

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

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## **Abstract**

This paper explains the complex of factors in the weakening of the Congress Party from the height of its power at the centre in 1984. They are connected with the rise of state and regional-based parties, the greater acceptability of BJP as an alternative in some of the states and at the Centre, and as a partner to some of the state-based parties, which are in competition with Congress. In addition, it demonstrates that even as the dominance of Congress has diminished, there have been substantial improvements in the economic performance and primary education enrolment. It is argued that V.P. Singh played an important role both in the diminishing of the Congress Party and in India's improved economic performance. Competition between BJP and Congress has led to increased focus on improved governance. Congress improved its position in the 2009 Parliamentary elections and the reasons for this are briefly covered. But this does not guarantee an improved performance in the future. Whatever the outcomes of the future elections, India's reforms are likely to continue and India's economic future remains bright. Increased political contestability has increased focus on governance by Congress, BJP and even state-based and regional parties. This should ensure improved economic and outcomes and implementation of policies.

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# 1. Introduction

## 1A. The Legacy Issues and a Move Away from Them

The most serious legacy issues at independence were the East India Company syndrome and the ‘drain’ theory, which were to drive policy for well over three decades. India’s experience under British rule, when poverty and malnourishment became the norm for the bulk of the population and resources were drained from India, combined with the rapid transformation of Russia during the 1929 to 1933 Great Depression in advanced capitalist countries as well as the Fabian socialist perspective of the dominant group, epitomized by Prime Minister Nehru, within the ruling Congress Party led at independence to the formulation of policies, which trapped India into an economic straight-jacket. This was to set India on a low growth path for the first thirty years of independence.

Early steady expansion of British rule under the British East India Company through force and changes in institutional and incentive structures changed an economy in transition from agriculture to industry during the early part of the 18<sup>th</sup> Century to one which became an important exporter of raw materials, such as cotton and tea. This process of de-industrialisation increased dependence and pressure on land — for instance the population of Decca declined from 150,000 to 20,000 by 1840 — and led to increased poverty during the East India Company rule. In the early period after British government assumed direct rule in the aftermath of what the British term The Indian Mutiny and what the Indians call The First War of Independence, there were declines in per capita income, further increases in poverty and increases in starvation deaths — there were 24 famines and 20 million starvation deaths in the second half of 19<sup>th</sup> Century — as the bane of feudalism became more entrenched through expansion of zamindari and Princely estates, which were required to pay certain amounts of land taxes to the British, who lived in lavish splendour on imported goods from Britain and to pay for a large Indian Army, which was used to subdue not only those living in India, but also to fight for the British overseas and whose upkeep came from Indian taxes (Jabez T. Sutherland, 1908, ‘The New Nationalist Movement in India’, *The Atlantic*, October). Food exports from India played an important part in such starvation deaths, demonstrating the callousness of British rulers. Improved distribution of food production may have staved off most starvation deaths, but not chronic malnutrition/undernourishment. Malnourishment became the norm for the bulk of the Indian population and life expectancy fell by 20% between 1872 and 1921 (Mike Davis, 2001, *Late Victorian Holocausts: El Nino Famines and the Making of the Third World*, London: Verso) when it hit 25 years, but by 1931 it had fallen to a low of 23 years (International Labour Organisation, 1938, *Industrial Labour in India*). Improvements in nutrition for the bulk of the population have been rather slow in the subsequent period and even in the early part of the 21<sup>st</sup> century India has bulk of the world’s undernourished population. Such undernourished population has been a major drag on India’s physical productivity. This has been one of the worst legacies of British rule and does not feature adequately in any discussion of India.

Against this, on the positive side, the process of industrialization began to be revived under direct British rule in the 20<sup>th</sup> Century. By the time of independence India had built up a textile industry in Ahmedabad and Bombay, which was internationally competitive, and a nascent steel industry had begun by the great Tata business house and which had a great potential to expand (Meghnad Desai, 2002, *Marx’s Revenge: The Resurgence of Capitalism and the Death of Statist Socialism*, London, Verso). Despite this latter development, the poverty of India was seen as the consequence of ‘drain’ of Indian surplus to Britain through

the process of international trade and British investment. Therefore, instead of focusing on land reforms, R&D in agriculture and extension support for agriculture, which would have alleviated mass poverty in the most cost effective way, while allowing the manufacturing sector to expand under an Indian capitalist class and business houses through subsidized bank credit a la the South Korean model, the Indian planners went in for a partial Soviet type command economy structure, where the ‘commanding heights of the economy’ were owned by the state; autarky, rather than comparative advantage determined trade policy; agriculture was left largely to fend for itself, while the private business houses were highly regulated through a strict licensing system, within which they were allowed to expand to meet plan objectives but faced no foreign competition either through imports or foreign direct investment. Given the economic rigidities imposed by such planning system and without the mass mobilization of labour a la the Soviet Stalinist command system, it is not surprising that the Indian economy did poorly. Thus there was a lack of understanding of why Russia under Stalin did well during the period of the Great Depression faced by the advanced capitalist countries; though the policy of autarky could be justified on the basis of ‘export pessimism’, which pervaded the minds of Indian planners.

On the important issue of land reforms, Prime Minister Nehru was in favour of speedy land reforms, but was thwarted in this by the Congress Party leadership in general at the states’ level being dominated by landlords and rich peasants or kulaks. Land reforms were the responsibility of state governments and only the Communist Party of India and Communist Party of India (Marxist), when they came to power in Kerala and subsequently in West Bengal and Tripura introduced effective land reforms. It is not surprising therefore that nutritional, basic health, basic education and physical productivity improvements have been slow in most of India. Nevertheless, under the pressures of a competitive democracy, there has been a steady whittling down of the power of landlords; though the number of landless labourers has remained high and therefore nutritional levels among a substantial section of the Indian population remains appallingly low even today — at the end of the 1990s, it was estimated that close to 50% of the children under 5 were undernourished (World Bank Report, 2005, *India, Undernourished Children: A Call for Reform and Action*).

Fortunately for India, there was a steady shift towards accepting a greater role for Indian business houses in economic growth from the early 1980s, more specifically from 1984 onwards. The 1990–91 economic crisis in India combined with the collapse of the Soviet Union and the rapid growth of China from 1979, as it began to open up its economy to international trade and foreign investment created the potential for the 1991–96 Rao government to do the same. Rao chose Manmohan Singh, an econocrat, to assume the important portfolio of Finance Minister and this set the stage for the dismantling of the ‘licence raj’ and for the steady opening up of the Indian economy to international competition. The implementation of the Mandal Commission’s recommendations by short-term Prime Minister V.P. Singh in 1990 changed the internal political and economic dynamics in support of Manmohan Singh’s reforms. This was because the prospects for the children of the opinion making upper caste deteriorated sharply in the public sector and therefore necessitated the relaxation on controls over and the expansion of the private sector in which they would find jobs and create jobs by unleashing their dynamic potential, which had been stifled in a bureaucracy, which had a culture of rudeness by superiors and of spinelessness by the juniors, while licence raj and lack of competition had created a culture of petty bribes by individuals to get files moving and to get things done, while grand corruption for large contracts was common. (For more on the contribution of V.P. Singh to India’s changing political, social and economic landscape see section 6 below.) With increased

competition and the increasingly ready availability of consumer durables, such as cars, telephones, air and road travel and transportation has virtually eliminated bribery and corruption in these areas of every day life, while grand corruption persists in defense and infrastructure projects. Most Indians though place education and police corruption to be the most serious banes of their lives. This is not surprising because they are more likely to be impacted by them, as they seek admission for their children for scarce places in good quality schools, colleges and universities, while bribing the police to escape fines and harassment from them is still common. Nevertheless, exposure by to-day's media, unlike the period of Mrs Indira Gandhi's rule, when the Ministry of Information controlled and disseminated information, is much greater. Such exposure acts as a deterrent to most of these acts by officials, but it also gives the impression that police corruption has widened, when this may not be the case. Nevertheless, even though the 'licence raj' is over, the widespread Inspector raj, where local officials have the capacity to close down factories and offices under the guise of failure to comply with umpteen regulations, does continue to create substantial incentives for corruption. In addition the excessive pursuit of materialism and greed, which on the positive side is driving economic growth, on the negative side is increasing white collar crime, as it has done in the West. To check this requires improved regulatory environment and more competent regulatory agencies, both of which are happening, as witnessed by improved regulations with regard to the stock exchange and corporations, listed on the stock exchange, administered by the Securities and Exchange Commission of India and improved regulation of the financial sector in general by the Reserve Bank of India. The Indian financial sector in the face of the massive dislocation faced in USA and UK over 2008-09, has in general, mainly led by the State Bank of India, fared rather well.

As in Communist Russia, so too in Communist controlled states in India bureaucratic hurdles and a strong anti-capitalist bias has constrained until recently the growth of a modern consumer and consumer durable goods manufacturing industry; though learning rather belatedly from China's remarkable growth story since 1979 and Chinese Communist Party's acceptance of 'national' capitalists into its fold from 2002 onwards, the ruling Communist party of India (Marxist) [CPIM] in West Bengal has begun to encourage Indian capitalists to invest in that state. But Tata's controversial 2008 Nano car project in Singur, which aroused enormous opposition and violent protests among the peasants because the West Bengal government had expropriated 1,000 acres of prime agricultural land and handed it to Tata for the Nano project, has made that state relatively unattractive for Indian capitalists. This is because Tata had to pull out of Singur after investing nearly \$350 million. But just as the Communist Party of China has modernized, so too modernization of CPM has begun, even if belatedly. This process may accelerate with the drubbing the CPM led Left Front received in 2009 Parliamentary elections, when it won only 24 seats compared to 61 seats in 2004; CPM's tally fell from 43 to 16 and CPI's from 10 to 4.

### **1B. The Remarkable Indian Democracy**

It is the genius of Indian democracy, the seeds for which had been sown through the prolonged period of independence non-violent struggle and mass mobilization by that great soul Mahatma Gandhi, which has held the country together through consensus and compromise, even through the most economic trying times. Equally importantly, India's first Prime Minister Nehru, despite having huge charismatic appeal for the Indian masses and which was reflected in massive majorities for his Congress Party, helped in the development of Indian democratic institutions through the encouragement of debate and an open society, so as to provide solutions to the major political issues of the time. India has common features

of democracy, which it shares with other great democracies. These are a free press, the rule of law, individual freedom, a military that is under the control of a political civilian leadership and a secular state.

Despite being a relatively very poor country, India has emerged as a mature democracy and the manner in which it has managed its religious, ethnic and caste diversity may have lessons for other countries. It is the only country, which displays among the top political leaders, a diversity which is unmatched anywhere else in the world. In early 2009, its President was a Hindu female, its Vice-President a Muslim, its Prime Minister a Sikh and the leader of its largest political party, Congress, a Christian female. In this context, it is noteworthy that Sikhs and Christians each comprise only 2% of the Indian population, while Muslims form around 13% of its population. These developments have to be considered in the context of India's Hindu population comprising around 82% of the total.

Other remarkable aspects of India's democracy are: (a) It is among a few countries, where Communists get elected to Parliament on a regular basis and have controlled three of the State assemblies, West Bengal, Kerala and Tripura, for long periods of time. (b) Probably the most remarkable development in the recent period has been the steady ascendancy of Mayawati's Bahujan Samaj Party (BSP) in by far the most populous state, Uttar Pradesh, where it won absolute majority in the 2007 Assembly elections (see Table 11). The reason why this is remarkable is that Mayawati is a Dalit or 'untouchable', as has been the support base of BSP, which she has steadily extended to incorporate the upper castes. She has begun to make inroads into the Mulayam Singh Yadav's Samajwadi Party's support base among the Muslims. (c) No other country equals India in the robustness and independence of its Election Commission, as is displayed in the management of its elections. In Indian elections, though like democratic elections elsewhere money is important, it is much less so than elsewhere. This is an important reason, why Mayawati's BSP has done so well.

Though the Congress Party has ruled India at the Centre for most period of its independence, its hegemony has been in a state of decline since 1984, when it secured 404 seats out of the 514 contested and close to 50% of the total votes cast. The 2009 Parliamentary elections improved Congress's position considerably and the reasons for this will be discussed in a latter section. Population-wise and in terms of seats contested, the most significant states in descending order are: Uttar Pradesh (UP) with 80, Maharashtra with 48, West Bengal and Andhra Pradesh with 42 each, Bihar with 40 and Tamil Nadu with 39. The States with between 19 and 30 seats in descending order are: Madhya Pradesh (MP) 29, Karnataka 28, Gujarat 26, Rajasthan 25, Orissa 21 and Kerala 20. Given the regionalization of politics in India, political developments in these states have had an important bearing on the overall performance of the major parties, of which Congress has been in general the pre-eminent player.

