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Institute of South Asian Studies
National University of Singapore
29 Heng Mui Keng Terrace
#08-06 (Block B)
Singapore 119620
Tel: (65) 6516 4239 Fax: (65) 6776 7505
www.isas.nus.edu.sg
<http://southasiandiaspora.org>



India at Cross-roads: Beyond the Dilemma of Democratic Land Reforms¹

Subrata Mitra and Rinisha Dutt²

Key arguments:

- *The dilemma of democratic land reforms consists in the fact that the heaviest costs have to be borne by the poor and marginal peasants who have the right to vote. Re-distribution of land, brings the average size of holdings down, rendering them incapable of sustaining modern agriculture.*
- *The post-independence strategy of land reform, consisting of acquisition, ceiling, redistribution, consolidation of land which began with zamindari abolition and the imposition of land ceilings partly succeeded in moving 'land to the tiller' but drove up the percentage of small, uneconomic holdings. The process was delayed because of litigation and 'benami transactions' whereby land was transferred illegally to non-existent owners.*
- *The 'Green Revolution' in the 1960s, led by 'bullock capitalists' (farmers owning moderate amounts of land, and often pooling their resources) – thanks to the introduction*

¹ The paper draws on the Keynote address, delivered by Professor Subrata Kumar Mitra, to the International Workshop on 'Land as Business', ISAS, Oct 10, 2016.

² Professor Subrata Kumar Mitra is Director and Visiting Research Professor at the Institute of South Asian Studies (ISAS), an autonomous research institute at the National University of Singapore. He can be contacted at isasmskr@nus.edu.sg. Ms Rinisha Dutt is Research Assistant at the Institute of South Asian Studies (ISAS), an autonomous research institute at the National University of Singapore. She can be contacted at isasrd@nus.edu.sg. The authors bear responsibility for the facts cited and opinions expressed in this paper.

of high yielding variety of seeds and modern agricultural inputs, helped solve India's food deficit but, soon land productivity plateaued.

- *The pathology of 'poor landlords' – owners of small holdings who can neither work their land efficiently nor will they move out as land continues to appreciate in price - and the decline of sectoral contribution of agriculture to national GDP as compared to services and manufacturing – are part of the explanation of the persistence of rural poverty.*
- *The combination of electoral rhetoric, vote bank politics, rural poverty, populism and agrarian stagnation have created a new brand of politics, - the TMC syndrome typified by Mamata Banerjee, the leader of West Bengal's Trinamool Congress. A possible solution to the problem of land in particular and rural economy in general lies through new skills development.*
- *The four-fold approach of the NDA as we learn from Ms Harsimrat Kaur Badal, Union Cabinet Minister for Food Processing, is promising. It consists of agro-industry, agri-business, niche farming and food processing.*

Introduction

During the demanding years following a century and half of economic stagnation during colonial rule, India has changed progressively from a colonial, agrarian economy into one where services and manufacturing have overtaken agriculture in terms of sectoral contribution to GDP. The country's democratic institutions have held their own. They have generated the political momentum that reinforces reform without upsetting the democratic and judicial due processes. Many had maintained that radical changes in India's economy and welfare would be unlikely as long as both are constrained by the liberal democratic constitution and the capitalist mode of production.³ India has defied the general norm. However, the robust confidence in long-term, sustainable growth that one finds in sections of India's corporate sector has its critics. The diversity of India's political economy and the complex role of the state in balancing growth and justice call

³ Moore (1966) was most closely identified with this line of reasoning. This pessimistic prognosis was sustained by Myrdal's concept of the 'soft state' (Myrdal 1968), incapable of taking urgent measures to reform the economy. A new generation of commentators (e.g., see Das (2002) in the epigraph to this chapter) has taken Nehru to task for his failure to take hard decisions about crucial economic and political reforms on land, foreign trade and entrepreneurship at a time when South-east Asian states like South Korea were making their own breakthrough.

for a nuanced analysis. This paper analyses how India has coped with the dilemma of ‘democratic’ land reforms – a key component of the Indian model of economic growth versus social justice – the policy paralysis this has given rise to, and the possible solution to what appears as a conundrum.

The economy, and post-Independence politics and policy

Those with painful memories of the Bihar famine and humiliating import of food grains from abroad will take comfort from the fact that India is self-sufficient in food, has large reserves and a good public distribution system to cope with natural disasters and is even able to export food without jeopardising food security at home. (See diagram 1)

Figure 1: India's Food Grain Production



Source: Author's Own; *Data Source:* Economic Survey of India 2013-14

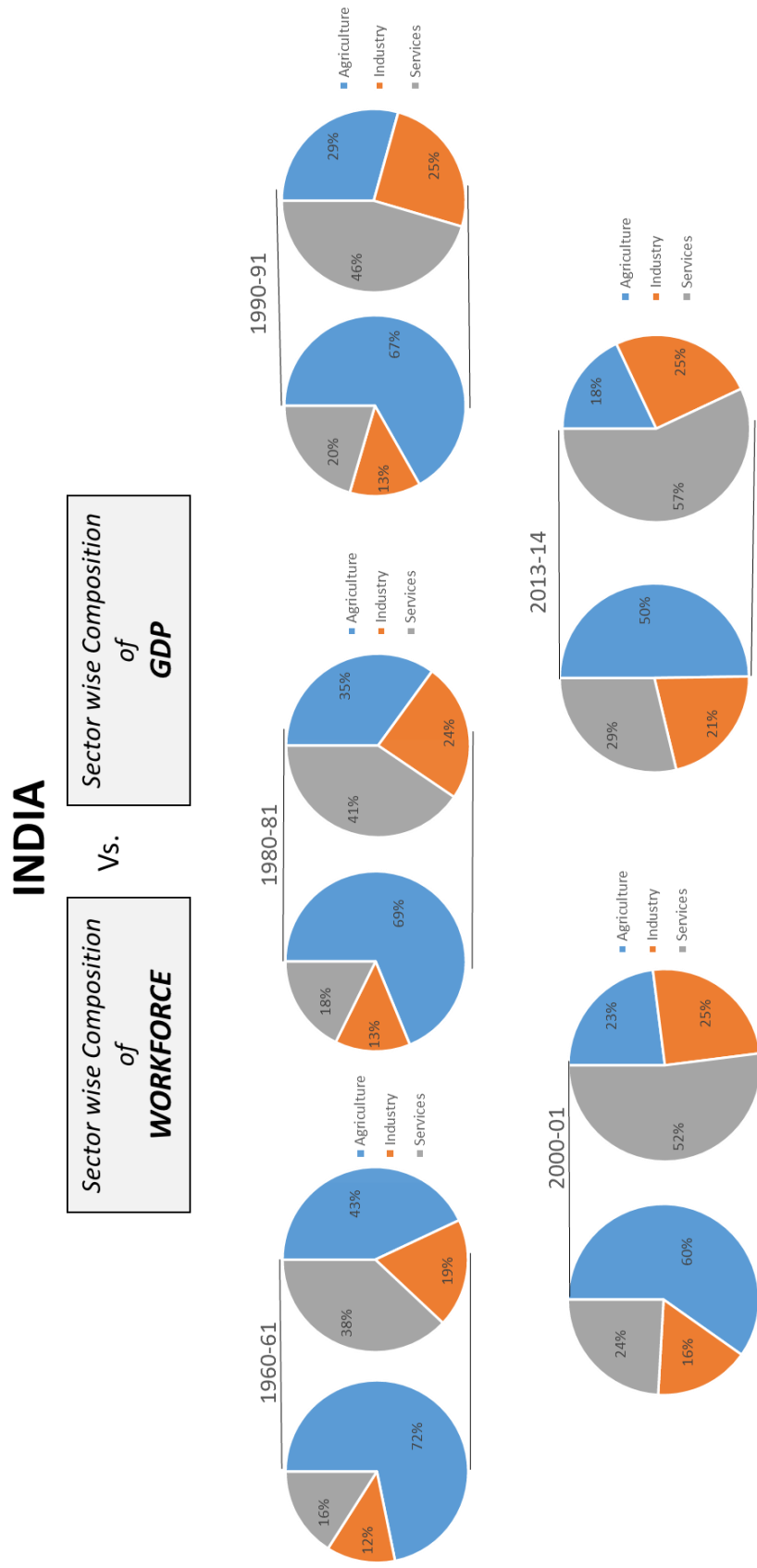
Despite the rapid pace in the overall rate of growth, India still remains a predominantly agricultural country, with over half of the population still dependent upon agriculture, though the marginal contribution of agriculture to the gross domestic product has come down to about 18 per cent. Most people engaged in agriculture are marginal peasants with small holdings or no land at all. The majority of these peasants draw their livelihood from rain-fed, subsistence agriculture. The economic legacy at the time of Independence included a small industrial base that, along with the business sector, contributed only 5 per

cent of the gross national product (GNP), the standard measure of national accounting of that era. However, the weight of industry as a component of the economy has vastly changed in recent times (see Diagrams 2 and 3). Those fortunate enough to have made a breakthrough into mechanized agriculture, in the absence of a system of comprehensive crop insurance⁴, remain vulnerable to the risks of bankruptcy, as one can see in the cases of farmers' suicide⁵, avidly discussed in the Indian media. The needs of the economy in general and agriculture in particular, are not adequately served by the transport and communication network. India inherited one of the largest rail systems in the world, which did not link, as already mentioned before, the ports with the economic hinterland, but rather with the capital cities, reflecting the security needs of a colonial power. Poor infrastructure continues to be the Achilles' heel of the Indian economy.

⁴ The issue of crop insurance has now been addressed to in the crop insurance project of the Modi government. See Vinod Rai, 'The Pradhan Mantri Fasal Bima Yojana: India's New Safety Net for Farmers', ISAS Brief No. 432, NUS, June 2016.

