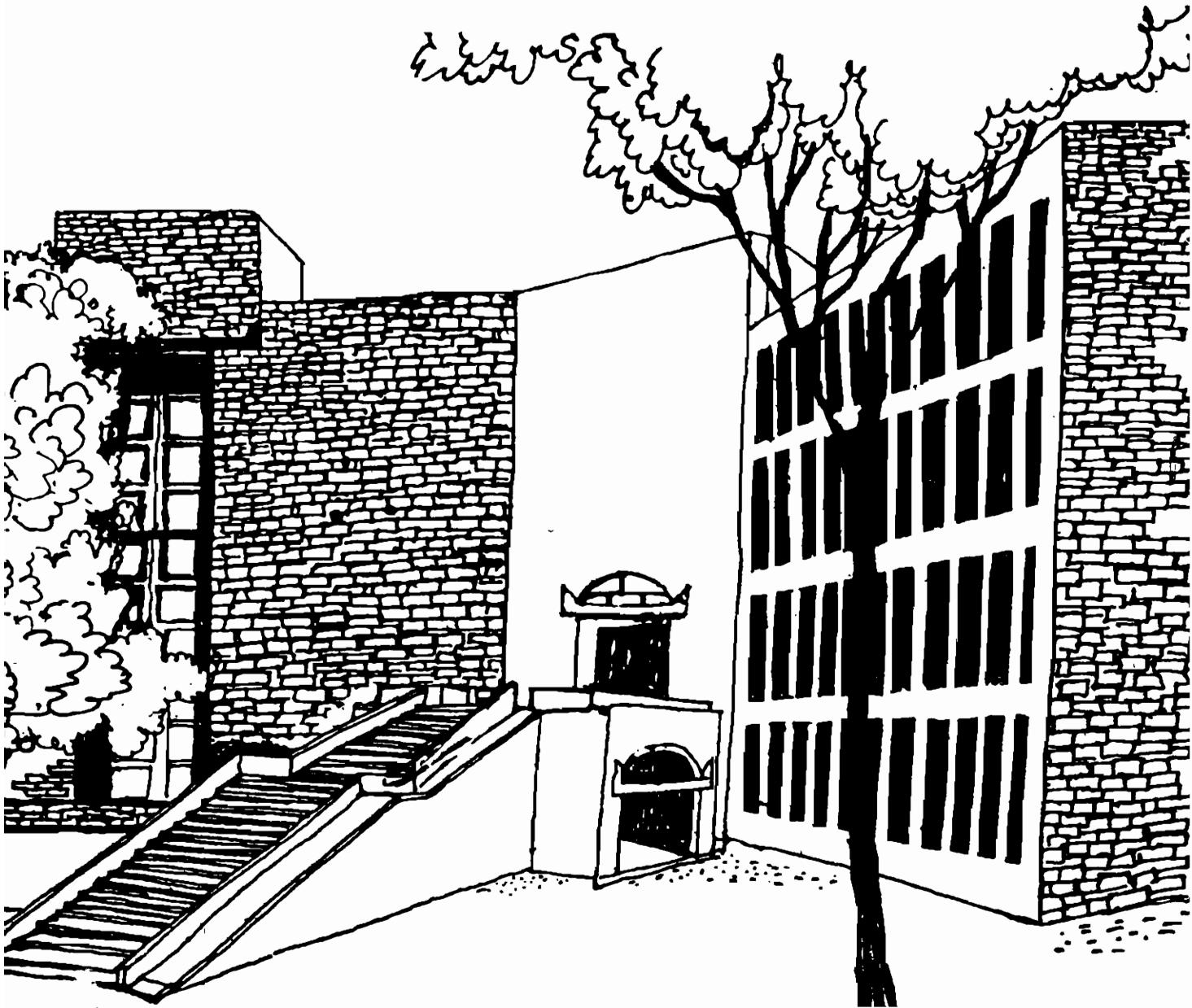




Working Paper



REVITALIZING THE STATE:
6. THE PERFORMANCE OF THE INDIAN STATE

By

Pradip N. Khandwalla

W.P. No.1419
December 1997

WP1419



WP

1997

(1419)

The main objective of the working paper series of the IIMA is to help faculty members to test out their research findings at the pre-publication stage.

INDIAN INSTITUTE OF MANAGEMENT
AHMEDABAD - 380 015
INDIA

REVITALIZING THE STATE:

6. THE PERFORMANCE OF THE INDIAN STATE

Pradip N. Khandwalla

Abstract

The performance of a state depends upon how effectively it copes with its crisis points. These crisis points can arise because of arbitrariness, excessive bureaucratization, insufficient democratization, insufficient participation of the people in the management of public purpose, incapacity to cope with international expectations, etc. A revitalization strategy for a state needs to be tailor-made to its context, based on an assessment of the state's performance in a global context. There are special challenges in revitalizing the Indian state. The Indian state is a vast, enormously differentiated, loosely coupled, development-oriented, federal democratic system. An assessment of its performance in a global context supports two contradictory propositions: that the Indian state is a disaster, and that the Indian state is one of the world's more effective developmental states. The assessment indicates that while there is nothing to be ashamed about the performance of the Indian state after India's independence, and there are many strengths, there are also many dark spots that need to be tackled, and several options need to be considered for removing these dark spots.

Performance Assessment

The performance of a state depends upon how innovatively and effectively it copes with its crisis points as it evolves. After a young state comes into existence it needs to evolve from an informal, ad hoc, arbitrary system characteristic of absolute rulerships, to one of rule by rules, standardized procedures, an elaborate differentiation into various organs, agencies, and departments of the state each with formally devolved authority and specialized staff, in order to discharge effectively its basic functions. That is, it needs to master many of the features of what Max Weber called bureaucracy¹. Failure to master these bureaucratic features may imply low levels of efficiency, accountability, and equity. But bureaucracy is not the end point of evolution, simply its first step. Having stabilized bureaucratic administration, the state may face further challenges as it tries to meet social needs. It may try to fight poverty, step up the output of public goods, administer various welfare programmes. It may attempt to do all these through bureaucratic mechanisms that it has mastered. But the kind of impersonality and standardization that work reasonably well in discharging the more conventional functions of the state may not work well in meeting special needs of special groups, and the state may need to master modes of management closer to those of effective business management, institutional management, and management of community institutions that catalyze social or sectoral cooperation. If these competencies are not mastered the state's performance in terms of meeting social needs may suffer.

Developmental states characteristic of poor societies seeking rapid socio-economic development have additional crisis points. To undertake vast tasks of infrastructure creation, investment in human resource development, industrial and agricultural growth, they may need to create an apex planning mechanism, developmental administration, and spearhead type of public enterprises. Attempts to manage these tasks bureaucratically can breed much unnecessary control and regulation, corruption, and oppressive insensitivity to specific contexts and local conditions. New competencies need to be mastered, of collaboration and networking and consensual decision making and partnering; much operating autonomy needs to be provided to developmental agencies; much greater lateral entry of committed professionals needs to be permitted;

mechanisms of self-regulation need to be nurtured; the private sector needs to be imaginatively coopted into the developmental process. If these skills are not mastered, the developmental agenda may suffer. Achievements may be more on paper than in terms of qualitative improvements in the ground realities and sustainable development. Even this may not be enough. As a developmental state evolves, whether or not it starts as a democratic state, it needs to acquire a democratic framework. It needs to develop effective instrumentalities for procuring the mandate of the people and its effective implementation, that is, of accountability to the people. If this is not done, or done haphazardly or ineffectively, there may be a rapid erosion of the legitimacy of the state and social disorder may ensue. Even effective democratization of political structure may not be the culmination point in the state's evolution. The state may need to facilitate people's more direct involvement in socio-economic transformation through a wide range of participatory mechanisms, with possibly a dissolving line between the public and the private sector. Failure to broadbase public entrepreneurship and draw more fully on managerial competencies available in the society at large for pursuing public purposes may short change the pace of improvement in the quality of life of the people. Further, as in the last quarter of the 20th century, the developmental state may have to learn to cope with international expectations vis-a-vis such matters as civil liberties and human rights, sustainable development, intellectual property rights, ethical trade practices, macro-economic management, and so forth. This calls for further competencies. Failure at this point can mean international isolation or even ostracism.

