs would use their subtle persuasive skills to persuade the lower caste, lower class and tribal voters to vote for the BJP. This is how the BJP could reconcile their upper caste support base with votes from the deprived castes and classes as well (Thachil, 2014).

Another scholar argued for the signficance of dense party networks after comparing Jaipur and Bhopal. Where party networks were dense, slums were better served by politicians than where party networks were scarce. When parties realised that there were potentially poor and supportive voters, they afforded dense party networks with efficient party workers. These areas enjoyed better public amenities such as roads and sanitation than those lacking such networks (Auerbach, 2016).

Local intermediaries and their contacts can also engender citizen concern. Local leaders often belonging to a lower social strata and with smaller land-holdings than the erstwhile elite, have emerged as facilitators of development because they possess information and contacts. These local intermediaries were able to bring projects to villages from the district headquarters, often playing a substantial role in assuaging grassroots demands. It was because of these elites – for example "gaon ke neta" (village leaders) – that modernization theory's worst predictions were not realized in India. India was a country with increasing and diverse social demands that needed to be met in the context of limited institutionalization. Local leaders, according to some, played a signal role in ensuring that these demands did not become too burdensome for the state to manage (Krishna, 2007; Mitra, 1991; Jha, 2018a). Kruks-Wisner (2018) contended that rural citizens who travelled more widely and were extensively networked demanded more services compared with those who lived within villages and were less networked.

Some scholars have argued for the agency of political leaders as well for producing successful policies. Prime Minister Rao's biography stresses his role in the reforms of 1991 (Sitapati, 2016). There is also a substantial literature on chief ministers as CEOs that demonstrates why economic reforms succeeded in some states and not others. State-level chief ministers according to this account played an important role in advancing growth and welfare. According to this view, Chandrababu Naidu was able to guide Andhra Pradesh from a backward state to one that became well known for information technology – one that invited substantial Indian and foreign investors to Hyderabad's Hi-Tech City (Rudolph and Rudolph, 2007). Similar arguments have been made less persuasively for welfare policies as well. Jenkins and Manor, for example, argue that implementation of the right to work in

Madhya Pradesh and Rajasthan owed a great deal to the agency of the chief minister (Jenkins and Manor, 2017).

The Puzzle

There is substantial scholarship around the pathologies of governance or the lack of citizen orientation in India. These arguments are important for understanding why India remains mired in poverty and infrastructural bottlenecks. These theoretical frameworks, however, are unable to explain why India has consolidated itself as a plural democracy – a country that was known for the Hindu rate of growth, an adage where the word Hindu was meant to characterise laziness and incapacity. Moreover, afflicted by caste and powerful interest groups such as capitalists, commercial farmers and professionals, India was supposed to be locked in low levels of human well-being as well. Democracy, it seemed, could not be married with well-being in India.

The status quo of a closed economy favouring the dominant coalition described above has been transcended to some extent. India has globalized substantially. A country that had all but banished foreign investment till 1991, now garners more investment than China in a typical year. India has afforded freedoms to entrepreneurs and state-level governments. Competition has driven down prices. India has one among the cheapest mobile call rates. How could a liberal democracy like India deal with powerful social actors ranged against the promotion of domestic and global competition?

Human development in India has also evolved over the years. Undivided Andhra Pradesh's capacity to implement the most successful right to work programme with the Congress Party in power around 2005 is puzzling for the above explanations. There is a powerful constituency of scholars who maintain that the rights based approach embodied in programs like the Mahatma Gandhi National Rural Employment Guarantee Scheme, did make a dent on Indian poverty.[6]