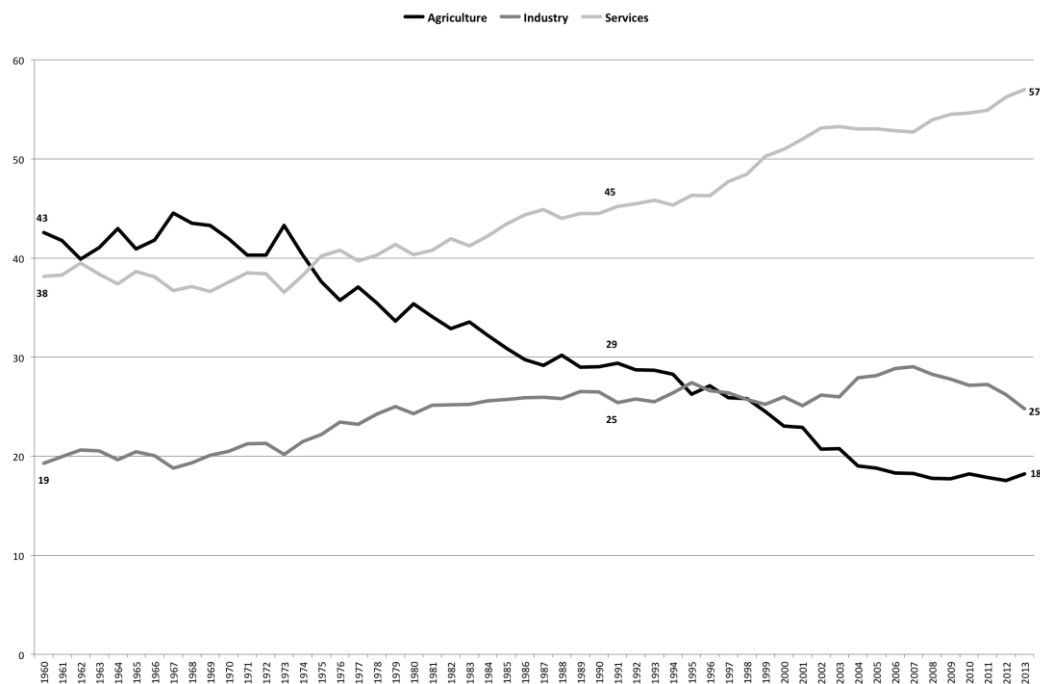
⁵ 116 farmer suicides were reported in first 3 months of 2016; Farmer suicides in the country spiked by over 40 per cent between 2014 and 2015. While 2014 saw 5,650 farmer suicides, the figure crossed 8,000 in 2015; the state that registered the sharpest jump is Karnataka — from 321 in 2014 to more than 1,300 in 2015, the third-highest among all states. Other states that saw more than 100 farmer suicides in 2015 are Madhya Pradesh and Chhattisgarh; Some states, such as Bihar, Jharkhand, West Bengal and some North-eastern states, did not witness any farmer suicides
Sources: Available at <https://i.ytimg.com/vi/B0Br7r1CGAs/maxresdefault.jpg>,
<http://www.thehindu.com/data/indias-new-farm-suicides-data-myths-and-facts/article7461095.ece>
<http://timesofindia.indiatimes.com/india/116-farmer-suicides-in-first-3-months-of-2016/articleshow/52002524.cms>

Figure 2: Sectorwise composition of India's Workforce VS GDP



Source: Author's Own; Data Sources: World Bank, 2000, 2013 and <http://www.economicdiscussion.net/articles/occupational-pattern-in-india/2157>

Figure 3: 1960 -2014 Trends in India's GDP composition (in per cent)—agriculture, industries and services



Source: Author's own

Data Source: World Bank, <http://data.worldbank.org>.

Reciprocal relationship of mixed economy and electoral democracy

Upon assuming power after Independence, the Congress government worked to create a *mixed economy* in which the state engaged in building infrastructure and key industries. The private sector was to focus on manufacturing and distribution. National planning, conceived by technocrats but under the guidance of key members of the central cabinet and the state chief ministers who constituted the National Development Council, was charged with balancing the needs of growth with the imperative of social justice and redistribution. Besides introducing new notions of entitlement, the constitution promised a life of dignity and economic opportunity to the underprivileged, particularly to the former untouchables and tribal population. But while development remained high on the agenda, it was not placed outside the political arena as occurred in 'developmental' states⁶

⁶ See Johnson (1983) for the concept of the 'developmental' state where the agenda of economic growth was above and beyond the pale of partisan politics.

like Japan or South Korea, where development policy became the preserve of a technocratic and financial elite. In India, not only was economic policy an integral part of national and regional politics, but institutions like the Planning Commission, and the adoption of a mixed economy as the framework of development, guaranteed that economic policy was not shifted outside public control and democratic accountability. This model of democratic planning was further reinforced by a number of reforms that protected the rights of workers, extended electoral democracy up to the village councils (as part of the integrated panchayati raj system that connects the locality to the region and the national state), removed intermediary rights of large landlords (zamindars) and princely rulers, and attempted to introduce land ceilings and cooperative farming.⁷

As a consequence of these policies, Indian development during the early decades after Independence, though unspectacular in any specific area, nevertheless strengthened India's modern political institutions, eliminated famine and reliance on imported food in the span of one generation. The first gains came in the 1950s through an expansion of the area under cultivation and irrigation works. The 1960s accelerated agrarian production through a series of technical innovations like seeds of a high-yielding variety, new pesticides, chemical fertilizers and precise information on weather and market conditions. This 'Green Revolution' transformed India from a net importer of food to a country that was self-sufficient. Through the 1970s, the government developed a complex system of storage and market interventions called 'Food Procurement' at guaranteed prices to maintain a steady flow of food production and supply to consumers. India's food policy, which evolved in reaction to chronic food shortage, necessitating food imports that meant huge financial and political costs, particularly during the Vietnam War when the Indian position was opposed to that of the United States, finally started yielding rich dividends in the 1980s. India's system of food security became so resilient that even the severe droughts of 1987 did not lead to significant fluctuations in the prices of agricultural commodities.⁸

The modernizing leadership around Nehru intended to raise the general standard of living and protect the country's newly won freedom through a mixed economy. This model, based on import substitution, planned economic development, and a policy of self-reliance

⁷ The Indian model of development most identified with Nehru has had sharp critics like Moore (1966) who has described it as 'an out-an-out failure' (p. 395), 'rather long on talk and quite short of development' (p. 407). For a positive evaluation of Nehru's model of development see Dasgupta (1989).

⁸ See Wall (1978), pp. 88–9.

did not leave much scope for integration with the international market. In part this reflected a certain Gandhian nostalgia for *swadeshi*—the consumption of goods made in India—but also a basic distrust of the capitalist West. Bitter memories of colonial rule underpinned this deep antipathy.

The political economy of agriculture in India: From subsistence farming to dependence on subsidy

Over the past 60 years, India's agriculture has achieved a Green Revolution which, jointly with a national policy of food security, has effectively eliminated famine in the country. The Green Revolution is seen by the advocates of agrarian modernization as a paradigm shift from subsistence farming to modern agriculture, involving the use of high technology and credit, in an integrated production system stretching from farming, distribution and financing to agri-business. It prompted a gradual shift from the classic problems of Indian agriculture—fragmentation of holdings, insecurity of tenure, uneconomic units of production, excessive dependence on the monsoon, low unit yield, and rack renting—to a modern agrarian economy. Scholarly opinion on the nature, extent and durability of the Green Revolution remains divided.⁹

A number of factors led to a re-appraisal of the agrarian policy in the 1960s. Massive food deficits in the early 1960s, famine in Bihar, and the difficulty of obtaining food from abroad without compromising the sovereignty of the country brought the planners to question the marginal role accorded to agriculture in the overall economic model of India. Besides the half-hearted attempt to abolish *zamindari*, no comprehensive plan for agrarian development had been made. Agriculture was seen only as an adjunct to the industry-infrastructure-led, mixed-economy-based planning process. Public intervention, in the case of agriculture, extended only to control over production, distribution and financing. Planners believed in the Indian model which allocated the 'commanding heights' of the

⁹ Is the 'Green Revolution' yet another example of the Indian penchant for catchy slogans, heady rhetoric or, as Barrington Moore put it, an Indian habit of being tall in talk and short in action? As Frankel (1971) says:

The phrase 'green revolution' has all the qualities of a good slogan. It is catchy; it simplifies a complex reality; and most important, it carries the conviction that fundamental problems are being solved. Agriculture, it suggests, is being peacefully transformed through the quiet workings of science and technology, reaping the economic gains of modernization while avoiding the social costs of mass upheaval and disorder usually associated with rapid change. (p. V)

economy to industry, based on planning, and the trickle-down of resources and new ideas from the tip of the pyramid to the masses, based on the felt needs model.¹⁰ Agriculture, following the classic model of growth drawn from European experience, was seen as the source of surplus capital, to be invested for greater industrialization, not the object of transfer of investment from industry. In India's federal system, agriculture is a State subject, and as such, beyond the scope of central planning. In consequence, not much direct investment was made, except in the form of initiatives like community development, *zamindari* abolition, land ceiling legislation and cooperatives.

During the early decades after Independence, as India went through three successive Five Year Plans, the main approach to agricultural development was dominated by two irreconcilable goals: 'The economic aim of achieving maximum increases in agricultural output to support rapid industrialization; and the social objective of reducing disparities in rural life'.¹¹ One of the most difficult dilemmas arose from the obvious economic advantage of concentrating scarce inputs of improved seeds, fertilizers, pesticides and equipment in irrigated areas of the country where they could be expected to bring the greatest returns in output. Indeed the selection of the first community projects in 1952 was guided by this consideration. They were allocated only to districts with assured water from rainfall or irrigation facilities. Almost immediately, however, serious social objection was raised to the practices of 'picking out the best and most favourable spots' for intensive development while the largest part of the rural areas was left economically backward. Within a year, the principle of selective and intensive development was abandoned. The Planning Commission announced a programme for rapid all-India coverage under the National Extension Service and Community Development Programme with special attention to backward and less favoured regions.

The social goal of reducing disparities also influenced the selection of methods of agricultural development. The planners were inclined to give only secondary importance to the introduction of costly modern inputs as a means of increasing agricultural productivity. Instead, they devised agricultural development programmes based on

¹⁰ 'The basic assumption of the Community Development Programme . . . has been that the Indian peasant would of his own free will, and because of his "felt needs" immediately adopt technical improvements, the moment he was shown them' (Moore 1966, p. 401). Moore explains why it did not happen that way. "'Felt needs" in any society are in large measure the product of the individual's specific social situation and upbringing. They are created; not simply the gift of nature' (ibid., p. 402).

¹¹ Frankel (1971), p. 3.

