

THE POLITICAL ECONOMY OF HINDU NATIONALISM IN INDIA 1998-2004

**submitted for the degree of Doctor of Philosophy
Politics and International Relations**

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Declaration of Authorship

I John Joseph Abraham hereby declare that this thesis and the work presented in it is entirely my own. Where I have consulted the work of others, this is always clearly stated.

Signed: John Joseph Abraham

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Abstract

This thesis sets out to investigate the relationship between economic policy and the politics of Hindu nationalism. It argues that the economic record of the Bharatiya Janata Party which formed two coalition governments in India between the years 1998-2004 was driven by transnational elites within senior positions in key ministries and in the Prime Minister's Office. It argues that while the factors usually associated with economic policy formation such as ideological legacy, domestic politics or international pressures can provide some limited insights, transnational elites are the key to explaining the neoliberal economic policies pursued by this government.

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Chapter 1: Problematizing the Political Economy of Hindu nationalism

1.1. Purpose

Since the conclusion of the National Democratic Alliance (NDA) coalition government, led by the Hindu nationalist Bharatiya Janata Party (BJP), academic studies on Hindu nationalism in India have moved beyond an initial focus on the historical sources and political emergence of the movement (Jaffrelot 1999) to a critical examination of the performance of the first Hindu nationalist coalition government (Mcguire and Copland 2009). This broadened focus encompasses a number of areas, from strategic security to the politics of caste and the influence of diaspora communities. While research on each of these areas has yielded useful results, one subject remains largely untouched: the economic record of the BJP led NDA coalition government.

This is a significant lacuna, given that the rise of the BJP on the national level occurred in the decade of India's own neoliberal economic reforms. The concurrence of these two developments, one political and the other economic, begs the question of whether it was more than simply coincidence that neoliberal economic reform and the ascendance of Hindu nationalism transpired a mere few years apart. Indeed a broader academic literature on democracy, neoliberalism and the emergence of identity-based politics, suggests that this nearly simultaneous emergence merits a closer examination (Barber 1995; Castells 1997).

This thesis will attempt to bridge this knowledge gap by making two original contributions. The first is an extended discussion of the economic ideas of Hindu nationalism. The second is a key to explaining the economic record of the BJP-led government. Through an extensive and original engagement with primary sources, this thesis will argue that there is a distinctive Hindu nationalist approach to economics. A subsequent examination of the BJP's economic record at the head of the NDA government will show that despite this distinctive economic legacy, the BJP pursued a set of neoliberal economic policies that conflicted with its own ideological heritage. I will argue that these policies were driven by a core of transnational elites, working in senior government ministry positions as well in the office of the Prime Minister. I will conclude that the influence of these individuals was the key to shaping the economic policies of the NDA government, against the ideological heritage of Hindu nationalism and alongside the influence of domestic politics and international pressures.

This chapter will set out the background to this argument, its rationale and method of investigation. In the first section I provide an overview of the existing literature on the topic. In the second section I elaborate the main research question and define the key terms and the explanatory framework. Subsequent sections discuss the elements of my explanatory framework at length, defining what they are and how I will utilize them in this thesis. The chapter will conclude with a brief outline of the arguments made in each of the remaining chapters of the thesis.

1.2. Relevance and focus

After decades of economic stagnation and an unsuccessful experiment with economic planning, the Indian economy underwent a period of dramatic reform during the 1990s. Concomitantly a political evolution took place as the fortunes of the once dominant (and ostensibly secular) Congress Party declined against the rise of Hindu nationalist BJP. Within the space of just ten years the political and economic landscape in India changed, from what scholars referred to as a 'secular-socialist consensus' (Rudolph and Rudolph 1987, 25-26) to a landscape dominated by Hindu nationalism and economic neoliberalism.

Each of these trends, the emergence of economic neoliberalism and Hindu nationalism, were significant in their own right and have been explored at length in the academic literature. The rise of Hindu nationalism has been ascribed to a number of factors. Key among these were the rise of a new middle class and the successful mobilization of anxieties about the 'special privileges' of minorities (Hansen 1999, 7-8), a program of mass populism centred around alleged historic wrongs committed at a holy site in the city of Ayodhya (Abraham 2005) and a new strategy of alliance building with regional political partners (Heath 1999). The economic reforms in India are often ascribed to the economic crisis of 1991, although new perspectives place the origins of reforms further back to the Congress government under Rajiv Gandhi in 1985 (Kohli 2006a; Kohli 2006b; Panagariya 2008). Few academic studies have attempted to link these parallel trends: the rise of Hindu nationalism and economic neoliberalism. A few suggestive statements in the literature (Chhibber 2001, 177; Varshney 1999, 225) have been followed by a total of three publications drawing

explicit attention to possible links: one working paper, one published journal article and one book chapter (Arulanantham 2004; Gopalakrishnan 2006; Hansen 2001).

The suggestion that there is indeed a link between the emergence of Hindu nationalism and economic neoliberalism, opens up a provocative line of inquiry. The fact that a nationalist party emerged as a political force within a few years of a programme of economic reform suggests a familiar hypothesis: identity based nationalism in India was one of many worldwide reactions against a new aggressive modernity that promised progress but was not able to deliver (Castells 1997, 6-21). While this particular line of argumentation is not taken up in this thesis, the point is that even a popular hypothesis such as this has only been briefly examined in the literature on Hindu nationalism in India.

Apart from such brief discussions in the literature, the lack of interest in exploring this relationship reflects the academic interest in, and broader enthusiasm for, the larger process of India's economic reforms. In academic studies on Indian economic reforms the focus has remained on the actual policies and their outcomes rather than the political processes that underlay the reforms (Panagariya 2008). However, none of this literature explicitly explores the relationship between neoliberal economic reform and Hindu nationalism. A lack of interest in the underlying political processes of economic reform in India may have originated in the seeming fact that a change in the governing political party (from Congress to BJP) made little difference to the direction of economic reform. However

it is exactly this continuity in economic reform between the governments of two distinct political parties which deserves further scrutiny.

In order to understand this period of political change and economic transition, I examine how a government led by the BJP came to pursue a neoliberal economic policy. This is a significant question, given that the BJP belongs to a broader Hindu nationalist movement that has traditionally advocated a form of economic nationalism and self-sufficiency. In this thesis I show that the key to explaining this seeming inconsistency is a core of transnational elites who became embedded within the NDA government. It is these individuals, largely BJP 'outsiders' with intellectual and professional links to the global economy, who were responsible for shaping the BJP's neoliberal economic policies. In this thesis I argue that the most plausible explanation for the neoliberal economic policies implemented by the BJP-led government stems from the transnational nature of the bureaucrats and advisors in the NDA government. By uncovering this connection, this thesis sheds light on why the process of economic reform in India remained relatively stable during a period of great political upheaval and change.

1.3. The Research Question, Objections and Key Terms

In order to investigate the relationship between Hindu nationalism and the neoliberalism, I focus on one key element of each of the political and economic trends described above; namely the emergence of Hindu nationalism and the rise of economic neoliberalism. The first of these elements is the distinctiveness of the Hindu nationalist position on economic

issues; the second is the formation of neoliberal economic policy under the first full-term Hindu nationalist led government in India. Together, these elements form the basis of my overall research question: *What influenced the neoliberal orientation of key economic policies instituted by the National Democratic Alliance government (1998-2004) led by the Hindu nationalist Bharatiya Janata Party?* In answering this question I show that there is a uniquely Hindu nationalist approach to economic issues against which the positions of the BJP-led NDA government can be contrasted. The policies pursued by the BJP in government have consistently been characterized as neoliberal economic policies. When considered against the intellectual lineage of Hindu nationalism, this gives the appearance of the following inconsistency: a Hindu nationalist government with traditionally nationalist economic views furthering a neoliberal economic program. My hypothesis is that the key factor which shaped these neoliberal economic policies was a core group of transnational elites within the NDA government.

As I mention above, these issues have not received much attention in the literature. Some regard the continuity in neoliberal economic policy between the Congress and BJP-led governments as a demonstration of the 'centrist' tendency in Indian politics (Nayyar 2000, 793). Such views, however, ignore the implicit political complexities that underlay the maintenance and furtherance of economic reforms under the new (BJP-led) government. Others acknowledge that the social stresses of economic liberalization are implicated in the reactionary politics of nationalism, but say nothing further on the exact nature of this relationship (Chhibber 1999, 177). Thus a deeper exploration of this significant phenomenon is lacking. It is my contention, however, that a deeper examination could yield new and

promising perspectives where the current explanations fail. For example, Nayar's 'centrist' explanation begs the question of what is at the root of 'centrist' economic consensus across the Congress and BJP.

However, before moving beyond this centrist explanation, I will consider the possible merits of its application to the research question. While the BJP is certainly a party with ideological roots in *Hindutva*, it is the moderate faction within the large family of Hindu nationalist parties (the *Sangh Parivar*). Indeed during the 1990s while the BJP was attempting to offer itself as a genuine alternative to Congress by taking a pragmatic approach towards building mass appeal among 'lower' caste voters, the traditionalist RSS became increasingly concerned about the maintenance of discipline and ideological purity in the *Sangh Parivar* (Hansen 1999, 224-225). Thus the BJP's moderation and continuity on issues of economic policy reform may have simply been the result of its attempt to create greater mainstream appeal. It would therefore not have been entirely surprising if the BJP had demonstrated some 'centrist' moderation on the preferred economic nationalism of the *Sangh* and made some accommodations for the neoliberal policies already put in place by a previous government.

Such an explanation, however, ignores the larger policy record of the BJP led government which demonstrated an overall reorientation of policy towards a Hindu nationalist agenda. The BJP's record in office included, among other things, a round of nuclear tests, heightened tensions with Pakistan, greatly increased incidents of domestic communal conflict, attempts

to revise school textbooks to reflect perceptions of Hindu nationalist history and the constant opposition of traditionally minded Hindu nationalists to globalizing economic reforms. Despite its reputation for moderation, across several policy areas the BJP made radical breaks from the policies of the previous Congress governments. The new direction taken by the BJP on these policy areas was based on the political ideology of Hindu nationalism. It is therefore inconsistent to expect that economic policy would not have been formed on this ideological basis. Given this broader policy record, it was irregular and unusual for the BJP to have left economic policy untouched by the priorities of Hindu nationalism. What accounts for this difference?

In addition it may be asked whether the fact that other factors, such as the influence of coalition partners, or the need to compromise and conform to the expectations of international states or markets may have forced the BJP to more centrist ground. I will examine the role of both coalition politics and international influences in this thesis. The analysis will show that the BJP's reaction to these influences was uneven: sometimes conforming to and sometimes resisting these influences. Once again, this must not be mistaken for a middle-of-the-road centrism. The inconsistent influence of such factors cannot entirely account for the consistently neoliberal economic policy orientation of the BJP-led government which contrasted sharply with the ideological heritage of Hindu nationalism.

A further level of scrutiny must be applied to ask whether portraying the BJP's core approach to the economy as 'nationalist' is also an overstatement. The BJP's initial criticisms of Congress-led economic reforms could have simply stemmed from the BJP's role as an opposition party. The BJP would therefore have been providing opportunistic critiques of economic policy aimed at scoring political points, rather than expressing any substantive difference in views.

This view, however, ignores the ideological heritage of the BJP. The chief economic thinker of the Hindu nationalist tradition, Deendayal Upadhyaya, formulated the economic counterpart to the political philosophy of *Hindutva* in his volume *Integral Humanism* (1965). In this volume, Upadhyaya provided a philosophy of self-sufficient and localised economic nationalism, distinct from either socialism or free market capitalism. Historically Hindu nationalism has espoused economic positions that are in tension with economic neoliberalism. Thus a well-developed ideological framework was in place for the BJP to follow an alternative economic policy.

There is therefore clearly a puzzle that needs to be solved, a puzzle which has important implications for understanding the workings of Indian democracy. Why did the BJP, possessing both the intellectual heritage and political incentives to restrain and redirect economic policy, maintain and even enhance the path of neoliberal economic reform put in place by a previous government? This thesis sets out to answer this puzzle. In so doing, however, it makes a crucial assumption about the relationship between nationalism and

neoliberalism. This assumption must be clarified before proceeding to the rest of the argument.