6 See for example: Markussen, 2011; Maiorano, 2014; Mukherji, 2014; Klonner and Oldiges,

Andhra Pradesh's spectacular success is puzzling for the conjectures discussed above. First, the landed classes in Andhra Pradesh have been historically very powerful – one of the reasons why the communists, though respected, could not rule the state (Srinivasulu, 2002; Elliott, 2016; Harrison, 1956; Bernstorff, 1973; Sankaran, 1996). The Congress Party was in power when MGNREGS was launched in 2005. In CPIM-ruled West Bengal, on the other hand, the program was challenged by farmers who needed cheap labor. The CPIM, you will recall, has been praised for launching the most successful land reforms in West Bengal in 1977 (Kohli 1987). Second, the Congress's farmer support base ensured that other Congress governments such as the ones in Maharashtra or Jharkhand were not so spectacularly successful in implementing the right to work. An exclusively party-driven explanation therefore has its limitations. Fourth, dense-party networks cannot explain a macro level outcome at the level of the entire state. Last but not least, successful implementation of the rights-based approach weakens the political society argument. If the state guarantees work to citizens, it no longer needs to be conducted illegally by those who deserve work and do not get it.

I will in the following section describe another approach to state-capacity building by highlighting two important cases – the first is India's transition to globalization and greater private sector orientation; and the second, the successful implementation of the right to work in Andhra Pradesh.

The Approach

How the state thinks is significant for governance (Mukherji, 2014a; Mukherji, 2014b; Mukherji and Jha, 2017; Jha, 2018b). This is a neglected area of theorizing in Indian and comparative politics and development. We find that bureaucrats and technocrats are incessantly puzzling and powering about policy. A lot of this puzzling occurs within an organization that Max Weber famously described as the bureaucracy made up of permanent professional

2014; Muralidharan, Niehaus, and Sukhtankar, 2016; Mukherji and Jha, 2017.

experts with assured salaries and job guarantees. Job permanence and expertise are two characteristics that endow the bureaucracy with the ability to puzzle and think about how policies should be experimented and how they should evolve[7]. The relationship between the technocrat or bureaucrat and politician is very important for understanding both how the state thinks and evolves the capacity to act.

Ideas Matter

Bureaucracies learn from experiments and ideas the world over. How these ideas are implemented, however, depends on how this learning is internalized. When the US implemented Keynesian policies during the great depression, this policy paradigm was undoubtedly imported from Britain. Keynes had developed a powerful framework for governing macro-economic management in Cambridge, England. Despite this import, the US substantially prior to Britain became the first country to give shape to these policies ideas as a governance framework that stressed that markets fail and that employment may have to be artificially created by the state. Keynesianisms travel back to Europe as a policy paradigm that occurred in the aftermath of World War II, when Europe was devastated and the US was flushed with funds. This travel of Keynesianism to Europe via programs such as the Marshall Plan subsequently entrenched Keynesian ideas in many European bureaucracies (Hirschman, 1989; Blyth, 2002). In a similar vein, Hugh Heclo found that welfare programs in Britain and Sweden had little to do with political variables such as party ideology or competition and more with how bureaucrats pursued these political agendas with pro-labor and conservative parties (Heclo, 1974). Peter Hall argued that neo-liberal ideas in the UK were born within the Treasury and these ideas preceded the arrival of Margaret Thatcher as Prime Minister (Hall, 1993). When technocrats met Margaret Thatcher the result was the entrenchment of monetarism.

Similarly, the rise of neo-liberal market orientation in the West had a lot

7 On “puzzling and powering”, see Heclo (1974); Hall (1993).

to do with the economics literature that argued persuasively that over-regulation had the effect of rent-seeking industrialization. Regulation rather than directing investments towards developmental agendas was being used to favour certain constituencies in return for rents or bribes. The parallel literature on rent-seeking in the industrialized and less developed world began to suggest that regulation should be reduced and markets should play a greater role in furthering economic growth and human well-being. These economic ideas subsequently had a powerful impact on the World Bank, the International Monetary Fund and developing countries (Stigler, 1971; Derthick and Quirk, 1985).