An understanding of the different caste groupings is important, because of growing regional or state-based parties, using caste as the basis of political mobilization and party organisation in the post-1989 period; as well as to understand the shift in support between the major parties, the Congress and Bharatiya Janata Party (BJP). At the bottom of the caste pyramid are the Scheduled Castes (SCs) or Dalits, as they prefer to call themselves. They had around 14.5/15% of the total population; but their share of the population has been rising and may be touching around 17/18% of the total population. Around 14.5% of the parliamentary seats have been reserved for them since independence. In 2004 out of the total of 79 SC reserved seats, 17 seats (21% of total seats in that state) were in Uttar Pradesh, 8 (19% of total seats) in West Bengal, 7 each (around 18% of total seats) in Tamil Nadu and Bihar and

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

Comprising between 36 to 42% of the total population (Figures based on India's NSSO, which in 2000 placed it to 36% and then revised it to 42% in 2005)) are the Other Backward Classes (OBCs) or the 'intermediate castes' in the sense that they are between the Upper Castes (comprised of the Brahmins, Kashtriyas and Vaishyas) and the Dalits. This is an important constituency of essentially middle and rich peasantry and any party, which wishes to govern at the centre, can not do so without their support. Since Muslims comprise 13%, Christians 2% and Sikhs 2%, the upper castes, which have, because of their high levels of literacy and skills and relatively high level of capital, considerable influence in policy making and as opinion makers, make up between 16 to 22% of India's total population. Not all upper castes vote go to Bhartiya Janata Party (BJP) — they are mostly split between BJP and Congress and in the 2007 Uttar Pradesh Assembly elections and with Ms Mayawati's BSP, which has decided to reserve seats for Brahmins, accepting that not all of them are well to do. Therefore, the *Hindutva* philosophy, which gained adherents and supporters for the BJP in the 1990s, apart from an increasing proportion of the upper castes, included the OBCs and even the STs.

An explanation for the expansion of the base of the BJP in the 1990s, which partly explains the decline in the position of the historically dominant Congress Party, is also, a part of this chapter. There is also a brief discussion of the developments in the BJP in its post-2004 loss and a more substantial loss in 2009 as well as a discussion of the future of the Left Front, which emerged as an important player after the 2004 elections, when it secured 61 seats and provided support for the United Progressive Alliance minority government, but suffered a major drubbing in the 2009 elections. The late V.P. Singh is seen to have played a key role in the decline of Congress from its hey-day in 1984 and hence a separate section is devoted to him.

In addition to the above political aspects, this chapter examines the discontinuity and lift in the economic growth rate from the 1980s and provides an explanation for it. In order to understand the present, we have to briefly look at the past. The next section briefly discusses the legacy of Indira Gandhi; section 3 goes on to look at the weakening in the relative position of the Congress Party and the reasons for it; section 4 at the future political scenarios and section 5 at the poor economic performance in the 1970s and the productivity shift in the 1980s and the reasons for these developments, section 6 is devoted to the contribution that V.P. Singh has made to political and economic changes and section 7 concludes. All the relevant tables are available at the end of the Chapter.

## **2. The Legacy of Indira Gandhi**

Indira Gandhi became Prime Minister of India in 1966 and faced enormous problems, which were connected mostly with the aftermath of the 1962 war with China, 1965 war with Pakistan combined with the 1965–66 droughts. The economic situation created by the 1965–66 droughts was considerably worsened by the sanctions imposed by the USA in the context

of the war with Pakistan. These sanctions included the withdrawal of grain supplies, which were available previously under Public Law 480 and were paid for in rupees. India faced famine, labour unrest and misery in the wake of rupee devaluation and rising prices of essentials. Nutritional improvements, which had occurred in India in the post-independence period until the early sixties, were somewhat reversed in the mid-sixties, because of these developments. In 1970, it has been estimated that around 70% of the children were under-nourished in India (Bank Report, 2005, *India, Undernourished Children: A Call for Reform and Action*). One obvious lesson from this is that large-scale sanctions imposed against a regime, especially where foreign exchange is scarce and food has to be imported, hurt the poor. In this context, Mrs Gandhi with the aid of Indian scientists and farmers in certain states with good irrigation facilities drove grain production over the 1967 to 1987 period, through what is termed as the 'Green Revolution'. This was an important political and economic success story of Mrs Gandhi's long rule, which otherwise was marred in general by poor economic performance (see Table 5 below) and very limited improvements in social indicators. But even in agriculture, productivity improvements were, also, the results of policy changes introduced by the non-Congress Government in late seventies (see Section 5 below).

The Congress was an umbrella organization or rainbow coalition and though it relied on the votes of the minorities, SCs and STs, and even of OBCs, was dominated by the landlords and the upper castes. The most significant expression of the latter was an absence of land reform in the States controlled by the Congress. The other significant expression was the lopsided expenditure by the Indian state on tertiary education rather than on primary education and the mass illiteracy that continued to bedevil India and was highlighted in the 1960s by Gunnar Myrdal (Gunnar Myrdal, 1968, *Asian Drama*, New York: Pantheon). High level illiteracy remains a serious black mark against India even to-day. Absolute poverty levels remained above 50% during most of Mrs Indira Gandhi's reign, which was terminated in 1984, when she was murdered by her Sikh bodyguards. Nevertheless, some reforms undertaken by her, more importantly through land ceilings and the Green Revolution, improved the position of some sections of the OBCs, who have become important political players with time. The emergence of important regional and state-based parties owes much to the growing confidence of important OBC figures, such as Mulayam Singh Yadav in Uttar Pradesh and Lalu Prasad Yadav in Bihar in the context of such reforms. These reforms were connected to political developments in 1967. In that year Congress suffered major political setbacks. In the fourth Parliamentary elections in February 1967, the Congress secured only 54% of the parliamentary seats, while in March 1967 in a number of important States, non-Congress ministries came to power for the first time. These were Bihar, Kerala, Orissa, Madras, Punjab, and West Bengal. A Congress-led coalition government collapsed in Uttar Pradesh. Seeking to regain voter support, Mrs Gandhi pursued a vigorous policy in 1969 of curbing the wealth and income of the upper castes. She placed a ceiling on personal income, private property, and corporate profits. She also nationalized the major banks and directed credit towards rural areas and small business; though improvements in agricultural productivity remained low in the 1970s (Table 5). The Congress split into two, but the largest grouping remained with Mrs Gandhi and she continued in power with support from Left parties. In the fifth Parliamentary elections in March 1971, Congress (R), subsequently renamed as Congress-I, led by Mrs Gandhi, gained a large majority in Parliament on the slogan '*garibi hatao*' (eliminate poverty). Her position strengthened further after India's decisive victory over Pakistan in December 1971 and the creation of Bangladesh and the return of around 10 million refugees to that newly formed country. Despite having such enhanced power, there was little that Mrs Gandhi's period in power has to show for either in terms of improved growth rate, or in reducing the number of the poor in the total population

or in showing a significant dent in illiteracy over the next five to six years. Moreover, during her period in power, she undermined democratic institutions and good governance practices, not only through the 1975 Emergency, but by using the Governors' powers to sack elected governments in non-Congress ruled states, which were extremely frequent between 1967 and 1971 period, by seeking defections to form Congress governments and by using the Ministry of Information as a propaganda tool of her government. She, also, left a legacy of servitude towards the bosses and rudeness towards the juniors and towards the public in general among the politicians and bureaucrats and high levels of corruption as banes of India, even though she herself was free of corruption (Katherine Frank, 2001, *Indira: The Life on Indira Nehru Gandhi*, London: HarperCollins). Though most of these practices continue to-day<sup>1</sup> the Anti-defection law of 1985, after her death in 1984, and its further strengthening in 2003–04 have reduced the importance of defections, though it has not eliminated them, as the 2005 defection/absorption of the Jharkhand branch of the Nationalist Congress Party to/by the Bhartiya Janata Party following the Jharkhand Assembly elections demonstrate. The change and appointment of Governors as political tools of the Government at the Centre and the use by the Governors of their powers to dislodge elected state governments, which was used as an art form under her, continues to remain a serious fetter in improving governance and strengthening democratic institutions in India even in this Century, as for instance the change of government in Goa in February 2005 illustrates. More serious is the use, for political ends, the law enforcement agencies, such as the Police and Criminal Bureau of Investigation, for political purposes by the ruling dispensation at the states and Centre respectively. Against this, the emergence of the Election Commission as a robust and independent institution in the post-Indira Gandhi period, combined with the emergence of competitive and robust journalism and perhaps the checks imposed by an activist judiciary on the abuse of powers by the Governors has strengthened democratic practice. But the emasculation of the State governments under Mrs Gandhi [as an example see the developments in AP, discussed briefly under 3A] and their poor governance has led to the continuation of misconceived populist policies, which have not only promoted corruption, but also undermined the effective role of the states in promoting primary education and schooling in general and in improving the provision of and performance of electricity supply as a critical input in production in general in India — acute power shortages are a feature of most states, other than the south Indian states of Andhra Pradesh, Karnataka, Kerala and Tamil Nadu. The latter states are much better managed and governance is considerably better; though bureaucratic hurdles, because of strong public sector unions, have kept Kerala's rate of economic growth relatively low, despite its excellent social indicators and large overseas remittances by Indian migrant workers to that state.

### **3. The Weakening Relative Position of the Congress Party**

Fortunately, the erosion of Congress's political power since 1987–89 (see Tables 1 and 2), combined with liberalization, which has reduced the powers of the bureaucrats, including in Government Business Enterprises or GBEs, has also seen improved changes in the behaviour and culture of the bureaucrats and politicians, though India continues to rank poorly in terms of the Corruption Perception Index. It has also liberated the Indian capitalist class and Indian entrepreneurial spirit, which is currently driving economic growth in India in the 7–8% range and which has made possible a number of initiatives to improve educational and employment outcomes.

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<sup>1</sup> Rajeev Dhavan, 'A crisis to measure', Opinion in *The Hindu* 18<sup>th</sup> February 2005

The reasons for the erosion in the Congress's political power are complex. They are mainly connected to (A) the increased marginalization of Congress in two of the largest states, Uttar Pradesh and Bihar in the North and the weakening of Congress in the largest south Indian state of Tamil Nadu, since 1967, because of the language issue — these developments are connected to the emergence of the OBCs or intermediate castes as dominant players first in the southern states of Tamil Nadu, Andhra Pradesh, Karnataka, and somewhat with a lag in Bihar, Uttar Pradesh, Madhya Pradesh,<sup>2</sup> and the consolidation of the Left Bloc, under the leadership of the Communist Party of India (Marxist), in another large state, West Bengal; (B) the emergence of the BJP as an alternative to the Congress, which is partly connected to the latter's Panchmarhi philosophy and its subsequent Declaration of this philosophy; (C) the split in the Congress in the second most populous state of Maharashtra; and (D) other factors.

### **3A: Marginalisation of Congress in Some Important States**

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

Since the language controversy erupted in 1967, Congress has had difficulty in making inroads in the important southern state of Tamil Nadu, despite the split in Dravida Munnetra Kazhagam (DMK), brought about by the formation of the All India Anna Dravida Munnetra Kazhagam (AIADMK) in the early seventies. In the 2005 State Assembly elections and the 2004 and 2009 Parliamentary elections, Congress played second fiddle to Karunanidhi's DMK. Anti-incumbency pattern has been a strong feature of elections in Tamil Nadu and DMK and AIADMK have had improved outcomes and held power in alternate elections. Therefore, forming an alliance with DMK does not guarantee Congress an improved outcome for this alliance; though in the 2009 parliamentary elections this pattern was broken, when DMK led alliance with Congress again did well. Given the strong state sentiment against Congress in the post-1967 period, it is unlikely that it will regain its dominance in this state.