State excellence therefore is not the outcome of any quick fixes or a standardized recipe for high governance capacity. It is instead a result of effective learning by the state to cope with the many challenges and crises during the state's evolution. Any revitalization strategy for a malfunctioning state must be sensitive to its context and take into account the particular bogs in which the state has got stuck in its evolutionary march. The challenge of revitalizing the Indian state offers a good example of how a revitalization strategy can be crafted.

Almost all modern developmental states are complex and large. Even tiny Hong Kong in the mid-nineties had some 200000 employees². But some are truly vast. The Indian state, nearly 20 million strong, is one such vast developmental state. These huge

complex systems are prone to malfunction because they often attempt vast tasks of socio-economic transformation with inadequate governance capabilities. As Kempe Hope and Aubrey Armstrong have been at pains to point out, "... the administrative reforms and the development of management capability are necessary in developing countries for the carrying out of social and economic policies and the achievement of socio-economic goals of development"³. The new context of globalization for many developmental states is a further complicating factor, for they may no longer be able to exercise the kind of control they may earlier have wielded on their economies. As the World Bank put it, "The last fifty years have shown clearly both the benefits and the limitations of state action, especially in the promotion of development. Governments have helped to deliver substantial improvements in education and health and reductions in social inequality. But government actions have also led to some very poor outcomes. And even where governments have done a good job in the past, many worry that they will not be able to adapt to the demands of a globalizing world economy".⁴ In many parts of the world, especially in the former Soviet Block, in Sub-Saharan Africa, and elsewhere, the state has collapsed or is close to collapse. While the Indian state may not be in such a grim condition, many of its parts are distinctly sickly⁵. Although the commitment to democracy remains strong, the corruption and criminalization of the political system has eroded its credibility. The bureaucracy, too, is often seen as corrupt and inefficient. The Indian state is not, of course, unique in its disrepute—many large states, including many in the West, also share their people's disdain. The revitalization of the Indian state however, may be a matter of necessity for its survival, as it is of the redemption of the Indian people from their poverty. Besides, if it can be successfully carried out, it may bear a strong message for many other developing nations as well.

How do we even begin to conceptualize the revitalization of huge, continental scale systems such as the Indian state? Such systems are extremely differentiated, "loosely coupled" and "soft" to the point of near anarchy⁶, operate in highly turbulent social, political, and economic environments, seethe somewhere with frustration and anger and are paralyzed elsewhere by alienation, consist of two distinct but highly interdependent layers (the democratic populist and the bureaucratic regulatory) that often work at cross purposes, and are tethered to massifs of precedents, conventions,

rules and norms that are the relics of ancient and recent history. A good starting point may be an assessment of the state's performance, to identify more precisely the agenda of revitalization.

The Indian State

India is an immense nation in several ways. Its population, second largest in the world, is pushing a billion towards the end of the 20th century. Continent-sized and continental in its geographical variety, it contains within its borders a medley of religions and religious sects, races, linguistic groups, castes and communities, and political groupings that can put any continent to shame. Despite this mind-boggling diversity, its continuity as a civilization for well over four thousand years has given it a distinctive identity that differentiates "Indian culture" from all others of the world's cultures. The religious ideas and spiritual practices that originated in India have shaped the ethical and spiritual sensibility of half the world's population. Its contributions in art, literature, mathematics, and medicine are more than noteworthy. Over millennia, its many gifts as a cultural and a geographical region have enticed a seventh of humanity to settle in its fortieth of the world's land. The social, political economic, scientific, and spiritual experiments that take place in this nation, and its growth and development, may be of incalculable consequences for the 21st century. In the mid-nineties it seems to have entered a high growth rate trajectory. Already estimated to be the world's fifth or sixth largest economy in purchasing power parity terms, 50 years of growth at 7% per annum should make its economy approach the size of the present economies of the US, European Union, China, and Japan combined. Its vibrant democracy, combined with rapid economic growth, could serve as a beacon of hope to the scores of poor nations in Asia, Africa, Europe and Latin America struggling with the modalities of growth within a democratic framework. The potential developments in its arts, literature, natural and social sciences, and material and social technologies, including of governance, may well make India one of the determining civilizations of the 21st century. Much therefore is at stake, certainly for India and its people, but also possibly for the rest of the world. Misgovernance can abort this promise; excellence in governance may actualize the Indian potential.

The Indian constitutional democracy

The state of free India emerged in 1947 from the penumbra of the British empire. It arose after one of the world's most novel struggles for political, economic, and social emancipation. It was led by a saint, who fought with his soul rather than with the barrel of a gun. He was assisted by lieutenants with strong commitments to democracy and the vision of a free, humane, prosperous, egalitarian, and just society. The Indian constitution, adopted in 1950, turned India into a secular, Westminster-style, multi-party democracy, with a bicameral parliament, an indirectly elected president, an independent judiciary, and a federal structure with partial separation of the powers and responsibilities of the centre and the states. The stirring opening words of the Indian constitution proclaimed:

"We, THE PEOPLE OF INDIA, having solemnly resolved to constitute India into a SOVEREIGN SOCIALIST SECULAR DEMOCRATIC REPUBLIC and secure to all its citizens: JUSTICE, social, economic and political; LIBERTY of thought, expression, belief, faith and worship; EQUALITY of status and of opportunity; and to promote among them all FRATERNITY assuring the dignity of the individual and the unity of the nation; IN OUR CONSTITUENT ASSEMBLY do HEREBY ADOPT, ENACT AND GIVE TO OURSELVES THIS CONSTITUTION."

The Indian constitutional state marked a huge departure from the values and institutions of traditional India. Never before was India a democratic state, nor a secular state, nor a socialist state, nor one which aimed at a comprehensive form of justice, nor a society in which values of equality and the dignity of the individual were ingrained. It rooted in the people the ultimate source of its legitimacy and provided them certain fundamental rights that could not be alienated or abrogated even by parliament. These included equality before law; prohibition of discrimination on grounds of religion, race, caste, sex, region, etc.; equality of opportunity in public employment; freedom of speech, expression, assembly and association; freedom of movement and occupation within India; right of life and liberty; the right of any aggrieved person to approach courts for the restoration of any fundamental right that

has been violated. These fundamental rights were, however, not to override national security and general welfare⁷.

Besides fundamental rights, the Indian constitution also contained directive principles of state policy. Under these the state was to strive to secure a social order oriented to people's welfare, secure means of livelihood for all citizens, achieve a use of the material resources of the community that promoted the common good, prevent harmful concentration of wealth, ensure equal pay for equal work for both men and women, protect the strength and health of workers, and protect children and youth from exploitation. This was as good a definition of public purpose as any.

The constitution demarcated those subjects that could be legislated upon by the centre (union government), those by the states, and those by both. Defence, foreign affairs, inter-state communication, inter-state trade and commerce, currency, banking, control of industry, etc. were reserved for the union government. Public order, police, public health, education, agriculture, professions, etc. were reserved for the states. The "concurrent list" included such items of legislation as marriage and divorce, transfer of non-agricultural property, contracts, civil and criminal procedure, monopolies, welfare, social security, price control, factories, electricity, food adulteration, etc. The states had autonomy in enacting legislation relating to these subjects, but not in contravention of any law passed by the union parliament. There was also demarcation between the centre and the states in the means of raising revenues. The union government could raise its revenues from corporation and income tax, capital gains tax, customs and excise, currency, coinage, foreign exchange, taxes on stock exchange transactions and on transactions in futures markets, etc. The states could raise revenues through land revenue, agricultural income-tax, electricity and water rates, taxes on vehicles, taxes on trades, professions, etc., land and property taxes, sales and purchase taxes, entertainment tax etc. To provide help to the poorer or less developed states, the constitution provided for grants-in-aid to the states by the centre.