Ideas and the Indian State

Can we infer, therefore, that ideas merely diffuse and produce policies? How technocrats think and win political support for ideas that evolve is important for understanding how India moves. A few examples will belabour the point. Jawaharlal Nehru, India's first prime minister, was impressed both by Soviet Planning and by Mao's experiments. In fact, India's Second Five-Year Plan was influenced by a Soviet experiment of 1928 (Hansen, 1966; Frankel, 2005)[8]. The Second Five Year Plan was also the work of technocrats such as Mahalanobis and I G Patel. Nehru needed technocrats to understand the nature of the Indian economic problem and ways to escape the decline that India had suffered during colonial rule. The father of Indian planning P C Mahalanobis not only founded Indian planning, he also founded the world-renowned Indian Statistical Institute, where economists across the ideological spectrum ranging from Maurice Dobb and Oscar Lange to Milton Friedman were invited to reflect on India's problems. The Planning Commission of India was thus founded within the Indian Statistical Institute, which has sustained a high reputation for scholarship. Despite influences from the world over, India's mixed economy was neither Soviet nor Chinese style planning (Patel, 2004). Neither did it promote entrepreneurship like the US

8 On ideological contestations, see Kudaisya (2009).

nor was it British in outlook. India opted for liberal democracy with property rights, where private entrepreneurship was stringently regulated but never abolished.

Another example will demonstrate the importance of how the Indian state thinks. The country faced a severe balance of payments crisis owing to food shortages in 1966. India had become heavily dependent on subsidised US's Public Law (PL)-480 supervised food-grains. The US was impressed with Indian planning in the early years and wanted to showcase India's democracy as a successful developmental experiment, especially in relation to communist China in the late 1950s. Consequently, India was flushed with US aid between 1957 and 1963. Given its status as a non-aligned country both the US and the USSR were competing to help India industrialize. These funds were used largely to promote heavy capital intensive industrialization to the detriment of Indian agriculture. It was opined that capital intensive industrialization was the key to India's catch-up with the industrialized West (Muirhead, 2005).

Agriculture was relegated to the background. It was assumed that organizational changes such as land reforms and the cooperatives movement would ensure food security. When the monsoons failed, the US PL-480 wheat came to India's rescue. India did not suffer a famine as did China in the 1960s, largely because of the support from the US (Paarlberg, 1985; Varshney, 1998b; Frankel, 2005).

This approach changed when President Lyndon Johnson came to power in 1963 after the assassination of President Kennedy. The US government and the World Bank turned sceptical about Indian planning. When India suffered a severe food shortage in 1966, unavailability of imported non-subsidized food-grains would have halted India's planned development. President Johnson and the World Bank under George Woods now wished to coerce India into a private sector-friendly, export-oriented economic strategy. The most famous condition for sending US food-grains to India was to devalue the Indian Rupee. Currency devaluation increases the price of imports and reduces the price of exports. It was opined that devaluation would discourage imports and increase the country's capacity to buy imports with exports.

Powerful Indian technocrats such as I G Patel and L K Jha held exactly the opposite view. Large parts of the Indian technocracy and the political class felt that this was an imperial command of the US that should not be respected. Prime Minister Indira Gandhi consulted her technocrats and momentarily devalued the India Rupee to ensure that US shipments arrived as expected. This led to a thunderous anti-American uproar in the Indian Parliament.

India's policy response was to defy American goals at a time when the technocrats and the political class disagreed. The majority of the technocrats had no faith in the export-led model of growth that became popular after the East Asian growth story. When the balance of payments situation became comfortable by 1967, India moved in exactly the opposite direction. India became even more closed to the world, and large scale private entrepreneurship was regulated more stringently than ever before after 1967 (Bhagwati and Srinivasan, 1975; Denoon, 1986).[9]

The moral of the story was that India is a stubborn country that thinks right or wrong but remains quite pig-headed about it.