Congress also lost support in AP, the most significant southern state in terms of Parliamentary seats, from 1983 onwards; though it recovered state government in 1989, lost it in the subsequent election and recovered it again in 2004 and did exceptionally well in 2009, both in State Assembly elections and the Parliamentary elections. This means that in this state Congress remains an important force and could be a dominant force, if it focuses on governance issues and ensures the relative dignity and independence of its Chief Minister. It is clear that the language issue, though relevant, was more in the background here than in Tamil Nadu and even in the Parliamentary elections in 1977, Congress did very well in this state and against the trend in the rest of the country. But the ire of the constituents steadily increased during the 1978 to 1982 period of its misrule, as opposition members were bought through bribes and perks, while the Congress High Command in Delhi belittled its chief ministers and changed them four times during that period. When the great Telugu actor of that time N.T. Rama Rao formed in 1982 the Telugu Desam Party (TDP) with Congress dissidents, he attracted mass following. After his death in 1996, the TDP has been led by his son-in-law, Chandra Babu Naidoo and ran the state government until 2004. Telengana's demand for separate statehood, promised by Congress before the 2004 elections, remains a difficult unresolved issue.

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<sup>2</sup> Zoya Hasan, 2004, 'The New Power Centres', *Front Line*, Vol.21 (8), April 10-23

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

Though V.P. Singh disappeared from the political limelight within a short period of eleven months of being Prime minister, his partial implementation of the Mandal Commission, (see section 6 below for more details), changed the political landscape in UP and Bihar. Though unlike the SCs/STs, there was no quota of seats in the elections for the OBCs, it strengthened the growing political confidence of the latter. They had benefited from the commercialization of agriculture in the 1970s and 1980s.<sup>3</sup> This is evident from the growing clout of the groupings of the largest OBCs, such as the Yadavs and Lodhs in Uttar Pradesh and the Yadavs in Bihar. For a period, the ability of Mulayam Singh Yadav to effectively combine his support base among the OBCs with that of the Muslims, alienated from the Congress, helped him and his Samajwadi Party (SP) to a nearly dominant position in Uttar Pradesh. For a more brief period, the BJP in the aftermath of the demolition of the Babri Masjid and riding high on the agenda of building a Ram temple in Ayodhya assumed ascendancy, with solid support from the almost 20% of upper caste voters and with significant support from the OBCs, particularly from the Lodhs led by Kalyan Singh — the lack of respect subsequently towards Kalyan Singh by the upper caste establishment of BJP has led to the drift of the influential Lodh vote away from the BJP. For the 2009, elections, Kalyan Singh joined SP. This strengthened and weakened the SP. It brought the Lodh votes to SP, but it alienated the Muslims and in the process re-juvenated Congress, as Muslims returned to its fold in the 2009 Parliamentary elections. This is because Kalyan Singh was the leader of the State BJP and Chief Minister of UP at the time of the demolition of the Babri Mosque.

Similar combinations of Yadav and Muslim votes have seen Lalu Prasad Yadav and his Rashtriya Janta Party (RJD) towards dominance of Bihar for a considerable period, but losing to the Nitish Kumar led combination of Janata Dal (United) and BJP, as Bihar stagnated during the period of RJD rule. The main growing oppositions to SP and RJD respectively are from the Dalit based parties, such as the Bahujan Samaj Party (BSP) of Mrs Mayawati in UP, since the early 1990s and the Lok Jan Shakti Party (LJSP) of Ram Pilas Vaswan in Bihar in 2005. Though for the 2009 Parliamentary elections the RJD and LJSP came together against Nitish Kumar's Janata Dal (United) and Congress, this helped neither the RJD nor the LJSP, as they did poorly. Since Dalits historically have been an important constituency of the Congress, the emergence of BSP in particular, with around 70% of this

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<sup>3</sup> Zoya Hasan, *ibid*

vote going to it in UP,<sup>4</sup> has led to a reduction in the share of Dalit votes going to Congress (see Table 3 below). Given the considerably smaller Dalit base than that of the OBCs and the fragmentation that occurs in these groups, the growing strength of these Dalit based parties is due to and is based on sections of the upper castes, opposed to the Congress, voting tactically for these parties in these states. The BSP, [whose share of popular vote in UP has risen from around 9% in 1991 to around 25% and more than 30% respectively in 2002 and 2007 state elections, see Table 11], does draw support from the Muslims in UP, but the other Dalit-led parties hardly draw any Muslim vote. Though Paswan has been assiduously wooing the Muslim vote in Bihar by insisting on a Muslim Chief Minister for that state following the fractured mandate, which resulted from the March 2005 assembly elections in that state, he has not had much success. The upper castes' main support in these states and in other North Indian Hindi speaking states has drifted towards the BJP and away from Congress; BJP currently dominates Madhya Pradesh and Chattisgarh. In the latter state, it has managed to draw support from Scheduled Tribes or hill tribes. What is likely to pose a problem for the two main India-wide parties, the Congress and the BJP, are the increased number of candidates fielded by the regional parties, more specifically the BSP and the SP, both in the national elections and the state elections. For instance, the BSP contested 210 seats in the 1996 *Lok Sabha* elections and 435 seats in the 2004 elections; in 1996 and 2004 the SP contested 111 and 237 seats respectively. The fielding of candidates by the BSP tends to hurt the Congress. This is because, apart from West Bengal and Kerala, where the major part of the Dalit votes go to the Left Front, the Dalits tend to vote heavily for the Congress Party. In fact apart from weakening the Congress in UP, BSP has also weakened it in Madhya Pradesh (MP), where BSP is able to extend its support base from the neighbouring constituencies in UP. This has ensured the dominance of BJP in MP. But the lack of organizational base and limited funding outside of UP and to some extent MP has meant that the BSP has so far posed only a marginal threat to the Congress in the rest of India. In the future as both these constraints are lifted, BSP will pose more of a threat. The SP draws votes from both the Congress and the BJP, because of the growing middle class voters among the OBCs, who would otherwise gravitate towards the BJP. In terms of funding Congress and BJP are much better placed; though SP, because of its large base in the largest state UP and the Nationalist Congress Party (NCP), because of its base in the rich and second largest state of Maharashtra (see under 3 D below) appear to be drawing increased funding. As organisations both the BJP and the Communists have the most committed cadres, while Congress because of its long period in power have a well developed grass-root party base; though it shrank during the 1991–98 period, as the party drifted, somewhat rudderless. This period also saw the growth and success of the state/regional parties (See Tables 1 and 2 below).

In West Bengal, the Left Front, led by the Communist Party of India (Marxist) or CPM has been in power since 1977. In 1977, it was swept to power, as part of the anti-Congress wave in the aftermath of the 1975–77 Emergency; though one important reason why the Janata Party won is because, for once, the opposition parties came together to fight the Congress and because Jagjivan Ram, who was the effective leader of the Dalits, left the Congress I, and joined the Janata Dal coalition; even then the Congress obtained around 35% of the total votes cast in the 1977 Parliamentary elections. Once in power in West Bengal, effective land reforms, [which have transferred land to the agricultural labourers/tenants and the landless, combined with improved education has enabled the peasantry to make use of improved provision of rural credit and support services through the enhanced use of the panchayats or village councils], have maintained support for the Communists. These reforms

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<sup>4</sup> *The Hindu*, 'Why Maya is Memsaab,' Opinion-Editorials, 16<sup>th</sup> June 2005; [www.thehindu.com/2005/06/16/stories/2005061602361000.htm](http://www.thehindu.com/2005/06/16/stories/2005061602361000.htm),

have seen major improvements in the lives of the ordinary people. This has made the Left Front popular in West Bengal and more so in the rural areas. The split in the West Bengal Congress Party by Mamta Banerjee, who formed WBTC (West Bengal Trinamool Congress) in 1998 weakened the Congress in that state. The WBTC's off again on again behaviour towards the BJP did not help the NDA in the 2004 elections either. Buddhadev Bhattacharjee, who replaced Jyoti Basu as Chief Minister has also managed to change somewhat the staid image of Kolkata towards a can do administration and in the process made it a more attractive destination for both Indian and foreign investment. This process of change weakened the support that WBTC obtained in Kolkata in 1999: WBTC won only one seat in 2004 parliamentary elections compared to eight in 2004. The growing pragmatism in the CPM has led the otherwise right-wing and urban based WBTC to wage a battle against the CPM administration's policies to favour large business houses, such as the allocation of prime agricultural land to Tata's Nano in Singur and 10,000 acres of agricultural land to set-up a Special Economic Zone to be developed by Indonesia's Salim Group. These land issues have alienated support for the Left. In the 2009 Parliamentary elections WBTC teamed up with the Congress and made extraordinary gains. WBTC won 19 seats, its partner, Socialist Unity won one and the Congress six, leaving the Left with only 16 seats. WBTC remains an unreliable partner, as do some of other state-based parties. Therefore, Congress is unlikely to gain an absolute majority again in the foreseeable future.

One of the other reasons for this is the emergence of BJP on the right as a major player.

### **3B. The Emergence of the BJP as an Alternative to the Congress**

One of the important reasons for the growing acceptance of BJP as an alternative is connected to Congress's growing dilemma in the post-1989 period. It is that the Congress needs partners to form a government at the centre and in a number of states, yet it feels that in doing so, it may be diluting its votes and seats. Therefore, instead of forging pre-electoral and post-electoral alliances and leading them, it accepted to support the non-BJP governments at the centre in 1990, 1996 and 1998 under the leadership respectively of Chandreshekar, Dev Gowda and Gujral.<sup>5</sup> These governments lasted only for a short period of time and were eventually brought down by Congress withdrawing support from them. This was a factor in the emerging greater acceptability of BJP as an alternative to the Congress among the growing middle class and more importantly among a section of the opinion making industrial and media barons, who were looking for greater political stability and the continuation of the gradualist reform agenda that the minority Congress government had initiated over the 1991–96 period. The 1998 Panchmarhi Declaration by the Congress that it would not in general have any electoral alliance with regional or smaller parties gave an opportunity to the BJP to consolidate and broaden its support among a number of regional parties, such as Telugu Desam Party (TDP), which wished to influence the centre's allocation of resources in their favour, to form a viable majority in the 1999 elections, after coming close to securing one in the 1998 elections. The DMK appeared to be implicated, in the eyes of a number of Congress powerbrokers, in the murder of Rajiv Gandhi by the Sri Lankan separatist movement LTTE or Tamil Tigers and therefore the DMK was willing to form an alliance with the BJP. A number of other state based parties had also experienced the heavy hand of the Congress. These were for instance the National Conference in J&K state and Shiromani Akali Dal in Punjab. The Hindutva agenda of the BJP aligned it closely with Maharashtra's Shiv Sena and

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<sup>5</sup> R. Upadhyay, 2001, 'Faulty Strategy of Congress: The Need to adjust with times', *South Asia Analysis Paper no. 207*, 6<sup>th</sup> March

even Tamil Nadu's AIDMK. The BJP had gone with AIDMK in 1998, but its leader Jayalalita appeared too demanding and therefore BJP had shifted to an alliance with DMK in 1999. In West Bengal, having broken ranks with Congress, Ms Bannerjee's WBTC, found it opportune to form an alliance with the BJP.