The Indian constitution has withstood the test of time. At the same time it has been an evolving document. There were 75 amendments to it between 1950 and 1994. Under these amendments, in 1956 the boundaries of the states were reorganized and some

new ones were created; the right of parliament to amend any part of the constitution was affirmed in 1971; any legal challenge to compensation paid by the state for expropriating property was barred in 1971; appealability to the supreme court was restricted in 1972 to only those cases involving a substantial question of law; the judicial review of any declaration of a national emergency and of an ordinance promulgated by the president, governor, etc. was eliminated in 1975; over 60 laws were eliminated from judicial scrutiny in 1975; in 1979 the right to acquire, hold, and dispose of property as a fundamental right was eliminated and the president was essentially turned into a figurehead; the voting age was reduced from 21 years to 18 years in 1988; municipalities and panchayats (rural local self-governments) were recognized as units of self-government, and their constitution, membership, direction, devolution of finance and the subjects to be dealt with by them were specified in 1993, etc.⁸. These amendments have tended to bolster the arbitrary powers of the state, but they have also moved the nation forward in terms of greater enfranchisement and empowered local self-government.

Planning

Beginning in 1951, the Indian state embarked on national economic development planning. A Planning Commission was set up to draw up blueprints of successive five year plans along the Soviet model, with targets of increased industrial and agricultural output in key products, of increased educational facilities, health coverage, welfare, family planning, transportation, communications; of public and private sector shares in investment; of shares of the centre and the states in outlay, etc. The developmental outlays of the state (union and state governments) increased rapidly, virtually doubling (in constant rupees) every ten years. Unlike the Soviet model, however, the private sector also had a major role in economic development. The estimated share of the private sector in the total investment in the economy averaged about 50%, though there was considerable variation as between plans⁹. It was about 54% during the first plan (1951-56). This percentage declined sharply after 1956 and a period of statism emerged during which many controls over the private sector were imposed, and its share of total investment declined to around 40% until 1974. Since then there was a gradual reversal of the relative importance of the public and the private sectors, and the original shares of the first plan were restored. Some data on the Indian state for the period stretching from the fifties to the mid-nineties are provided in Table 1.

TABLE 1
SOME DATA ON THE INDIAN STATE

A. Size of the Indian State^a

Central government employees (in millions)	2.2 (1961)	3.4 (1991)
State government employees (in millions)	3.1 (1961)	7.1 (1991)
Local bodies employees (in millions)	1.2 (1961)	2.3 (1991)
Quasi-government bodies employees (in millions)	0.9 (1961)	6.2 (1991)
Total (in millions)	7.3 (1961)	19.1 (1991)
Employees of the state as % of total population of India	1.6% (1961)	2.2% (1991)

B. Size of the Indian State's Developmental Outlay (at 1970-71 prices) in billions of rupees^b

1st Plan (1951-56)	45
3rd Plan (1961-66)	130
5th Plan (1974-79)	225
7th Plan (1985-90)	540
8th Plan (1992-97)	580

C. Indian State's Investment

	<u>1951-56</u>	<u>1961-66</u>	<u>1992-97</u>
<u>Priorities^c</u>	<u>1st Plan</u>	<u>3rd Plan</u>	<u>8th Plan</u>
Agriculture, etc.	15%	12.5%	14.5%
Irrigation	22%	8%	7.5%
Power and energy	7.5%	14.5%	26.5%
Industry and minerals	3%	20%	9.5%
Village and small scale industries	2%	3%	1.5%
Transport and communications	26.5%	24.5%	18.5%
Social services, etc.	24%	17.5%	21%

D. Percentages of Public and Private Sector in Total Investment in Economy^d

	<u>Public Sector</u>	<u>Private Sector</u>
1st Plan (1951-56)	46%	54%
2nd Plan (1956-61)	55%	45%
3rd Plan (1961-66)	61%	39%
4th Plan (1969-74)	60%	40%
5th Plan (1974-79)	43%	57%
6th Plan (1980-85)	48%	52%
7th Plan (1985-90)	46%	54%
8th Plan (1992-97)	45%	55%

Source: A.N. Agrawal and H.O. Varma, India: Economic Information Yearbook 1996 (New Delhi: National Publishers, 1996)

a. See Table 6.2, p.105, Agrawal and Varma, op.cit.

b. See Table 19.2, p.323, Agrawal and Varma, op.cit. Deflator used being index number of wholesale prices—see Table 15.6, p.254.

c. See Table 19.4, p.325, Agrawal and Varma, op.cit.

d. See Table 19.2, p.323, Agrawal and Varma, op.cit.

During the nearly 50 years of planned economic development since 1950, the investment priorities of the Indian state have changed¹⁰. Allocations to agriculture have remained fairly constant at around 15% of the total investment by the state, as also to village and small-scale industries (around 2%), and social services (around 20%). But there have been large changes in some of the other key sectors: allocations to irrigation have declined sharply from 22% in the first plan to less than 10% in the later plans, and allocations to transport and communications have declined from over 25% to under 20%. Allocations to power and energy have risen dramatically, from less than 10% in the first plan to over 25% in the 8th plan. Allocations to industry and minerals increased dramatically from less than 5% in the first plan to 20% in the third plan but then have declined to less than 10% in the 8th plan.

Indian bureaucracy

The principal instrumentalities for implementing the directive principles of state policy have been bureaucratic. The Indian bureaucracy has interesting features of integration and differentiation. It is dominated by elite all-India services that are cadres and constitute the main battle tanks of Indian administration. They hold Indian administration together. The work of the Indian bureaucracy is horizontally differentiated by ministries, departments, etc. The central government has over 30 major and another 30 minor ministries, over 60 departments, 70 attached specialist offices like the Archaeological Survey of India, and 200 subordinate offices like the National Archives¹¹. The state governments have their own ministries, departments, etc. The bureaucracy has grown rapidly over the years--from 7 million to 19 million during 1950 to 1990, and has differentiated also rapidly. The number of ministries at the centre rose from 18 in 1947 to 60 in 1985. With these changes have come large increase in officers. The number of secretaries increased from less than 10 in 1937 to less than 25 in 1954 to over 100 in 1985; the number of additional secretaries has grown from less than 10 to over a hundred, of joint secretaries from below 10 to nearly 400, deputy secretaries from below 15 to over 500, and under secretaries from less than 20 to over 1000¹².

There are about 50 Indian elite services¹³. These services are cadres, and include such generalist all-India services as the Indian Administrative Service, the Indian

Police Service, and the Indian Foreign Service. Then there are services linked to specific departments of the government, such as the Postal Service, the Railway Accounts Service, the Forest Service, etc. A third category is that of technical services of central government departments, like the Telecom Service. The combined strength of these services is well over 40000. These 40000-odd officers manage a vast bureaucracy of millions. In addition the states have additional civil, technical, and non-technical services. An important feature of these services is that recruitment is based on merit. The recruitment to elite all-India services is by the Union Public Service Commission (UPSC) on the basis of interview and tests scores. In 1988, for example, the UPSC conducted 13 written examinations for nearly half-a-million applicants, and interviewed some 6000 short-listed candidates for final selection. These services constitute the steel frame of Indian administration, and on the whole they have served the nation fairly well in maintaining law and order, implementing developmental plans, etc.

Shriram Maheshwari has described the main principles governing the bureaucracy: "The machinery of government at the Centre (and also in the States) is designed on the bases of two important administrative principles. An overriding belief in the desirability of structural separation of policy making — and administration has led to the creation of an organization that is concerned exclusively with policy making and another that is charged with implementing responsibilities. As a result, the machinery of the government of India is a three-tiered one in which the policy-making organ is the secretariat, and implementation is the responsibility of the attached and subordinate offices.

"But sound policy making requires first-hand knowledge and experience of the conditions of implementation. This belief underlies the second administrative philosophy that the policy-making organ of the government of India must have no permanent cadre of officers but must instead be manned by personnel who are taken on fixed-term deputation from implementation levels so as to project field realities fully into the process of policy making. The middle-and senior-level positions in the secretariat are filled by public personnel drawn from the all-India and central services, members of which generally work under the State governments or the field agencies of the Central Government."¹⁴ Thus, the bureaucratic policy makers are the seniors who once were district magistrates,

collectors, development officers, heads of SOEs, and the like. This anchors public policies in ground realities, and thus makes it more probable that the policies would be effectively implemented. But at the same time it may breed an in-group, and short-change fresh options and sophisticated new techniques in policy analysis and implementation with which field level administrators may not be too familiar.