The Tipping Point

I have argued that India follows an evolutionary tipping point model of institutional and economic change. A tipping point has some salient characteristics. It resembles the earthquake model of change. Changes are evolutionary, gradual and largely endogenous. Changes continue to evolve over a period of time till they reach a threshold. What appears to be a momentous change resembles an earthquake. When centuries of tectonic movements under the earth's crust makes the tectonic plates hit hard against each other, people on the surface often get devastated. What we observe as a symptom (earthquake) appears drastic, but it is the result of centuries of gradual movement. Meteorologists, even though they cannot exactly predict an earthquake, are aware of vulnerable points because they have been observing seismic activity over decades. They know which parts of the earth are

9 Mukherji 2014a, chapter 2.

unlikely to experience an earthquake and where people should be careful.

How then can we locate a tipping point in social life like the meteorologist? A tipping point must have the following characteristics. First, we should be able to observe small scale changes that have accumulated over a period of time. These changes may not be clear to a casual observer but they should be clear to anyone who has studied an institutional path carefully through a particular policy trajectory. These are slow-moving and almost invisible processes to the casual observer. There should be substantial difference between the institutions and policies that evolved gradually and what occurred when the policy earthquake changed the course of history. This is substantially a story of gradual endogenous change (Pierson, 2004; Capoccia and Kelemen, 2007).[10]

We hold that the momentous economic reforms of 1991 and the success of the right to work programme in Andhra Pradesh, each constituted a tipping point. In both cases, the state in India found the capacity to deal with powerful groups ranged against the new set of institutions and policies. When the state was resolute and technocrats found political will, it could change course, building over decades of thinking and puzzling over past policies. What is also germane to the tipping point model is that politics in democracy meets technocrats – and technocrats cannot just function like autocrats. We view the state as an arena where policy ideas have a structural character rather than merely being the will of some technocrat or politician.

India's Globalization

I have argued that the reforms of 1991 were not the result merely of a balance of payments crisis that occurred in 1991. After all, if financial crisis was to be the reason, reforms could have occurred in 1966 as well. I have described above the considerable pressure from the US and the World Bank that had paradoxically led India in a direction quite opposite to embracing the global economy.

10 Mukherji 2014a, 23-33.

Why then did the shift in policy paradigm, embracing an Indian style of globalization and unleashing entrepreneurial energies, occur in 1991? India had reached a tipping point in technocratic and policy evolution by 1991 – having critically examined autarkic policies and having experimented with new ones since the mid-1970s. Significant reports of the Government of India criticised the closed economy model for being overregulated and inefficient. The public sector was supposed to acquire the commanding heights but it was inefficient and consequently an unsustainable loss to the national exchequer. The overregulated private sector had become a rent-seeking racket. I G Patel, the technocrat who drafted the second Five-Year Plan, as Director of the London School of Economics lamented in his famous Kingsley Martin Lecture at Cambridge University in the mid-1980s that they had no idea that regulated industrialization would become a rent-seeking racket between the politicians, bureaucrats and entrepreneurs. Turkey and India were two countries that singularly inspired the economic literature on the pathologies of import substitution famously known as rent-seeking industrialization (Bhagwati and Desai 1970; Krueger 1974). Technocrats and their reports from the mid-1970s therefore argued for freeing the economy of controls, promoting trade and unleashing the potential of the private sector (Mukherji 2014a, 66-69).

Gradually policy change ensued in the 1980s. The freedoms given to Indian entrepreneurs were enhanced. The Indian Rupee was gradually deregulated. The pace of change, however, resembled the tipping point model before the system tips. These changes were so gradual that political opposition to reforms remained muted.

Then came the balance of payments crisis of 1991. Montek Singh Ahluwalia, one of the chief technocrats, narrated this story. Ahluwalia and Prime Minster V P Singh visited Malaysia in 1990. So impressed was Prime Minister Singh with the economic development of Malaysia that he requested Ahluwalia to write a confidential memo regarding how India could aspire to the Malaysian levels of development. That confidential memo of Mr. Ahluwalia in 1990 formed the basis of India's economic reforms. India's technocrats knew what had to be done. There was substantial political will building over gradual policy experiments (Mukherji 2014a, 81).