This leads us to the connected issue of the growth in political support of BJP and as an acceptable alternative to the Congress at the centre. Until 1977 Jana Sangh, which was the political wing of the Rashtriya Swayamsevak Sangh or RSS, was seen to be highly communal and anti-Muslim and therefore untouchable by other parties. Jana Sangh's *Hindutva* agenda included the building of temples in Ayodhya (*Ram Janambumi* or the birth place of Lord Rama) Kashi or Varanashi (the birth place of Lord Shiva) and Mathura (the birth place of Lord Krishna) to replace mosques, which it argued had been built on and over the previous sites of temples under the Moguls. Other core agenda items included total ban on cow slaughter; ban/restrictions on the conversion of Hindus by the proselytizing religions; enforcement of Hindi as the national language; repeal of Article 370, giving special status to Jammu and Kashmir; enforcement of Article 44 on Common Civil Law for all, including for the Muslims, who are currently governed separately under Muslim Civil Law and where Sharia Law gives Muslim men the right to marry up to four wives. Apart from Kashmir, which was/is a major outstanding matter between India and Pakistan, other issues, with major external implications were those of blocking infiltration from Bangladesh, the strengthening of diplomatic relations with Israel and the creation of India as an overtly Nuclear Power. Most political parties had seen the Jana Sangh, because of its strong right-wing ideology, as an untouchable party. In this context, Jay Prakash Narayan (J.P.), who had started the mass movement against Mrs Indira Gandhi in 1975 had asked Jana Sangh to merge with the Janata Party. But after its 1977 victory the Janata Party leadership (though not J.P.) asked Atal Bihari Vajpayee and Lal Krishan Advani, the two main players from the former Jana Sangh to give up their membership of the RSS. Under pressure from other coalition partners, they were forced to resign from government in 1980. Vajpayee and Advani had then realized that they had to expand the base of the political wing of the RSS beyond that of the Jana Sangh and from the core of Hindu traders and Hindu priests in North India, who had provided the RSS leadership. Thus began the shift to the modern BJP, formed in 1980. It attempted, through its new name and by adopting Mahatma Gandhi's teachings, mainly of what it termed his 'cultural nationalism' and by accepting J.P. Narayan's 'integral humanism' as an important part of its agenda, to claim to be the legitimate successor of Janata Party. Though the building of temple in Ayodhya, as well as other elements of the Jana Sangh philosophy have remained part of the BJP, in practice, it has softened its stand on several of them and despite being the leader of the National Democratic Alliance (NDA) in 1998, 1999 and 2004, the contentious issues were not part of the NDA manifesto. Even within the BJP's core ideology, there has been some rethink. This made it more acceptable as a partner to a number of regional parties in the subsequent period and more so in the 1990s. By accepting the role and importance of regional languages, BJP moved away from its preoccupation with Hindi as the national language. The anti-Muslim stance was softened by defining the concept of Hindu more broadly to accept all those who were born in India, and to redefine *Hindutva* as cultural nationalism and to bring Muslims, who saw themselves as a part of the mainstream India, into the fold; so far without much success.

But we are running ahead of our story. In the 1984 elections, in the aftermath of the murder of Mrs Indira Gandhi by her bodyguards, the RSS cadre shifted *en masse* to the Congress led by Rajiv Gandhi, thus giving it a massive 404 seats out of 514 contested and in the process reducing the BJP to only two seats. This support in turn led to the adoption of

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

This period was also connected to adverse developments in the Kashmir Valley. The Kashmiri *Jehadis* supported by Pakistani’s encouragement through cross-border infiltration, had forced out the minority Kashmiri Pandits (Hindus) through violence and intimidation from the Valley and this minority became refugees in India, ie in their own country, in the early 1990s. There was a reaction against Pakistan and also against Muslims in some quarters. The RSS cadre, which had supported the Congress in 1984, began to actively support the BJP again. The BJP’s strength in UP has waxed and waned with the issue of *Ram Janambumi* (substantially up in 1996 with the demolition of the Babri Masjid in 1992, somewhat down in 1998, but substantially down in 1999 and 2004); but overall in the country the BJP’s trajectory until the 2004 elections was up (See Table 1), rather than down. Nevertheless, in terms of the share of votes, BJP is having difficulty raising it beyond the 25% it achieved in 1998 (see Table 2). In Bihar, BJP continues to be an important player, but only because of its alliance with Nitish Kumar and George Fernandes’ Janata Dal (United) Party or JDU, which has a traditional base as the former Samata Party in that state. Nitish Kumar’s improved administration of Bihar, after JDU in alliance with BJP won the 2005 state Assembly elections has made it highly contestable against Lalu Prasad Yadav’s RJD, which had dominated Bihar for almost 15 years before then.

Though the *Ram Janambumi agenda* of building a temple at Ayodhya remains unresolved, some of the items on the *Hindutva* agenda have been implemented under the NDA. Externally, the process of strengthening ties with Israel was begun by the Rao Congress Government between 1991–96. Therefore, it became easier for the BJP led NDA to assume overt and strong relations with Israel. The Rao Government toyed with the idea of exploding the bomb, but desisted from doing so, under pressure from the US and Russia. But it laid the groundwork for Pokhran II undertaken by BJP in May 1998.

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

### 3C. The Split of the Congress in Maharashtra

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

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

On the positive side, given the importance of the Nehru–Gandhi family to the Congress Party, it gave the dynastic name and leadership to that Party, which was missing after the death of Rajeev Gandhi. In hindsight, it is probable that if Mrs Sonia Gandhi had assumed leadership of Congress, immediately on the assassination of Rajeev Gandhi then she would have got the sympathy vote and consolidated her power within the Congress party more effectively. By 1998, such sympathy had dissipated. In addition, the inexperience of Mrs Sonia Gandhi and the arrogance of the Congress Party that it would do better without allies, led to a worst outcome in 1999, with the Congress dropping to 114 seats in the *Lok Sabha* elections from 141 in the 1998 elections (see Table 1). Despite its vote share being higher in 1999 than in 1998 (see Table 2), the effective alliances formed by the BJP, led to a drop in the number of seats won by the Congress. The victory of the Congress-led United Progressive Alliance in 2004 shows the growing political maturity of Mrs Sonia Gandhi as well as the importance of striking the right alliances — not only for Congress, but also for the BJP, which showed hubris and arrogance in the way it had treated some of its NDA allies<sup>6</sup> such as the DMK in Tamil Nadu, Indian National Lok Dal in Haryana and even the Janta Dal (United) in Jharkhand. Nevertheless Congress had in 2004 secured only 145 seats and its share of total votes was down on the 1999 one (see Table 2). But in 2009 the Congress improved its position to 204 seats. The growing maturity of Rahul Gandhi, Ms Sonia Gandhi's son, his tenacious campaigning, the tri-factor of Ms Sonia Gandhi, Rahul and Manmohan Singh, the latter as the econocrat, who is seen as the architect of India's reforms and of its high economic growth from 2004–08 and is seen as a safe pair of hands at a time, when the global economy is reeling in the aftermath of the US led sub-prime crises played an important part. There are other factors. These included the return of the Muslim vote in Uttar Pradesh to Congress, where Congress improved its tally to 22 seats from 9 seats in 2004, because of the virulence of BJP's Varun Gandhi campaign against the Muslims and more importantly the embrace by SP of Kalyan Singh, who was BJP leader and Chief Minister of UP at the time of the demolition of Babri Masjid; the programs that have benefited landless labourers through the National Rural Employment Guarantee Scheme and the massive loan waiver scheme, which has helped a number of farmers all played a part.

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<sup>6</sup> K.K. Katyal, 2004 'Issues and Trends in Indian Elections', *South Asian Journal*, 5<sup>th</sup> Issue, July-Sep. pp.

### 3D. Other Factors

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

Inept handling, by the Congress Orissa state government, of the Super Cyclone, which hit Orissa on 29<sup>th</sup> October 1999, has led to the considerable weakening of support for Congress in that state. The formation of Biju Janta Dal (BJD), after the late highly popular Biju Patnaik, and its alliance with the BJP was highly effective in keeping down the support for Congress in that state. BJD's split with BJP before the 2009 Parliamentary elections weakened BJP and helped the Congress somewhat.

The introduction of pro-market reforms in the 1990s, which increased the dynamism and resilience of the Indian economy, also, increased inter-state inequalities (see Table 10). This development contributed to the strengthening of the regional or state-based parties in the lagging states of Uttar Pradesh, Bihar and Orissa. Thus despite Congress doing much better in 2009, state-based factors continue to play an important part. This is reflected in state-based parties, such as JDU doing well in Bihar and BJD doing well in Orissa. Even in UP, where Congress improved its position, state-based parties such as SP and BSP remain significant players.

## 4. The Future

Political power at the centre is more contestable than it has ever been. This is more so because the trend in the post-1991 period has been for regional/state based parties to gain an increasing proportion of votes and seats. Moreover, as we have seen BSP is fielding candidates nation-wide and this tends to cut into the Congress votes. In addition regional/state alliances by either the BJP or Congress tend to strengthen, rather than weaken such regional parties (prominent examples are the BSP, JDU and BJD, all of which gained from alliances with BJP; while the Trinamool Party has gained from its alliance with Congress) yet both the major parties have no option, but to strike alliances with such regional parties, if they wish to form a government at the centre. Congress has done better in 2009, because of increased support of Muslims, Dalits, Adivasis and lower strata of OBCs, who benefited from its redistributive policies. These groups have historically formed its support base (Tables 3 and 4), but in UP, the Muslims had drifted to SP and could drift to BSP, while the Dalits are drawn to the Left Front in West Bengal and Kerala and to BSP in UP and increasingly in MP; the BJP competes effectively with the Congress for the support of Adivasis and the JDU with the lower strata of OBCs in Bihar

The problems are equally, if not more serious for the BJP. Its 2004 loss, the aging leadership of Advani, the conflict between the more strident Hindutva agenda, which appeals to the important RSS cadre and the softer and governance focused approach, which suits its existing and potential coalition partners, combined with the unresolved issue of who will succeed Advani among the second-tier of highly ambitious leaders, makes future gains for BJP less certain. Equally difficult has been its ability to handle within its ranks the more assertive and important OBC leaders, such as Uma Bharti in Madhya Pradesh and Kalyan Singh in Uttar Pradesh — both of whom have left it. With its defeat and set-back in 2009, the issue of who will take over from Advani has again come to the fore. To form a government at the centre, BJP has to become more acceptable to the growing number of regional parties and this requires it to substantially dilute the core *Hindutva* agenda. Therefore, though the BJP will continue to play an important role, given its support base among the upper castes and the

*Hindutva* philosophy, which also draws support from sections of the OBCs and Adivasis or STs, it is also likely to find it difficult to marry this *Hindutva* philosophy, a philosophy, which will be continuously pushed by the party's mentor the RSS, with the need to extend its support base among the large proportion of the voters and other parties, which find parts of its *Hindutva* philosophy highly objectionable. There is a tension between the RSS/VHP with their stress on the core ideology of *Hindutva* and the moderates, who wish to extend their base and therefore are willing to substantially dilute this ideology in order to gain power. The latter flourished during Vajpayee's period as parliamentary leader of BJP. This is reflected in giving some key positions in the party to Muslims (the Vice-President of BJP, Mukhtar Abbas Naqvi, is a Muslim) and considerable number of seats to Dalits or SCs and Adivasis or STs. For instance, 26.8% of BJP's elected members at the Centre in the 2004 Parliamentary elections were from the SC/ST group, while only 22.1% of those for the Congress were from that group.<sup>7</sup> The reservation of 140 seats for SC/ST — 79 for Dalits and 41 for the Adivasis — forces all major parties to field SC/ST candidates. But this has to be seen in the context of the Congress having a significantly larger support base among the Dalits and somewhat larger support base among the Adivasis than the BJP— though BJP has made significant gains among the latter. In the 2009 Parliamentary elections, instead of softening its image, made necessary in the post-Godhara carnage in Gujarat, which has made it difficult for the BJP to find allies among a number of regional parties, such as TDP in AP, for which Congress historically has been the enemy, the combination of anti-Christian riots in Orissa and Varun Gandhi's 'hate speech' led it to lose allies, such as Orissa's BJD. In addition, Narendra Modi remains a powerful, but divisive, figure in the BJP and has benefits and costs for the Party. His state-level victories based on a development agenda works in favour of the BJP; while the post-Godhara massacres of Muslims and the lack of justice for the victims works against it. US's refusal to grant a visa to Modi in 2005, gave a new lease of life to Modi. The question is whether or not the BJP will use the anti-US sentiment, which Mrs Indira Gandhi was so effectively able to mobilize from time to time during her period in power? The US decision to sell F-16s to Pakistan and before that to confer the title on Pakistan of a major non-NATO ally, gives BJP a basis to mobilize the large anti-Pakistani constituency in India by attacking the US policy towards Pakistan. But the BJP is unlikely to take this course. This is because the BJP understands that the future emergence of India as a major global power, and this being its overriding objective, requires considerable US support and improved economic ties with its neighbours, including Pakistan (see *BJP's 2004 pre-election Vision Statement*). At the same time, there is the US interest in promoting a dynamic and liberal democratic India, as a counter to the growing global ascendancy and assertiveness of China, but under an authoritarian Communist leadership. Without BJP support, it would be difficult for the Congress-led UPA Government to promote closer India-US relations, which are strongly opposed by the Left. Apart from the continued tension between its ideologues and moderates [brought out more clearly in the aftermath of early June 2005 Advani's visit to and positive statements in Pakistan on its founder, Muhammad Ali Jinnah and his repentance over the demolition of the Babri Masjid],<sup>8</sup> there is also a serious problem faced by the BJP in its necessity to move to the second-generation leaders from the aging leadership of Advani. An attempt to give more responsibility to such second-generation leadership in post-2004 election period failed because of bickering between the then Party President, Venkaiah Naidu and the fiery BJP leader from Madhya Pradesh, Uma Bharti, forcing Advani to resume the Party Presidency. But RSS Supremo Sudarshan forced Advani to quit and foisted Rajnath Singh as President on the BJP. Building of the Ram temple at Ayodhya and other issues

<sup>7</sup> Paul Samuel and M Vivekananda, 2004, 'Holding a Mirror to the New Lok Sabha', *Economic and Political Weekly*, Nov. 6<sup>th</sup>, pp.4927-4934

<sup>8</sup> *The Economist*, 11<sup>th</sup> June 2005, 'India: Advani and Jinnah', p.30

which were lying dormant under Vajpayee, have re-emerged as major planks of BJP's agenda in the 2009 Parliamentary elections. This is to ensure continued support from the core constituency, who are attracted to the BJP because of its *Hindutva* philosophy. At the same time, to broaden its appeal, other contentious issues, such as the introduction of common civil code, are likely to be dropped from the party manifesto.