There have been several problems with the elite services. Studies indicate that the members of these services tend to be predominantly from the urban middle and upper classes¹⁵, and therefore tend to have little understanding of the ways of the poor or empathy with their plight. Also, their managerial styles tend to be directive and/or manipulative rather than participative¹⁶, unsuitable in developmental tasks needing mobilization and people's participation. The selection is based on merit but the selection criteria may be partially inappropriate. The selection process may not select for such skills and traits as empathy with the poor, resourcefulness, innovativeness, change agent skills, a nurturant attitude towards subordinates and a staff developmental orientation, achievement orientation and drive, and communication and networking skills. The problems are compounded by frequent transfers, so that the sort of investment an administrator needs to make in terms of time and in mobilizing local networks for development often is not made. For example, in a study of two backward districts in the state of Rajasthan, over a period of 20 years the average term of the district collector was 14 months, as also of the block development officers¹⁷. The local incharge official, usually a member of an elite central service, may be so overloaded with committee chairmanships and other routine work as to leave little time for working with people for mobilizing them for development. For instance, in the state of Uttar Pradesh, 52 of the 66 departmental committees at the district level were chaired by the district magistrate. Of these, 42 were committees related to rural development, and of these 30 were chaired by the district magistrate¹⁸. With this sort of short tenure of the top administrator in a region and a highly fragmented attention to developmental tasks, it is a miracle that any lasting development takes place at all. Money, of course, gets spent, and some quantitative targets are actually (or seemingly) achieved; but institution building, local capability development, self-reliance, and multifaceted development, foundations of sustainable local development, tend to be nearly entirely bypassed.

The performance of the Indian state presents a paradox. There is support for each of the following two seemingly contradictory views:

1. The Indian state is a disaster.
2. The Indian state is one of the world's more effective developmental states.

The evidence for each view is worth examining.

The Indian State as a Disaster

The Indian state, free after 1947 from British rule, has been a constitutional democracy since 1950. Since that time it has failed in many ways:

- a. The state took to planned economic development in 1951. After the mid-fifties, the emphasis was on a public sector dominated rapid industrialization and a socialistic pattern of society. In the process the state spawned a huge bureaucracy that has become notorious for its corruption, slowness, and inefficiency¹⁹. As Table 1 shows, the number employed by all the governments in India, and there are hundreds of thousands of governments at the federal, state, and local levels, has been estimated to have gone up from 7 million in the early sixties to 19 million in the nineties. Some 21 commissions appointed by the Government of India have identified the malaises in the bureaucracy²⁰. But despite their analysis and recommendations, there apparently has been little improvement, possibly deterioration. The Heritage Foundation, a conservative American think tank that surveys about a hundred countries periodically for their market-friendliness, has rated India one of the most regulated and black market infested of the world's states²¹. Its 1995 Index of Economic Freedom ranked India 86th among 101 countries, just ahead of China, and well behind the 57th ranked Pakistan.
- b. The Indian development state seems significantly to have failed to deliver prosperity to the poor. After nearly 50 years of "socialistic" planned economic development, there were, in the mid-nineties, more poor than at the start. Although the percentages came down from around 50% to 35%, thanks to the near tripling of the population the number of poor doubled from over 150 million

in 1951 to over 300 million in 1993-94, half the world's poor. By way of comparison, Indonesia's poor declined from nearly 60% of the population in 1970 to less than 10% in 1993, and that too in half the period²². Poverty in the nineties was grindingly high among the Indian landless labourers, illiterates, and members of scheduled castes ("untouchables") and tribals, presumptively the main intended beneficiaries of a socialistic pattern of development. According to one estimate, over 250 million children, women and men currently suffer from under-nourishment²³. Over 50 million people live in urban slums²⁴. Although the state has launched many schemes and programmes of rural development and poverty alleviation²⁵, according to an ex-prime minister of India, only about 15% of the funds reach the targetted beneficiaries.

- c. China and India had comparable depths of poverty and under-development in the fifties, but since then India's achievements in socio-economic development compare very unfavourably with those of China. Between 1970 and 1993, the infant mortality rate declined in India from 137 to 80, versus a decline in China from 69 to 30; the death rate declined in India from 16 to 10 versus a stabilised 8 in China after 1970; the birth rate, a proxy for the success of family planning, fell in India from 39 to 29 versus 33 to 19 in China²⁶. In terms of human capital formation, adult literacy in India in 1992 was 50 versus 80 in China, and the number of scientists and technicians per thousand persons in 1986-91 averaged 3.5 in India versus 8.1 in China²⁷. The number of poor in India in 1992 was 350 million versus 105 million in China²⁸. Life expectancy of women in 1992 was 60 for India versus 70 for China, women's literacy in 1980-89 was 40% for India versus 82% in China, and the percentage of females in 1980-89 that were administrators and managers was 2% for India versus 11% for China²⁹. In terms of infrastructure development, in 1992 the per capita output of electric power was 373 kwh in India versus 647 in China, and telephone mainlines per 1000 persons were 8 in India versus 10 in China³⁰. In terms of economic indicators, during 1980-93 GDP grew in India at 5.2 per cent per annum versus 9.6% in China, while per capita income rose in India at 3% per annum versus 8.2% in China³¹, Indian exports grew at 7% per annum versus 11.5% for China³², the ratio of external debt to merchandise exports in 1991-93 was 317 for India versus 85 in China³³, and the average rate of inflation in 1980-93 was 8.7% in India versus 7% in China³⁴. Overall, on the human

development index, which is a composite of quality of life indicators and GNP per capita, among the developing countries India ranked 63rd in 1992 versus China's rank of 34³⁵. The usual excuse for India's inferior performance is that India is a democracy which China is not, and so iron fisted methods of getting things done are not available to the Indian state. But Japan, too, has been a democracy during the years of its fastest growth (1954-72) and later, and as a democracy Japan has emerged as a super economic power with very many excellent indicators of the quality of life³⁶.

- d. India is a democratic state but with appalling politics. A recent commission of enquiry estimated a high degree--approaching 40%--of criminalization of the legislatures of some of the largest Indian states (by criminalization is meant the percentage of legislators with criminal records, with or without convictions)³⁷. There have been numerous exposes of corruption in high places, involving kickbacks from defense contractors, siphoning off of state funds, unconscionable largesses to one's relatives and friends, etc. International surveys have rated the Indian government as one of the most corrupt in the world³⁸. Exceptions apart, as a class the politicians appear to have no political scruples--most of the major political parties seem to consist of self-seeking factions with few ideological or social commitments, a far cry from the idealistic but pragmatic founders of independent India. Switching of party membership after being elected to legislature is commonplace, and is a major factor in destabilising governments. At least one national government fell because power seeking factions withdrew from the party on whose platform they were elected. So bad did party allegiance become that the government was forced to pass a law banning party switching by legislators below a certain percentage of the party's strength, on pain of being disqualified as legislator. The law has not significantly deterred defections. An analysis of 21 commissions of enquiry appointed by the union and state governments between 1950 and 1980 to investigate alleged misdeeds of powerful politicians and officials revealed ugly politician-bureaucrat nexuses, decline of values and morality, and permissiveness. Few of the wrong-doers were punished³⁹.
- e. The Indian judicial system is a huge mess. It frequently take decades for courts to clear cases. The Supreme Court alone may have a backlog of half-a-million

cases, while the number of cases pending in the Indian courts may be around 6 million⁴⁰. For many poor people, justice in the law courts is a distant dream.