The balance of payments crisis of 1991 was like the cycle that crosses a bridge about to collapse. The external shock was no greater in magnitude than the oil shocks but India had overspent beyond its means and commercial lenders were unwilling to lend in 1991. The technocrats knew what was needed. 1991 was not 1966. There were substantial areas of agreement between the International Monetary Fund (IMF) and the Indian government. Both were convinced that devaluation, globalization and de-regulation were absolutely essential for the Indian economy to take off.

Prime Minister Rao and Finance Minister Dr Manmohan Singh formed a formidable political and technocratic team on the eve of the reforms.

Rao was an experienced and erudite statesman who like Jawaharlal Nehru understood the need for technocrats at the very time when the Cold War had ended and India was embroiled in another financial crisis. The finance minister who was the leader of the economic team was a respected economist who had served in all the major economic policy positions including the Governorship of the Reserve Bank of India in the 1980s.

Not only was he part of the incremental changes of the 1980s, he was the one economist who had written a brilliant doctoral dissertation at Oxford in 1962, arguing that devaluation was good for India (Singh 1964). He was the first Indian economist to systematically make this point. Such was the acuity of his judgement that Nobel Laureate Amartya Sen wrote an essay in Singh's honour, pointing out that Singh was able to see merit in devaluation even when Sen did not. Not only did he see merit, his research systematically demonstrated how devaluation could solve India's foreign exchange problem. Singh was therefore far ahead of his times. He would lead a team of technocrats, which included Ahluwalia and other brilliant economists who had experimented with reforms in the 1980s (Sen 1998, 81).

The multilateral agencies acknowledged what had been achieved in the 1980s. India and the IMF signed an unusually heterodox programme. The IMF generally dictates, and countries like Argentina and Pakistan have never recovered. IMF is known to be a bad doctor for solving economic problems. India, on the other hand, was at a tipping point. The political and technocratic conviction was resolute. This allowed the Indian state to negotiate a rather unusual programme. Labor laws were not amended. There was hard-

ly any privatization of the public sector. Government spending was also not reduced drastically beyond the first year. The fiscal responsibility act was enacted many years later when the IMF was no longer involved with India.

The Indian state was able to deploy dependence on the IMF to globalize the economy and promote entrepreneurship. The Rupee was devalued in July 1991. The budget of July 24 1991 changed the course of India's economic history. Industrial licensing was abolished. This meant that the state would no longer interfere in simple entrepreneurial decisions. India's famous rent-seeking state renounced a variety of controls. Second, tariffs were reduced substantially. Third, foreign investment, which was less than worth $200 million in all, was sought aggressively. It is these reforms that tipped in 1991 that have produced entrepreneurship and growth, building on India's entrepreneurial talent that had lain dormant for many decades.

The crisis was used effectively to deal with the interest groups that would oppose reforms. The vast majority of influential Indian industrialists, for example, would oppose the reform process. Large and powerful industrialists were used to trade protection. Devaluation would make their imports more expensive. Government controls favoured a small group of powerful industrialists because they had learned to manage government. Devaluation, trade and foreign investment liberalization and de-regulation would make the business environment uncertain for established industrialists. The crisis helped to deal with Indian industry. It was under these circumstances that a relatively less well-known Confederation of Engineering Industry which would be rechristened as the Confederation of Indian Industry in 1992 became the lead industry organization – because they were more supportive of government policies. No sooner had the balance of payments crisis ended, the Bombay Club of industrialists, a powerful group, began lobbying with the government to turn the clock backwards (Mukherji 2014a, 89-92).