‘intensive cultivation of land by hand—and improving conditions of living in rural areas through community projects, land reforms, consolidation of holdings, etc.’ Indeed, the planners’ strategy for agricultural development rested on the capacity of the Community Development Programme to mobilize more than 60 million peasant cultivators for participation in labour-intensive agricultural production programmes and community works, including the construction of capital projects. The crux of the approach—the major inducement to greatest effort on the part of the small farmers—was the promise of social reform, held out by large-scale initiatives for institutional change. The highest priority was assigned to rapid implementation of land reforms, including security of tenure, lower rents, transfer of ownership rights to tenants, and redistribution of land. Meanwhile, state-partnered village cooperatives were created to fortify small farmers with cheap credit facilities and economies of bulk purchase and sale of agricultural commodities.¹²

In retrospect, it was probably inevitable that a development strategy requiring extensive land reform and institutional change as preconditions for success should meet with powerful opposition from landed groups; and that in a political democracy, where land-owning interests are heavily represented in the legislatures, this resistance should manifest itself in a go-slow approach towards agrarian reforms. By the early 1960s, most legislation on tenancy reform and ceilings on land ownership had not been effectively implemented. Yet in the absence of agrarian reform it proved impossible to provide attractive incentives to the majority of small farmers for participation in labour-intensive agricultural production programmes.

There was, in fact, no dearth of policies. Following the recommendations of the Balwantrai Mehta committee in 1957, panchayati raj was adopted as the overall administrative structure for rural development. The Congress party passed a resolution proclaiming a modified version of cooperative farming in 1959 as a goal for the future. But as Moore notes drily, the implementation was not at the same level as the rhetoric. The Community Development Programme took no note of the reality on the ground: ‘... official instructions to program officials in contact with the villagers made no mention of caste, property relationships, or surplus manpower in the village—in other words, any of the real

¹² The problem from the 2nd FYP onwards was organizational changes but little investment. This approach continued till mid-1960s. See also, Francine R. Frankel’s, “India’s Political Economy: The Gradual Revolution (1947-2004)”, second edition, Oxford University Press, USA, 2005.

problems.’ Though local elections, in some parts of the country, had some effect on weakening the authority of hereditary social notables, as a whole, Moore found the experiment a dismal failure.¹³

As a matter of fact, as early as 1958, lagging growth rates in the agricultural sector became a serious limiting factor on the overall rate of economic advancement. By the middle of the Third Plan, years of relatively static production levels (1960–61 to 1963–64) convinced the Planning Commission that continuation of shortfalls in agriculture would jeopardize the entire programme of industrial development. Of necessity, some retreat from the social goals of planning had to be contemplated. In 1964, therefore, the planners announced ‘a fresh consideration of the assumptions, methods, and techniques as well as the machinery of planning and plan implementation in the field of agriculture’. Two major departures from previous policy were initiated as a result of this re-evaluation:

- 1 Development efforts would be subsequently concentrated in the 20 to 25 per cent of the cultivated area where supplies of assured water created ‘fair prospects of achieving rapid increases in production’ and
- 2 Within these areas, there would be systematic effort to extend the application of science and technology, including the adoption of better implements and more scientific methods to raise yields.

In October 1965, the new policy was put into practice when 114 out of 325 districts were selected for an Intensive Agricultural Areas Programme (IAAP). A model for the new approach already existed in the 15 districts taken up under the pilot Intensive Agricultural Development Programme (IADP), beginning in 1961. Initially pioneered by the Ford Foundation, the IADP emphasized the necessity of providing the cultivator with a complete ‘package of practices’ in order to increase yields, including credit, modern inputs, price incentives, marketing facilities and technical advice.

¹³ Fundamentally, the notion of village democracy is a piece of romantic Gandhian nostalgia that has no relevance to modern conditions. The pre-modern Indian village was probably as much of a petty tyranny as a petty republic; certainly the modern one is such. To democratize the villages without altering property relationships is simply absurd. . . . Finally, the real sources of change, the factors that determine the fate of the peasantry, lie outside the boundaries of the village. Through the ballot box and through their pressure on state and national politics, the peasants can do something about those questions, but not within the framework of village politics. Moore (1966), p. 394.

The economic rationale of an intensive agricultural areas programme was considerably strengthened by the technical breakthrough reported from Taiwan and Mexico in 1965 of the development of new varieties of paddy and wheat seeds, with yield capacities of 5,000 to 6,000 pounds per acre—almost double the maximum potential output of indigenous Indian varieties, and also by the development at Indian research stations in the late 1950s of higher-yielding hybrid varieties of maize, *bajra* and *jowar*. In all cases, the availability of controlled irrigation water and the application of the package of modern inputs, especially very high doses of chemical fertilizer and pesticides, were essential preconditions for realizing maximum yield potential. By November 1965, the Food Ministry was ready with a full-blown version of the New Strategy: in essence it called for the implementation of a High-yielding Varieties Programme in districts that had already been selected for intensive development under the IADP and IAAP schemes, following the same extension concepts embodied in the Package Programme.

The missing link in the chain of agrarian production was soon identified in the person of the ‘progressive farmer’.¹⁴ These link men, with some measure of literacy, contacts with the world outside and enough status within the local society to arouse the trust of their fellow men, caught the imagination of the bureaucracy responsible for producing results. Soon, in various parts of the country, the liaison of the progressive farmer and the VLW (Village Level Workers, also known as *gram sahayaks*) produced a critical mass which cut through the local ‘bottlenecks’—to use a favourite jargon of Indian planners—and the Green Revolution was born. The statistics of food production tell the story of the agrarian political economy in a nutshell. By 1966–71, food production had increased massively. In 1972–75, bad weather conditions led to the decline of food production to 101 million tons, causing imports of 7.41 million tons. By 1975–76, however, thanks to good weather, production went up to 116 million tons.

The Green Revolution was marked by the introduction of a new group of actors—the ‘bullock capitalists’—into the political arena. Agrarian entrepreneurs, these farmers from the middle and backward castes quickly learnt to combine their numbers, social network and political contacts to garner power in local institutions. They formed farmers’ parties and movements to promote their interests—in subsidized energy, loans, agrarian inputs

¹⁴ Frankel (1978), pp. 197–98.

and slowing down the trends towards collective farming.¹⁵

Overall, the Green Revolution is considered to have been a mixed legacy. On the positive side, it certainly contributed to the improvement of the quality and quantity of food supply, self-sufficiency and the Public Distribution System (PDS).¹⁶ On the negative side, increasing volumes of agrarian subsidies have become a drain on the public exchequer. Increasing prosperity on the part of the rural rich and their lifestyles based on conspicuous consumption has widened the gap between the rural haves and have-nots, exacerbating class conflict, both of the right and the left. However, *kisan* movements cutting across regions and social classes have mitigated the worst. Finally, with technological progress has come its pathology—in the form of growing pollution, terminal decline of local resources and degradation of local biodiversity.¹⁷ Most of all, many on the left argue that the conviction that agrarian problems of productivity can be solved through technology and massive investment distracted attention from the imperative of land reform.

The Dilemma of Democratic Land Reform

The post-colonial state and popular democracy, with their commitment to fundamental rights, to property on the one hand and social justice and empowerment of marginal groups on the other, have been both a stimulant for and a constraint on land reform in India. In view of its centrality to India's political discourse, land reform is one of the most discussed problems of India's political economy. Every major author or policy maker active in this field has felt obliged to respond to the reality of millions of insecure, indebted peasants under the constant threat of a bad monsoon, illness, and pestilence, by offering a diagnosis and a solution. Unlike capital, land is static, concrete and visible, giving the impression of being more accessible to political control from above. As such, land reforms, already on the agenda of the colonial government and the Congress movement that opposed it, have attracted the attention of all shades of reformers. This section defines the concept, summarizes the measures taken, engages in an evaluation as well as develops broad

¹⁵ At least in the short run, the dominant landed castes were successful in manipulating the majority of subsistence cultivators and landless workers fragmented by vertical factional structures to capture the village institutions. They increased their access to scarce development resources and strengthened their position as strategic intermediaries, linking local markets and power structures to the state and national economic and political systems. *ibid*, p. 200.

¹⁶ Leaf (1980/81), p. 620.

¹⁷ Shiva (1991), p. 200.

questions about the political gains and economic costs of land reforms in India.

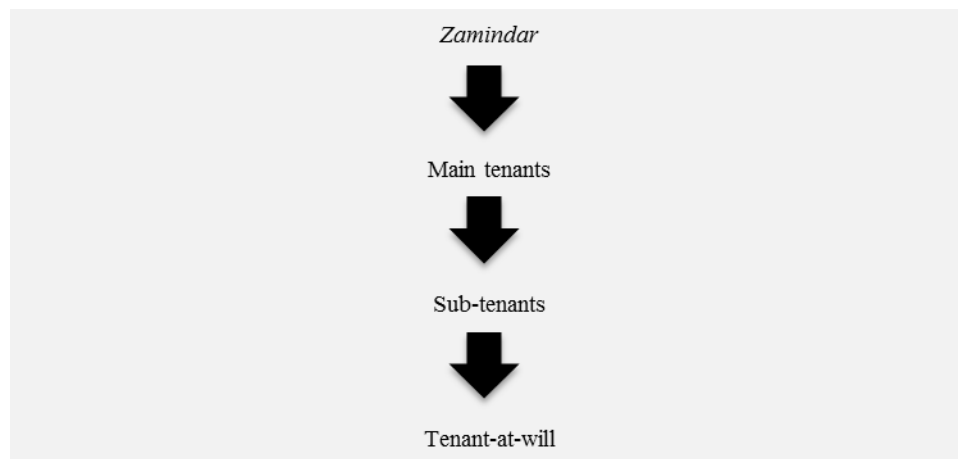
Though the rhetoric of land reform in India has consistently revolved around the slogan of 'land to the tiller', in practice land reform has meant more than the transfer of property rights to the poor. The broad range of meanings grouped together under this generic concept has included legislation aimed at (i) tenancy reform, (ii) abolition of intermediaries, (iii) ceiling on landholdings and, (iv) consolidation of landholdings. On the whole, however, India's land reforms have involved only limited efforts at land redistribution, implemented mostly through ceilings on land holding. Agrarian land belongs to the State List under the federal division of powers. As such, State legislation aimed at regulating tenancies, improving tenurial security and reducing the power of absentee landlords and intermediaries has been the most common method.