1.4 Economic Nationalism and Economic Neoliberalism

In chapter 2 an extended discussion will show that the original economic approach of Hindu nationalism, exemplified by the philosophy of Integral Humanism, can be aptly described as a variety of economic nationalism. This economic nationalism contrasts sharply with the BJP's neoliberal economic policies at the head of the NDA government. Some scholars would argue that a distinction between economic nationalism and economic neoliberalism is not always justified, given that the actual record of so called 'free-market' economies has consistently included the protection of politically sensitive national interests (Cable 1995). So-called liberal states frequently utilize elective protectionism while nationalist states occasionally advocate liberal economic policies. Further discussion is therefore warranted on the distinction I make between economic nationalism and economic neoliberalism. Are they always in tension with one another and how does this apply to the particular case of the BJP in government?

Helleiner discusses the evolution of the concept of economic nationalism from an umbrella term used to describe non-liberal or protectionist ideas and regimes, to a set of economic policies that simply enhance the 'national identity' or the state's 'power, prestige and prosperity' (Helleiner 2001, 3-6). It is evident therefore that this term can refer to actual economic policies that occupy different ends of the policy spectrum: both protectionism and

open trade can be considered economic nationalism, depending on the state's intentions and the political outcomes of its economic policies. Is economic nationalism therefore necessarily opposed to economic liberalism? In Helleiner's understanding, while these concepts are theoretically opposed in reality they possess a somewhat more ambiguous relationship. In particular, economic liberalism and economic nationalism are opposed only when the formation of free-market economic policies is freed from the nationalist impulse of a state (Helleiner 2001, 30).

I will show in chapter 2 that the BJS advocated economic nationalism in Helleiner's first sense: a policy of self-sufficiency and protectionism. In its early years, the BJP also advocated a nationalist 'India first' economic agenda. This version of economic nationalism proposed limited economic liberalism in order to bolster the country's international standing: a prestige seeking economic nationalism. At the head of the NDA government, the BJP occasionally co-opted the language of national pride *ex post facto* to justify its pursuit of economic reforms as a means of seeking greater global influence (Shulman 2002). Does this suggest that while in government the BJP was primarily motivated to pursue economic reform out of nationalist motivations to enhance the country's global image?

I view this as problematic for three reasons. In the first place the BJP's appeal to national pride as a rationale for economic reform could have simply been a rhetorical strategy to appeal to its base. Rhetorical strategies do not necessarily equate to an underlying economic rationale. For example, Jenkins (2010, 601) points out that while in government,

the BJP retained the term *swadeshi* in its economic language to link itself to the moral legacy of the Janata Party. However, as I show in chapter 4, the BJP had by this point substantially reinterpreted this term to mean something quite different from the Janata Party's Gandhian ideal of self-sufficiency (*Business Line* 1999, August 17). The simple use of such language does not therefore immediately qualify the underlying rationale as motivated by either *swadeshi* or prestige seeking economic nationalism. Rather, the motivation for such policies must derive substantially from the goal of enhancing the national prestige if economic policies are to be equated with economic nationalism.

Secondly, the larger process of free-market reforms began under a Congress government, to preserve the India's economic monetary stability and not to increase national prestige. Thus historically, neoliberal policies in India were not primarily instituted to enhance nationalist goals. Finally, as I show below, the further expansion of these free-market policies by the NDA government reversed the BJP's earlier economic agenda of 'patriotic capitalism' (Hansen 1999, 220). It is this latter position, which advocated qualified support for free-market policies, which could more accurately be described as a version of a prestige seeking economic nationalism. However, as I show in chapter 3, the BJP undertook a substantial reversal of this approach at the head of the NDA government. In their origin and implementation, the BJP's economic reform policies were at odds with the economically nationalist positions historically advocated by Hindu nationalism and even the BJP's own former policy positions. These free market reforms were primarily motivated by another set of factors than the state's 'nationalist impulse' as Helleiner defines it. These reforms can therefore be more accurately described as a variety of economic liberalism.

A more detailed examination of the concept 'neoliberalism' is also warranted. In this thesis the term 'neoliberalism' refers to economic neoliberalism rather political neoliberalism. The latter seeks to promote liberal political values as a means of ensuring global security (Dunne 2001, 171-72). The concept of economic neoliberalism is problematic and has evolved continuously through the course of the twentieth century (where it originated). In fact, what the term 'neoliberal' denoted in the early part of the century is almost the reverse of what it came to mean by the 1990s. In this latter usage, it largely serves as a negative short-hand description for pro-market policies among critics of economic globalization. According to Boas and Gans-Morse, who examined a series of 148 recent academic articles utilizing this concept, 'the term is often undefined; it is employed unevenly across ideological divides; and it is used to characterize an excessively broad variety of phenomena' (Boas and Gans-Morse 2009, 137). These phenomena include a set of policies, a developmental mode, an ideology and an academic paradigm (Boas and Gans-Morse 2009, 145).

Despite this conceptually blurry state of affairs, some positive definitions of the concept 'neoliberalism' can be supplied relevant to the time period in which this investigation takes place. According to Palley (2005, 25) economic neoliberalism advocates the rejection of Keynesian interventionism in favour of a package of economic policies encompassing open trade, deregulation, privatisation, the mobility of capital, reduced government and fiscal austerity. Harvey provides a philosophical definition of neoliberalism as, 'in the first instance a theory of political economic practices that proposes... liberating individual entrepreneurial freedoms and skills within an institutional framework characterized by strong private property rights, free markets and free trade (Harvey 2005, 2).

Thus neoliberalism can be broadly conceived of as a policy commitment to private free market and trade activity with the role of the state limited to providing the conditions in which this activity can be maintained. In this thesis I will use the terms 'neoliberalism' and 'neoliberal' to describe a collection of economic policies and economic reforms that enable the operation of private free market and trade activities in the economy while decreasing the presence of the state in these very areas. Such policies and reforms may also be mutually reinforcing, which is to say that the implementation of a neoliberal policy in one area (e.g. industrial deregulation) may stimulate implementation in another (e.g. foreign investment). In this thesis I examine three policy areas in particular: fiscal reform, privatization (disinvestment) and the deregulation of trade and industrial policy. This narrow range of policy areas has been selected due to their significance in illustrating the extent of neoliberal reform and so that they can be engaged at depth. Where I show that reductions in government spending through fiscal consolidation, the shrinking of government ownership of industry in favour of private sector ownership, and an emphasis on free trade and industrial enterprise were actively advocated by the BJP-led government, together these economic policies may be properly described as neoliberal.

Key studies of economic reform policies pursued by both Congress and BJP governments since the 1990s describe the economic policies pursued by both governments as 'neoliberal' (Battacharya 2013; Bobbio 2012; Chatterjee 2009; Panagariya 2008, 16, 18; Kohli 2006, 1251). Critics are especially prone to describe such policies as neoliberal (Chandrashekar and Ghosh 2006). In these cases, 'neoliberal' refers to those reforms directed at

deregulation (in the trade, industry and finance sectors), privatization and fiscal consolidation among other policy areas. Chapter 3 illustrates the policy provisions made by the BJP-led government towards achieving these goals. This chapter also demonstrates a gradual and iterative process of reform in incremental steps with some limits on the extent of neoliberal policy implementation.

Thus what the record shows is a gradual process of policy reforms, meeting with occasional resistance and achieving mixed success. Indeed India's unique constitutional design, contentious electoral politics and tradition of organized opposition have considerably shaped (though not quashed) the implementation of neoliberal reforms in the country (Harriss 2011, 128). This record stands in contrast to the cruder caricature of a neoliberal laser-focus on 'pure market' reforms with no room for adjustment and negotiation within the individual social and political contexts of states (Jenkins 2010, 585). However, as far as the BJP's economic policies can be shown to have prioritised and increased opportunities for private and free-market activity and decreased the active role of the state in these very areas, these economic reforms may be properly described as 'neoliberal'.

Two more concepts require brief clarification. By 'economic policy' I mean intentional policies promoted by a government through the passing of bills, budgets, the actions of individual ministries and the civil service in a concerted effort to further a particular economic programme. This thesis will look at all three aspects of economic policy formation, discussing the passage of key bills (such as the creation of the Insurance Regulatory and

Development Authority), key budgets that demonstrate neoliberal priorities and the influence of key bureaucrats in originating such policies. By 'economic reform', I mean those economic policies that have been implemented in order to further the market orientation of an economy (Rius and van de Walle 2003, 4). These concepts do not stand in contrast to one another. In fact, the process of economic policy formation that will be described in this thesis can largely be described as economic reform. As I shall show, the passage of bills, budgets and the actions of key policy leaders were directed at furthering the market orientation of the economy.

1.5. Explanation: Domestic and International influences

If neoliberalism is advanced by multiple factors (Cerny 2008, 29), how can the factors leading to the adoption of neoliberal policies by the BJP government be identified? A commonly used approach in international relations theory to account for the influence of multiple factors on policy formation, is the levels of analysis approach (Waltz, 1959; Singer, 1961; Buzan, 1995). International Relations theorists account for the actions of states by ascribing them to influences at three distinct levels: individual, domestic and international. This approach provides a suitable starting point to scrutinize the implementation of globally oriented neoliberal economic reforms by individual states.

This thesis utilizes factors drawn from two of these levels of analysis: namely domestic and international. The remaining 'individual' level of analysis concerns behavioural, psychological and philosophical understandings of human agency and motivation that are

beyond the thematic scope of this thesis. More pertinent and of immediate relevance are the role of domestic influences and international influences on the formation of the BJP-led government's economic policies. This is apparent when the distinctive ideology of Hindu nationalism, the centrality of domestic factions to the Indian political system and the relatively dependent position of India in the global economy for most of its post-independence history are taken into consideration. The relevance of these levels of analysis and what they might reveal regarding economic policy formation are explored more fully below.

1.5.1. Domestic Factors

The number of domestic factors influencing a matter of public policy are potentially numerous. Any of the following factors, or combinations thereof, can affect public policy outcomes: ideology, institutions (e.g. bureaucracy), structural factors (e.g. existing economic policies), public opinion, organized interest groups and the media. However, not all factors would affect a particular aspect of policy formation equally. Additionally, in order to engage any of these factors in depth, a means of identifying the most significant factors is necessary.

Public Choice, a theory that attempts to link political processes with the formation of economic policies, identifies the most significant domestic influences in the process of policy formation as: the public bureaucracy, political parties, individual voters and interest groups (Frey 1984, 201). In the field of Political Economy, analyses of domestic influences on

economic policy formation are undertaken along a policy forming chain of causation: basic interests (such as ideology) coalescing around the organization of basic interests (e.g. into interest groups) resulting in the effects of organized interests on political institutions such as political parties and the bureaucracy (Frieden and Martin 2002, 126). Based on these considerations, the most significant factors for this particular investigation must be identified and investigated.

This thesis will focus on four factors that have a particular relevance for the BJP-led government. These factors are ideology, coalition politics, organised interest groups and individual voters. In choosing these factors, I contend that together they are of greater significance to this particular investigation than alternatives that have been explored in the broader literature on Indian political economy. For example, other factors include the influence of rural and industrial elites or domestic 'regimes' (Gupta 1989). The argument pursued below does not necessarily exclude such factors. However, it does present the case that together the four factors described above are far more consistently relevant to explaining the formation of a broad range of economic policies by the NDA government. Together, they also cut across the domain of alternative factors. The relevance and application of these four factors is discussed at greater length below.

As a Hindu nationalist party with a distinctive political ideology, the BJP possessed a unique ideological inheritance that could potentially inform the formation of its economic policies. The ideology of Hindu nationalism has been described as the result of a dialogue between

modern Hindu revivalism and European nationalism (Jaffrelot 2007, 86-97). As an ideology, Hindu nationalism has been discussed at length in the literature so the present discussion will focus on the relevance of this ideology to economic policy. Historically, Hindu nationalism maintained a distinctive economic perspective from either Nehruvian socialism or economic neoliberalism. This is where a crucial locus of the discussion lies – how did the BJP balance its intellectual heritage with the neoliberal economic policies it implemented? What explains the party's evolution or intellectual leap from a distinctly Hindu nationalist economic outlook to economic neoliberalism? These questions will be explored to gauge how far Hindu nationalism influenced the economic policy formation of the BJP-led government.