But the political will was resolute and the institutions had changed quickly and dramatically after reaching a tipping point. The clock could now not be turned back after the system had tipped comprehensively in a direction. Over time, given this direction of the state, old and new industrialists real-

ized that the state had directed them in the direction of fortunes that they could never have dreamt of in the context of old institutions.[11]

MGNREGS in Andhra Pradesh

Implementation of the right to work in Andhra Pradesh has a similar causal narrative. Andhra Pradesh implemented this program more spectacularly than even neighbouring Tamil Nadu – a state whose reputation in economic growth and human well-being has been studied more extensively. Not only did undivided Andhra Pradesh create more jobs, the poor were targeted more efficiently as well. The Congress Party in Andhra Pradesh, which was not so successful in other states, implemented the most successful right to work. Neither could the Communist Party of India equal this record in West Bengal.[12]

We need to refine our understanding regarding how political-bureaucratic synergies evolved to produce welfare in Andhra Pradesh. Our research suggests that Andhra Pradesh created a cadre of bureaucrats in rural development who developed a passion for serving the poor. These civil servants working with their political masters empowered the most deprived classes over time. Consequently, Maoism vanished from the very state where it was so powerful at one time and found home in greener pastures such as Chattisgarh and Jharkhand. My co-authors Hossein Zarhani, K Raju and I find that the state has made the transition from a need-based phase where political bureaucratic synergies produced subsidized rice to the poor. When the need-based phase was found to be fiscally unsustainable, women's self-help groups based on unleashing the entrepreneurial energies of poor women were unleashed. This successful programme was supported by the World Bank. Investment in women would uplift the class of socially and sexually oppressed citizens. We now know that the self-help groups in Andhra Pradesh are a success story. This experience was central to the capacity that the state

11 These views are derived from research presented in Mukherji, 2013 and Mukherji 2014a.
12 My views on Andhra Pradesh are based on Markussen, 2011; Maiorano 2014; Klonner and Oldiges, 2014; Muralidharan, Niehaus, and Sukhtankar, 2016; Mukherji and Jha, 2017.

enjoyed on the eve of unleashing the right to work in the state. The state transitioned from a need-based to a growth and redistribution-based phase, finally moving towards a citizen-empowering phase. The state had evolved the technocratic capacity to implement the right to work (Mukherji, Zarhani and Raju 2018).

Let us see why technocratic conviction is important. Granting a right does not mean that this right is implemented. Communist-ruled West Bengal and Congress-ruled states such a Maharashtra and Jharkhand did not take this matter so seriously. Our research suggests that the political will favouring the implementation of the right to work had a lot to do with bureaucratic-political interactions. The bureaucracy was able to convince the chief minister that this programme would help the poor, as well as, win him elections. Political bureaucratic synergies had reached a tipping point in Andhra Pradesh that had equipped it for implementing a radical programme.

There was substantial political opposition to programme implementation arising from the politically powerful lobby of rich farmers and construction companies. Convincing chief minister Y S R Reddy meant that the technocrats would credibly argue that with political will, it would be possible to insulate the programme from its powerful opponents. This required the Department of Rural Development to use funds from the British Department for International Development to strategize a plan that would insulate the programme from its powerful adversaries. The strategy they devised was neither known to the World Bank nor the DFID. This was a uniquely Indian solution to a problem. It was only when the powerful arguments were presented to the chief minister that he agreed to insulate the programme from its adversaries – famously calling it his Ayappa programme after the famous temple in Kerala. Reddy assured the technocracy that he would put his political weight to insulate the programme, despite substantial opposition within the Cabinet (Mukherji and Jha 2017, 55).

The implementation had three strategic characteristics. First, India's famous village governments would be circumvented. Rural employment programmes would be discussed within the village but a rural civil servant – field assistant – would bring the project to the village. The field assistant would organize workers. And, payments would be made directly to the poor

without any intervention of the village head. The implementation agreed with Ambedkar's vision. It is well known that Dr. Ambedkar, the chairman of the drafting committee of the Indian constitution and himself a Dalit, had argued that Indian village was the den of caste hierarchy; Gandhi, the father of the Indian national movement, on the other hand, had reposed greater faith in village-level decentralization (Mukherji and Jha 2017, 56).