In the context of the Left Front gaining 61 seats in the 2004 Parliamentary elections, the Third Front was actively pursued by the CPM Secretary-General, Prakash Karat, for the 2009 Parliamentary elections. The Third Front, excluding the Left Front, was comprised of a motley of state and regional parties, which had previously tied up with the BJP, because they have often been in competition with the Congress Party at the state level. These were, among others, the TDP in AP, the BSP in UP, AIADMK in Tamil Nadu and the BJD in Orissa. But with no clear-cut agenda, apart from that of whittling down the power of the Congress, because it had signed the Indo-US Nuclear Deal, which CPM had vigorously opposed, the Third Front came a cropper. Left Front in 2009 was reduced to 24 seats and had become irrelevant at the national level. The Communist/Left support remains localized in West Bengal and in the much smaller state of Tripura; though in alternative election periods its support improves (waned) in Kerala, where in 2004 Parliamentary elections it swept the board. The rapid emergence of China, under the leadership of the Communists, could improve the prospects of the Communists in India in the future. This is specially so given the improved relations between the two Asian giants in this decade and re-enforced by the visit of the Chinese Premier in April 2005. But there is a failure to understand the reasons for China's success by the Indian Communists. China has lowered trade barriers much more speedily than India. It has been far more open to foreign investment than India and has been far more concerned with expanding new jobs than with protecting existing workers in formal sector employment. In India any company employing more than 100 workers requires the permission of state authorities to sack workers and the Indian Communists remain opposed to relaxing this rule, enabling more flexible China to gain in a major way from the abolition of Multi Fibre Arrangement.<sup>9</sup> Consequently, China has emerged as the largest manufacturing and trading nation in the world within a short span of time, even as India continues to lag behind most nations. China is a major recipient of FDI, while Indian communists continue to impose hurdles against FDI. While China continues to liberalise at a break-neck pace, Indian communists consider opposition to trade and investment liberalization as a badge of honour and neo-liberalism as a swear word. Bureaucratic hurdles are far higher in India than they are in China, because of this mind-set. For instance, it takes 67 days to register property in India, against 32 days in China and it takes 10 years to complete bankruptcy proceedings in India against 2.4 years in China. The lessons from China are that the poor would be better served, by something that the CPM has done well in West Bengal, through land reforms, improved use of *panchayats* at the village-level and credit and extension support for farmers and by, something that the CPM has not so far been willing to countenance, focusing on lowering entry barriers, increasing competition by reducing bureaucratic hurdles and by encouraging expansion of businesses through proper pricing rather than hampering their growth through poorly targeted subsidies and price ceilings. This is particularly serious for government-owned energy companies, which are being strapped for funds because of such policies. The Chinese Communists have moved away from being a party of bureaucratic controls to one focused on expanding infrastructure and supplies and thus of employment, whereas the Indian Communists seem stuck in a bureaucratic rut. This is more so in Kerala, where the Communists, when in power, successfully introduced land reforms. Though much is made of Kerala's excellent social indicators, this is more to do with historically progressive rulers and

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<sup>9</sup> *The Economist*, 2002, 'India: not much to write home about', May 14<sup>th</sup>, p.10

the role of the missionaries in pre-independence period and the higher status of females in that state, than to the educational and health policies of the Communists. Kerala had a strong head start over other states in India in education and health, which it has maintained to its credit. But unlike China, where the complimentary policies, including trade and investment liberalization and muzzling of trade union power, has lifted the return to education, it remains low in Kerala. By backing militant unionism and unresponsive bureaucrats, the Communists, despite Kerala having excellent social indicators, have stifled the growth of the Kerala economy. An inter-generational shift is taking place in the CPM, which may lead to a substantial rethink of policies.

Nevertheless, we do not rate the chances of the Communists/Left Front improving their tally beyond that achieved in the 2004 elections. This is because they will continue to remain restricted to West Bengal, Kerala and Tripura. The political space, they could have occupied in other states has been effectively captured by state-based and OBC supported parties, such as Samajwadi Party (SP) in UP, RJD and JDU in Bihar, DMK in Tamil Nadu, TDP in Andhra Pradesh, NCP in Maharashtra, Shrimani Akali Dal in Punjab, Indian National Lok Dal in Haryana and to some extent the Dalit-led parties, such as BSP in UP and LJSP in Bihar. It is possible that state-based parties which were part of the Third Front in the 2009 Parliamentary elections may drift towards BJP, as Congress or its partner, as in the case of TN, remains the main competition for them. Their chances of coming to power at the Centre in combination with the Left Front remain rather slim and are better with BJP. This is because even if all the all non-Congress and non-BJP parties came together, they still will not have the majority of seats in parliament.<sup>10</sup> Therefore, they would need the support of Congress or BJP to form the government at the Centre.

Given the continued importance of the state and regional parties, neither the Congress nor BJP on their own are likely to gain a Parliamentary majority. But even without Parliamentary majority of any of the major parties, the reform process will continue. It may be somewhat slower than some may wish, but in terms of policies at the centre, it will not affect the overall performance of the economy. The more serious problems are at the level of states, which have important responsibilities in terms of health, education and family planning. The mid-day meal, which is the most significant element in improving health and even basic literacy and family planning, as demonstrated by the successful experience of Tamil Nadu, requires effective implementation by the states. Most states lack the financial and administrative capacity to implement it in the rural areas. Similarly, effective primary education is being undermined by the lack of payment of teachers' salaries in some cases and the lack of teachers or their non-attendance in a number of other cases. There are also serious problems with power supplies; not only in terms of shortages, but, also, because of non-availability. There is also a lack of a clear-cut policy and institutional framework at the state level for foreign firms to invest in this vital sector. In this respect, the BJP governed states have in general done much better. For instance, Gujarat under the BJP had the highest rate of agricultural growth of 9.6% per annum over the 2000–01 to 2008–09 eight year period and, despite its Godhara black-mark, is a highly attractive destination for both local and foreign capital, because of its rapidly improving infrastructure; Rajasthan under the BJP had the most effective implementation of NREGS, with excellent record-keeping, and Madhya Pradesh under the BJP is regarded as a well-governed state. Governance has also improved in some of the Congress-ruled states, with AP the best example. It has continued with effective implementation of NREGS in Rajasthan. More importantly, governance issues have enabled the JDU and BJP coalition to do well in the 2009 Parliamentary elections and after winning

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<sup>10</sup> Vidya Subrahmaniam, 2005, 'It is not an easy alternative,' *The Hindu* May 2<sup>nd</sup> 2005; Table 9

only 20 Parliamentary seats and doing far worse than expected in UP, the BSP has realized that heightened perception of corruption and poor delivery have to be tackled if it is to improve its position in future. Therefore, competitive and contestable politics is ensuring better outcomes for the Indian economy, than was the case when Congress had absolute majorities and dominated majority of the state assemblies.

Compared to 2004, in the 2009 Parliamentary elections, Congress improved its position by more than 60 seats from 145 to 206 (see Table 1). The reasons for this are complex. At a broader country-wide level some of the factors, which favoured the Congress were: (a) the need for political stability in the midst of the economic crisis — both the Third and Fourth Fronts were seen in general to be vehicles of political instability and therefore did badly ; (b) the confusion among the voters about whether BJP was offering Advani or Modi as leaders, leading to BJP doing worse than in 2004 (see Table 1); (c) the attack by Advani on Manmohan Singh as a weak leader, when the latter had guided the country to a higher growth trajectory and had an image of a clean and decent person offended opinion makers in India and (d) the association of the Congress with NREGS debt waiver scheme and the Forest Dwellers Act of 2006, which had benefited the rural areas.

Though these factors played a part, state and regional factors remain important and therefore an explanation still has to be sought at state and regional level. There were substantial improvements for Congress in: (a) the Hindi heartland — in UP and MP respectively, it won 21 seats and 12 seats compared to 9 and 4 in 2004, because of the substantial return of the Muslim vote, alienated from SP in UP and because of the increased fear of BJP in MP, in the aftermath of Varun Gandhi's hate speech; in Rajasthan, it gave a drubbing to BJP by winning 20 out of 25 seats because of the continued effective implementation of NREGS and disenchantment among the rank and file BJP supporters with the authoritarian approach of the state Party Chief Vasundhara Raje, reflected in a low turn out of 47%; in Delhi, it had a clean sweep, winning all the 7 seats, because of good administration of Sheila Dixit and the appreciation of good economic management under Manmohan Singh, which had benefited its citizenry the most; in Uttarakhand it won all the 5 seats, because of dissatisfaction with BJP's Chief Minister B.C. Khanduri and division within the BJP's state administration (b) in Andhra Pradesh, where it won 33 seats out of 42, because of confusion in the opposition, as TDP and TRS, which had little in common tied up, combined with the farmer debt waiver scheme, which helped the rural areas in this state, where debt related suicide deaths had been the highest, and the popularity of Congress Chief Minister Y.S.R. Reddy (c) in Kerala, where the tendency of this state to alternatively favour Congress led United Democratic Front or UDF and CPM led Left Democratic Front or LDF continued and helped the Congress in 2009, when it won 13 seats as against none in 2004, when the LDF was triumphant; (d) in Maharashtra, where it won 17 seats, five of which in Vidarbha, which benefited from the debt waiver scheme and where farmer suicides had been very high, and with NCP all the seats in Mumbai, because of split in the Shiv Sena votes, as the Raj Thackeray's MNS played a spoiler role.

But none of the above should give Congress long-term comfort. This is because the Shiv Sena continues to improve its position in rural areas in Maharashtra, while the BJP remains competitive in Rajasthan, the LDF in Kerala and the TDU in AP. In addition, the BSP will steadily erode support for Congress in UP and MP, as it improves its capacity to reach out to Muslim voters in these states.

The return of the UPA makes it easier to get the Indian economy back on track to a growth of 8%+, which has been derailed by the global crisis. There is confidence among

global and local investors in Manmohan Singh as a reformer and as someone who will continue to improve the investment climate.

## **5. Poor Economic Performance, the Productivity Shift and Their Explanations**

It is quite clear from data in Table 5 below that economic performance of India was quite poor until 1980. Even in agriculture, despite the changes ushered in by Mrs Gandhi's government in the post-1967 period, the substantial productivity improvements occurred in the 1980s. These were more the result of policy changes in favour of the rural sector, including the expansion of the co-operative movement and extension of substantial credit to the farming and rural sector, introduced by the first non-Congress Government, which came to power in March 1977; though to give credit to Mrs Indira Gandhi, these policies were continued by her, when she returned to power in 1980.<sup>11</sup> In the 1970s, India's economic performance deteriorated, even from the poor level of the 1960s; rate of economic growth was lower and total factor productivity was negative according to different sources (see Table 5). But significant productivity improvement and shift occurred in the 1980s and continued in the 1990s (see Table 5). What is probably surprising is that productivity growth was higher in the 1980s than in the 1990s, when major reforms occurred.