Along with its intellectual heritage, the BJP had to contend with the practical demands of politics and the exertion of political pressures from outside the party. As the leader in a moribund government coalition of 13 political parties, the BJP had to balance the interests of multiple parties vying to influence policy in directions that would most favour them individually. The immediate historical setting of the NDA government consisted of successive short-term coalition governments. Unable to remain in power for extended periods, the high 'turnover' of these governments was largely due to the convergence of a number of factors. Chief among them was the new importance of coalition politics, forcing large national government-forming political parties to rely on the fickle support of regionally based counterparts. This emerging trend, the ubiquity of coalition politics, was true of the BJP-led government and the influence of coalition partners must be taken into account for a proper account of domestic economic policy formation. By taking this factor into account,

the thesis is also able to cut across issues of centre-state relations, political parties and state-level influences. Each of these topics overlap with coalition politics considerably.

Outside the realm of the NDA coalition, various other groups also vied to influence the NDA's economic policies. According to one classic study, interest groups are one of the keys to understanding the Indian political economy (Rudolph and Rudolph 1987). To be sure, the Rudolphs refer to *ad hoc* 'demand' groups formed around particular issues as they emerged in the informal economy as opposed to formally organized groups. Such demand groups used agitation as the primary means of influence rather than attempting to influence government policy through formal advisory channels (Rudolph and Rudolph 1987, 248). As I will show, interest groups used both formal channels and agitation to influence the direction of the BJP's economic policies. In addition, the lines of distinction defined by the Rudolphs blur when applied to groups within the *Sangh Parivar*.

Though highly organized, during the term of the BJP-led government, interest groups engaged in a style of agitation more commonly associated with demand groups. As part of a family of Hindu nationalist organizations the BJP had to contend with these groups, who were partly responsible for maintaining the BJP's mass political support. This thesis will look at one such *Sangh Parivar* group, Swadeshi Jagaran Manch (SJM) and its influence on the BJP government. The SJM has been chosen since its particular focus is economic policy. Among the groups in the *Sangh Parivar* it is therefore of the greatest relevance issues of economic policy.

However, organizations representing ideological interests would not have been the only source of interest group pressure on the NDA's economic policy formation. The formation of economic policy attracted the attention of commercial and industrial interests, organized around apex business organizations and national chambers of commerce, who sought out the government to advance the interests of their commercial and industrial constituencies. Shaping economic policy in the interests of their members was the very *raison d'être* of these advocacy groups. This thesis will therefore also look at the influence of two such groups in particular: the Confederation of Indian Industries and the Federation of Indian Chambers of Commerce and Industry.

Finally I come to the influence of voters. It may seem a given that among the significant domestic factors in a democracy, individual voters constitute a key source of influence on government policy. In simple terms, political parties must at the very least create policies that broadly address voter concerns in order to remain in power. While this thesis does not dispute this assertion, it brings up an entirely separate set of questions from the one I am seeking to answer. What is particularly relevant about the behaviour of voters towards the BJP-led government is the fact that this government came to power through a lengthy and deliberate electoral strategy of mass political appeal built around icons of religious and cultural significance. However, once in power, the BJP's economic policies took on an increased profile in comparison to other policy areas and followed an unconventional policy direction. How did the BJP's newly-won mass of voters react to the BJP's radical agenda in a policy area that had largely remained in the background until the party came to power? Were voters surprised by these developments and did they react negatively? What

influence, if any, did voter reactions have on the BJP's economic policy formation? This thesis will attempt to show what influence voters may have had on the policy choices made by the BJP.

An investigation of these four domestic factors will reveal varying degrees of influence. For example, while coalition partners and interest groups influenced the NDA's economic policy decisions to varying degrees, the ideological influence of Hindu nationalism was negligible. What I will conclude is that while the influence of domestic factors can clearly show how domestic groups influenced the process of economic policy formation, in cases where the BJP resisted the influence of coalition partners or interest groups we are left without an explanation of where the BJP's policy stances originated. Where such factors fail to provide adequate explanations a second level of analysis will be introduced.

1.5.2. International Factors

Even if Hindu nationalism and neoliberalism made an unlikely acquaintance, it could be argued that any party in government during the 1990s would need to make a pragmatic adjustment to the new realities of the global economy. In the prevailing neoliberal economic consensus that followed the collapse of the Soviet Union and the Eastern Bloc, it would have been inevitable for any ruling party in a state that wished to fully participate in the global economy to accede to this particular economic paradigm. Does this explain the economic policy agenda of the BJP at the head of the NDA government?

The second level of analysis looks at the role of international influences on the actions of the BJP-led government. The analysis in this thesis prioritizes the liberal institutionalist perspective. A more detailed justification of the institutionalist approach is provided in chapter 4. While staying clear of value judgements on the role of international institutions in the global economy (Stiglitz 2002; Peet 2003), I will attempt to demonstrate how far international institutions actually influenced the economic policy formation of the BJP-led government.

Historically, the economy of the Indian state has been portrayed as isolationist. The established foreign policy of non-alignment aside, on matters of economic policy the post-independence Indian state largely took its inspiration from the Soviet planned economy model. Institutionally, the country was the largest individual recipient of aid from the World Bank and was the subject of three IMF interventions. The formation of the WTO in 1995 had the potential to substantially change the country's trade landscape, given the conjunction of the institution's own formation and the economic reform agenda put in place in India a few years earlier. International factors have played a formative role in the country's economic policy and I will investigate how far this continued to be so under the BJP-led government.

An account of institutional influence at the international scale could not only directly address the formation of policies not entirely explained by the influence of domestic factors, but also add greater depth and richness to the overall investigation of the BJP's economic policies. Formal rational expectation models employing two-level game theory have been

formulated to describe how the relationship between domestic and international factors affects the formation of foreign policy (Putnam 1988). In such models, policy adjustments at the international level are constrained by negotiations among domestic actors (such as coalition partners and interest groups). Where the terms of international adjustments and domestic negotiations coincide, a 'win-set' of successful policy formation is achieved. While I will not attempt to create a formal counterpart to Putnam's model, I will attempt to demonstrate not only which international level factors were influential on economic policy formation, but furthermore whether their interaction with domestic factors can shed further light on the process of economic policy formation.

The picture emerging at this stage of the thesis will be of an economic policy shaped by domestic and international factors and their mutual interaction. Yet the coalescence of the BJP's economic policies, from these disparate influences, around a particular set of neoliberal priorities suggests something else may also be at work. What ties the influence of domestic and international influences together to actually shape a neoliberal economic agenda? The answer that I propose in this thesis is the role of transnational elites.

1.6. Explanation: Transnational Elites

I contend that transnational elites were the key drivers of the NDA government's economic policies. A new class of professionals in the informational economy created incentives to further economic reform through increased economic productivity and consumer lifestyles. In turn, senior domestic government officials and advisors in the NDA government, who possessed strong intellectual and professional links to external institutions, acted on these

incentives to implement neoliberal economic reforms. I identify the latter group as the chief agents of the BJP-led government's neoliberal reforms. On a theoretical level, the agents of a neoliberal global economy must essentially be 'Janus-faced': balancing both internal (domestic) and external (international) priorities to achieve their goals. I contend that it is the role of these agents, connecting the domestic policy agenda with international neoliberal priorities that is the key to explaining the economic policy formation of the BJP-led government.

Following Harvey and Castells, I contend that the current global economic context is characterized by the ascendancy of neoliberalism, through the channels of an informational network society (Harvey 2005, 159; Castells 1996, 94). Two aspects of this context are of particular relevance to this investigation: the ideas that inform this context and the key personalities that shape it. Haas (following Ruggie) describes the first as an 'epistemic community', an informal transnational network of experts, sharing common norms and values, recruited into highly technical policy forming processes to further a global consensus that may be at odds with the needs of their own particular locale (Haas 1992; Ruggie 1982). Closely linked to the concept of an epistemic community are the personalities that advocate these ideas and shape the global economic context. Cerny calls such groups 'transgovernmental networks' of regulators, legislators and other bureaucrats and politicians who share common values with their counterparts from other states (Cerny 2008, 34). For Sklair the class of what he terms 'transnational elites' is comprised of corporate executives, politicians and bureaucrats, professionals (academics, managers, information

technology), merchants and media, all of whose chief professional and financial interests lay outside the borders of the nation states in which they are resident (Sklair 2001, 17).

I maintain that the NDA's economic policies originated among a class of transnational elites situated in key bureaucratic and advisory positions in the BJP-led government. At present, transnational perspectives on Hindu nationalism have largely focused on Hindu nationalist identity in diaspora communities (Jaffrelot 2007, 361-369). Economic policy in India has not received much attention from a transnational perspective. This is largely due to the fact that while recent studies (Pederson 2000, 267) have revisited the so called 'Dependency' perspective on the initiation of economic reforms in India, they have not done the same for the propagation of the reforms in subsequent governments. The Dependency perspective argues that India's economic reforms derived exclusively from international pressures.

I contend that a core of bureaucrats within the inner circle of the Indian Prime Minister's office were responsible for creating some of the major economic reforms of the BJP-led government. These bureaucrats were largely alumni of international institutions and possessed transnational linkages and intellectual orientations. I argue, that it is the influence of these individuals that most consistently explain the particular character of the economic policies pursued by the BJP-led government.

In summary, this thesis attempts to address a major gap in the academic literature by addressing the nexus of economic reform and Hindu nationalism in India. This is a potentially rich area of investigation that, so far, seems largely unacknowledged. This thesis draws upon a number of factors to answer how these two trends are related: domestic factors and international factors. Through original research, factors will be examined for their role in the process of economic policy formation. Finally, I will show that the underlying transnational context was central to the process of economic policy reform. Links to the global context through a class of transnational elites are what enabled the process of neoliberal reform to continue throughout the term of the NDA. In order to provide an outline of the argument in this thesis, a brief summary of the individual chapters is provided below.

1.7. An outline of the thesis by chapter

This section will briefly outline the argument of the thesis by chapter. Following this introductory chapter, chapter 2 examines the role of ideology in influencing the BJP-led government's economic policy formation. It begins by posing two related questions: can a uniquely Hindu nationalist economic vision be articulated and if so how did this vision influence the development of a Hindu nationalist economic policy? In seeking to answer the first question it examines the writings of Deendayal Upadhyaya and the philosophy of Integral Humanism, an early attempt to articulate a coherent Hindu nationalist economic policy. A Hindu nationalist economic agenda is broadly defined as synthesis of the liberal critique of socialism and Gandhianism, reformulated in the language of traditional Hindu concepts. This philosophy is summarized under the rubrics *swadeshi* and *vikendrikaran*.

The influence of these ideas on the development of a Hindu nationalist economic policy is demonstrated through an engagement with the economic policy statements of the Bharatiya Jana Sangh (1951-1980). These statements document the responses of this political party to the then dominant deficit driven centralized planning model. The chapter concludes that Hindu nationalist ideas influenced the economic policy formation of this party and that therefore a historically 'classic' Hindu nationalist position on economic issues can be delineated. The significance of this finding is that the economic position of the BJP can be compared and contrasted with the 'classic' policy positions of

Integral Humanism and the BJS to see if there was indeed divergence from this original Hindu nationalist economic vision in the BJP-led NDA government.

I argue that there was indeed a divergence in approach between the classis Hindu nationalist positions and the economic policy of the BJP led government. The rest of this thesis seeks to answer where this divergence came from. Chapter 3 is an examination of the domestic factors that influenced the economic policy formation of the NDA government. The choice of factors stems from the literature on decision making in the public realm (public choice) and the particular characteristics of the NDA government. These include the political allies in the NDA coalition, organized interest groups in the *Sangh Parivar* and organized commercial interest groups, and the voters who had newly elected the NDA coalition to power.

The analysis shows that coalition partners both influenced and were influenced by the BJP. Particularly on the issue of fiscal policy, the BJP was able to influence the policies of state level coalition partners while on politically sensitive issues, such as subsidies, coalition partners were able to resist the influence of the BJP. Among organized interest groups, I show that the BJP was (counterintuitively) resistant to the input of the very *Sangh Parivar* body created to address economic issues, the Swadeshi Jagaran Manch. Meanwhile, the BJP maintained close relationships with at least one national commercial chamber of commerce

(FICCI) which helped the BJP formulate some of its key policy reforms (e.g. the deregulation of the insurance sector). Finally, among voters, I show that the BJP maintained a loyal constituency among upper and upper middle class voters and right of centre voters. However the BJP did not initially engender support from pro-business voters. The analysis indicates that dissatisfaction among these voters may well have influenced the BJP towards making eventual progress on privatization.