Second, Tata Consultancy Services provided a transactions software free of cost. This software would track where the cash came from and where it went. The cash was supposed to come from the Central government and go to the worker. It was this governance innovation that lead to the opening of a large number of postal and bank accounts in Andhra Pradesh so that wages could be delivered directly to the worker. The launching of the now famous universal identity cards and bank accounts for every Indian, a project that was conceived by the Congress Party and finally launched by Prime Minister Modi's government, had its roots in this experiment conducted in Andhra Pradesh (Mukherji and Jha 2017, 56).

Finally, and most pertinently, state-society synergies engendered the creation of the Society for Social Audit, Accountability and Transparency (SSAAT) which is designed to bring society back into the state. The Department of Rural Development created a regulator that would monitor corruption. It experimented village-level public hearings with NGOs such as Mazdoor Kisan Shakti Sangathan (MKSS) and Action Aid. Initially, NGOs were even tried out as organizations that could monitor corruption by conducting public hearings. These experiments revealed that the government needed a standardized regulator. The result: state-society synergy. SSAAT was created with funds from the Central Government's Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS). The Chair of the Governing Board was the Principal Secretary of Rural Development of the Government of Andhra Pradesh. But its Director Sowmya Kidambi was a social activist trained by MKSS. She was a consultant and not a government employee. On SSAAT's governing board sat eminent social activists such as Aruna Roy, Nikhil Dey and Harsh Mander. The success of SSAAT has depended a great deal on how technologies of accountability and transparency tried out by NGOs were standardized within the state.

SSAAT's credentials are impeccable. The ethnographic work conducted by my colleague Himanshu Jha and myself revealed that the Social Audit Office's data is precise. It can track corruption very efficiently, even though it cannot always act. SSAAT now deals with non-MGNREGS projects as well, and has earned the adulation of the Comptroller and Auditor General of India (Mukherji and Jha 2017, 56-58).

What do we know and need to know?

The rich literature on clientelism has revealed a great deal about the pathologies of governance in India. Indeed, India's economic growth is matched with rising inequalities and low levels of human development. Despite these pathologies, India's growth rate and initiatives to uplift the poor seem to suggest that this is a sleeping giant just awakened. This is a chaotic rise – India's streets are filled with potholes and the cities are getting more polluted than ever. You cannot remove the poor from the slums beside the Sahar International Airport adjoining Mumbai. So chaotic and diverse is India that you can easily go back with the impression that the state in an unusual nation has lost all of seventy years of post-colonial development. A lot of the literature will tell why.

We know much less about how India moves despite these problems. India is unique in the annals of history to have begun a post-colonial trajectory with such diversity as a poverty stricken liberal democracy. It therefore takes much greater effort to create a consensus within such a large and diverse society. This happens slowly after a lot of political-bureaucratic powering and puzzling – often change takes the form of a tipping point when debating over policy reaches a threshold.

I have described this puzzling and powering towards a tipping point in two arenas of public policy and institutional change – India's embrace of globalization and entrepreneurship as a route to development, and its embrace of a rights-based approach, in this case the right to work. Both constituted a change in the normative structure of public policies and institutions in India.

Clientelism can tell us why the glass of India's governance is half empty.

Political-bureaucratic interactions leading to a tipping point, on the other hand, can reveal how new institutional paths get consolidated, despite substantial opposition. Puzzling and powering are very important for the state in the process of governance. India's liberal democracy is not the product of any democratic upsurge. Neither was India's globalization due to pressures from the business class nor was India's rights-based approach to development powered by social movements. Technocrats and politicians, often after taking social actors and movements into consideration, puzzled and powered to take India along a path that no other country has trodden.

Have we then neglected the power of ideas that have emanated from political-bureaucratic interactions that scholars like Max Weber (Gerth and Mills 1946), Hugh Heclo (1974) and Peter Hall (1993) have pointed towards? This research programme points to the fact that there is no one rationality in politics. It is important to discover how new rationalities are born in bureaucracies and how they interact with politics to produce governance.

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