Independent India inherited a complex and diverse system of land tenure from the British Raj. Das reports (Pushpendra and Sinha, 2000) that in 1947, Indian agricultural land was administered under three systems: *zamindari* (57 per cent) —*zamindars* were also known as *talukdars*, *jagirdars* and *malguzars*—*raiyatwari* (38 per cent) and *mahalwari* (5 per cent). Between the *zamindars* and the tillers, there was a layer of intermediaries numbering up to 50 in some places.¹⁸ These *zamindars* used to collect several times the intended revenue, though they had a fixed tax to pay to the government which was permanently fixed as land tax back in 1793 (rack renting). This generated, in practice, a system which looked as shown in Diagram 4.

Life for most people engaged in agriculture under colonial rule was precarious at the best of times. In addition to the exploitation by landlords and intermediaries, the money-lender was always in the background. What was left to the actual cultivator after the claims of various superior rights holders were satisfied was subject to the collection of unpaid debt by moneylenders. The mechanism for enforcement of this withdrawal of the great bulk of the product from the primary producers was provided by the new body of written law, the courts, the police, the promulgation of ordinances and so forth.

¹⁸ Moore (1966).

Figure 4: Lines of control and exploitation in the zamindari system



Source: Drawn by author.

The main goal of land reform after Independence was to generate both growth and justice in agriculture, as indeed in all areas of the economy. This meant, in practice, to establish a direct relationship between the state and the cultivator and to provide the latter with optimal conditions of production. Following Independence, the autonomy to initiate legislation and enforce the new order, in view of the fundamentally political nature of the enterprise and the diversity of conditions prevailing in Indian States, ensured that there would be significant regional variations. The success of land reforms depended on a number of factors. In States like Kerala, there was a measure of success because the potential beneficiaries—the rural masses—were highly organized, politicized and capable of fighting for their rights. However, as subsequent developments showed, under the watchful eyes of the Supreme Court defending the right to property, and the central government making sure that political unrest would not reach a level which would obstruct lawful governance, the autonomy of the States to undertake land reforms was quite limited.¹⁹

¹⁹ The Uttar Pradesh Zamindari Abolition Act (1950), which covered the most populated State of India, was the first act on this subject. However, the manner in which it was passed severely compromised its objectives. The bill was under preparation for a very long time. Since it was debated for years it gave enough opportunity to most of the *zamindars*, *talukdars* and other intermediaries to sell off or dispose of their landed property to near relatives, family-controlled trusts or through *benami* (false-name) transactions. Subsequently, the act was struck down by the High Court of Uttar Pradesh as ultra vires. Consequently, the constitution was amended, for the first time, in early 1951, and the act was incorporated in the Ninth Schedule of the constitution itself, and only thereafter became enforceable. By that time, the political context had changed significantly.

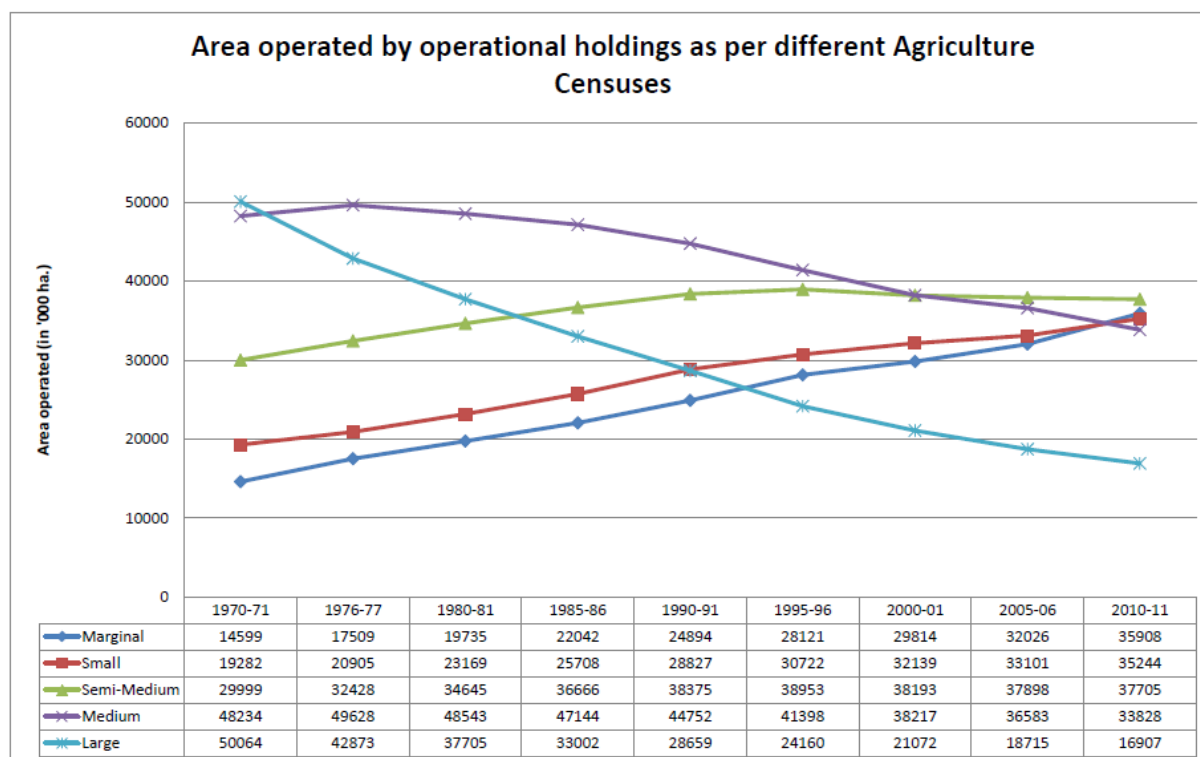
Following Independence, all States of India undertook legislation for the abolition of *zamindari*. The main consequence of *zamindari* abolition was the creation of a new class of ‘rich peasants’, mostly from the cultivating castes, who took advantage of the provision for resumption of land under ‘personal cultivation’ (i.e. transfer of property—*bhumidari*—rights to superior tenants) to displace tenants-at-will (inferior tenants). In addition, the capital that they gained through compensation helped them further consolidate their hold on the agricultural operations and went into the making of the Green Revolution and bullock capitalists at a later stage.

The Rudolphs (1987, p. 314) describe the key policies that evolved in response to the double challenge of growth and justice, resulting from the interplay of local conditions and state and central legislation. The first policy regime, characterizing the agricultural strategy of the Nehru era (1947–64), consisted of land reform (mostly, the abolition of intermediaries between the state and the peasant) and the centrally sponsored and funded Community Development Programme that saw the whole village as its unit of operation and strived to improve general welfare. The second strategy, geared mostly towards improving agrarian productivity through new technology which began soon after Nehru’s death, continued till 1971. The third strategy, focused on basic needs and income redistribution, began with Indira Gandhi’s *garibi hatao* (abolish poverty) appeal in the 1971 parliamentary and 1972 State assembly elections. The fourth was launched in 1977 by the Janata Party’s agrarian-oriented government. It emphasized rural employment and asset creation, paving the way for agri-business. However, the rhetoric of income redistribution and nostalgia for agrarian socialism continued to be voiced by vote-hungry politicians and intellectuals of the Left, and got a boost with the return of Indira Gandhi to power in 1980. In the wake of liberalization and the scramble for setting up new industries, land acquisition became the new focus of politics of land. The contemporary situation is a combination of all these initiatives and strategies.

In the absence of a large-scale rural exodus and of manufacturing to absorb surplus labour, a consensus has grown that India will need to solve the problem of rural poverty on land itself. Hence, ‘land reform’ continues to be on the political agenda still, after six decades of Independence. However, the consequences of various forms of land reform have left their stamp on the rural landscape. The attempt to abolish intermediaries has generated some surplus land that has been redistributed. However, the overall consequence of

reforms appears to have been a general reduction in the number of large holdings and an increase in the number of small holdings. (Diagrams 5-7). As such, while reforms might have had

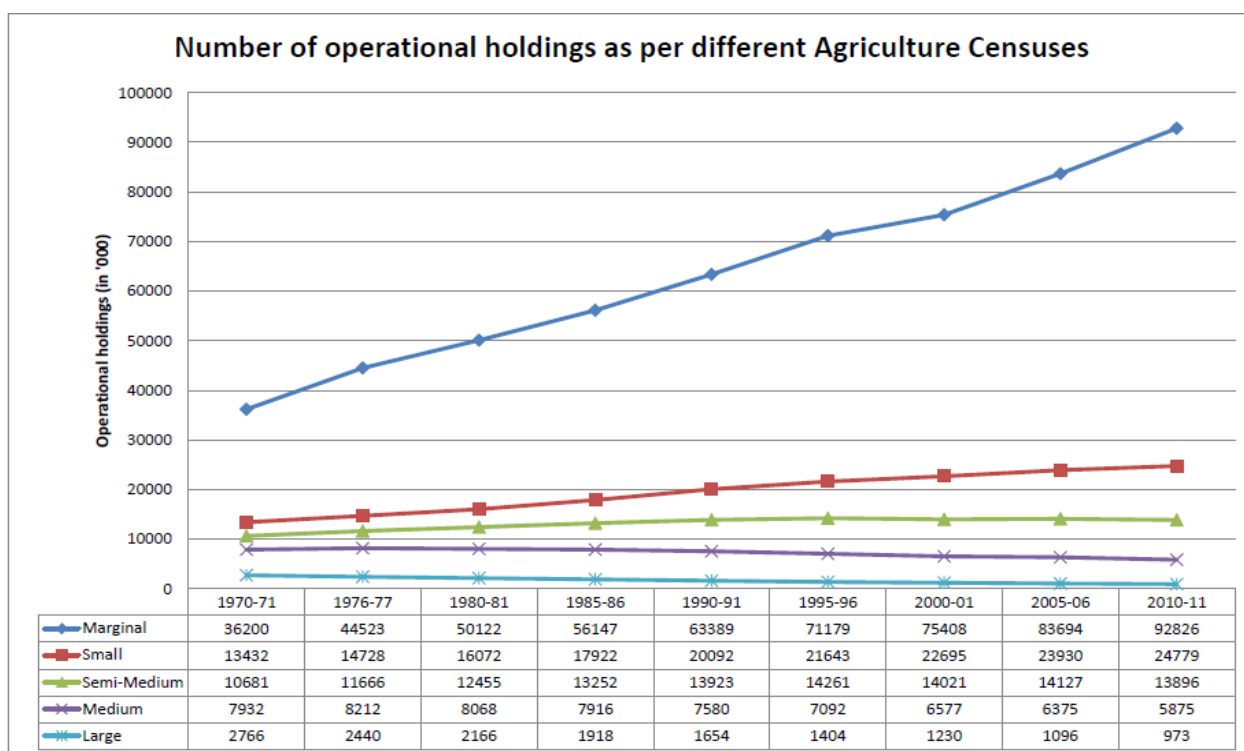
Figure 5: India—Area of Holdings



Source: Agriculture Census, India, 2010-11

some effect on poverty reduction, it is not clear if they have also contributed to the growth of agrarian productivity. As a unit of production, one learns from the limitations emerging from the Green Revolution, land has a particular limitation. Beyond a particular point, at a given level of technology, investment in agriculture reaches a point of decreasing marginal productivity. While industry also has a point beyond which additional investment brings in lower levels of output, factories can take in more investment than agriculture before diminishing returns set in. Besides, the technological environment in factory production is more dynamic, justifying the case for investment to be made on a regular basis.