Overall, an analysis of domestic factors gives the impression of policy created as an outcome of domestic influences vying for influence. Depending on the policy area, the influence of coalition partners, interest groups or the reaction of voters would have influenced the NDA's decision on individual policies. This however, portrays the NDA's economic policy formation as a reactive and ad hoc exercise with no underlying rationale. Given that an examination of domestic factors is only able to explain the process of economic policy formation in this limited (and unsatisfactory) manner, the investigation turns outward towards an examination of international factors.

In an examination of international factors, the focus of chapter 4 is on international institutions which are a major source of policy influence in the international economy. This chapter concludes that the World Bank and World Trade Organization influenced the

policies of the NDA government although to differing degrees and for dissimilar reasons. A further examination of other possible incentives for reform, centres on Foreign Direct Investment from Multinational Corporations. This examination shows that while priming the economy for investment through the implementation of policies recommended by international institutions, the BJP-led government failed to meet its goals for international investment. Thus on their own international institutions can account for a limited level of influence on the BJP's economic agenda. One key conclusion of this chapter is that the influence of international institutions was successful when it aligned with other factors such as domestic influences or global economic conditions. This was especially true for fiscal and trade policy reform. Once again, while providing a further layer of explanation, an examination of international factors fall short of providing a complete explanation for the NDA's economic policy formation. For example, the NDA achieved significant policy milestones (e.g. disinvestment) with little input from international institutions. In addition, if policy formation depended on an alignment between international institutions and domestic factors, how do we explain how this alignment translated into actual policy?

We are left with explanations for policy formation that suggest an underlying logic or rationale: a rationale that links the influence of domestic factors with the influence of international factors. This link is provided by the transnational agents of the global neoliberal informational economy. Since the focus of this thesis is the economy, chapter 5

examines the role of global cities and transnational policy officials in senior government and advisory roles. These agents account for both the origin and propagation of the whole series of economic policy reforms undertaken by the NDA government. Given their personal education at elite business and public administration institutions in the West and professional experiences at international institutions, these individuals linked domestic policy formation with the priorities of international institutions. I therefore provide a fuller picture of an economic policy formation process that originated with transnational bureaucrats and was assisted by the alignment of domestic and international factors.

A concluding chapter sketches out the major argument again with evidence drawn from the individual chapters. It then discusses the trajectory of the BJP's fall and re-emergence over the last ten years and the implications of these political fortunes on the economic positions of the BJP. It concludes with some comments on the future of the economy under a second BJP led government.

Chapter 2: In Search of Dharma: Integral Humanism, Economic Policy and the Bharatiya Jana Sangh

2.1. Introduction

The over-arching research question of this thesis is what influenced the neoliberal economic policy formation of the BJP-led NDA government. This chapter will address a key source of influence: the political ideology of Hindu nationalism and its contribution to economic policy formation. In narrowing the scope of the research question to the issue of ideological heritage this chapter poses the two following questions. First, what if anything can be said about a Hindu nationalist economic agenda? For example, is there a coherent set of ideas espoused by Hindu nationalist political parties that can be clearly distinguished from the ideas and policies of other political parties? Secondly, can these ideas be shown to have influenced the economic policy formation of Hindu nationalist political parties?

This chapter responds with a yes to both questions. A historical review of the development of Hindu nationalist economic thinking reveals that a unique set of Hindu nationalist economic ideas (Integral Humanism) can be identified. A further investigation shows that these ideas in turn informed the economic policy positions of a Hindu nationalist political party. This chapter examines the influence of Integral Humanism on the economic policy formation the Bharatiya Jana Sangh (BJS), which was the historical antecedent to the BJP. By focusing on the BJS and the role of ideology on its economic policy positions, this chapter

demonstrates how the development of Integral Humanism as a critique of the Planning process deeply influenced the actual critique of Planning by a Hindu nationalist political party. Together, the discussion of Integral Humanism and its influence on the BJS will serve to provide an outline of the 'classic' economic positions of Hindu nationalism.

This chapter takes the following trajectory. First, in order to set out the broader context for the discussion, it begins with a discussion of what it means to talk about a Hindu nationalist economics. It answers that a Hindu nationalist economics combines elements of classical Hindu philosophy, Gandhian thought and a critical stance against the prevailing socialism of the immediate post-independence era. The next section introduces the key personality behind the formulation of Hindu nationalist economic ideas, Deendayal Upadhyaya. It discusses his main economic ideas, in a system of philosophy he entitled Integral Humanism and how these ideas provided a critique of the dominant economic model of the time in India. This section will show that Upadhyaya attempted to build a unique synthesis of Gandhian thinking, concepts from classical Hindu philosophy and elements of contemporaneous political thought such the liberal critique of socialism.

A subsequent section introduces the dominant economic policy paradigm of post-independence India against which Integral Humanism was developed: the Planning process.

It will show that in failing to deliver expected levels of growth, Planning engendered an assortment of critiques, including Hindu nationalist alternatives to economic policy. The next sections focus on the second major point of this chapter by providing an account of the economic positions of the BJS. Chronologically, these sections begin with the establishment of the Indian government's Planning Commission (1950) until the devolution of the Bharatiya Jana Sangh party in the late 1970s.

This section shows that in key policy areas, the BJS provided critiques and policy alternatives directly drawn from Integral Humanism's emphases on economic self-sufficiency (*swadeshi*) and economic decentralization (*vikendrikaran*). The influence of Integral Humanism is demonstrated by first discussing the use of the terms *swadeshi* and *vikendrikaran* in the BJS economic policy documents. Next, illustrations of the actual use of these concepts in critiquing existing policies and proposing alternatives will be provided. The implementation of *swadeshi* into the economic policy positions of the BJS is demonstrated in the party's critique of Planning. The implementation of *vikendrikaran* into the economic policy positions of the BJS is shown through a discussion of the party's policy positions on industry. The chapter will conclude with a review of the major arguments.

2.2. Hindu nationalism and the economics of self-sufficient decentralization

The secondary literature on Hindu nationalism often uses the terms Hindu, Hindu nationalist and *Hindutva*, without a clear sense of what each of these terms represent conceptually and how they are distinguished from one another. Indeed these terms are sometimes used interchangeably, even though there are significant but subtle differences among them. As these terms are employed heavily in this thesis, this section will apply the necessary scrutiny to employ them precisely.

The word 'Hindu' is derived from a *Sanskrit* term for the Indus river (*sindhu*). This was the basis for the derivative Persian term 'Hindoo', referring to the area east of this river. This was first used as a term of geographical rather than religious reference (King 1999, 98-99). With the advent of colonialism, the term Hindoo came into the usage of modern European scholars who attempted to systematize the broad cross-section of religious texts and sacred practices they encountered in the region into a single monolithic religious tradition. This systemization came with inevitable distortions, namely in the emphasis on textual (largely *Sanskrit*) sources and the attempt to understand these traditions and practices against a normative paradigm derived from scholarly approaches towards Judeo-Christianity (King 1999, 102).

Given the hegemonic influence of such ideas during the colonial period, it is not difficult to understand why such a systemization was even adopted by native Indian intellectuals and religious figures. The 'semitification' of these diverse traditions under the rubric 'Hinduism' resulted in an emphasis on practices that corresponded to Judeo-Christian exclusivism, monotheism, fundamentalism, revivalism and even nationalism (King 1999, 104-105). While this thesis recognizes the problematic nature of the term Hindu, it is employed here as a description of a received cultural construction. Thus in this thesis, the term Hindu denotes the genealogically awkward but now ubiquitous systematization of these traditions and practices that is even accepted as a casual point of reference in the specialized academic discipline of Religious Studies (Smith 1991, 12).

As a cognate to the word Hindu, the concept *Hindutva* was first used by the Indian nationalist V. D. Savarkar to denote a political identity rather than an identification of purely religious import. This is a significant distinction as *Hindutva* does not purport to be a variety of Hinduism. In his foundational tract *Hindutva: Who is a Hindu*, Savarkar makes the following distinction:

The concept of the term *Hindutva* – 'Hinduness' – is more comprehensive than the word 'Hinduism'. It was to draw a pointed attention to this that I coined the words 'Hindutva', 'Pan Hindu', 'Hindudom' when I framed the definition of the word 'Hindu'. Hinduism concerns with [sic] the religious system of the Hindus, their theology and dogma (Sharma 2003, 159).

Savarkar begins by making this sharp distinction. On the one hand he defines a religious and theological system: Hinduism. In contrast to this, he defines *Hindutva* as a comprehensive term for the political identity of the peninsula bounded by the Himalayas to the north and the ocean to the south (Jaffrelot 2007, 14). Religious (or Hindu) elements form only a part of this political identity, which includes a common language, racial lineage and geographical origin. Thus *Hindutva* aspires to be a more comprehensive cultural, racial and geographic identity of which the practice of the Hindu religion is only a part. Even the practice of the Hindu religion seems optional to a subject's identification in *Hindutva* as long as the tripartite foundation (language, race and geography) is shared among subjects. In this regard Savarkar's definition of *Hindutva* largely borrowed from European notions of ethnic nationhood (Sharma 2003, 1-13).

Hindu nationalism is the term employed by scholars to identify the variety of ethno-religious nationalism that emerged in the milieu of early twentieth century India. This form of nationalism emerged largely through the aegis of Hindu revivalists (e.g. the *Arya Samaj*) and the identity based political mobilization that began with groups such as the Hindu Mahasabha (Jaffrelot 2007, 12-14). It is within this milieu that Savarkar formulated the ideas of *Hindutva*. In this thesis, 'Hindu nationalism' will be the broader term used to describe the political mobilization of *Hindutva* by intellectuals, parties such as the BJS and BJP and their affiliate groups in the *Sangh Parivar*.

With these clarifications made, how do they contribute to an understanding of a Hindu nationalist economic philosophy? Political parties such as the Bharatiya Jana Sangh and Bharatiya Janata Party and organizations that advocate *Hindutva* have commonly been placed toward the right of the political spectrum. As 'right-wing' nationalist groups, however, there appears to be little in common between the Hindu nationalist economic agenda and the corporate fascism of the 'far-right' parties of Europe, or even the pro-market 'right-wing' policies that were espoused by India's own Swatantra Party (Desai 2005, 54). To be sure, some have pointed to the *Sangh Parivar's* opposition to the Nehruvian dirigisme as a shared cause with the economic liberalism common among 'right' political parties (Chhibber 2001, 164). However, as I shall show below, this is an incidental commonality rather than a reflection of ideological similarities.

Hindutva implies a territorial sacrality where the 'fatherland' also becomes the 'holy land' (Savarkar 1942, 92-93). This sacred dimension to *Hindutva* suggests the influence of sacred traditions such as Hinduism. Do the ethical concerns of Hinduism inform the economic approach of Hindu nationalism? This necessitates a brief digression on what it means to speak of the nexus between ethics, religion and the economy. Within the European tradition, notions of redistributive justice are evident as far back as the Old Testament. The modern discipline of economics emerged from the moral philosophy of the European

Enlightenment where Adam Smith's notion of commercial self-interest took shape within the larger framework of moral philosophy (Heilbroner 1999, 42-43).

The most explicit connection between religious ethics and economics was proposed in Weber's conception of the protestant work ethic, where he ascribed a fundamentally religious (Calvinist) origin to the capitalist system (Weber 1958). Weber's ideas were a German nationalist response to the Marxian proposition that ideology was exclusively rooted in the material economic relations of a society (Giddens 1971, 193-195). In this regard, Weber's motivations mirror those of the chief Hindu nationalist economic ideologue Deendayal Upadhyaya who was keen to provide a viable nationalist alternative to the purely material concerns of socialist Planning.

In an historical context, the general economic view espoused by Hindu nationalists could be described as an opposition to Nehruvian socialism while espousing a variety of Gandhian traditionalism (Lal 1993, 418). As a rhetorical strategy, the appeal to Gandhian values is not restricted to Hindu nationalists. However, 'Gandhian economics' and the Hindu nationalist 'Integral Humanism' share a number of common features that are worth exploring. Gandhi provides an appropriate starting point for this discussion, especially given the recent resurgence in the interest of Gandhi as an economic philosopher (Dasgupta 1996; Sharma

1997; Pani 2002). Gandhi's most well-known statements on economics took the form of pithy salvos aimed at the foundations of the modern economic system: from mechanized industrialization and agriculture to the law of supply and demand. However, beyond these statements, the substance of Gandhi's economic thinking advocated values drawn from India's social and cultural heritage including discerning consumption, ethical leadership and sustainability.