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

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

As we have seen in section 2 above, 1970s was the aftermath of the period, when Mrs Indira Gandhi had tightened controls over internal production considerably over the levels existing under the previous Congress regimes, which were already quite extensive. Her policies forced investment not only into areas, where the returns were quite poor, but her cossetting of workers, led to extremely poor work practices — India, which was highly competitive in textiles and clothing at independence, was highly uncompetitive in this industrial sub-sector by the early 1980s, with several mills listed as 'sick'; while her centralization of powers led to sycophancy and lack of any critical policy perspective. If we add to the rigidity and therefore the limited resilience of the economic system created by Mrs Indira Gandhi, the external and internal shocks, which hit India during th1970s, we are able to explain the very poor performance of this period. These shocks included the flooding of around 10 million refugees from East Pakistan (now Bangladesh), under the repression unleashed by the Pakistani military regime in 1970–71, the 1971 war between India and Pakistan in this context, a very severe draught in 1972, followed by the 1973–74 oil-shock, another severe draught in 1979 and the 1979–80 oil-shock. Though the caring of large

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<sup>11</sup> Charan Singh, 2005, 'Financial Sector Reforms in India', *Indian journal of Economics and Business*, Vol. 4(10), pp.1-33.

number of refugees, without recourse to international assistance was commendable, it diverted resources from other alternatives and did not add much to India's output. Similarly though the war was justifiable in terms of India's interest in creating stability on its border with East Pakistan and even from a human perspective, it was extremely costly and did not add much to India's output. The two draughts, especially the 1972 one, subtracted from output and the oil-shocks led to the loss of income to the oil-exporting countries and added to costs of production within India.

In terms of economic policy, some shift occurred after 1980. The defeat of Mrs Gandhi in the 1977 elections at the hands of the Janata Party, formed from an incongruous group of opposition parties, particularly in the Hindi heartland, is a watershed in terms of changing policies away from limiting the expansion of the large business houses, towards allowing them more space to expand and enjoy some economies of scale. More importantly and more significantly, as we have seen at the beginning of this section, the expansion of credit to and of co-operatives in agriculture expanded productivity in that important sector. The internal bickering in the Janata Party did not give it time to see effective outcomes, but in the 1980 elections Mrs Indira Gandhi came back to power on a totally different slogan, 'Elect a Government that works' from the one that she had used in the 1969 elections. Though Kohli<sup>12</sup> exaggerates the shift towards the large business houses from 1980 onwards — business houses have remained important in India in the post-independence period — those who had the ear of Mrs Gandhi and then Rajiv Gandhi, such as Dirubhai Ambani, the founder of the Reliance industries, flouted the limitations on capacity that remained in operation under the license-permit raj's planning restrictions. Data in Table 5 clearly shows that there was a substantial spurt in productivity and economic growth in the 1980s.

There are two views on why this occurred. One view is that it was based on what is termed as the introduction of **pro-business policies** aimed at gathering support from the existing Indian business houses<sup>13</sup> as distinct from **market liberalization**. Pro-business policies are defined, by Rodrik and Subramanian (2004), as raising the profitability of established industrial and commercial establishments and included easing restrictions on capacity expansion for incumbents, removing price controls, and reducing corporate taxes. Rodrik and Subramanian explain that the terms of trade were falling during the 1980s and therefore the external environment was not favourable during that period for India; but it was a much more stable internal and external environment than the sixties and the seventies. Oil prices drifted down and there were no wars, in which India was involved. The only major internal shock was the severe draught of 1985. More importantly, the policies initiated by the Janata Party coalition, in support of the rural sector were continued, explaining the spurt in agricultural productivity in the 1980s (see Table 5). These improvements in agriculture effectively increased internal demand and therefore, allowed the pro-business policies to work. Other aspects, which allowed effective demand to increase was the increased exports through counter-trade to the Soviet Union, which in its objective of providing more consumer goods to its citizens, but without expanding trade with the capitalist bloc, relied on such goods from India and other countries with which it had such arrangements. Effective demand also increased because of an influx of Indian workers to the Middle East and some of the ASEAN countries on short-term contracts, sending back increased amounts of remittances. With the onset of the first Gulf War in August 1990 and with the collapse of the Soviet Union towards the end of 1991, there was a collapse in such remittances and trade.

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<sup>12</sup> Kohli, A. 1989, 'Politics of Economic Liberalization,' *World Development*, Vol. 17 (3), pp.305-28

<sup>13</sup> Dani Rodrik and Arvind Subramanian, 2004, 'From 'Hindu Growth' to Productivity Surge: The Mystery of the Indian Growth Transition', *IMF Working Paper*, WP/04/77

The other view is that growth was mainly driven by ‘fiscal expansionism’<sup>14</sup> and borrowing from abroad.<sup>15</sup> Though Rodrik and Subramanian (p.18) use capacity utilization figures for the 1970s and 1980s to argue that ‘fiscal expansionism’ explains only a small part of the spurt in productivity during the 1980s, it is quite clear from their discussion that there are some question marks about the reliability of capacity utilization figures for India for the 1970s and 1980s. In addition, they validly argue that given the rise in external debt and current account deficit, there were leakages abroad from this fiscal expansionism. But India was a highly closed economy and in some ways a more closed economy in the 1980s than in the 1970s, as the effective rate of protection increased, initially because of devaluation and subsequently because of increases in tariffs, even as some quantitative restrictions were removed (see Table 6 below). Therefore import leakages were highly limited; though they increased over the period.

A more composite view then is that it was driven by expansion in agricultural productivity and demand, some relaxations on capacity of business houses, by reductions in taxes and easing access to imported capital inputs for large business houses, but substantially by a lax fiscal policy, combined with external borrowings. Protection and effective assistance of industry increased rather than diminished during the eighties. Moreover, the improved productivity spurt in the 1980s is at least partially an artifact and reflects a number of elements. The crises of the 1970s, which included the Indo-Pak war of 1971, the severe draughts of 1972 and 1979 and the oil shocks 1973–74 and 1979–80, had created excess capacity and saw total factor productivity being negative in the 1970s decade (see Table 5). As demand increased by farming recovery (see Table 5) and falling oil prices in the early eighties and by a lax fiscal policy mostly in the second half of the eighties, capacity recovered and capacity utilization improved, as government relaxed controls on large Indian business houses and productivity saw a marked jump. But Indian competitiveness, despite rupee devaluation in 1980, in the absence of more rational production and competitive policies remained poor, contributing to the balance of payments crisis of 1990–91. In addition, since the value-added was excessively protected during the eighties, it gave a somewhat exaggerated picture of improvements in productivity during that period. Moreover, it has to be seen in the context of and as an aftermath to the negative productivity of the 1970s’ decade. Therefore, though technical efficiency improved, allocative efficiency as well as dynamic efficiency remained poor; allocative efficiency worsened, if we go by the data on average effective rate of protection. At the same time evidence produced by M. Govinda Rao, K.P. Kalirajan and Ric Shand,<sup>16</sup> shows that technical efficiency in the important electricity industry of India was among the lowest in 1991 in Asia. Given the heavy cross-subsidisation of farmers, allocative efficiency is also poor in this industry. Driven by populist policies, this industry’s performance in the post-reform period has not improved; though the 2003 Electricity Act, with a policy of compulsory metering and the requirement for the states to pay their SEBs for any policy of free electricity to the farmers, has the potential to improve it. The unbundling of generation and distribution, also, has the potential to improve efficiency.

Equally seriously, the aftermath of 1980s laxity in fiscal policy —

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<sup>14</sup> T.N. Srinivasan and S. Tendulkar, 2003, *Reintegrating India with the World Economy* Washinston: Institute for International Economics

<sup>15</sup> Meghnad Desai, 2003, ‘India and China: An essay in Comparative Political Economy’, *Paper for IMF Conference on India/China*, Delhi

<sup>16</sup> 1998, *The Economics of Electricity Supply in India*, Macmillan India Limited

average consolidated government deficit jumped from 5% of GDP in the 1970s to 9% of GDP in the 1990s<sup>17</sup> — saddled India with a fiscal deficit, which remains an ongoing problem. In the 1990–91 fiscal year, Gross Fiscal Deficit of the Centre hit a massive 7.85% of GDP! In 1991, it also placed India in the external category of severely indebted, from which it moved through prudent management of the central bureaucracy and the Reserve Bank of India (RBI) to that of less indebted category by 2001.<sup>18</sup> This fiscal crisis has also raised the cost of capital to the private sector and has dampened somewhat its growth in the post-1990 period. The policies of financial repression and directed lending raised the non-performing assets (NPAs) of the commercial banks and other financial institutions. In 1993–94, the Gross NPAs of the commercial banks as a percentage of their total assets hit 24.8% and this was measured at the lax standard of 180 days of these NPAs outstanding, rather than the international norm of 90 days. In the post-liberalisation period, they have been cut steadily and more swiftly after the creation of Asset Reconstruction Companies in 2002 and the enactment of Securitisation and Reconstruction of Financial Assets Bill in late November 2002.<sup>19</sup> By March 2005, measured at the international standard of 90 days outstanding, Net NPAs of commercial banks had dropped to 3%; though the normally used and the more relevant Gross NPAs were higher at 6.5%! This has been a remarkable achievement. But a flip side of this has been the cut back in credit being made available by the commercial banks to the rural sector — the advances to agriculture by the important State bank of India fell by the end of 2003–04 to 12.79 per cent of the net bank credit, far short of the prescribed limit of 18 per cent. In turn, this is reflected in lower productivity growth in the agricultural sector during the 1990s as compared to the 1980s (Table 5). Though we do not have similar data for the current decade, India's growth trajectory has shifted to a level of around 8%, as savings and investment rates have increased to around 32% and increased competition has ensured a better allocation of resources. The 2008–09 global financial and economic crises created a hic-up in sustaining such a high growth rate, and massively lifted the Gross Fiscal deficit of the Centre to 9%. Despite this, given the confidence boost injected by the return of the Manmohan Singh led Government the growth return should return to 8%+ from 2009–10 onwards.

Even in terms of improving equity in and access to education, substantial improvements only occurred after 1991; though plans were laid in 1986. The India-wide gross enrollment ratio (GER) rose from 82% to 95% and even more significantly the overall GER for girls rose to 92% and for SC and ST children, which make up 18 and 9% of children rose to above 95%. This was at least in part a result of substantial GER improvements in the 'Bimaru' states of Rajasthan, Uttar Pradesh and Madhya Pradesh to over 90% and was brought out by a lift in elementary expenditure from 1.7% to 2.1% in a rapidly growing economy (Kin Bing Wu, Venita Kaul and Deepa Sankar, 2005, 'The Quiet Revolution: How India is achieving universal elementary education,' *Finance and Development*, June, pp.29–31)

In general, it is reasonable to conclude that despite some changes in the 1980s, the period before the fiscal year 1991, was one, when econocrats were unimportant in effective policy making and implementation and that economic efficiency took a back seat in political and economic discourse. As is clear from Table 6 below, Average Effective Rate of Protection increased from a high level during the second half of eighties and declined only in the 1990s and more so in the second half of that decade. Though there was some removal of restrictions in the import of capital and consumer goods during the second half of the eighties, these began to be removed in a serious manner only in the 1990s.

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<sup>17</sup> Rodrik and Subramanian, *Ibid*, p.17

<sup>18</sup> World Bank, 2003, *World Development Indicators*, Table 4.17, pp.251-252

<sup>19</sup> Desh Gupta and SB Dahiya, 2005, *India in a Globalising World*, Hope India, p.113-114

## 6. Contribution of Vishwanath Pratap Singh to Changes in India's Political, Social and Economic Landscape

V.P. Singh died in November 2008 at the age of 77. When he died, he was mourned by the intermediate castes — for an explanation, follow the discussion below — but the upper castes were happy, some of them were heard to say ‘Good riddance!’. Politically he was a controversial figure, but his economic contribution, which we believe was enormous, hardly receives a mention in ordinary discourse or in academic literature.

He was Chief Minister of India's largest state, Uttar Pradesh, from 1980 to 1982, Union Commerce Minister in 1983, Finance Minister of India from 1984 to 1986, Defence Minister of India for a short period in early 1987, when he resigned to forge an effective unity among all opposition parties, including the ideological opposites, Communist Party of India (Marxist) and Bhartiya Janata Party, thus enabling his Janata Dal led National Front to form a minority government in the aftermath of the 1989 General Elections. V.P. Singh was Prime Minister for less than a year, from 2<sup>nd</sup> December 1989 to 10<sup>th</sup> November 1990.