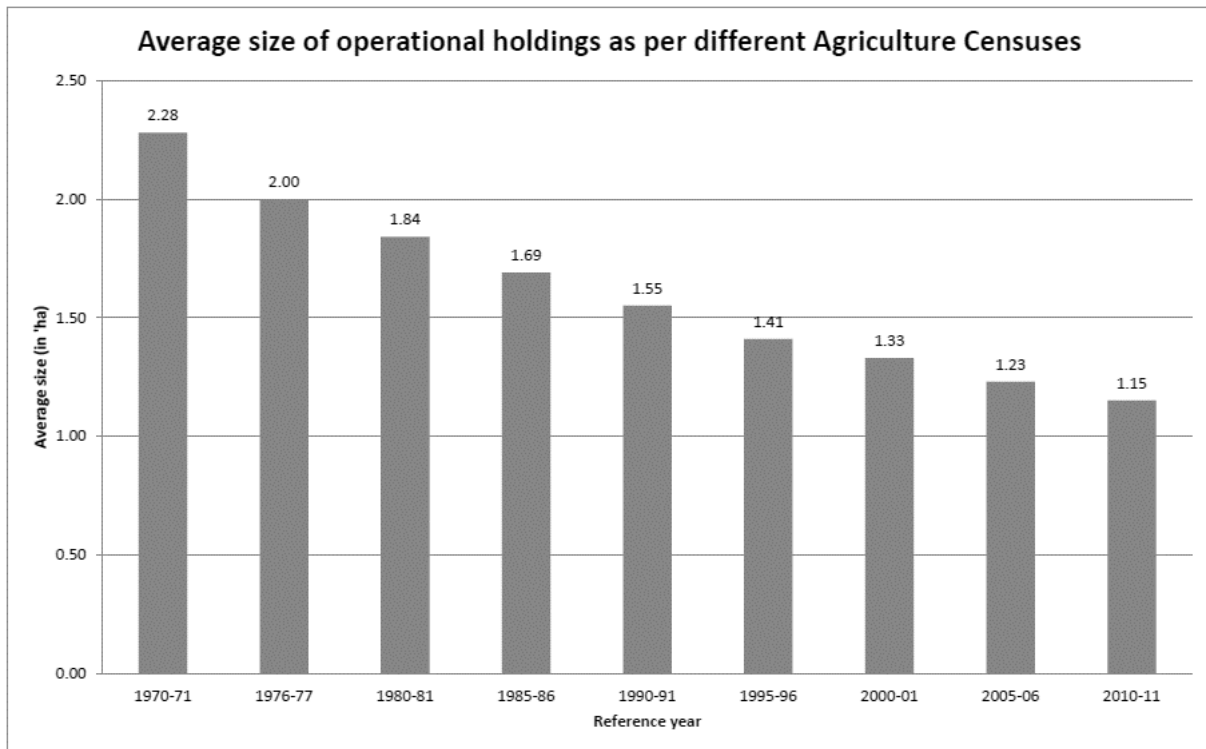
Figure 6: India—Number of Holdings (per cent of population)



Source: Agriculture Census, India, 2010-11

The debate between the advocates of land reforms and agri-business as the better solution for India continues. The First Five Year Plan (1953) expressed the commitment to redistributive land reforms in terms of a recommendation to the state to ‘reduce disparities in wealth and income, eliminate exploitation, provide security for tenants and workers, and finally, promise equality of status and opportunity to different sections of the rural

Figure 7: India - Average Size of Operational Holdings



Source: Agriculture Census, India, 2010-11

population’.²⁰ These sentiments have been echoed by all successive plan documents. The fact that *implementation* turned out to be the fatal weakness in the causal chain built into the structure and process of plans did not deter the Planning Commission, given an opportunity, from coming up with similar recommendations. The key point here remains that, thanks to democratic empowerment and India’s half-hearted land reforms, the message of a right to ownership, if not the capacity to make a profit out of the little parcels of land, has certainly spread all over India. However, this has also created the phenomenon of ‘poor’ landowners—people owning small parcels of land—who cannot put their land to profitable use, either because they do not have the means or because they do not see the need and hold on to their land merely as an investment, letting it lie fallow rather than renting it out, for fear of losing ownership altogether.

The debate on land reform has now become a part of the larger issue of the pace of liberalization of the economy. Some suggest that a more rational strategy for India’s

²⁰ First Five Year Plan (1953), p. 178.

agrarian policy would be to create legal mechanisms that would facilitate renting out, so that one can retain tenancy in a rational and efficient form, while trying to avoid its exploitative dimensions. Seen from this angle, Indian agriculture can be positioned not necessarily as a drain on her economy but as a potential strength.²¹

Rural Poverty and India's 'New' Political Economy

The issue of mass poverty brings back, once again, the core problem of India's political economy, namely, growth vs. redistribution. Scholarly opinion remains divided. Many critics of the Indian model of development consider the continued existence of mass poverty as evidence of the shortcomings of Indian democracy and the political economy of development. Others point in the direction of the relative improvements in India's infrastructure, GDP and rate of growth as a sign of progress. In theoretical and methodological terms, mass poverty raises issues of incredible complexity, pitting quantitative methods against the qualitative, and problems of politics and public policy against the moral issue of poverty in the midst of plenty. The issue raises a host of questions—specific to the Indian case—as well as problems of cross-cultural significance. First and foremost among these is how successful India has been in reducing poverty. This question, in turn, raises the broader question of how to measure poverty. Is it objective and universal, or is poverty a state of mind, dependent on local conditions, culture and context?

The analysis of poverty in India uses both objective and subjective measures. The most important of the objective measures is the headcount ratio ($HCR = q/n \times 100$, where q is the number of persons below a pre-defined poverty norm, called the Poverty Line, and n is the total population). Yet another example is the Gini-coefficient which compares the actual distribution of income in the population to an ideal, egalitarian standard. These 'objective' measures include income, possessions (e.g. land, enduring goods), food consumption and human resources such as education, health and access to infrastructure. The 'subjective' or qualitative measures attach more importance to perception, and the

²¹ Once agricultural capitalism gains legitimacy, the next step would be to think of land as *convertible*, depending on the *market opportunity*, and to let the logic of the market spread into lucrative fruits, vegetables and other cash crops like cashew nuts. The Indian producer can then link up with the international market in a competitive way. India can ignore the 'niche-marketing' strategy at her own peril. However, as the successful resistance to the acquisition of agricultural land for the Special Economic Zone in West Bengal shows, the case for land rights of small peasants is far from lost.

social construction of the self. How the 'poor' themselves think about their financial situation becomes the leading criterion of measurement in this case.

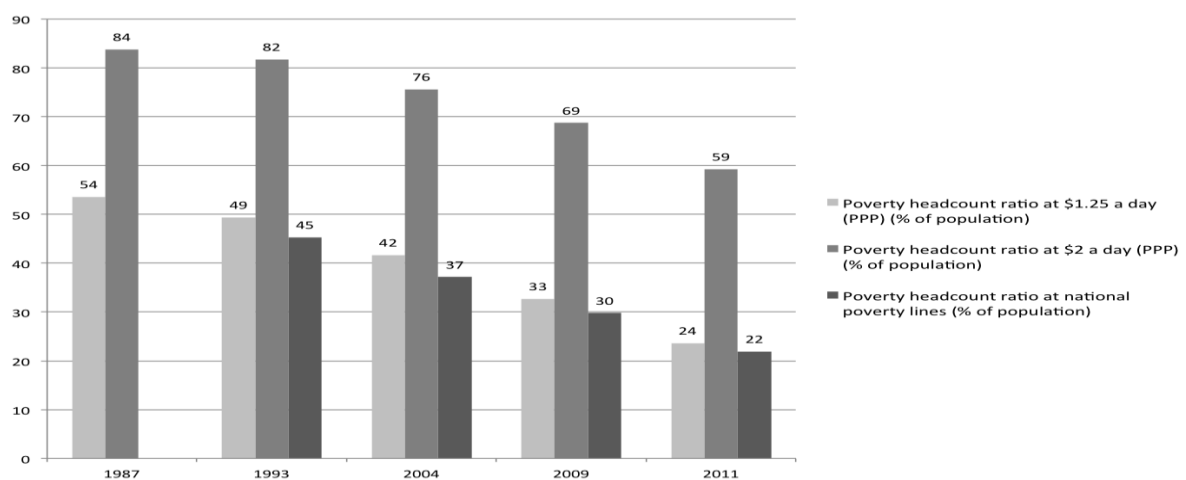
Visible symbols of unequal distribution of wealth—the run-down infrastructure of cities, shanty towns, beggars and reports of farmers' suicides in the media on the one hand and the lifestyles of India's nouveaux riches—inevitably lead to a China-India comparison where the former comes off as significantly more successful in combating mass poverty. The contrast, significant as it is, needs to be put in context. While the Chinese record of lifting about 400 million people out of poverty in the span of one generation is not contested, one needs nevertheless to remember that the Chinese path to poverty reduction has been marked by large-scale killings—in the great Maoist campaigns such as the Great Leap Forward and the Cultural Revolution and famines. India's performance, though not as dramatic as China's, is nevertheless respectable. In terms of percentage, though there is some controversy between Indian and external measurements, the fact remains that the poverty ratio has radically come down from nearly half the population to little over a quarter in the span of about two decades. In terms of numbers, since liberalization began, India has been able to reduce the number of people under the poverty line by about 100 million (Diagrams 8-10). In contrast to China, where the combination of authoritarian policies and the expansion of manufacturing have achieved the breakthrough, in India the progress has been achieved through the policies of redistribution and market forces.