In an attempt to emulate the Gandhian critique, foundational concepts from Hindu philosophy were mobilized to formulate a Hindu nationalist economic philosophy that would encourage self-sufficiency within the borders of the nation. To begin with, the existing economic systems were criticised from an ethical standpoint. Major criticisms included the propositions that modern economic systems dehumanized individuals through a narrow view of human nature; misdirected the proceeds of production; made competitors out of labour and technology; and, in at least the case of capitalism, reversed the relationship between human needs and production. This latter reversal in particular created an inherent instability within the system.

A key moral concept in the *Sanskrit* sources, *dharma* offered a starting point for the first explicit exposition of a Hindu nationalist economic policy by Deendayal Upadhyaya (Jaffrelot

2007, 125). In place of the existing economic models, Upadhyaya outlined an alternative economic strategy that would promote *dharma*. This strategy consisted of the twin pillars of *swadeshi* (self-sufficiency) and *vikendrikaran* (decentralization): a Gandhian model without the total rejection of modernity. It is to a detailed examination of Upadhyaya's economic system that this chapter now turns.

2.3. Deendayal Upadhyaya (1916-1968): From Integral Humanism to a critique of Planning

Most of the sources on the life and thought of Deendayal Upadhyaya consist of his own extant writings and the secondary accounts of loyal acolytes. The latter sources tend to be of a deeply sympathetic and almost hagiographic nature and a critical and sustained study of the man and his thinking is still lacking in the academic literature. It is tempting to attribute this relative obscurity to the unassuming personality Upadhyaya's biographers ascribe to him. However, it is more likely that since even at the time of his death Hindu nationalism remained out of the political mainstream, his biography elicited little interest outside of this parochial circle.

Upadhyaya's humble beginnings appear incontrovertible. Born into a *Marwari* family from Uttar Pradesh, he was orphaned at an early age and lost his only sibling while being raised by a maternal uncle. Despite these personal losses, the young Upadhyaya demonstrated

considerable application to his academic work, receiving a scholarship from the Maharaja of Sikar and passing his Intermediate Board Exams with, it is claimed, the highest marks achieved at the institution until that time. A double gold medal and a further scholarship took him to college where he completed a BA in mathematics and was introduced to the Rashtriya Swayamsevak Sangh. Following an aborted MA in English Literature in Agra, he completed a second degree in engineering (B.T.) before being selected for the regional civil service in a competitive recruitment scheme. The biographers take obvious delight in maintaining that Upadhyaya rejected this offer in favour of joining the RSS as a full-time *pracharak* (Gain 1999; Soni n.d., 1-10).

When Shyam Prasad Mookherjee (1901-1953) resigned from the first Indian government cabinet over the settlement of the Kashmir issue reached by Liaquat Khan and Nehru (in 1951), Upadhyaya was appointed General Secretary of Mookherjee's newly formed Bharatiya Jana Sangh party. He later assumed de facto leadership after the sudden death of Mookherjee in 1953. Over the next fifteen years, Upadhyaya built the party into a small but significant political force until he too passed in 1968 under suspicious circumstances while taking an overnight train from Lucknow to Patna; his body was found the next morning by the tracks of a railway station in the town of Mughal Sarai near Varanasi (Soni n.d., 10). Apart from an impressive organizational legacy, Upadhyaya left behind a small corpus of writings which outlined his thoughts on politics, philosophy and economics. Among these,

the most significant for this thesis are *The Two Plans* (1958) and *Integral Humanism* (1965), which detail his thoughts on the economy.

2.3.1. Integral Humanism

This section will provide an overview of Upadhyaya's philosophical system, Integral Humanism, with special regard to its prescriptions for the economy. It will begin with some brief comments on the context in which this system was developed, its intellectual lineage and a brief synopsis of its central argument. This is followed by a deeper engagement with its main ideas and critiques.

The first attempt at a formulation of Integral Humanism came in a BJS party resolution entitled 'Principles and Policies' adopted in January 1965. This was well into the period Upadhyaya assumed the role as the BJS General Secretary. These ideas were further developed in a series of four lectures given by Upadhyaya in Mumbai in April 1965. These lectures were given as an attempt to create a distinctive agenda for the Bharatiya Jana Sangh as it began to make small inroads into the political mainstream through its social activism on the issues of cow slaughter and its imminent participation in the Samyukta Vidhayak Dal state coalition governments (circa 1967). The talks were later collected into a volume eponymously entitled *Integral Humanism* (1965). Upadhyaya's own justification for the project was the concern that political parties in India had adopted 'Western' ideologies

that 'cannot fulfil the aspirations of Bharat' (Upadhyaya 1965b). Integral Humanism is nothing short of an attempt to provide a systematic philosophy of the individual and society from first principles.

However the entire tract numbers less than seventy pages in total and is scarcely detailed. Facts, figures and concepts are not sourced. Historical illustrations, from the emergence of democracy in Europe to the leadership lessons of Lincoln and DeGaulle, are drawn from a variety of cases and discussed uncritically in the space of a few lines to support the argument being constructed. In crucial places, arguments are reduced to pithy analogies such as, 'if fire loses heat, it does not remain fire any longer' (Upadhyaya 1965). Despite such deficiencies, Upadhyaya's aspiration was to develop an 'integral' approach to economic and social problems, as an alternative to what he criticized as the narrow materialist focus of the prevalent laissez-faire and socialist paradigms. This 'integral' approach would also incorporate non-material aspects of the human and social condition such as ethics, desire and patriotism and thereby provide a full-blown humanistic assessment of economic problems.

Given the scarcity of reliable sources on Upadhyaya, it is difficult to provide a close delineation of his intellectual lineage. However some broad influences are evident. The idea

of a philosophical system that could integrate material and non-material concerns was by no means Upadhyaya's own innovation. Similar formulations were provided by his contemporaries including Aurobindo Ghosh (1999) in India and Arthur Koestler in Europe (1967). Although Upadhyaya mentions Gunnar Myrdal, *Integral Humanism* is otherwise surprisingly devoid of references to the theoretical considerations of the prominent developmental economists of the time such as Albert Hirschman, Raul Prebisch or Arthur Lewis (Gilpin 2001, 307).

The title *Integral Humanism* seems to have been inspired by the Catholic political philosopher Jacques Maritain whose own volume *Integral Humanism* (1936) also outlined a philosophy developed in response to social and political systems in Europe that assumed an *a priori* materialism. Hindu nationalist sources mention Maritain as something of an intellectual interlocutor but are reluctant to label him an influence on Upadhyaya (Deshmukh n.d.). However given Upadhyaya's holistic view of human nature as both material and spiritual and his criticisms of both capitalism and communism as unable to enable the full actualization of an individual's humanity (Joyce 2000), Maritain deserves some credit as laying the foundations for a critique that Upadhyaya would transfer from the European to the Indian context.

On socio-economic issues Upadhyaya's thinking reflected Gandhi's rejection of the uncritical adoption of modern industrialism, and the latter's advocacy of an alternative (though somewhat idealized) socio-political structure centred on village economies. Upadhyaya's unique contribution was a synthesis of these views communicated in familiar cultural and philosophical concepts. In the words of one contemporary advocate of Integral Humanism:

The spiritual element is absent in the thinking of both Adam Smith and Karl Marx. Again Upadhyaya and Thengadi did not propound any new concept. They actually expounded the cultural orientation of India largely founded on the concept '*purushartha*'... They were relating the contemporary times [sic] to the eternal values which have sustained India (S. Gurumurthy, Personal Email Communication, 2012).

According to this view, the general approach of Integral Humanism is not novel but rather the application of a framework from classical Hinduism (*purushartha*) to a critique of contemporary economic systems.

In the early twentieth century, a popularization of integral thinking in India was accomplished through the modern Indian philosopher Aurobindo Ghosh's system of *poorna yoga* (Ghosh 1999) which attempted to integrate the various aspects of yoga practice into an integrated system. Integral Humanism situated its own holistic orientation within the framework of *purushartha* which is a taxonomy of human aspirations: *dharma* (order), *artha* (wealth) *kama* (desire) and *moksha* (salvation). In setting out his system, Upadhyaya appealed to this framework as well as to the Vedic analogy between the micro and

macrocosm: *Yat pinde tad brahmande* (what is in the microcosm is also in the macrocosm).

The distinctness of this approach is summarized by Upadhyaya in the following way:

The first characteristic of Bharatiya culture is that it looks upon life as an integrated whole. It has an integrated viewpoint. To think of parts may be proper for a specialist but it is not useful from the practical standpoint. The confusion in the West arises primarily from its tendency to think of life in sections and then to attempt to put them together by patch work. We do admit that there is diversity and plurality in life but we have always attempted to discover the unity behind them. This attempt is thoroughly scientific (Upadhyaya 1965, 18).

Whereas in an ideal world of *Dharma Rajya*, the state would be superfluous, the attempt to integrate various specialized and isolated developments of human aspiration in the current age requires the establishment of institutions (Upadhyaya 1965b). This is how Upadhyaya describes the origin and need for the institutions of the state. The goal of integration requires Upadhyaya to sketch out some preliminary alternative views on property, labour, economic structure and progress. Most significantly, no inalienable right to property exists in the view of integral Humanism – only a pragmatic arrangement that can properly promote social harmony. The ideal economic structure therefore is a decentralized economy that does not allow the centralization of private ownership (capitalism) or the centralization of institutions (communism). The ideal form of labour in such a system, freed of centralizing controls, would allow for the full development of all human attributes. This, for Upadhyaya, is the proper measure of progress and the key goal of Integral Humanism that distinguishes it from other economic models (Upadhyaya 1965b).

Having briefly looked at the intellectual roots and overall form of Integral Humanism, I now turn to a deeper engagement with its central ideas and its key criticisms of existing economic models. Upadhyaya's economic thinking began with concerns about the shape the Indian economy was taking following independence (Gain 1999, 3). The first statements on economic philosophy argue for the place of economic democracy as part of the greater matrix of social and political democracy. Discussing the prevalent economic models, he argues that 'laissez-faire, belongs only to the *Krita-yuga*' (Upadhyaya, 1965b). A free market with minimal regulation can have relevance only in such an ideal state. This implies that 'to ensure proper production, distribution and consumption of wealth, regulation of economy (*Arthayama*) is necessary.' However, Upadhyaya is cautious about excessive reliance on the state as 'to vest the ownership and control of all means of production to the state would lead to the centralisation of economic as well as political power. This would be wrong' (Upadhyaya, 1965b). He then argues for a middle-ground position of the state undertaking a general level of economic management:

To set the process of economic development moving, keep the economy on an even keel and for the attainment of the nation's basic objectives the state must undertake in general to plan, direct, regulate and control economic effort and in certain specific spheres and circumstances to accept the responsibility of ownership and management too (Upadhyaya, 1965b).

Here Upadhyaya almost seems sympathetic to the project of economic planning. However, as I will show below, his vigorous critiques of both centrally planned and free market models open the way for an alternative 'integral' economic model.

This critique begins by contrasting the philosophical structure of Integral Humanism and Western economic models. In Upadhyaya's interpretation *dharma* consists of the laws that maintain the indivisible national soul, or its *chiti* (Hansen and Jaffrelot 1998, 32; Jaffrelot, 125). Economic issues are a subset of *dharma*. Inasmuch as they are related to the national *chiti* it is necessary propose a holistic alternative, an 'Integral Humanism', to the analytical divisions that are endemic in the Western tradition. Economic considerations are therefore part of a broader political and social philosophy and not removed from these considerations. Thus economic problems cannot be addressed in isolation from other social and political issues. It is this holistic approach alone, Upadhyaya maintains, that could allow for the full realization of individuals:

We must have such an economic system which helps in the developments of our humane qualities, or civilization and enables us to attain a still higher level of all round perfection... which does not make us slaves of its own grinding wheels (Upadhyaya 1965).

An integral approach puts human beings first, rejecting abstracting centralized structures (both capitalist and communist) in favour of *swadeshi* and *vikendrikaran*.