One of his major contributions was in improving India's dreadful record in corruption through (a) personal probity, as Chief Minister of Uttar Pradesh and in his various capacities as a Union Minister, (b) by lifting government controls and through increased scrutiny of assets of and raids on the rich to force them to pay their tax dues, during his tenure as Union Finance Minister and (c) by lifting government controls over the state owned broadcaster, Doordarshan, and opening up the media to more private competition during his short period as Prime Minister, thus subjecting government policies and all politicians to a greater and increasing degree of media scrutiny since 1990. It is no accident that policy making and implementation in India has improved since then. Though the image of politicians among the public has not changed since then, incremental changes are underway, which are tending to reduce the capacity of the centre and its politicians to act in an arbitrary manner and to steadily weed out the brazenly corrupt and, through the watchfulness of the Election Commission and the Judiciary, those with criminal records.

It is clear from Dani Rodrik and Subramanian (2004, see Table 5 below) that India's growth rate, which had averaged about 3.5% between 1950 and 1980 lifted close to 6% in the 1980s, with a sharp lift in Total Factor Productivity, specifically during the period that Rajeev Gandhi was Prime Minister. But credit for changes in policy and therefore productivity improvements should go as much to V.P. Singh as Finance Minister, as to Rajeev Gandhi. Moreover laxity in fiscal policy under the Rajeev Gandhi administration increased after V.P. Singh was moved from Finance Ministry in 1987, thus contributing to the balance of payments' crisis of 1990–91.

V.P. Singh contributed in a major way to diminishing the political dominance of the Congress Party. This was firstly through pulling away of some of major castes from the Rajeev Gandhi dominated Congress Party from 1989 onwards, with the formation of the Janata Dal led National Front. This split from the Congress Party was consolidated by Singh after 1990 with the partial implementation of the Mandal Commission, which was set-up by the Janta Party Government in 1979 and whose report was delivered in December 1980, but was left on the shelf under the Congress Governments, which were in power between 1980 and 1989. Mandal Commission recommended 27% reservation in educational institutions and in government jobs for Other Backward Classes (OBCs) or what are also known as the Intermediate Castes ie castes in social hierarchy between the Dalits or ‘untouchables’ at the bottom and the upper castes comprised of Brahmins, Kashtriyas and Vaishyas at the top. At

independence, the Indian Constitution had accepted the serious socio-economic disadvantage faced by the Dalits and the Tribal Groups, the latter eking out a living in the forests and hills, and had set aside 15% and 7% respectively of government jobs and places in educational institutions for what were respectively termed as Scheduled Castes and Scheduled Tribes. V.P. Singh implemented that part of the Mandal Commission, which reserved 27% jobs for the OBCs thus raising the total reservation in government jobs, including those in Government Business Enterprises, to 49%. This policy became effective from 1993 onwards. In 2008, the Supreme Court ordered government educational institutions to reserve 27% of places for OBCs, excluding the 'creamy layer'. Though not surprisingly the upper castes vigorously opposed job reservation in 1990 — some young people from upper castes 'self immolating' themselves in protest and others arguing that government employment should be based on merit and opposing even the job reservation for the Dalits, which previously had faced no opposition, over time opposition to such job reservations has essentially died down. Politically, there is the acknowledgment that the upper castes do not have the numbers. Congress, which was opposed to the OBC reservations, became marginalized in Uttar Pradesh and Bihar, which together provide more than 20% parliamentary seats. The other important reason for the weakening of the Congress Party is connected to the increased contestability of the Bhartiya Janta Party or BJP. Before 1989, BJP was seen to be a 'pariah' by most political parties, because it was successfully tarred by the Congress Party as being anti-Muslim. But V.P. Singh by persuading all the major opposition parties, including the Communists, to include the BJP as an informal partner in the 1989 Parliamentary Elections, enabled it to form alliances in the subsequent elections with a number of state-based parties, which were often in contention with the state Congress Party. But as the power and interests of state-based parties have increased, their bargaining power vis-a-vis both the Congress and BJP has increased. Not only has Congress become diminished, fractured outcomes have become more common.

Politically then the 27% OBC job reservation policy led to the shrinking of support for the Congress Party as the OBCs, as well as SCs threw up strong regional leaders in Uttar Pradesh and Bihar, which had been the bastion of Congress until 1989. As the Left led by the Communist Party of India (Marxist) had consolidated its position in West Bengal and Tripura since 1979, a substantial chunk of Parliamentary seats began to slip away from Congress's grasp. Though the 1991 Parliamentary Elections gave Congress 232 seats (compared to 1989's 197 seats, see Table 1), this was partly due to the sympathy vote, which was the result of assassination of Rajeev Gandhi by a female Tamil separatist member of LTTE on 21<sup>st</sup> May 1991, when he was campaigning in Tamil Nadu and partly because of the split, which occurred between the non-Congress parties in that election. In the subsequent elections support for Congress has steadily dwindled to around 25%, making it difficult for it to come to power without the support of regional parties. Congress's vote share has in general continued to fall since 1984, from a high of 49%. Though in 2009 Parliamentary elections, this share improved (see Table 2), it is unlikely that it can be sustained. This is because, as discussed earlier, there were special factors, which worked in favour of the Congress in 2009.

Upper caste votes have moved towards the BJP as a reaction to V.P. Singh's OBC reservation policy and it has also garnered support from other Hindus through its opposition to what it terms as pseudo-secularism and by it seeking the hegemony of cultural Hinduism over Islam and Christianity. Though its agenda of building a Ram Temple in Ayodhya and removal of Article 370, which confers a special status for Jammu & Kashmir State in the Constitution, is unlikely to gain traction, even if and when it is able to form a coalition Government, it remains a part of its manifesto and draws die-hard Hindus and is necessary to placate the RSS workers, who are mobilized to garner votes for it during the elections. This is

because such an agenda will not be supported by its coalition partners, other than Shiv Sena. BJP has nevertheless moved since 1984 from being a relatively small player to being a national party competing for power with Congress at the Centre and successfully in several important states, such as Gujarat, Madhya Pradesh and Rajasthan by making 'Good Governance' a central plank of its manifesto. V. P. Singh gave legitimacy to the BJP in the 1989 elections by fighting the Parliamentary elections in an informal and loose coalition with it, even though ideologically he was not comfortable with it. Thus India's political landscape has changed in a marked way since V.P.Singh split from the Congress Party in 1987 and 'Good Governance' has become an important basis of contestability between BJP and Congress. This has in general improved the quality of governance and is reflected in improved road, rail, harbour and air infrastructure and lift in educational participation rates at primary school level and access to health facilities to a broad section of the population.

Equally significant is V.P. Singh's contribution to a lift in India's growth trajectory. We have already discussed the changes introduced by V.P. Singh between 1984 and 1987, which contributed to a lift in growth trajectory from an average of 3.5% between 1950 and 1980 to close to 6% in the 1980s. Though this is not likely to be disputed, what we are about to highlight may turn out to be more controversial. It is the implicit role that V.P. Singh has played in the continuation of an average of growth rate of 5–6% during the 1990s and a lift to 7–8% during the 2000s. The standard accepted credit for economic reforms during the 1990s is given to Dr Manmohan Singh as the Finance Minister and to Narsimha Rao, as Prime Minister for appointing Dr Singh, an econocrat, as Finance Minister. Though there is no denying that Dr Singh was instrumental in bringing about a number of reforms discussed earlier. But opposition to opening up the Indian economy and the lifting of license controls was muted not only by the economic crisis and the collapse of the Soviet Union, which had historically provided an alternative of a closed command economy to the more private sector driven and the gradually more open trading system that was pursued by India during the 1990s under Dr Singh and continued by the BJP led National Democratic Alliance from 1998 to 2004 and by Dr Singh as Prime Minister from 2004 onwards. What is different about the Singh led reforms of the 1990s is that unlike the reforms of the earlier period, they were not reversed (A. Subramanian, 2008, *India's Turn: Understanding The Transformation*, Oxford University Press), but were continued in the subsequent period, even though politically they may have contributed to a weakening of political support for Congress among the Scheduled Castes and Scheduled Tribes. Why were these reforms not reversed? Externally, there was the China factor — China's more open economy was powering ahead of India and the gap between China and India was likely to widen dramatically, if nothing was done to lift India's growth rate. But more importantly what changed internally in favour of the private sector and improving the commercial performance of the public sector enterprises at the centre was the dramatic impact of the implementation of 27% job reservation for the OBCs by V.P. Singh in 1990. These job reservations led to the shrinking of job opportunities for the upper castes after 1993, when the reservations for OBCs began to be implemented. Job opportunities for upper castes, who remain the opinion makers, shrank further after 1997, when sharp increases in public sector wages occurred with the implementation of the Fifth Pay Commission, putting pressure on public sector budgets. One of the paradoxes of India is that public sector employment, which was substantially merit-based before 1990, did not lead to improved economic performance in either the public sector enterprises or in India's economy in general, outside the agricultural sector, which did the best in the 1980s. Our explanation for this paradox is that upper caste skills were in general unproductively employed in the public sector until 1990; government delivery of services was poor and public servants in general were rude because there was little pressure on them to perform. India's economic

performance outside of the agricultural sector, improved from 1990 onwards for a number of reasons, but an important explanation, which is generally overlooked, is the more productive use of scarce upper caste skills. Rudeness of public servants has diminished as along with the politicians, they have become open to greater scrutiny by the media, since 1990, when V.P. Singh relaxed the controls over the government-owned broadcaster 'Doordarshan' and opened up the media to greater degree of competition.

Private sector has done better in India from 1984, when some controls began to be lifted and increasingly well since 1991, when license raj was targeted for elimination by the Rao-Singh administration. Growth of the Indian economy has become closely tied to that of the services' sector, with that of ICT showing the greatest dynamism. Upper caste skills, which before 1990 would have mostly ended up in the public sector, have obviously played an important role in the dynamism of the private sector. In addition public sector enterprises at the centre have become more commercially focused and have shown improved performance (Desh Gupta & Milind Sathye, 2008, 'Financial Turnaround of the Indian railways,' *ASARC Working Paper No. 6/2008*, Australian National University). Often such reforms are led by upper caste skills; though the credit for such reforms may end up with the politicians. Upper caste skills are more focused on commercial performance than was the case before 1990. This is because their jobs in the public sector have become less secure, with increased job reservations and tighter budgets eroding space for them and therefore their value to such enterprises and Ministers-in-charge is dependent on their performance. In turn, the benefits of the better performing economy have ended up with the large business houses and the highly skilled, mostly the upper castes, but by improving mobility, also, a substantial chunk of the OBCs and a section of SCs and STs.

Unfortunately, the agricultural sector, where bulk of the population is engaged has done less well since 1990 compared to the 1980s. But political competition has forced the Congress led United Progressive Alliance to find more resources for the agricultural sector in 2007–08. In the 2009 Parliamentary elections, Congress has had to move beyond sloganeering, which dominated Mrs Indira Gandhi's period (see above), to attempt to regain some of the politically lost ground. It has focused during its 2004–09 period in government on improved economic performance, on National Rural Employment Guarantee Scheme (NREGS) and the Rs.65,000 crore on bank debt waiver for agriculture and the politically controversial and difficult issue of signing the nuclear deal with not only the USA, but also with France and Russia, Though not enough is made in the manifestoes of the major parties on education and health, investments in both have increased substantially during both the NDA and UPA administrations. Both NREGS and the bank debt waivers have moved resources to the rural areas and thus dampened rural-urban inequality. The nuclear deal will help with improving electricity generation and thus improve electricity supply, which is a major bottleneck in India's economic performance, particularly in the manufacturing sector, in which India substantially lags behind China and the new emerging manufacturing powerhouse of Vietnam.

Thus contrary to the popular assumption that coalition governments by creating political uncertainties are not good for economic performance, India has done better as the dominance of Congress has disappeared. Credit for the weakening of the Congress Party, as we have argued, should go mainly to V.P. Singh. In addition, the 27% job reservations for the OBCs, which V.P. Singh instituted, led to better utilization of upper caste skills and imparted an on-going dynamism to the private sector and to improved performance of public sector enterprises.