The subjective measurement of poverty reinforces the picture that emerges from the objective measurement. Whereas about one-fifth of the Indian population feel worse off financially compared to before, the rest either manage to hold their own in a rapidly changing economy, or even feel that they have improved their position. A roughly similar situation emerges when people are asked a question about their current financial situation or, for that matter, their prognosis about the state of their finance in a foreseeable future. About one-third of the population turn out to be dissatisfied as compared to the rest who are either satisfied with the status quo or expect things to get better.

Further analysis of the survey data makes it possible to establish a socio-demographic profile of the sections of the Indian population who consider themselves winners or losers in the new political economy. Comparing the findings from 1996 and 2004, one can see that men are more likely to feel satisfied with their financial situation than women. The

same is the case with the urban population as compared to the rural. Younger people are more likely to be optimists than pessimists. Educated people see their financial situation in a more optimistic way than the less educated, though it is quite significant that even among the illiterate—usually a reliable indicator of poverty—in the 2004 survey, about 40 per cent expected their financial situation to get better. Two minority communities—Christians and Sikhs—tend to see themselves as better off than the average whereas the opposite is the case with Muslims; however, in percentage terms they are not too far behind their Hindu brethren. The upper castes perform better generally, though here also there are particular twists in the data. In 2004, only 13 per cent of the scheduled castes saw themselves as satisfied with their financial situation compared to 20 per cent among the upper castes, but when it came to the perception of future financial situation—though the relative gap of about 7 per cent persists—in absolute terms, close to a majority of them saw themselves in the camp of the optimists! Finally, the perception of the financial situation, using a composite measurement of the economic class of the respondents that takes into account the ownership of a number of assets, shows the ‘very poor’ as far less satisfied with their present financial situation both in the 1996 and the 2004 surveys. However, the relative gap between the classes narrows when it comes to the perception of the future: in both surveys, close to 40 per cent of the very poor report an optimistic view of their financial future.

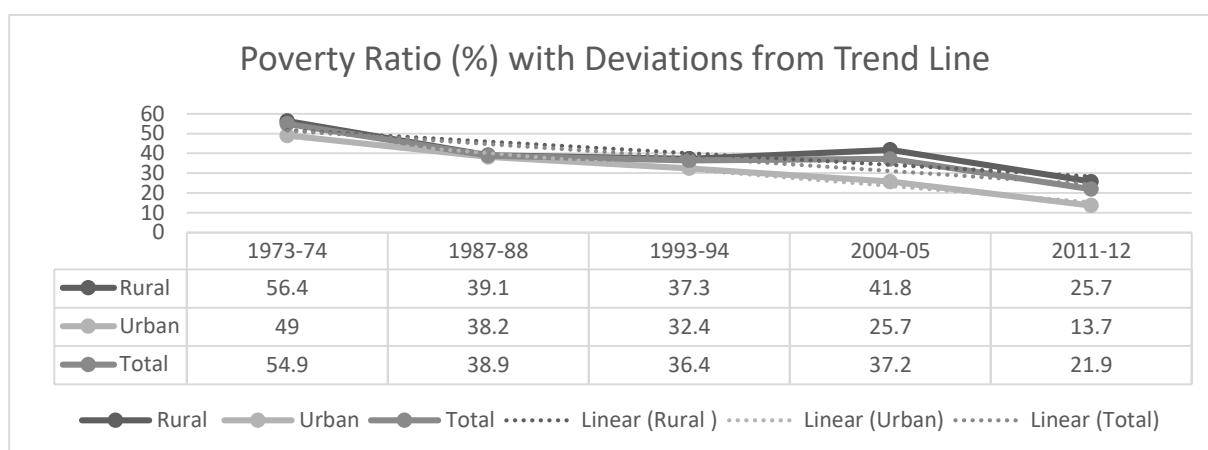
Figure 8: Official Poverty Estimates – India Poverty Headcount Ratio at \$1.25, at \$2 and at the National Poverty Line



Source: Author's Own.

Data Source: World Bank, <http://data.worldbank.org/indicator>.

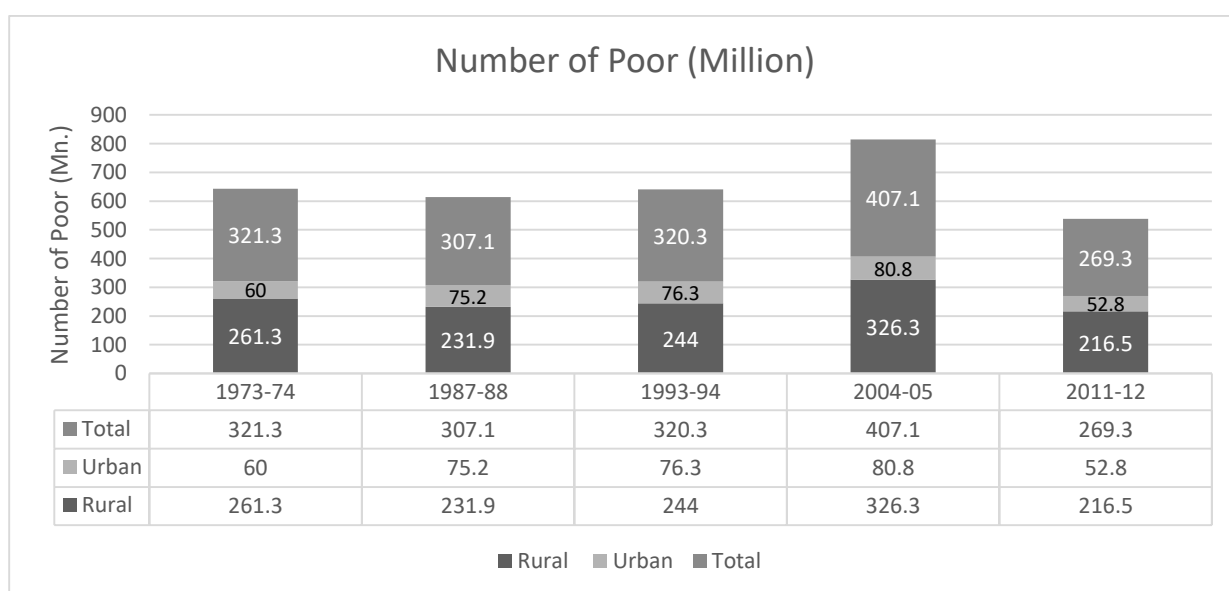
**Figure 9: Official Poverty Estimates (quinquennial surveys):
poverty ratio (in per cent)**



Source: Author's Own.

Data Source: Tata Services Limited, Department of Economics and Statistics, Statistical Outline of India 2007–08 (Mumbai: 2008), p 235.

**Figure 10: Official Poverty Estimates (quinquennial surveys):
Number of Poor (in millions)**



Note: Up to 1993-94, revised data are based on Planning Commission. 2004-05 and 2011-12 are based on Tendulkar Methodology.

Source: Author's Own.

Data Source: Tata Services Limited, Department of Economics and Statistics, Statistical Outline of India 2007–08 (Mumbai: 2008), p 235.

Does land trap poverty?

Nov 2015 recorded growth in rural wages in the country at its lowest (see Diagrams 11 and 12), in a decade, that set the stage for interest rate cuts as RBI governor, Raghuram Rajan, had linked inflation to wages. The 3.8 percent average annual growth rate is a devastatingly low figure from the double digit rates till June 2015²², with its peak at over 20 percent in 2011.

Figure 11: Monthly Average Daily Wage Rates for General Agricultural Labourers (Jan 2014 to Jul 2016)

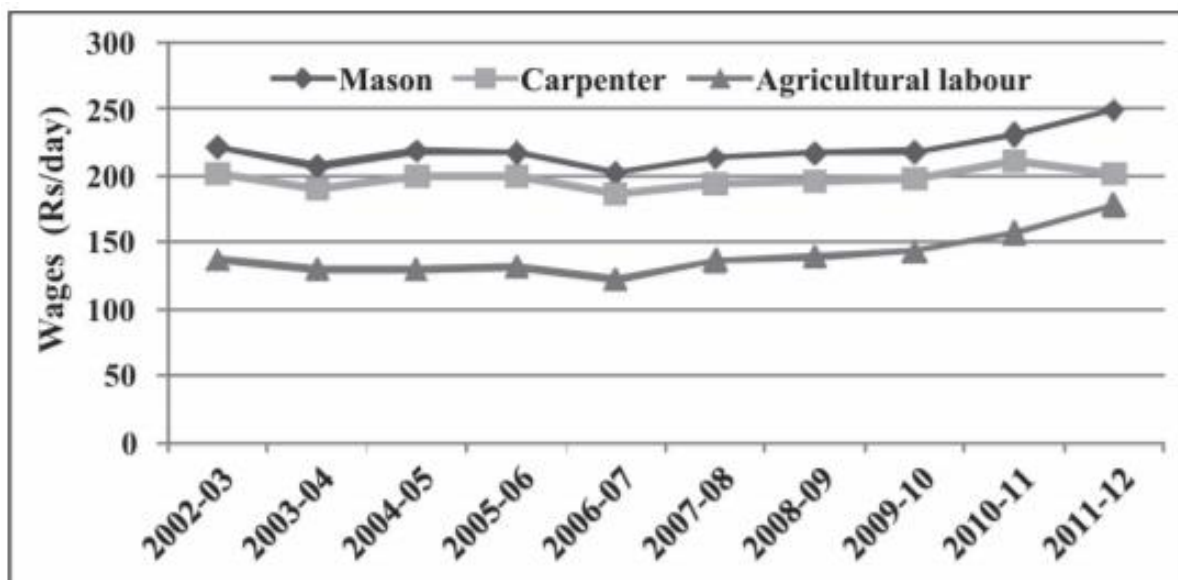
Month-wise Average Daily Wage Rates for General Agricultural Labourers (Including Watering and Irrigation Workers etc.) by Sex in Rural India (January 2014 to July 2016)												
(In Rs.)												
Sex	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
2014												
Men	216.22	217.22	215.70	217.33	219.40	218.42	220.82	222.52	223.91	225.88	227.21	228.20
Women	162.91	162.87	164.57	166.51	168.10	169.80	171.44	172.35	172.21	174.86	175.55	175.45
Children	115.96	117.93	117.05	118.64	119.38	114.53	119.62	119.38	121.55	120.37	124.07	123.85
2015												
Men	230.01	230.24	231.27	229.81	229.98	231.60	234.43	236.21	237.12	237.27	238.36	239.70
Women	175.76	175.84	176.06	176.00	175.16	177.15	179.98	180.60	181.33	181.67	182.64	184.16
Children	123.08	124.62	124.72	122.93	122.05	122.82	126.39	124.13	124.13	124.93	126.13	126.39
2016												
Men	242.24	241.81	243.78	244.21	245.27	246.25	247.25					
Women	185.17	186.08	188.58	188.27	189.04	189.65	190.64					
Children	128.06	126.93	127.60	128.26	129.13	129.13	129.13					

Source : Ministry of Labour and Employment, Govt. of India.