- f. There have been widespread allegations in the press of police brutalities and corruption. Several custodial deaths or deaths during "encounters" with security forces in suspicious circumstances have been reported in the press every year. The police has apparently treated the well-heeled and the well-connected very differently from its treatment of poor citizens.
- g. There is a question mark about the sustainability of India's economic development. Carbon dioxide emissions, although still small by American standards, more than doubled during 1980-1992 to over 750 million tons⁴¹. Dams may have displaced around 25 million persons, of whom only a quarter may have been rehabilitated⁴². One estimate is that nearly 5 million hectares of forests were destroyed for expansion of agriculture, dams, and other developmental projects during 1950-1980, and a third of irrigated land was damaged due to salinity and waterlogging⁴³.
- h. Over the last decades India has spawned a huge and seemingly inefficient corporate public sector. The capital employed in the public enterprises owned by the central government in 1950 was less than a billion rupees; it grew to around Rs.1000 billions in 1990. The annual return on capital employed (profit after tax as a return on capital employed) averaged a measly 2.6% over 1980-1990⁴⁴. Nearly half of these enterprises have been loss-making. The situation may be much worse vis-a-vis the enterprises owned by the various states in India⁴⁵.

India as an Outstanding State

Although India suffers in comparison with China, and indeed with several other East Asian countries, the performance of the Indian state after 1950 seems vastly superior to that in the first half of the 20th century (see Table 2):

1. Under British rule until 1947, life expectancy had remained one of the lowest in the world, at around 30. Compared to the early fifties, by the early nineties life

expectancy had doubled to over 60, the death rate had declined to a third, infant mortality had nearly halved, literacy had tripled. Enrolment in graduate studies and in technical fields had increased nearly 30 times. The couple protection rate (for birth control) had quadrupled. The percentage below the poverty line had halved, and per capita consumption of essentials and clothing had gone up substantially despite a tripling of the population.

2. The growth in GDP, only 1% per annum during the British rule⁴⁶, climbed to 3.5% under planned economic development during 1950-74, increased further to 5.5% during 1975-93 and spurted to 6.8% during 1993-96⁴⁷. Between 1950 and the early nineties, industrial production went up 13 times, agricultural production three times, national income in real terms nearly five times, and real per capita income nearly doubled. Capitalism, both of the state and the private variety, flourished. The number of companies in India increased nearly 13 times, and in constant rupees, the total capital raised by private sector companies increased some 20 times. Bank deposits increased 130 times. Investment in the economy climbed from 10% to 27%, of GDP. Foreign trade as a percentage of GNP virtually doubled. Inflation was modest at about 6% per annum over this period.

3. There were huge strides in infrastructure. Between 1950 and the mid-nineties, power generating capacity increased 40 times and the number of villages with electrification increased from 3000 to nearly half-a-million. Paved roads increased in length from less than 200000 kilometres to over 2 million kilometres. Shipping tonnage increased 15 times, railway freight carrying capacity 6 times. Post offices quadrupled and branches of commercial banks increased 12 times, mostly in rural areas, sharply diminishing the dependence of rural folk on moneylenders and the ravages of usury. Telephones increased some 40 times. The number of colleges increased 10 times, universities 5 times, the number of technical institutions 30 times.

TABLE 2
CHANGES IN INDIA FROM THE FIFTIES/SIXTIES TO THE EIGHTIES/NINETIES

<u>A. Social Indicators</u>	<u>Fifties / Sixties</u>	<u>Eighties / Nineties</u>
1. Life expectancy ^a	32 (1951)	61 (1991)
2. Death rate per thousand ^a	27 (1951)	10 (1991)
3. Infant mortality ^a	146 (1951)	80 (1991)
4. Gini coefficient of inequality ^b : rural	.32 (1960)	.30 (1983)
: urban	.34 (1960)	.32 (1983)
5a. % of people below poverty line ^b	55 (1960)	30 (1987)
5b. Poverty ratio ^b : urban	40 (1960)	19 (1989)
: rural	38 (1960)	28 (1989)
6. Per capita consumption ^b :		
a. of foodgrains (daily, in grams)	395 (1960)	510 (1990)
b. cloth (annual, in metres)	15 (1960)	24 (1990)
c. domestic electricity (kwh)	3 (1960)	38 (1990)
7. Area under forests (in million hectares) ^c	40 (1950)	68 (1990)
8. Literacy ^a	18% (1951)	52% (1991)
9. Primary school enrolment (in millions) ^d	19 (1950)	105 (1992)
10. Middle and higher school enrolment (in millions) ^d	5 (1950)	61 (1992)
11. Enrolment in graduate studies ^d	174000 (1950)	4800000 (1992)
12. Students in engineering, medical, technical institutions ^d	37000 (1950)	874000 (1988)
13. Family planning ^e :		
a. couple protection rate	10 (1970)	43 (1991)
b. birth rate	40 (1941-50)	27 (1991-96)
14. Annual growth rate of population ^f	1.3% (1941-50)	2.15% (1951-90)
		1.8% (1991-96)
15. Total number of vehicles (in millions) ^g	0.3 (1950)	26 (1993)
<u>B. Economic Indicators</u>		
16. GDP annual growth rate (estimated) ^h	1% (1900-50)	5.5% (1975-93)
	3.5% (1950-74)	6.8% (1993-96) ⁱ
17. Index of industrial production (1980 base) ⁱ	18 (1950)	239 (1993)
18. Index of agricultural production (1967-70 base) ⁱ	58 (1950)	192 (1990)
19. Index of agricultural productivity (1967-70 as base) ⁱ	77 (1950)	175 (1990)
20. National income (at 1980-81 prices) in billions of rupees ⁱ	405 (1950)	1845 (1990)
21. Per capita income (at 1980-81 prices) in rupees ⁱ	1130 (1950)	2200 (1990)
22. Number of companies ^j	28500 (1950)	353000 (1995)
23. Total capital raised by private sector companies (in 1993 rupees) ^k	Rs.9 billions (1961)	Rs.198 billions (1993)
24. Assistance disbursed by term lending institutions ^k	nil (1950)	Rs.270 billions (1993)
25. Sales of medium and large private sector companies (in 1990-91 rupees) ^l	N.A.	415 billions (1970)
		1100 billions (1990)

26. Sales of central government state-owned enterprises (in 1994 rupees) ^m	less than a billion (1950)	1600 billions ^m (1994)
27. Foreign trade as % of GNP ⁿ	13.4% (1950)	24.6% (1994)
28. Ratio of savings to GDP ⁱ	10% (1950)	24% (1990)
29. Ratio of investments to GDP ⁱ	10% (1950)	27% (1990)
30. Inflation (index of wholesale prices, 1981-82 as base) ⁱ	17 (1951)	183 (1990)
31. Deposits of scheduled banks (in 1994 rupees) ^o	260 billions (1961)	3236 billions (1994)

C. Infrastructure

32. Electric power generating capacity (in megawatts) ^p	2400 (1951)	87000 (1993)
33. Power generated per kilowatt of capacity ^p	3200 kwh (1950)	4200 kwh (1993)
34. Coal (millions of tons) ^p	35 (1951)	264 (1993)
35. Oil (millions of tons) ^q	0.3 (1960)	27 (1993)
36. Villages electrified ^f	3000 (1950)	496000 (1993)
37. Length of paved roads (kilometres) ^s	157000 (1950)	2037000 (1990)
38. Shipping (gross registered tonnage) ^s	391000 (1950)	6057000 (1990)
39. Railway freight (billions of ton - kms) ^s	44 (1950)	243 (1990)
40. Commercial banking branches ^s	5000 (1950)	60000 (1990)
41. Post offices ^s	36000 (1950)	149000 (1990)
42. Telephones ^s	168000 (1950)	6705000 (1990)
43. Hospital beds ^t	116000 (1950)	812000 (1990)
44. Hospital beds per 100000 population ^t	32 (1960)	96 (1992)
45. Doctors ^s	62000 (1950)	399000 (1990)
46. Gross irrigated area as % of gross cropped area ^u	17% (1950)	33% (1990)
47. Agricultural credit by banks and cooperative societies (in billions of rupees, 1993 prices) ^y	3.52 (1950)	151 (1993)
48. Number of primary schools ^w	222000 (1951)	708000 (1993)
49. Number of secondary schools ^w	7400 (1951)	84000 (1993)
50. Number of colleges ^w	600 (1951)	6300 (1993)
51. Number of universities ^w	27 (1991)	149 (1993)
52. Number of engineering, medical, dental colleges and schools ^w	174 (1950)	4992 (1988)