## 7. Conclusion and Important Issues for Discussion

As Amartya Sen has explained, Indian policy-making has suffered both from an overactive government and under-active government.<sup>20</sup> It has been overactive in stifling industrial initiative through excessive government and bureaucratic controls — they reached their height during Mrs Gandhi's period as Prime Minister in her earlier period between 1967 and 1977, when she lost to a united opposition in the aftermath of the excesses of her Emergency rule. Microeconomic efficiency suffered a great deal and poor resource allocation kept a check on India's growth rate. The Indian government has been under-active in other areas, such as school education, basic health care, land reforms and micro credit. Effective land reforms were only conducted in Kerala and West Bengal under the Communist governments; though Ms Mayawati did achieve some success in Uttar Pradesh in this decade, but she has been in power for a very short period of time to date. Other governments of whatever persuasion have failed here. Though land ceilings were imposed, the ineffectiveness of the governments in imposing them and the clogging of the cases in the courts has diverted important resources from elsewhere and has restrained productivity growth in a number of states, such as Bihar and Uttar Pradesh, where administration was poor. On the one hand, it created uncertainty among the landlords and therefore affected production adversely. On the other hand, a section of the OBCs, who belonged to the category of the rich peasants or *kulaks*, such as the *Jats* in Haryana and West Uttar Pradesh, *Patels* in Gujarat, *Yadavs* in East Uttar Pradesh and Bihar, and *Reddys, Khamnas & Kapus* in Andhra Pradesh, benefited. This strata of the OBCs was generally unaffected by the land ceilings and therefore pursued policies of expanding production coupled with buying land from the traditional landlords. They also benefited from free or highly subsidized electricity, other subsidized inputs, such as fertilizers and in some states from provision of irrigation and no income tax. Agricultural reforms, including electricity reforms, now remain a hostage to this powerful constituency of farmers and the state Congress parties and more seriously state governments led by the Congress Party in a number of states, such as Punjab, Haryana, AP, Karnataka and Maharashtra, pander to this constituency. In addition attempts to introduce agricultural income tax faces powerful resistance. Nevertheless, the growing importance of econocrats at the Centre gives cause for optimism; though most states still seem stuck in the populism of the past. Economic performance outside the agricultural sector has improved substantially since 1990, as upper caste skills have become better utilized in the Indian economy. Credit for this should go to V.P. Singh.

State governments, attempting to introduce economic tariffs for electricity for farmers, lose to oppositions promising free electricity and forgiveness of arrears. The 2004 Parliamentary elections, where regional factors played an important role, clearly shows the importance of the farming vote, which went against the incumbents, where the parties in power wished to enforce the electricity tariffs on the farmers.<sup>21</sup> But it is also clear that the introduction of the Securitisation Act and the related sharp fall in the NPAs of the banks has reduced credit flows to the rural sector. The slowing down of agricultural productivity growth in the post-reform period and more seriously under the NDA government was a serious issue and contributed to its loss in 2004. There is an imperative to make alternative credit provisions for the important agricultural sector, which given the large size of population dependent on it is essential from both macroeconomic growth and equity point of view.

<sup>20</sup> John M. Alexander, 'Interview with Amartya Sen', *Frontline*, Vol.22(4).

<sup>21</sup> Desh Gupta, 2004, 'An analysis of the Indian elections', paper presented at the *India Forum*, Australian National University; see also, K.K. Katyal, 2004, 'Issues and Trends in Indian Elections', *South Asian Journal*, Fifth Issue

Politically, it is quite clear that the Congress's position has weakened considerably and without allies it will have difficulty in forming a government at the centre. As we have demonstrated, credit for this weakening should go substantially to V.P. Singh. It appears likely that as BSP improves organizationally, it will compete more effectively against the Congress for the Dalit vote not only in UP and Madhya Pradesh, but also elsewhere. This is likely to weaken the Congress further; as will the pressure from allies like the RJD, NCP and DMK for a greater share of the seats in Bihar, Maharashtra and Tamil Nadu respectively. BJP will also continue to have difficulty in enhancing its seats. This is because organizationally it is dominated by the Brahmin-Vaishya castes and has difficulty in accommodating strong OBC leaders such as Kalyan Singh in UP. In addition, the BJP will have to considerably soften its *Hindutva* agenda if it wishes to gain more allies, but may face opposition from its parent organization, the RSS. This contradiction will continue to limit its scope for expansion of its support base. The strength of the regional parties and that of the Left Front in West Bengal and Kerala creates the potential for the third bloc gaining power. But here the rivalry between the SP and the BSP in UP, between JDU and RJD in Bihar and DMK and AIADMK makes it difficult for this front to come to power. In addition the combined seats of Congress and BJP will continue to exceed more than half of the Parliamentary seats. What is clear from this is that the space at the centre is even more contestable in the future than it has been since 1989.

In conclusion then, while Congress remains one of India's most popular parties, it has to compete against the BJP at the national level and has to have support of at least some of important regional leaders and state-based parties in order to form a government at the centre. The same applies to BJP, which has to win the support of regional parties, which are faced with competition from the Congress, but which also have to ensure that they do not alienate minority voters, especially in periods, when the BJP, under pressure from the RSS hardens its *Hindutva* agenda.

Fortunately and interestingly, the reform agenda, which began in a very limited way in the 1980s and accelerated somewhat in the early 1990s, is being maintained in the face of such changed fortunes at the centre. This has brought substantial gains to most Indians. Given the growing gap with China and the increased liberalization in that country, it is unlikely that such reforms will be reversed in India, but distributional issues, which have not formed a part of this paper, remain important and will have to be tackled, if continued support for reforms is to be maintained. Certainly 'economic growth with a human face' vision of Manmohan Singh, who has been Prime Minister since 2004 captures this clearly. How to implement it, given that implementation, particularly of important social infrastructure aspects, such as school education and health, are with the states, with their populist policies and serious fiscal constraints, particularly in the lagging and large states of UP and Bihar, remains a tough ask. But during the 2004–09 period, Congress was able to improve rural conditions through NREGS, farmers' bank debt waiver scheme and the Forest Dwellers Act and put more into the education sector through an education cess of 2% from 2004 onwards. More over, political contestability is making focus on governance an important aspect of elections. If India is able to sustain a growth of 7–8%, then more resources can be transferred to the rural and agricultural sector and to the lagging states of Bihar, Orissa and UP. But given the high fiscal deficit in 2009–10 and the continuing impact of the Sixth Pay Commission on this and its flow-through to the states, fiscal consolidation will conflict with this objective of transferring resources.

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

Year /Party	1984	1989	1991	1996	1998	1999	2004	2009
BJP	2	85	120	161 <sup>^</sup>	182 <sup>@</sup>	182 <sup>!</sup>	138	116
CPI+CPM	28	45	49	44	41	37	53	20
Congress	404	197	232 <sup>+</sup>	140	141	114	145 <sup>~</sup>	206 <sup>?</sup>
Total national Parties <sup>+=</sup>	451 (406)	471 <sup>#</sup> (282)	466 (352)	403 (301)	387 (323)	369 (306)	364 (283)	428- (326)
Total State parties	58	27	50	129	101	158	159	115-
Total Results	514 <sup>*</sup>	529	521	543	543	543	543	543

- Another 27 held in 1985, of which Congress won 10.
- Janata Dal (JD) led by V.P. Singh won 143 seats and formed a minority govt. supported by BJP. After 11 months V.P. Singh resigned and Chandrasekhar led the party and govt. with support from Congress.
- + Congress led by Rao formed minority govt.
- <sup>^</sup> BJP attempted to form a govt. & failed; United Front led by JD, Communists and regional/state parties formed minority govt. with support from Congress
- <sup>@</sup> BJP formed NDA and was in power for a period, but lost vote of no confidence by one vote.
- <sup>!</sup> BJP led NDA govt for 5 years
- <sup>~</sup> Congress formed a UPA minority govt. with support from the Left Front, until 2008, when it withdrew support over the Nuclear Deal with USA, but continued with the support of Uttar Pradesh based Samajwadi Party or SP.
- <sup>?</sup> UPA won 262 seats, but this did not include RJD and LJSP, which were its partners in 2004 but formed the Fourth Front with SP in 2009. With only 4 seats RJD did badly as compared to 2004, when it won 22 seats; while LJSP won none in 2009, as compared to 4 it won in 2008. With the support of Independents, UPA has an absolute majority and does not either need of the Fourth Front nor the support of the Left Front, which did badly in Kerala and for the first time, since 1984 won less seats than the opposition in West Bengal — Out of a total of 42 seats, the combined Trinamool Congress and Congress won 25 seats; TC's partner Socialist Unity Centre of India won 1 seat; while the Left Front only won 15 seats.
- <sup>+=</sup> The listed National Parties are: Congress, BJP, Bahujan Samaj Party (BSP), Samajwadi Party, Janata Dal (United) or JDU, Rashtriya Janata Dal (RJD), Communist Party of India (CPI), Communist Party of India (Marxist) or CPM, Shiv Sena (SS). Figures in bracket are totals of Congress+BJP and demonstrate that over 200 seats continue to be won by a combination of non-Congress, non-BJP parties.
- - While the total for National Parties is up in 2009, other than the Congress and BJP, the other national parties are in terms of Parliamentary election outcomes essentially one or two state based. Samajwadi and BSP are mainly UP based, JDU and RJD are mainly Bihar based, Shiv Sena is Maharashtra based; even the Communists are West Bengal and Kerala based.
- Note: Totals don't add up, because registered (unrecognised) parties and independents not shown

Source: Election Commission of India

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

**TABLE 2**  
**Share of votes of selected National parties and State parties in Lok Sabha Elections (%)**

Year /Party	1984	1989	1991	1996	1998	1999	2004	2009
BJP	7.74	11.36	20.11	20.29	25.59	23.75	22.16	19.29
CPI+CPM	8.58	9.12	8.65	8.09	6.91	6.88	7.07	6.98
Congress	49.1	39.53	36.26	28.8	25.82	28.30	26.53	29.67
Total national Parties*	79.8 (56.84)	79.34 (50.89)	80.65 (56.37)	69.08 (49.09)	67.98 (51.41)	67.11 (52.05)	62.89 (48.69)	68.44 (48.96)
Total State parties	11.56	9.28	12.98	22.43	18.79	26.93	28.9	19.0

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

\* Figures in brackets are the total percentage votes for Congress+BJP

Source: Election Commission of India

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

**TABLE 3**  
**Congress Vote by Community Lok Sabha Elections 1991–99 (%)**

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

Notes for Table 1, 2 and 3:

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

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

Source: Yogendra Yadav down loaded the following URL on 14<sup>th</sup> April 2005

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

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

**TABLE 4**  
**Congress Vote by Class Lok Sabha Elections 1991–99**

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

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

Source: Heath and Yadav (1999), provided in

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

**TABLE 5**  
**India: Aggregated and Sectoral Growth Accounting**

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

Notes: 1/ Based on labour force

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

3/ From World Bank's World Development Indicators

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

**TABLE 6**  
**India: Measures of Trade Protection, 1980–2000**

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

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

**TABLE 7**  
**Congress Vote by Class: State Assembly Elections, 1998–2003**

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

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

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

**TABLE 8**  
**Congress Vote by Community: State Assembly Elections, 1998–2003**

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

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

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

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

TABLE 9

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

Vidya Subrahmaniam, 2005, 'It is not an easy alternative,' *The Hindu* May 2<sup>nd</sup> 2005

TABLE 10

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

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

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

**TABLE 10A**

**What the numbers say, 60 years apart**

Description	1947	2007
No.of Schools	23,000	11,80,000
No.of Professional Colleges	2008	2751
Birth Rate	41 per 1000	24 per 1000
Infant Mortality	146 out of 1000	58 out of 1000
Coverage of All India Radio	2.5% of the area and 11% of the population	91.24% of the area and 99.13% of the population
Size of the Plan	Rs.2,000 cr in 1950	Rs.15,25,639 cr (Tenth Plan)
Public Expenditure	1.5% of GDP	4%of GDP

Source: <http://www.businessline.in/cgi-bin/print.pl?file=2007083150330900.htm&date=2007/08/31/&prd=bl&>, downloaded on 31<sup>st</sup> August 2007 (T.C.A Ramanujam, 'We must not only act, but must also dream', *The Hindu*, 31<sup>st</sup> August 2007)

**Table 11**  
**Uttar Pradesh Assembly Elections (total seats 403) \*RLD**

BSP	206	30.4	98	23.2
SP	96	25.5	143 (+14)*	25.5*
BJP	51	18.5	88	20.2
Congress	22	8.5	25	9
Others	28		35 (-14)*	

NB: \*SP did well with the support of Rashtriya Lok Dal in 2004, but despite retaining the vote share lost seats, when RLD pulled away from it in 2007

Source: Election Commission data.