Source: www.indiastat.com

²² The Labour Bureau data showed the average all-India daily wage rate across 23 agricultural and non-agricultural occupations at Rs 266.26 for November 2014, as against Rs 256.52 for the same month of the previous year. The figures are based on a revised categorisation of occupations with effect from November 2013, and hence comparable. (Source: <http://indianexpress.com/article/india/india-others/rural-wage-growth-lowest-in-10-years-signals-farm-distress-falling-inflation/>)

Figure 12: Trends in rural real wages at all-India level (base year 2011-12)



Source: P. Venkatesh, Recent Trends in Rural Employment and Wages in India: Has the Growth Benefitted the Agricultural Labours?

Available at: <http://ageconsearch.umn.edu/bitstream/158493/2/2-P-Venkatesh.pdf>

Land traps poverty in China. The farmers are tied down to the land where they registered, and are not allowed to migrate. But that's not the case in India where workers can migrate to areas of higher wages. Thus we see (as in Diagram 9), rural poverty and urban poverty follow the same decreasing trend. In urban regions, contribution to GDP from agriculture can't keep up with services and industry; and in rural areas several programs like MNREGA and Pradhan Mantri Fasal Bima Yojna are aimed to address poverty, thereby resulting in a decrease in overall poverty in both urban and rural areas.

Modest by the standards of the tiger economies of East Asia or China, India's achievements nevertheless question the pessimistic predictions of Moore that saw no possibility of a breakthrough for India within the political and technological constraints that prevailed at the time.²³ Similar sentiments led Dandekar and Rath (1971a and 1971b), at the peak of the period of the populist rhetoric of Indira Gandhi, to suggest that poverty alleviation needed higher taxation and employment generation through public works. True, the new agrarian technology that made the Green Revolution possible have certainly

²³ Moore (1966), p. 410.

increased the room to manoeuvre of poor democracies struggling against mass poverty. Still, India has yet to lift a lot of people out of poverty, particularly in the countryside. The problem with these people is that they are mostly without saleable skills, and are dependent on subsidies of various kinds for their basic survival. Consequently, radical politics and populist policies of vote-hungry politicians have found a niche in these sections of the Indian population.

As a matter of fact, the struggle between the market and the state—driven by the concern for social justice and populist politics—has been characteristic of Indian development right from the outset. India's Five Year Plans directed public funds towards private enterprise and infrastructure building, not employment generation. Nehru's model—import substitution, industrialization, modernization of agriculture, and planning—was a model based on the 'felt needs'²⁴ and the trickle-down theory of development. *Zamindari* abolition was followed by less enthusiastic but not very effective land reforms. Cooperative village management became the preferred jargon. By the late 1960s, the land situation was getting polarized. Bullock capitalists on the one side and radicalized peasantry on the other were producing an environment many thought to be ripe for a Maoist revolution.

The split in the CPM, rise of Naxalite violence²⁵ and political instability in many Indian States indicated the deeper problems of the Indian model of development. But the much heralded revolution did not materialize. What followed instead was a spate of radical legislation, nationalization and some conspicuous programmes under the 20 point programme, e.g. land to the landless, homestead land, and target group programmes. These measures were introduced by Indira Gandhi during the eighteen-month Emergency. Many of these social-democratic policies were put on hold when the Janata Party came to power after the end of the Emergency and the fall of Mrs Gandhi. Rich peasant parties dominated.

²⁴ Ibid, p. 392.

²⁵ The Naxalites are active in more than a third of the country's 600 districts and are particularly elusive combatants — some factions change jungle hideouts every 48 hours. They control large swaths of the central-eastern area known as India's "red corridor." In 2011, the Government of India's own figures were revised down to 83 affected districts from a high of 180 in 2009. Ajit Doval, the former director of the Intelligence Bureau, estimates Naxalite activity has affected 40 per cent of India's territory and 35 per cent of its population (thus more than 420 million people). While all figures of the total number of combatants must be regarded as approximations, the BBC claims there are between 10,000 and 20,000 armed Naxalite cadres. Economic costs are high; from 1980 to 2000, LWE-affected states lost an average of 12.48 per cent of per capita net state domestic product.

Then came the stagnation of the late 1970s, and finally, the ‘half-hearted’ liberalization of the 1980s. Current poverty policy straddles between target approach, subsidies, special election-oriented policies by State governments and the programmes launched by NGOs and activist groups.

The poor in India have neither disappeared nor formed themselves into a political party or movement, but continue to exist as a demand group whose presence is a brake on rapid and radical liberalization. These demand groups have expressed themselves through sporadic violence which has spurred the state—acting through the union, State and local governments, central agencies and NGOs—to generate anti-poverty policies and programmes. Following Independence, a centre-dominated developmental model and a Centralized federal system operated in a complementary fashion. The constitution provided for several methods to transfer resources from the centre to the States, such as assigning in full the net proceeds of certain taxes and duties like stamp duties, duties on toilet and medicinal preparations, estate duty on non-agricultural property, duties of succession to property other than non-agricultural land, and taxes on railway fares and freight; compulsory sharing of certain taxes like income tax and permissive sharing of taxes like excise. The Finance Commission (appointed by the President for a duration of five years) and the Planning Commission (whose recommendations are discussed by the National Development Council) are responsible for the sharing of revenues.²⁶ There are two conflicting principles that govern these transfers: should the hardworking and productive be rewarded, or should the poor and backward be helped? Once again, we are faced with the dual challenge for political economy in the context of a poor, post-colonial, democratic state which must balance the conflicting principles of accumulation and legitimacy. The discretionary grants-in-aid are made by the central cabinet; there are no fixed criteria for these.

The policies of liberalization which were launched in 1991, to start dismantling the draconian rules of the command economy required a new regime—informal arrangements among sets of actors—to provide coordination in a rapidly changing financial environment. By scaling down the involvement of the state in the developmental process

²⁶ Commenting on the Finance Commission, Austin (1966, p. 220) says that it is a guardian ‘of the equitable and fiscally sound distribution of the revenue from the shared tax heads and of the effective use of grant-in-aid . . . the Finance Commission – quasi-judicial bodies of five members appointed by the President’.

and thereby reducing the functions of the central government, the process of liberalization risked generating opposition from the poorer State governments which were dependent on central grants and subsidies. However, in practice it has not been so. Jenkins even argues that part of the momentum for further liberalization actually comes from India's regions. The removal of subsidies and hand-outs has not produced an anti-reform coalition of left parties which must have been aware of the lack of popular support for reform. However, the effective management of the transition from the command economy to the market economy has helped India avoid the chaos that has blighted liberalization in post-communist states of Eastern Europe and Russia.²⁷ Still, how to develop the economy, incentivise productivity gains as well as, secure distributive justice simultaneously remains a problem for policy makers in India.

That poverty will continue to be a salient issue in the deliberations over economic policy in the foreseeable future is more than likely. The percentage of people who supported the need for a ceiling on property and social control over ownership was a staggering 70 per cent of the population in the 1996 survey, and this remains almost unchanged in 2004. Even more significantly, these sentiments seem to be almost equally spread out among different social strata, testifying to the basic communitarian character of the Indian political system.

It is in the background of this stock image of mass poverty and dismal record with regard to indicators of human development that one can understand the pressing need for action. The solution has come in the form of the Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA) —an innovative, strategic reform that is discussed below—that has achieved an iconic status among the legislative initiatives of the UPA government and has been retained by the successor NDA government.

²⁷ Jenkins (1999) citing the case of windfall profits arising out of the ending of the monopoly of the Karnataka coffee board over the entire coffee crop (pp. 132–33) shows how in the new environment where the state government and provincial elites can make money, rather than ganging up on the central government, State governments have started competing against one another in order to enhance their incomes. Their ability to adapt themselves to the new political economy has further delinked States from one another — contributing to the pattern of 'provincial Darwinism' that has reduced the effectiveness of resistance among State-level political elites. The potential for centre–State conflicts has thus been transformed into inter-State competition for investment by Indian and multinational capital.

Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA)

The National Rural Employment Guarantee Act (NREGA), named as Mahatma Gandhi National Rural Employment Guarantee Act, was ratified in 2005 and started in 200 pilot districts throughout India in February 2006. In April 2008 it was implemented in all 593 districts of India. The basic aim of NREGA is to provide at least 100 days of work at the rate of the government-fixed minimum wage per day. The wages are to be paid, if possible, on a weekly basis. Eligible are all adult members of rural households who are willing to undertake unskilled work. If the local authorities are not able to provide such unskilled work within 15 days from the reception of the application, the applicant is eligible for a daily unemployment allowance until work can be provided. The schemes which are to provide the work are aiming at improving the livelihood of the rural population. Such initiatives like as water management programmes, infrastructure improvements, especially all-weather roads and forest preservation. The main points of critique concern the village panchayats' inability to implement due to understaffed and underfunded institutions, lack of professionals, corruption and even active sabotage. Another serious threat to the success of the National Rural Employment Guarantee Scheme (NREGS) is the misuse and/ or non-distribution of the essential job-cards. The job-cards are to be distributed to the households to ensure their right for wages. There are incidents where job-cards have not been issued to workers who conducted work under the NREGS. There have been also cases of panchayat officials who issued job-cards to each of their family members although the rule states that just one job-card shall be issued per (entire) household.