D. Agricultural Output

53. Foodgrains (millions of tons) ⁱ	51 (1950)	182 (1993)
54. Oilseeds (millions of tons) ^x	5 (1950)	21 (1993)
55. Potatos (millions of tons) ^x	2 (1950)	18 (1993)
56. Sugarcane (millions of tons) ^x	57 (1950)	227 (1993)
57. Cotton (millions of bales) ^x	3 (1950)	11 (1993)
58. Milk (millions of tons) ^y	17 (1950)	63 (1993)
59. Meat (millions of tons) ^y	0.5 (1950)	4.0 (1993)
60. Fish (millions of tons) ^y	0.7 (1951)	4.7 (1994)
61. Eggs (in millions) ^y	830 (1950)	23700 (1994)

E. Industrial Output

62. Finished steel (million tons) ⁱ	1 (1950)	13.5 (1990)
63. Cement (million tons) ⁱ	2.7 (1950)	48.8 (1990)
64. Cotton cloth (million sq. metres) ⁱ	4200 (1950)	15400 (1990)

Data source: A.N. Agrawal and H.O. Varma, India: Economic Information Yearbook 1996 (New Delhi: National Publishing, 1996)

a. See Tables 18.25, p.313; b. See Tables 4.1, 4.2, and 4.4, pp.60-61; c. See Table 7.1, p.124; d. See Tables 18.2 and 18.3, pp 299-300; e. See Table 5.35, p.99; f. See Table 5.1 and 5.3, pp.75-76; g. See Table 14.9, p.240; h. See Table 3.5, p.30; i. See Table 2.1, p.15; j. See Table 11.1, p.195; k. See Tables 11.8 and 11.10, pp.198-199; l. See Table 11.3, p.196 and Table 15.6, p.254 (deflator); m. Economic Times, Ahmedabad edition, February 11, 1997; n. See Table 12.1, p.206 and Table 3.1, p.26; o. See Table 16.5, p.266 and Table 15.6, p.254 (deflator); p. See Tables 9.3 and 9.4, p.169; q. See Table 9.19, p.179; r. See Table 9.16, p.176; s. See Table 2.2, p.16; t. See Table 18.23, p.313; u. See Table 7.2, p.124; v. See Table 7.28, p.139; w. See Tables 18.1 and 18.3, pp.299-300; x. See Table 7.15, p.131; y. See Tables 7.32 and 7.35, pp.142-143. z. See reference 47 at the end of the chapter.

All these gains were in the main due to the efforts of the developmental state, although the private sector also made significant contributions. The size of the Indian state's developmental outlay rose (in 1970-71 prices) from Rs.45 billions during the 1951-56 first five year plan, to Rs.540 billions during the 1985-90 seventh five year plan, and further in the eighth plan⁴⁸.

Not only has the Indian state performed creditably after independence by vastly stepping up the economic growth rate, social capital formation, and infrastructure, even in relation to other developing countries it has performed reasonably well. Tables 3 and 4 provide some comparisons on economic and social indicators between India and nine other large countries with populations in excess of 100 millions, as well as with the categories of low and middle income countries (India being a low income country). In terms of recent performance, India ranked in the top 3 of the ten largest countries on 6 out of 14 economic indicators and 5 out of 7 social indicators. It ranked in the bottom 3 on none of the 14 economic indicators and on only 1 of the 7 social indicators. India's comparison with low income countries (excluding China and India) puts Indian developmental performance in perspective. India scored better than the weighted averages for the 47 low income countries on all the economic and social indicators for which data were available.

TABLE 3

RECENT ECONOMIC PERFORMANCE OF INDIA VIS-A-VIS LARGE COUNTRIES AND ECONOMY CLASSES

Countries	Annual Growth Rate										% of 1995 GDP				Change Between 1980 and 1995	
	In Per Capita Income 85-95 ^a	In GDP 90-95 ^b	In Agri. 90-95 ^b	In Indl. Production 90-95 ^b	In Services Output 90-95 ^b	In Exports 90-95 ^b	In Investment 90-95 ^b	In Inflation 90-95 ^b	Gross Investment ^c	Gross Savings ^c	External Debt ^d	External Debt in 1995 as % of Exports ^d	In Gross International Reserves (Billion \$) ^e	In Foreign Trade as % of GDP ^f		
India	3.2	4.6	3.1	5.1	6.1	12.5	5.3	10.1	25	22	28	201	+11	+10		
Bangladesh	2.1	4.1	1.1	7.3	5.4	14.2	8.2	4.6	17	8	56	298	+2	+13		
Nigeria	1.2	1.6	2.3	-1.2	4.5	1.1	1.2	10.1	18	20	140	274	-9	+33		
Pakistan	1.2	4.6	3.4	5.7	5.0	7.7	4.0	11.2	19	16	49	258	+1	-1		
China	8.3	12.8	4.3	18.1	10.0	15.6	15.9	12.4	40	42	17	77	+70	+27		
Low income economies (N=49)	3.8	6.8	3.1	11.6	6.4	11.0	10.5	62.0	32	30	39	184	NA	NA		
Low income economies excluding China and India	-1.4	1.8	1.9	NA	NA	4.4	3.6	170.8	20	10	NA	NA	NA	NA		
Indonesia	6.0	7.6	2.9	10.1	7.4	10.8	16.3	7.6	38	36	57	203	+8	0		
Russia	-5.1	-9.8	NA	NA	NA	NA	NA	517.0	25	26	38	127	NA	NA		
Brazil	-0.8	2.7	3.7	1.7	3.6	7.4	3.5	965.3	22	21	24	270	+45	-5		
Middle income economies (N=58)	-0.7	0.1	0.9	NA	3.9	NA	NA	298.8	25	25	40	143	NA	NA		
US	1.3	2.6	3.6	1.2	2.1	7.3	4.1	2.4	16	15	NA	NA	+5	+3		
Japan	2.9	1.0	-2.2	0.0	2.3	3.4	-0.8	0.9	29	31	NA	NA	+154	-11		
High income economies (N=26)	1.9	2.0	0.6	0.7	2.3	6.4	-0.2	2.4	21	21	NA	NA	NA	NA		
India's rank in 10 largest nations	3	3	5	5/9	3/9	3/9	4/9	5/9*	4	5	3/8*	3/8*	4/9	4/9		
India's rank in 8 largest low and middle income nations	3	3	4	5/7	3/7	3/7	4/7	3/8*	3/8	4/8	3/8*	3/7	3/7	4/7		

* Rank in terms of the lowest scores

Source: World Development Report 1997: The State in a Changing World (Washington, D.C: The World Bank, 1997), Tables, pp.214-248.

a. Table 1 (pp.214-215); b. Table 11 (pp.234-235); c. Table 13 (pp.238-239); d. Table 17 (pp.246-247); e. Table 16 (pp.244-245); f. Table 3 (pp.218-219).

TABLE 4
RECENT SOCIAL PERFORMANCE OF INDIA VIS-A-VIS LARGE COUNTRIES AND ECONOMY CLASSES

Countries	Increase in Life Expectancy at Birth, Between 1981 and 1995 ^a	Increase in Adult Literacy Rate, Between 1980 and 1995 ^a	Rate of Deforestation During 1980-1990 (%) ^b	Income Equality (Share of Bottom 10% / Share of Top 10%) ^c	Decline in Infant Mortality Rates, Between 1980 and 1995 ^d	Increase in Rate of Female Primary Enrollment Between 1980 and 1993 ^e	Change in Tons of CO ₂ Emissions Per Capita Between 1980 and 1992 ^f
India	10	16	0.6	.13	48	24	0.4
Bangladesh	10	12	4.1	.17	63	59	0.1
Nigeria	4	23	0.7	.04	19	-22	-0.1
Pakistan	10	14	3.5	.13	34	22	0.2
China	2	12	0.7	.07	8	13	0.8
Low income economies (N=49)	5	14	0.8	NA	29	17	0.4
Low income economies excluding China and India	6	14	0.8	NA	27	NA	0.2
Indonesia	10	22	1.1	.15	39	12	0.4
Russia	-7	NA	0.2	.03	4	5	NA
Brazil	3	7	0.6	.01	26	NA	-0.1
Middle income economies (N=58)	8		0.5	NA	26	2	1.9
US	2	0	0.1	NA	5	6	-1.2
Japan	3	0	0.0	NA	4	1	0.8
High income economies (N=26)	2		-0.5	NA	6	0	-0.5
India's rank in 10 largest nations	1	3/9	4*	3/8	2	2/9	6/9*
India's rank in 8 largest low and middle income nations	1	3/7	2*	3	2	2/7	5/7*

* Rank in terms of the lowest scores.