Upadhyaya shared Gandhi's scepticism regarding modernity, specifically with regard to modern economic systems. Rather than improving the conditions of people, he believed that modern economic systems dehumanized them:

Capitalism only has a concept of economic man, who (or whose labour) is to be bought and sold as a commodity while Socialism only thinks of abstract man in a rigid framework, with no individual

freedom. The capitalistic system thought merely of the economic man, but left him free in other fields where he could exercise his individuality. The socialist system went much further, thinking only of the abstract man. After that, there was no scope for the development of the individual personality based on diverse tastes and abilities. Both these systems, capitalist as well as communist, have failed to take account of the Integral Man, his true and complete personality and his aspirations. One considers him a mere selfish being lingering after money, having only one law, the law of fierce competition, in essence the law of the jungle; whereas the other has viewed him as a feeble lifeless cog in the whole scheme of things, regulated by rigid rules, and incapable of any good unless directed. The centralization of power, economic and political, is implied in both. Both, therefore, result in dehumanization of man (Upadhyaya 1965).

Even though they begin with different conceptions of human nature, Upadhyaya argues that both systems, capitalism and communism, ultimately fail to take into account the multi-dimensional nature of human motivations, desire and capacities. Inevitably they even lead to the same result, which is economic and political centralization and the dehumanization of the individual. Furthermore, he argues, neither system is able to provide the even distribution of resources that they aspire to:

The capitalists consider capital and enterprise as important components of production and hence they take a major share of profits; they think it is their due. On the other hand, communists believe only labour to be the main factor in production. Therefore they concede the major share of production to the labourers. Neither of these ideas is correct (Upadhyaya 1965).

Under the capitalist system in particular, Upadhyaya, like Gandhi, criticized the neoclassical axiom of supply and demand, commenting on its connection to economic deprivation:

Normally desire precedes the efforts at producing the things desired... if the demand does not exist, systematic efforts are made to create demand. This has become the chief characteristic of the western economic movement... If whatever is manufactured is not consumed, there will be depression. Some of us may remember the great depression of 1930-32. There was abundance of goods at that time but there was no demand (Upadhyaya 1965).

Here the inversion of the relationship between production and demand is where the source of economic depressions is identified. This inversion occurs where demand follows production rather than what Upadhyaya views as the more natural course of production following demand. When production is prioritized over demand, the source of prosperity and happiness is mistakenly rooted in the ability to find markets for goods already produced (Gain 1999, 15).

This further implies that social inequality originates when consumers do not have according to their needs, but according to their purchasing power. This leads to an inevitable scarcity for essential goods among those of limited means (Gain 1999, 17). Consumption oriented societies also disturb the balance of nature. Man versus nature is a false image for Upadhyaya, with nature itself as an important factor of production. In a typically pithy analogy Upadhyaya argues that when fruits are taken from a tree, the tree itself should not be harmed – ‘milking’ rather than exploitation is the ideal. Thus contrary to the consumer philosophy, the happiness of individuals is achieved through the minimal use of resources (Upadhyaya 1965).

By inverting the ‘natural’ relationships between work, production and consumption, these models are further criticized for distorting the labour market:

Similarly any system which obstructs the production activity of the people is self-destructive... The guarantee of work to every able bodied member of the society, should be the aim of our economic system. Today we witness a very strange situation. On the one hand, a ten-year-old child and seventy-year-old man are toiling and on the other hand a youth of twenty five is driven to suicide for want of work. We shall have to remove this mismanagement (Upadhyaya 1965).

Here Upadhyaya makes a telling statement about the ultimate goal of the economy under the view of Integral Humanism. The aim of the economic system is not necessarily high rates of growth, but the ability to afford those who are able to work the opportunity to do so. In an integral economic model, every able-bodied person must contribute to society, which necessitates the creation of full employment. How will this be achieved? Here Upadhyaya's reasoning returns to its critique of the consumer economy. He argues that the capital required to create full employment is possible only through savings and restrained consumption – poor countries go into debt when they try to ape the rich for this reason (Gain 1999, 19).

Upadhyaya is therefore able to connect his critique of the capitalist economy and consumers with the goal of creating suitable roles for workers in an integral economy. However, greater capital investment in a modern age could imply the loss of jobs to mechanized industry. In order to overcome this tension, Upadhyaya engages the critique of modernization which was also central to Gandhi's economic thinking. Here, however, Upadhyaya charted a middle road between technology, labour and the needs of the country. Gandhi's chief criticism of industrialism was that machinery was unsuited to the

Indian context. He feared that this would remove employment opportunities from the majority of India's vast population:

What applies to America and England does not necessarily apply to India. India has in her teeming millions so many superfluous days that it does not need to free the energy of her sons for superior or more remunerative work through highly developed machinery. In her 350 million children she has so many living ready-made machines and if she can utilize their labour, half of which is running to waste, the double starvation of the body and the mind will cease (Gandhi 1999a, 324).

As an alternative, Upadhyaya proposed a strategy to develop a 'Bharatiya technology' i.e. technology adapted to the country's factor endowments:

But if the machine is such that it requires only a few men to run it, then the rest of the people will be thrown out of employment... Whereas a machine ties up only the capital invested in it in past [sic], the unemployed people have to be fed... Full employment must be a primary consideration... We are importing the machines and hence, we have little knowledge. We shall have to develop a Bharatiya technology (Upadhyaya 1965).

For Upadhyaya, machines are an important form of capital that must assist labour and not compete with it. Machines are both time and place relative, which is why 'blindly' importing machines would not create the best social and political outcomes. A Bharatiya technology would be a technology that is suited to India's own factor endowments of plentiful labour and raw materials (Gain 1999, 20). Such technologies would emphasize human inputs. They would therefore be employed in small scale cottage industries rather than the heavy industry of the centralized models which come with all of the undesirable implications for the integral fulfilment of workers. A system integrating appropriate technology with

abundant human inputs would constitute a decentralized economy capable of enabling workers to achieve integral wholeness.

Upadhyaya outlined his own economic vision broadly as *swadeshi* (self-sufficiency) and *vikendrikaran* (decentralization): the Gandhian model without the total rejection of modernity. The association of *swadeshi* with Hindu nationalism began as far back as the deployment of *swadeshi* as an exclusionary principle within the broader stream of Hindu revivalism where Hindu nationalism also had roots (Jenkins 2010, 603). However, Upadhyaya largely inherits his conceptualization of *swadeshi* from Gandhi. In Gandhi's use of the term, *swadeshi* constitutes a life philosophy that at its base constitutes altruistic service to one's neighbours in every action that is undertaken. In economic terms, this means only engaging in actions that would economically support one's local community. At the time of the independence movement, this was manifested in the use of domestic products e.g. cloths (*khadi*) over foreign imports. The implementation of this philosophy in the Indian independence movement took the form of the economic nativism that was popularized by a *swadeshi* social movement (Goswami 1998, 623). Gandhi's own understanding of the term went beyond the cause of independence to a vision of localized economic self-sufficiency (Heredia 1999). Gandhi therefore promoted a 'weak' form of economic nationalism based on ethical preference and individual choice through which basic needs could be satisfied in local economies.

For Upadhyaya, the aim of development is for human beings to advance in all of their capacities rather than merely in their material endowments. This is only possible in a decentralized economic system, with an emphasis on *swadeshi* (Gain 1999, 21):

'Swadeshi' and 'Decentralization' are the two words which can briefly summarize the economic policy suitable for the present circumstances... We have grown over-dependent upon foreign aid in everything from thinking, management, capital, methods of production, technology, etc. to even the standards and forms of consumption. This is not the road to progress and development. We shall forget our individuality and become virtual slaves once again (Upadhyaya 1965).

In summary Upadhyaya's economic vision consisted of an original synthesis of a Gandhian critique of modern economic systems and the proposal of a holistic alternative. The critique argued that modern economic models dehumanized individuals through a narrow view of human nature, misdirected the proceeds of production, made competitors out of labour and technology and, in at least the case of capitalism, reversed the natural relationship between human needs and production. Together, these created an inherent instability within modern economic systems. Upadhyaya's solution was an alternative system that emphasized self-reliance (*swadeshi*) and decentralization (*vikendrikaran*). Together, these economic attributes would engage the capacity of India's own abundant resources while allowing space for individuals to develop without the threat of a restrictive state or inverted economic priorities. Ultimately, in Upadhyaya's vision of Integral Humanism, such a framework would nourish the possibilities for human beings to grow in all of their various dimensions. Having examined the economic thought of Deendayal Upadhyaya, I now turn to its application to the process of centralized economic Planning in India.

2.3.2. Integral Humanism and Planning

With this general overview of Upadhyaya's economic philosophy in mind, this chapter now turns to his specific criticisms of economic policy in India. Upadhyaya's most comprehensive statements on the Indian economy take form in his volume *The Two Plans: Promises, Performance Prospects*, where he presents his thoughts on the general idea of Planning and the first two Five Year Plans implemented by the Indian central government.

On the rationale for Planning he states,

Although most of the developed countries of the world have attained their present level of economic development without any plan and therefore some people feel that planning is not necessary but positively undesirable, yet the general consensus of opinion is that if the under-developed countries desire to achieve in a shorter span of time what the developed nations achieved during a century or more, they cannot leave it to an evolutionary process (Upadhyaya 1958, 17).

For newly independent countries, Upadhyaya appreciated that Planning was the government's means of exercising economic independence (Upadhyaya 1958, 22). He made the observation that the immediate post-War economy had 'greater national barriers than were present at any time in the past' (Upadhyaya 1958, 23) and with this the mobility of labour, capital, management and the entrepreneur had been reduced. Greater national integration and greater international disintegration left room for greater Planning. However, despite appreciating the context through which Planning emerged, Upadhyaya saw the potential for the system to devolve into an authoritarian dystopia:

However if planning implies complete denial of individual freedom of consumption, production and exchange, of expression and association, if it implies rigorous controls, rationing and procurement and all that is associated with the Soviet system of planning, most people except of course the communists, would prefer poverty of a free man to planned prosperity or bondage (Upadhyaya 1958, 17).

Two points are of note here. First, Upadhyaya understands the origins of Planning as a consequence of the post-War international economic system. However, he is cautious about the application of this approach to development. In this concern, he echoes the criticisms of Planning made by economic liberals such as the British economist P.T. Bauer (1961) and Indian economist B.R. Shenoy (1958), both former students of Frederich Hayek at the London School of Economics.

He goes on further to critique the process of Planning. Planning, he explains, was based on a fourfold process: public expenditure, production targets, targets for the economy as a whole and the control of private enterprise. Although commonly associated with the communist system, Upadhyaya maintains a somewhat more neutral view on the political orientation of Planning: 'under a planned economy... the state is supposed to be content not only with taking wider policy decisions, but directly to assume upon itself the responsibilities of formulating and executing programmes for economic development' (Upadhyaya 1958, 18).

Thus while intrusive, Upadhyaya understands that Planning played a vital but politically neutral role in a country's economic development. Similar provisions in the US and the UK, were more broadly labelled as 'policy' rather than 'Plans', which he claims left the (necessary) illusion of vast individual freedom (Upadhyaya 1958, 18). Upadhyaya also took note of the irony that those who saw the germs of Marxism and totalitarianism in the planned approach to economic development still generally regard democracy and Planning as compatible. He maintained that experts, including economist Gunnar Myrdal, recommend central planning because of their own misplaced assumptions regarding the general populace: too poor ignorant and bound into old patterns to help themselves. For Upadhyaya this showed a 'lack of faith in the capacities of the people' (Upadhyaya 1958, 21). Furthermore he maintained that:

These conclusions are forced upon all Western experts because of their lack of faith in the philosophy they profess as also in their unflinching faith in the nineteenth century technology and the modern economic development (Upadhyaya 1958, 22).

At this fundamental level, there was little difference between the Soviet Union, Europe and the USA. The economic systems of all three countries showed a lack of faith in individuals. Although Planning was in vogue, its desirability, feasibility and relationship to social and political values needed to be examined. In Upadhyaya's view, the cases of China and Russia showed that Planning and democracy are ultimately incompatible – in both states, the party in government and the small caucus that ruled them retained all of the power (Upadhyaya 1958, 23).