Despite the numerous specific failures on the ground and the structural problems, the initiative did have a positive impact on poverty. A field survey by the Allahabad University from mid-2008 showed a significant positive view of NREGA amongst workers in the so-called Hindi-Belt states. For example 69% reported that the wages from the NREGA scheme enabled them to avoid hunger, while 57% were able to avoid migration for distress reasons. Distress migration is a special problem for small land-owners who do self-sufficient agriculture. Those households are especially threatened by extreme weather, which influence the amount of harvest. Such households cannot provide food-security for themselves without assistance. The MGNREGA has become a major source of support for this particular category of rural people.

NDA's land policy

FDI inflow in food processing sector is expected to cross USD 1 billion in the next two years, helped by reforms in FDI space and streamlining other regulations. It attracted FDIs worth USD 463 million during the April-February period of the last fiscal year. Badal, India's Food Processing Minister is pushing for 100 per cent FDI in the food processing sector²⁸. India today is in dire need of more leaders that can influence future generations, like her. She believes India can become the Food Factory of the World. She addresses a primary issue ailing the agro-industry: most fruits and vegetables grown by farmers either do not fetch the right prices or fail to reach the market. Her policy aims to boost local infrastructure with foreign investment at the farm gate level that will directly benefit farmers with the goal of raising farmer income. The investment could be on mechanised farming, latest irrigation technologies, seeds, among others, and better quality of farm produce is good for processing.

The annual budget for the financial year that the NDA government presented in February 2016 to India's parliament provides some insights into how the state seeks to reconcile the exigencies of growth and need for short-term welfare, linked to the chances of re-election.²⁹

The UPA government had already set the trend of relating the budget to political exigencies. For example, under the UPA regime, the thresholds for income tax were raised from Rs 110,000 (US\$2,800) to Rs 150,000 for men and Rs 180,000 for women. The peak customs duty was left unchanged but the central value added tax rate was reduced from 16 per cent to 14 per cent.

The measures to accelerate growth and respond to the financial crisis were supplemented with attempts to promote long-term investment and short-term welfare. The allocation for Bharat Nirman, a rural infrastructure development plan, was to be raised to Rs 313 billion, and the National Rural Employment Guarantee Scheme was to be implemented in all districts of the country with a budget provision of Rs 160 billion. The government

²⁸ "Food processing industry will treble in the coming years... retailers, processors and manufacturers will be the three key drivers for facilitating the growth story." - Harsimrat Kaur Badal.

See Investment in farm infra must for 100% FDI in food processing (PTI, May 2016)

²⁹ The statistics are taken from the Economist Intelligence Unit country report on India, April 2008, p. 11.

committed itself to increasing funds for education and undertaking institutional measures to boost exchange-traded currency and bond markets. Most significant of all, in response to the crisis affecting India's farming sector which reportedly led to 17,000 farmers' suicides in 2007, the government allocated the sum of US\$15 billion as a one-off loan waiver for farmers.

The 2016 budget of the NDA continued the trend of supporting rural interests in terms of continuing financial support for MNREGA, and instituting a comprehensive crop insurance scheme while providing some incentives to middle class and corporate interests as well. Financial inclusion plans like the opening of bank accounts for sections of the populations who were outside formal financial sector (the Jan Dhan Yojna) were an innovative policy.³⁰

India's latest crop insurance scheme introduced by Narendra Modi's Government in early 2016, the Pradhan Mantri Fasal Bima Yojana was designed to overcome inadequacies encountered in the implementation of previous programs. Similar to China and US, it has an 80% contribution by the Government in favour of farmers.³¹ Awareness of scheme is spread through Krishi Vigyan Kendras, Information Technology & Communications Ministry. Insurance companies will each be allocated one particular State or a part of a bigger State for at least three years to cover as many farmers as possible. Some of the positive aspects of scheme are: its attractive to farmers, modern & innovative, timeline of settlements have been taken into account; details regarding sharing of insurance premium between Centre and State have been worked out. Among other factors, the success of the scheme depends primarily on the availability of scientific equipment for assessing crop damage along with manner and speed of settlement of compensation to farmers. Maharashtra has already implemented the scheme from 1st April 2016.

Conclusion

India's experience with the political economy of development helps us respond to the paradox that Moore (1966) points out. Towards the end of his magisterial study of paths

³⁰ <http://timesofindia.indiatimes.com/budget-2016/union-budget-2016> Accessed on: 2/8/2016.

³¹ See Mr. Vinod Rai, The Pradhan Mantri Fasal Bima Yojana: India's New Safety Net for Farmers, ISAS Brief No. 432, June 2016

to economic growth and modernization, Barrington Moore drew on the case of India to emphasise the dilemma of development in transitional societies that choose the democratic path. “A strong element of coercion remains necessary if a change is to be made.” (Moore 1966:410). Since democracies do not permit the kind of coercion and economic squeeze that the extraction of the surplus requires, the result could only be a ‘peaceful paralysis’. He said, “Barring some technical miracle that will enable every Indian peasant to grow abundant food in a glass of water or a bowl of sand, labor will have to be applied much more effectively, technical advances introduced, and means found to get food to the dwellers of cities.” (Moore 1966:410) As he saw it, the choice was between painful reforms or economic stagnation as the “price of peaceful change”. This prediction, as we have seen in this chapter, has not come through in the Indian case. How did India make the breakthrough and what can we generalise from the Indian case?

The political context and the technological environment in which the initial design of India’s political economy evolved have changed substantially over the course of the past decades. The dismantling of India’s command economy and the revolution in the technology of communication, particularly the internet, have helped India jump into the ranks of main players in this field. Harnessing these new technological inventions has been possible because of the innovative capacity of India’s entrepreneurs, following liberalisation of the economy and the steps taken by the government for a closer integration of India with the global market. New technology of communication has helped India make a breakthrough into service industries.

With regard to agriculture, India, like other developing country, has had access to the fortuitous invention of the HYV—the high-yielding variety ‘miracle seed’—which made the breakthrough in food production possible in the 1960s. However, poverty still persists and the dilemma between the need for rapid growth and the imperative of social justice still mark the process of development in India. Yet another phenomenon that Moore could not have known is the powerful presence of the Indian diaspora in crucial economic arenas of the world and the vast volume of cash transfer they undertake by the way of remittances. Similarly, the burgeoning scale of FDI, and the rise of joint-ventures as the new motor of growth are post-Moore phenomenon.

The events and economic statistics of the past two decades provide a contrasting picture to that which preceded it.³² Whereas some sectors of the Indian economy have taken rapid strides in productivity and competitiveness, social and material vestiges of a backward economy persist in others. The situation is still replete with puzzles and anomalies for those unfamiliar with India.³³

The combined processes of electoral mobilization, positive discrimination, judicialization and political movements have succeeded in providing the necessary economic space to those who have fallen out of the safety net of the welfare state in the face of the sustained assault of the policies of liberalization.⁵⁰ The state and the corporate sector have found the rhythm to work in tandem. Some States of the Indian Union have done better than others. But this has created a demonstration effect, whereby State-level politicians have learnt the importance of growth and public service delivery as the key to electoral success. Besides, skilled workers have tended to migrate from less performing regions to the job markets opening up in other parts of India and abroad, adding remittances as yet another means of pumping money and ambition to backward regions. Finally, the pre-liberalisation practice of central transfer of resources from the rich States to the poorer ones has not disappeared altogether, thus adding one more strand to the safety net for those falling behind in the

³² The minor fluctuations around a generally cautious policy aimed at sustaining growth and welfare can count on a solid base of financial expertise, economic reserves and managerial talent that characterizes the political economy of India in the twenty-first century. In the euphoria over liberalization, one tends to forget that the gains of the first decade of planning, 1951–61, were not inconsiderable. There was a sizeable increase in public investment in major and medium irrigation projects, power, transport, basic industries and higher education. During this significant decade, agricultural production rose by 41 per cent and industrial production by 94 per cent; steel production increased from 1.4 to 3.5 million tons. Domestic savings as a proportion of the GDP (at 1960–61 prices) rose from 10 per cent in 1954–55 to 15 per cent in 1964–65. Life expectancy went up from 40 years in 1951 to 50 years in 1966. By Rosen's conservative estimate, India's total stock of wealth grew by 65 to 75 per cent in the ten-year period after Independence.³² This growth story also had its fatal flaws. On the negative side, hard-core poverty and illiteracy were barely touched; growth was sluggish; agriculture stagnated; and a patronage-driven, corrupt party machine (the Quota Permit Raj) spread its tentacles across the length and breadth of the country. The crisis hit in the 1960s, bringing in its wake a populist counter-attack and the authoritarian rule of 1975–77.³² India got cut off from the dynamism of the international market and wrong priorities caused the under-investment in infrastructure and education which hindered its transition from a subsistence-based economy to one based on skills.

³³ Thus, one often hears why caste survives, even thrives on the interaction of the modern state and the economy and traditional society. A closer inspection of the ground reality reveals that while caste as status continues, caste as occupation or as a determinant of life expectation has pretty much disappeared. The combined effects of legislation and political action have succeeded in detaching caste status from caste consciousness. Consequently, the closed world of the *jati* is slowly opening up to political and economic opportunities, bolstered by the myriad methods of advancement – through open competition in the market place or through the politics of positive discrimination.

race for development.

India has made a successful transition to democracy and its consolidation through a combination of multi-level governance that takes order, welfare and identity as the basis of policy making and innovative public policies. Quite significantly, today there is a re-assessment of the role of the state. Even the radical advocates of liberalization assert the importance of the state as the careful observer, and the site of political negotiation among competing groups, and most important of all, as the arbiter of the authoritative allocation of values, and as such, is the state continues to be a key player in development in its capacity as regulator. The discussion of the state as an international actor, particularly with regard to economic diplomacy, builds on these salient features of India's political economy. Progress in the agrarian sector can be accelerated by transforming the popular mind-set about land as 'identity'³⁴ to land as 'capital'. With this changed attitude towards land, a breakthrough in the agrarian sector is conceivable through skills development, investment in infrastructure and incentives for innovation.

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³⁴ The slogan 'Ma Mati O Manush' (Mother, Land and Humanity) by Chief Minister Mamata Banerji typifies this form of identification of land as part of one's identity rather than land as a factor of production.

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