Source: World Development Report 1997: The State in a Changing World (WDR 1997) (Washington, D.C.: The World Bank, 1997), Tables, pp.214-248, and World Development Report 1983 (WDR 1983) (Washington, D.C.: The World Bank, 1983), Tables, pp.148-201.

a. Table 1 in WDR 1997 and Table 1 in WDR 1983; b. Table 10 in WDR 1997; c. Table 5, WDR 1997; d. Table 6, WDR, 1997; e. Table 7 in WDR 1997; f. Table 8, WDR, 1997.

Liberalization of the economy has been a strategic initiative of the Indian state, especially of the Government of India. India's engagement with statism began to turn sour in the seventies, and a slow process of liberalization got underway in the eighties. But the watershed year was 1991, when a balance payments crisis forced a recourse to the IMF and World Bank, and the conditionalities included commitment to deregulation, lowering of trade barriers, a "realistic" exchange rate, and opening of the Indian economy to foreign investment. The Government of India has liberalized the economy in a phased manner⁴⁹. An initial devaluation of the rupee by 25%, was followed by further devaluations later on, so that the exchange rate was made more and more responsive to market forces over a period of time. There was an attempt to reduce the fiscal deficit by reducing the rate of increase in government expenditure, and by reducing some subsidies. There was also tighter control over the money supply to curb inflation and at the same time progressive deregulation of the interest rates charged by banks. There was a substantial but phased elimination of licensing for setting up manufacturing units and the expansion of existing ones, and a drastic reduction in the industries reserved for the public sector. Access of domestic firms to foreign technology was liberalized. There was phased elimination of import control except for consumer goods, and a phased reduction in import duties, from 150% in 1991-92 to 110% in 1992-93, 85% in 1993-94, 65% in 1994-95, 50% in 1995-96, and 40% in 1996-97. There was liberalization of foreign private investment, faster clearances of foreign investment proposals, and relaxation of such terms as the maximum percentage of equity MNCs can hold in Indian subsidiaries. Gold and silver imports were liberalized to reduce smuggling. Export restrictions and export subsidies were reduced. Foreign investments by Indian companies were liberalized. Income tax rates were substantially reduced, from a maximum of around 50% to 30% and corporate taxes were also substantially reduced, to encourage honest filing of returns. Excise duties also were reduced in a phased manner. The Office of the Controller of Capital Issues was abolished to make it easier for companies to raise capital. At the same time regulation by the Stock Exchange Board of India was tightened for a healthier functioning of the stock markets. Private sector mutual funds were permitted and foreign institutional investors were permitted to invest in capital markets. Budgetary support to loss making state owned enterprises (SOEs) was progressively reduced and some risk of closure

was created. There was also modest divestment of share capital owned by the government in SOEs, and SOEs were permitted to raise capital from the market. SOEs also were given more operating autonomy, including pricing freedom. A fund was set up to finance voluntary retirement schemes of overmanned enterprises and retraining of released workers, and over 80000 workers of SOEs availed of the voluntary retirement schemes of SOEs. The government attempted also to focus more attention on poverty alleviation, by expanding the public distribution system for distributing essential commodities at subsidised rates to the poor, and by sharp increase in expenditure on rural development, gainful employment for the poor, health, and education. Compared to the plan expenditure of the central government of around Rs.51 billions on rural development, education, health and family welfare, and social welfare and nutrition in the financial year 1990-91, the expenditure under these heads was around Rs.109 billions in 1994-95 and Rs.115 billions in 1995-96, a step-up in real terms of around 60%⁵⁰.

In terms of results, liberalization appears to have been managed rather well⁵¹. While the economy stagnated in the first year of liberalization due to the shock of a sharp devaluation, the economy picked up steam, with growth rate of 4.5% in the next two years, and an average growth rate of 6.8% during 1993-96. The rate of inflation declined from 12% in 1991 to around 5% in 1997. Exports doubled in dollar terms between 1991 and 1997, and foreign exchange reserves climbed from about a billion dollars in 1991 to around 30 billion dollars in 1997. Total foreign private investment, including money raised by Indian companies abroad, climbed from below one billion dollars in 1991 to over six billion dollars in 1996. Corporate sales and profits virtually doubled after 1991. This performance seems vastly superior to those of other economies that also had initiated IMF-World Bank mandated liberalization⁵². Most Sub-Saharan African economies and some Latin American economies experienced prolonged stagnation or even decline following "structural adjustment," and the economies of the former Soviet Block all but collapsed. Russia, for instance, after flirting with liberalization for a decade (glasnost and perestroika) embarked on a bold, "cold bath" form of precipitate liberalization in 1991, and badly burnt its fingers⁵³. Its GDP growth rate, 2% per annum during the Soviet years of 1980-90, plummeted to -10% per annum during 1990-95⁵⁴. This happened despite Russia being a far more

industrialized country than India, with much more developed infrastructure, far higher literacy, proportionately far greater availability of technocrats, far greater natural resources, and far greater foreign investment and aid.

Even in terms of sustainable development, the Indian state has been proactive. The rate of deforestation was halved after 1985; afforestation was around 13 million hectares during 1980-90; in recent years pollution control has been vigorously pursued, through central and state government pollution control boards, pollution monitoring systems, and through court action, and over 50% of medium and large plants have installed pollution treatment plants; during 1985-90 nearly 1500 developmental projects were assessed in terms of their environmental impact⁵⁵.

Concluding Comments

The performance of the Indian state after India's independence is nothing to be ashamed of. Operating within a democratic framework, it has outperformed most other developing countries, with the exception of China and some of the East Asian "tigers." Its recent performance is strikingly better than in the statist sixties and seventies. Among those nations that have undergone structural adjustment mandated by the IMF and the World Bank, its performance may well be about the best. But there are also many dark spots and a very long and arduous path ahead. Indian politics are appalling, the bureaucracy still lethargic and corrupt, Indian quality of life indicators are still too low, the per capita income in purchasing power parity terms still a mere thirtieth of the US, and its export capability still pathetic in relation to the size of its GNP and its industrial base. The state needs to improve in a hurry to tackle capably these dark spots.

The solution may not lie in wholesale repudiation of the Indian state in a sort of epoch-ending tandava destruction. The constitutional freedoms and directives, the overall democratic framework, the federal structure, the independent judiciary, some form of economic planning, graduated liberalization, the mixed economy, and the luxuriant organizational biodiversity of public, private, voluntary, cooperative, associational, institutional, and other non-governmented actors seem to have stood the test of time.

They provide a continuity with the past and seem a sound platform for erecting an excellent state. But the dark spots need to be tackled, and we turn to the development of options with respect to the removal of some of these dark spots.

Notes and References

1. See Max Weber, *The Theory of Social and Economic Organizations* (translation by Talcott Parsons and A.M. Henderson (New York: Oxford University Press, 1947).
2. See Ian Scott, "Regime change and bureaucratic response: Hong Kong in transition," *Public Administration and Development*, Vol. 15, 3, 1995, pp.225-231.
3. See p.46, Kempe R. Hope and Aubrey Armstrong, "Toward the development of administrative and management capability in developing nations," pp.46-59 in M.K. Singh and A. Bhattacharya (eds), *Management in Government* (New Delhi: Discovery Publishing, 1990).
4. See p.1, *World Development Report 1997* (Washington, D.C.: World Bank, 1997).
5. See Rajni Kothari, *State Against Democracy: In Search of Humane Governance* (Delhi: Ajanta Publications, 1988).
6. For the concept of a loosely coupled system, see J.D. Orton and Karl E. Weick, "Loosely coupled systems: a reconceptualisation," *Academy of Management Review*, Vol. 15, 3, 1990, p.203-223. For the concept of the soft state, see Gunnar Myrdal, *The Challenge of World Poverty* (Harmondsworth, UK: Penguin, 1970).
7. See M.V. Pylee, *Constitutional History of India 1600-1950* (New Delhi: Chand, 1984, reprinted 1995), pp.149-152.
8. See Pylee, *ibid*, Appendix, pp.174-194.