Myrdal and others, Upadhyaya observed, seemed to believe even further that Planning was needed to preserve democracy. This was a cause of concern for Upadhyaya since to pursue Planning a state needed to 'assume supreme powers of controlling consumption, production and distribution of commodities... all this implies restricting individual freedom... so to preserve democracy they suggest a way where, ultimately, democracy is smothered' (Upadhyaya 1958, 24). While in advanced democracies (with 'deep democratic roots') this would not be a problem, in new democracies, Upadhyaya claimed, such an approach could nip democracy in the bud. Once again, Upadhyaya's concerns are reflective of his more illustrious contemporaries. In this case, he appears to mirror Isaiah Berlin's concerns about the adverse effects of positive freedom, where a government would strive on behalf on individuals to create the conditions for the achievement of individual self-realization, only to inadvertently create a restrictive system of paternalism (Berlin 1958). However, what direct influence, if any, Berlin's own work had on Upadhyaya is difficult to say, even if we can conjecture that he may have been familiar with its general tenets, given their popularity in the political discussions of the time.

After a consideration of its theoretical dimensions, Upadhyaya moves on to an examination of the historical circumstances around which Planning emerged in India. Here he demonstrates a shrewd analysis of the international influences and domestic machinations

through which Planning was implemented. He begins by ascribing the historical origins of Planning in India to the circumstances around the independence of the country. During the Second World War, he recounts, the British government became concerned about the potential for social discontent and formed the Department of Planning to pre-empt the potential for such instability. Following the War the committee was charged with the welfare of demobbed soldiers, to prevent depressed economic conditions (due to the lack of war production) from stoking unrest. Furthermore, the department was charged with spending India's sterling balances and re-establishing markets for British made goods – both policies once again in favour of the colonial power. Upadhyaya implies that these policies were implemented at the expense of the Indian people (Upadhyaya 1958, 29). Thus, in Upadhyaya's view, early Planning was a product of a colonial power's efforts to maintain its hegemony and extinguish the potential for social disorder. This criticism significantly implicates the process of Planning, at least in its origins, in the colonial project.

With the onset of decolonialization following the war, economists and newly elected governments, conscious of the failures of *laissez-faire* in the 1920s, were sympathetic to the notion of Planning. In a less overt form of Planning, Upadhyaya cites Roosevelt and Keynes among others who maintained that government intervention, especially through fiscal policy, could keep up the demand for consumer goods (Upadhyaya 1958, 26). Here

Upadhyaya equates the Western Keynesian economics with the Soviet economic system as part of the same spectrum of planned economies.

As a model for the Planning Commission, however, Upadhyaya looks closer to home and like Hanson (1966), whose work followed Upadhyaya chronologically, he singles out Visvesvarayya's decidedly technical *Planned Economy for India* (1933) as the model to which Nehru's Planning Commission aspired. The rationale behind Visvesvarayya's work lay in a concern that a poor country like India could not offer the high rate of entrepreneurial failure against success. However, Visvesvarayya himself was also suspicious of the potential for economic Planning to devolve into political authoritarianism (Upadhyaya 1958, 27).

Though Visvesvarayya's recommendations were not pursued by the colonial government of the time, Upadhyaya maintains that this work was the basis of the efforts of the 1938 Congress meeting chaired by Subhash Chandra Bose. At this meeting, it was resolved that National Planning was a necessary step to achieve the industrial development needed to address poverty and economic regeneration. This work also formed the basis of the National Planning Committee under Nehru (Upadhyaya 1958, 28). In the immediate post-independence period Upadhyaya maintains that the Commission was keenly aware of the lack of reliable statistical data upon which to create an economic strategy. However, eager

to 'deliver something spectacular' in light of the government's failures with respect to the process of partition (Upadhyaya 1958, 30), Upadhyaya argues that incomplete plans from the colonial period were recycled in efforts that were largely uncoordinated and half-conceived by a bureaucracy lacking the capacity to carry them through (Upadhyaya 1958, 30, 33). The Planning enterprise was therefore lacking in the capacity to carry its work through properly from the very beginning.

Upadhyaya's criticisms also take on an international dimension. Before the Planning Commission could take up its work, it was called upon by the Colombo Plan consultative committee to provide a six-year plan to be incorporated into the larger regional cooperative development strategy (Upadhyaya 1958, 34). For Upadhyaya this was an unnecessary distraction that had anti-nationalist implications for the Planning Commission's work. A plan that was purposed towards regional coordination was developed, presented and promptly incorporated into the first Five Year Plan. Thus the Plan's priorities, from its limits on sterling withdrawals and its agricultural development policy dependent on foreign aid, were conceived originally to coordinate with foreign interests and not with the national interest at heart (Upadhyaya 1958, 34).

In this section I have reviewed Upadhyaya's evaluation of the Planning model. While understanding the need for some level of government directed economic stewardship, a view in line with Integral Humanism, he was nevertheless critical of several aspects of Planning. He was concerned about the potential for Planning to turn into political authoritarianism and suspicious of the colonial origins of Planning. His interpretation of the early history of the Planning process showed that it was both under-resourced in quality data on which to base its decisions and anti-national in its derivation from a larger plan for regional cooperation. These critiques begin with some of the concerns of Integral Humanism but go much further into the historical particularities of the first two Plans. Together these perspectives were adopted by the Bharatiya Jana Sangh and would lay the foundations for the first economic policy proposals of a Hindu nationalist political party.

2.4. Towards an Economic Policy for Hindu Nationalism

So far this chapter has reviewed the economic philosophy of Integral Humanism and the criticisms of the Planning process formulated by Deendayal Upadhyaya. By drawing out the economic positions of Integral Humanism, the chapter has documented the synthesis of ideas and resulting economic positions undertaken by Integral Humanism. It has argued that there is a unique set of economic positions taken by Hindu nationalism and that these ideas, along with the historical circumstances of the time, informed the criticisms of the Indian government's planned economic model. This section will build on the previous sections to

show how a Hindu nationalist party, the Bharatiya Jana Sangh, viewed the Planning process. It will also show how the BJS drew from Integral Humanism to both critique Planning and propose its own economic agenda.

The remainder of this chapter provides an extended overview of the economic policy proposals of the Bharatiya Jana Sangh. These are gathered from the party's economic resolutions passed at their national executive meetings in response to the government's successive Five Year Plans. Along with the party's election manifestos, these statements provide by far the most comprehensive record of the economic platforms of the BJS. The resolutions are critical appraisals of the form, achievements and shortfalls of the Planning process and provide both critiques of existing policy and outlines of policy alternatives. They cover a great deal of ground, taking to task everything from the technical aspects of the Planning model to avuncular concerns about the 'wasteful expenditure of foreign exchange by our foreign missions and other delegations roaming abroad' (BJS 1956, 35).

The purpose of the remainder of the chapter is two-fold: to show that a Hindu nationalist party proposed a unique set of criticisms and policies on economic issues and that these positions drew from the economic philosophy of Integral Humanism. Integral Humanism was first named as the ethical framework for the BJS in its document 'Principles and Policy'

in 1965 (Graham 2007, 215). As we have seen above, at the core of Integral Humanism's economic philosophy is a system of self-reliance (*swadeshi*) and decentralization (*vikendrikaran*) that it claims is necessary to encourage human flourishing in all its dimensions. Integral Humanism is critical of other economic systems (such as Planning) due to their inability to address human needs in their multiple dimensions and this view is reflected in the economic position of the BJS.

The rest of this chapter therefore makes the case that the chief influence on the economic agenda of the BJS was Integral Humanism. However, before proceeding, I must briefly consider whether this unnecessarily narrows the scope of this investigation. Much as Upadhyaya drew out his economic philosophy by engaging with both traditional and contemporary ideas, the economic programme of the BJS could well have benefited from interactions with their political interlocutors. Here the Swatantra Party, and its agenda of liberal economic reform, is of particular relevance. Indeed the formation of state level Samyukta Vidhayak Dal coalition governments that included both the BJS and the Swatantra Party also suggest the possibility that informal dialogue or discussions on economic issues may have taken place between the parties. Occasionally in its critiques of the Planning model, the BJS mirrors the liberal economic views of the Swatantra Party (Swatantra Party 1962). For example, an early Presidential address in 1956 given by Deva Prasad Ghosh states:

Logically and inevitably, socialism leads to totalitarian states of the monolithic type - in which one party reigns supreme, all activities of the State are controlled by the party, elections become a farce and a mockery, and all initiative and enterprise (and not merely in the economic field) banned... Individuals are reduced to the status of mere cogs in the wheels of a vast State machinery which controls all social activities and becomes a Leviathan under the pressure of which the people are smothered. A socialist State becomes a slave State; and if socialism does bring about equality, it is equality in slavery and serfdom (Jhangiani 1969, 74).

This statement gives the impression of a 'Hayekian' criticism of the dangers of economic Planning, where a lack of economic freedom would inevitably lead to a lack of political freedom. This is a critique along the classic Swatantra Party line (Erdman 1967, 67). However on other points, such as the Swatantra Party's advocacy of modernised industry, there are significant differences with the BJS especially given the latter's advocacy of 'appropriate technology'. It would therefore be inaccurate to portray the Swatantra Party as a direct source of influence. Even on the seemingly economically liberal BJS criticisms of Planning, similar ideas had already been part of the larger policy conversation in the country (Shenoy 1958). Thus such ideas need not be necessarily ascribed to the influence of the Swatantra Party.

It is also not entirely clear whether the internal debates and rivalries within the party or even the *Sangh* at large included aspects of economic policy. Statements on economic issues from the broader *Sangh* constituency, in key sources such M. S. Golwalkar's *Bunch of Thoughts* (1966), closely align with the orientation of BJS and Integral Humanism. This is especially so in their common criticisms of centralized Planning and the need to emphasize

economic self-sufficiency and decentralization. There are also little difference with the views of other leaders within the party including Balraj Madhok and Dattopant Thengadi (Thengadi 1995). Within the BJS, it can only be speculated whether those in the 'populist' faction (such as Vajpayee and Advani) harboured sympathies for a more liberal economic approach against the traditional views of the stalwarts of Hindu nationalist economics such as Upadhyaya and Thengadi. Clear differences in economic approach are not evident at this particular juncture of Hindu nationalist history. The level of debate and rivalry on economic matters that would emerge between Vajpayee's government and Thengadi's Swadeshi Jagaran Manch economic advocacy group (discussed in chapter 3) would only become evident once the BJP came to power. These differences will be discussed in greater detail in the next chapter. I return now to the exploration of the economic policy positions of the BJS.

The BJS policy statements discussed below have been selected for their relevance to these key positions of Integral Humanism. To illustrate the implementation of the concept *swadeshi* in the economic policy proposals of the BJS, two sections below document BJS statements on *swadeshi* and the critique dominant economic model (Planning) based on *swadeshi*. A subsequent section will document the BJS position on Governance and its advocacy of the decentralization of economic production. A further will show how the BJS proposals apply the ideal of decentralization to the industrial sector. This review therefore attempts to provide an illustration of the actual policies derived from the economic model

advocated by Integral Humanism: self-reliance and decentralization, and their application to major sectors within the economy.

2.4.1. Swadeshi

It is important to note that, as pointed out above, the concept of *swadeshi* was not the creation of Integral Humanism or of Hindu nationalism. However, the BJS inherited its concern with this economic concept from Integral Humanism. In one of its first economic resolutions, the party began to employ this concept in a provocative criticism:

This session of the Bharatiya Jana Sangh expresses concern at the increasing use of foreign goods in the country since the dawn of independence, instead of there being strengthening of the love for *swadeshi*. The *swadeshi* movement began in the days of our struggle for independence. But as the basic urge behind it was anti-British and not a positive sentiment, the *swadeshi* feeling did not remain a permanent feature of our national life and in consequence today there is evidence of a general attitude of indifference among the people towards *swadeshi* articles (BJS 1954a, 42).

Thus the BJS maintained that by discarding the idea that was central to the independence movement, the project of self-rule was left incomplete. A love for a country's own goods would be the first step towards economic reconstruction and self-sufficiency. Such views express an even more radical sentiment of economic self-sufficiency than the Planning model of self-reliance through import substitution.

As the First economic plan progressed in implementation the BJS offered an interpretation of *swadeshi* as a focus on the production of domestic goods. Policy proposals included a

(somewhat tautologically formulated) export-import policy based on the main consideration *swadeshi* and requiring central and state governments to make use of *swadeshi* goods. In the absence of import competition, and in order to maintain standards of quality, local manufacturers and businessmen were encouraged to set standards in their production that would compare favourably with foreign goods. The quality of consumer goods could be ensured through a cooperative body composed of representatives from government, industry and consumers. Here the party hints at a stakeholder based economic system. On an individual level, the party echoed Gandhian values, advocating 'simple living and high thinking' among citizens making use of *swadeshi* goods exclusively in their daily lives (BJS 1957, 37).