9. See A.N. Agrawal and Hari Om Varma, *India: Economic Information Yearbook 1996*, 9th revised edition (New Delhi: National Publishing House, 1996), Table 19.2, p.323.
10. See Agrawal and Varma, *ibid*, Table 19.4, p.325.
11. See p.47, Shriram Maheshwari, "India," pp.42-67 in V. Subramanian (ed.), *Public Administration in the Third World: An International Handbook* (New York: Greenwood Press, 1990).
12. See Maheshwari, *ibid*, p.47.
13. See Shriram Maheshwari, "Emerging profile of India's administrative culture," *Indian Journal of Public Administration*, Vol. XXXVI, 3, 1990, pp.451-461.
14. See Maheshwari in V. Subramanian, *op.cit.*, pp.47-48.
15. See Damayanti Bhatnagar, *Bureaucratic Culture in India* (Jaipur: Rawat, 1989); M.V. Subbaiah Choudary, "Social composition of Andhra Pradesh bureaucracy--a micro level study," *Indian Journal of Public Administration*, Vol. XXXVI, 4, 1990, pp.896-910.
16. See V.A. Pai Panandikar and S.S. Kshirsagar, *Bureaucracy and Development Administration* (New Delhi: Centre for Policy Research, 1978); Prayag Mehta, *Organizational Behaviour and Development* (New Delhi: Sage, 1988); Subhash Sharma, "Decision style: conceptual models and an empirical study of IAS officers," *Indian Journal of Public Administration*, Vol. XXXVIII, 1, 1992, pp.95-108.
17. See L. Shridharan, "Coordination in development administration," *Indian Journal of Public Administration*, Vol. XXXVI, 2, 1990, pp.157-176.
18. See Shridharan, *ibid*.

19. See Pai Panandikar and Kshirsagar, op.cit.; Prayag Mehta, op.cit.; Maheshwari, "Emerging profile of India's administrative culture," op. cit.; R. Kothari, op.cit.; Yogendra Narain, "Government functioning in the centre—an agenda for reform," *Indian Journal of Public Administration*, Vol. XXXVI, 4, 1990, pp.840-844.
20. See Shriram Maheshwari, 13 above.
21. See Bryan T. Johnson and Thomas P. Sheehy, *The Index of Economic Freedom* (Washington, D.C: The Heritage Foundation, 1995), ch.7.
22. See World Bank, *India: Achievements and Challenges in Reducing Poverty* (Washington, D.C.: The World Bank, 1997), p. XV.
23. See Smitu Kothari, "Incompatibility of sustainability and development: in search of social justice," *Indian Journal of Public Administration*, Vol.XXXIX, 3, 1993, pp.312-330.
24. See R.K. Wishwakarma, "Sustainable health care to healthy cities," *Indian Journal of Public Administration*, Vol. XXXIX, 3, 1993, pp.503-514.
25. See Deep Sagar, "Rural development policies in India: a historical analysis," *Indian Journal of Public Administration*, Vol. XXXVI, 2, 1990, pp.251-261.
26. See Agrawal and Varma, op.cit., Table 20, p.341.
27. See Agrawal and Varma, op.cit., Table 20.25, p.359.
28. See Agrawal and Varma, op.cit., Table 20.30, p.364.
29. See Agrawal and Varma, op.cit., Table 20.29, p.363.

30. See Agrawal and Varma, op.cit., Table 20.26, p.360.
31. See Agrawal and Varma, op.cit., Table 20.5, p.343.
32. See Agrawal and Varma, op.cit., Table 20.14, p.351.
33. See Agrawal and Varma, op.cit., Table 20.19, p.355.
34. See Agrawal and Varma, op.cit., Table 20.21, p.356.
35. See Agrawal and Varma, op.cit., Table 20.32, p.366.
36. See Hugh Patrick and Henry Rosovsky, "Japan's economic performance: an overview," pp.1-61 in H. Patrick and H. Rosovsky (eds), *Asia's New Giant: How the Japanese Economy Works* (Washington, D.C.: Brookings, 1976); Jose Edgardo Campos and Hilton L. Root, *The Key to the Asian Miracle: Making Shared Growth Credible* (Washington, D.C.: Brookings, 1996).
37. See "Vohra Committee Report (Ministry of Home Affairs)," Published in *Indian Journal of Public Administration*, Vol.XLI, 3, 1995, pp.640-647; Dolly Arora, "Conceptualizing the context and contextualizing the concept: corruption reconsidered," *Indian Journal of Public Administration*, Vol. XXXIX, 1, 1993, pp.1-19.
38. See Samuel Paul, "Corruption: who will bell the cat?" (Bangalore: Public Affairs Centre, 1997).
39. See Shriram Maheshwari, "Emerging profile of India's administrative culture," op.cit.
40. See D.R. Singh, "Evolution of Indian criminal justice system: influence of political and economic factors," *Indian Journal of Public Administration*, Vol.XL, 3, 1994, pp.378-395.

41. See World Bank, *World Development Report 1997* (Washington, D.C.: World Bank, 1997), Table 8, p.228.
42. See A.P. Barnabas, "Policy implications for sustainable development," *Indian Journal of Public Administration*, Vol. XXXIX, 3, 1993, pp.387-395.
43. See Sunderlal Bahuguna, "Development .redefined," *Indian Journal of Public Administration*, Vol.XXXIX, 3, 1993, pp.229-236.
44. See S.P. Agrawal and J.C. Aggarwal, *Information India 1991-92: Global View* (New Delhi: Concept Publishing, 1993), Table 33.1, p.448.
45. See R.K. Mishra and R. Nandgopal, "State level public enterprises in Bihar," *Indian Journal of Public Administration*, Vol. XXXVI, 4, 1990, pp.887-895. Only 3 Bihar State SOEs were consistently profitable during 1981 to 1986, and 19 were consistently loss making. The net losses of SOEs of Indian states funded by them rose from Rs.520 millions in 1970 to Rs.1630 millions in 1980-81 to Rs.14360 millions in 1990, as per Table 17.14, p.284 of Agrawala and Varma, op.cit.
46. See Kshitimohan Mukherji, *Levels of Economic Activity and Public Expenditure in India* (Poona: Gokhale Institute of Politics and Economics, 1965).
47. Partha Ray and Dhritidynti Bose, "Growth, saving and investment in the Indian economy: trend, composition and relationship," Reserve Bank of India Occasional Papers, Vol.18, 2 & 3, 1997, pp.99-144.
48. See Agrawal and Varma, op.cit. Table 19.2, p.323; for deflator, see Table 15.6, p.254.
49. See "Economic reforms: two years after and the task ahead" (New Delhi: Government of India, Ministry of Finance, Department of Economic Affairs, undated); Pradip N. Khandwalla, "Effective market friendly economic

restructuring," p.71-87 in H. Sander, K.S. Kim, S.F. Foster, and M.S.S. El Namaki (eds), *Economic and Corporate Restructuring* (Leiderdorp, Holland: Lansa), 1996.

50. See Agrawal and Varma, *op.cit.* Table 17.7, 280.

51. See Khandwalla, *op.cit.*

52. See Jane Harrigan and Paul Mosley, "Evaluating the impact of World Bank structural adjustment lending: 1980-87," *The Journal of Development Studies*, Vol.27, 3, 1991, pp.82-83; Andreas Savvides, "Economic growth in Africa," *World Development*, Vol. 23, 3, 1995, pp.449-458.

53. See Andres Solimano, "The postsocialist transitions in comparative perspective: policy issues and recent experience," *World Development*, Vol.21, 11, 1993, pp.1823-1835.

54. See World Development Report 1997, *op.cit.*, Table 11, p.234.

55. See N. R. Inamdar, "Sustainable development: the concept and policy perspectives," *Indian Journal of Public Administration*, Vol. XXXIX, 3, 1993, pp.372-386.