Despite its application in the critique of the very first Plan, it is not until a resolution on the Fourth Plan (1969-1974), a mere three years before the BJS itself would dissolve, that the BJS provided its first outline of an actual economic policy based on self-reliance. This outline begins by restating the BJS criticisms of foreign dependence and its stance on the need to generate full employment. It goes on to rehearse the party's policy on the development of appropriate technology and then express its scepticism about the government's brief reference to a similar policy. For the first time in its resolutions, the BJS then explicitly proposes a *swadeshi* plan as an alternative. In outline such a plan will: maintain an emphasis on using the country's own resources, set 'realistic' targets for the growth rate, take care to

avoid price rises and deficit financing, ensure adequate price levels to enable tillers to earn a livelihood, create a buffer stocks as security against possible future shortfalls in agricultural output, perform administrative and tax structure reviews to make products more export competitive, and make public sector enterprises more efficient (BJS 1968a, 20).

From its conception in Integral Humanism, the Hindu nationalist interpretation of *swadeshi* evolved as a critical response to the shortcomings of the various Plans. In consonance with its Gandhian roots, *swadeshi* was envisioned as the domestic production of quality goods, supported by demand from the public sector and a public practicing 'simple living'. The BJS party's contribution was to further propose a strategy for achieving *swadeshi* by relying on the abundance of labour, reducing deficit spending, keeping prices stable and enhancing the domestic production of consumer goods. The party's critiques of the Planning process emphasized all of these aspects of *swadeshi*. It is to this that I now turn.

2.4.2. Planning

Chaired by Prime Minister Nehru, the Planning Commission of India was set up in March, 1950 through a resolution of the Government of India to provide an adequate level of livelihood, ensure distribution of resources for the common good and to prevent disproportionate concentrations of wealth (Government of India 2010, 18-23). Following an intellectual formation deeply shaped by correspondence with British Fabians and a visit to

the Soviet Union in 1927, Nehru envisioned an economy where the profit motive was minimized and public control was maintained in all areas of the economy. This included the trade and industry sectors so that dependence on imported capital and foreign markets could be minimized (Nehru 1946, 395; Zachariah 2005 226-23; Singh 1975, 143).

The first two Plans (1951-56; 1956-61) focused on increasing the capacity of the agricultural and industrial sectors respectively, and witnessed important milestones in the modernization of the country. These milestones included the building of large hydroelectric projects, transportation infrastructure, steel plants, higher educational and research institutes. Although the First Plan managed to exceed expectations in some crucial areas, achieving a growth rate of 3.6 percent against a projected rate of 2.1 percent (Dash 2000, 114), the Second Plan failed to meet targets in several areas, despite its basis in a model developed by the famed statistician P.C. Mahalanobis.

The BJS party's first major statement on Planning 'Relate Third Plan to Realities' was adopted in 1961, on the completion of the Second Five Year Plan and a decade into the process of planning. This duration of time provided a reasonable experience of planning to which the party could respond. The party had also been in existence for almost a decade and while maintaining a growing support base, it had yet to achieve political significance as

a member of a state or federal government. The response to the first and second Plans therefore provides critical evaluations rather than alternative policy prescriptions.

In the spirit of *swadeshi*, a particular source of anxiety was the Second Plan's reliance on foreign aid which the party derisively described as the 'fake-arithmetic' of resource mobilization funded through increases in indirect taxes (BJS 1974, 7). Here, the party appears to have drawn from the critiques on the Planning process devised by the liberal Indian economist B.R. Shenoy (1958). The BJS expresses its anxiety about the reliance on foreign aid through statements which maintain that:

All promises of self-reliance by the Government have been betrayed... The Government now expects Rs. 600 crores of foreign aid from 'friendly countries' against the current inflow of Rs. 550 crores. The Government is now talking of importing foodgrains once again, presumably from the USA, since the socialist countries such as the USSR are themselves food-importing countries (BJS 1969a, 12).

The resolution seems to express a double frustration in what it calls a betrayal to the cause of self-reliance and the need to rely on one of the two superpowers for assistance.

By the Third Plan (1961-66) the BJS had begun to form coalition state governments (Samyukta Vidhayak Dal) and it is partly out of a need to formulate a distinctive political agenda that Integral Humanism was formulated. With the disappointing results of the Second Plan, the Third Plan was initially slated by the government as a return to agricultural

priorities and the implementation of local level reforms. These included *panchayati* voting and state directed development (Jackson 1961, 264). The questionable success of the Second Plan led the BJS to express frustration at the increased projected outlays for these programs to 11,350 crores. Furthermore, a foreign aid request of up to 3,200 crores quashed any short-term hopes of achieving self-sufficiency (BJS 1961a, 25). According to the party:

In the last year of the Second Plan it can clearly be seen that the Plan has failed to achieve its predetermined targets and objectives. So far as the people are concerned, they bore unbearable taxation and pinched their stomach because of the rising prices in order to enable the government to mop up the necessary resources... It is a matter of regret that while drafting the Third Five-Year Plan the Commission has not learnt anything from its past experience (BJS 1961a, 24).

The party revisited the Third Plan with, 'Objectives and Formulation of Third Plan' adopted in November, 1961. Here the BJS makes an explicit appeal to *swadeshi*, maintaining that the Plan should utilize the country's natural resources without 'blindly following' foreign agricultural (namely US and Russian) models. A vague outline of its counter economic programme is also provided: maximum production, equitable distribution, guaranteed minimum living standards, maximum employment and balanced development of all sections of society (BJS 1961b, 27-29). While expressing the party's philosophical differences from the project of Planning through the concept of *swadeshi*, the resolution does not provide an economic programme distinct from Planning. The goals listed above appear to be merely aspirational.

Significant adjustments to the Third Plan were necessitated by military engagements with China (1962) and Pakistan (1965-66). However, this along with the demise of the Prime Minister and founding Planning Commission chairman Nehru (who died in 1964) and a looming food crisis (due to successive failed monsoons) ushered a new political climate into the country. As a result, the dogmatic commitment to Planning was challenged from even within the Congress Party now under the leadership of Prime Minister Lal Bahadur Shastri (Mukherji 2000, 379).

The BJS provides its most detailed criticism of Planning in a resolution entitled, 'Revise the whole concept of Planning' adopted in New Delhi on 17 August, 1965. In this resolution the party argues that Planning needs to be revised from Nehruvian dogmatism to pragmatic and complementary public-private initiatives that can increase self-sufficiency (BJS 1965, 21-23). The first clear formulation of the party's policy priorities are provided in this resolution. The party proposes limits on the expansion of heavy industry to prevent both deficit financed outlays and, more importantly, to prevent the underutilized capacity of manpower and infrastructure. As discussed above, this was a central concern of Integral Humanism. Appropriate *Bharatiya* technology would better match industrial production to the supply of manpower and raw materials and ensure self-sufficiency in the production of goods. In the interest of self-reliance, the resolution also proposes restricting the public sector to the consolidation of steel, minerals, power and defence, leaving other areas open to private

sector development. Finally on public administration and finance, there is an even more radical break with Planning, in which the party proposes a complete halt to deficit financing and abandoning the policy of nationalized monopolies on consumer goods (BJS 1965, 21-23).

By 1968, Nehru's Prime Ministerial successor Lal Bahadur Shastri had also died and the political leadership of the Congress Party passed on to Nehru's daughter Indira. Keen to consolidate her own position within the powerful Congress 'syndicate' of state party bosses, Indira moved political and economic policies in a distinctively populist direction while trying to stem the gathering tide of challenges to Nehruvian Planning (Kaviraj 1986, 1699-1700). Her key strategies to accomplish this included the nationalization of key industries as well as a reversal of the gestures towards deregulation and private incentive that were discussed by her predecessor's advisors. These actions, which reinforced the country's economic isolation, were especially symbolic given that the rupee had just been devalued in order to keep food aid (PL 480) flowing from the American government (Mukherji 2000, 380).

Given a deeper entrenchment in the socialist model, the BJS party's impatience began to show in a resolution on the Fourth Plan (1969-74), where it laments a lack of reforms despite the considerable failures of Planning. Chief among these are what it calls

unrealistically ambitious targets and an obsession with industrialization. Even though only a 2.5 percent rate of growth (against a planned target of 5) was achieved under the previous (Third) plan (leaving out the years '65-'66 due to drought), the BJS maintains that the target of 5-6 percent growth under the Fourth Plan is unrealistic. The misplaced emphasis on heavy and capital goods industries, against the neglect of agricultural and consumer goods, was acutely felt given the droughts of 1965-66 (BJS 1968a, 18-19).

These criticisms were at least partially vindicated in the third military engagement with Pakistan in 1971 over East Pakistan where, once again, resources had to be diverted from the Planning process to fund the war effort. This inevitably resulted in shortages and a lower than targeted growth rate. However, the implementation of genetic technologies through the Ford Foundation in what was called the Green Revolution, significantly increased agricultural yields during the implementation of the Fourth Plan (Chakravarti 1973).

In a final resolution on Planning (addressing the Fifth Plan, 1974-77) the BJS portrays the Planning Commission as engaged in a 'cart-before-wheel' methodology. The Plan, it argues, is not resource based; having already established a growth target, Planners then look for ways to achieve it. Such an overly ambitious Plan would therefore not be able to raise the needed revenues (BJS 1969a, 12-13). The inevitable deficit financing and subsequent

inflation would lead to the vicious spiral of rising costs – making outlays even higher than planned for. The only counter measure proposed by the Plan is entirely unacceptable to the instinct of the BJS party: an estimate of Rs. 3,730 crore in foreign aid. As it turned out the Plan was halted in 1977 with the election of the Janata coalition, of which the BJS was a member.

In summary, The BJS criticism of Planning focused on the lack of self-sufficiency engendered by the model of heavy industrialization funded through deficit financing. This inevitably led to reliance on foreign countries and particular shortages in the rural and agricultural sectors. The policy statements are explicit in their appeals to *swadeshi*, constant concerns about the use of inappropriate capital (debt and not manpower), inadequate availability of consumer goods and the resulting low growth. It is therefore clear that such criticisms of the Planning process are drawn from the alternative view of a self-reliant economy first formulated by Deendayal Upadhyaya.

2.4.3. Governance

Swadeshi constitutes the first pillar of the economic vision of Integral Humanism. As demonstrated above, it had a significant influence on the economic policy proposals of the BJS. Decentralization (*vikendrikaran*) forms the second core concept of the BJS party's

economic vision and the next two sections will demonstrate the influence of this concept on the BJS economic policy statements.

The BJS advocated decentralization primarily as an economic production model where the means of production would not be concentrated in deficit funded heavy industry but spread out among cottage industries utilizing abundant manpower. Central Planning was undesirable not only due concerns that it would induce economic dependence abroad and vulnerability (inflation) at home, but also because of fears that a centrally directed economic system would leave a population vulnerable to both the totalitarian impulses of the government and a public sector unable or unwilling to provide the necessary public services. The proposed solution to this dilemma was the decentralization of the public sector which alone could deliver the proper provision of services and stable economic growth. Examples of this policy directed at the industrial sector will be documented below. Here I begin with some observations on the BJS party's broader discussion of decentralization, governance and public services.

The BJS criticisms levelled against the government sector mostly centre on public service inefficiency and the feared tendency towards totalitarianism. A resolution adopted in July, 1956 'Second Plan: Over-Centralised and Totalitarian' provides an outline of these criticisms.

Here, the Second Plan is described as a partisan exercise, which does not include input from other political parties (BJS 1956a, 37-40). A lack of political accountability fed a culture of inefficiency within the public sector, leading to a lack of provision of the most basic needs. Due to such circumstances the larger issues of unemployment, literacy and public cooperation remain unaddressed and any provision for moral and cultural development is entirely absent from the Second Plan.

The party's fears about an overall trend towards 'totalitarianism' is evident in resolutions that addressed the nationalization of the banking and insurance sectors during the early Prime Ministership of Indira Gandhi. After Nehru's death in 1964, momentum had been building in several quarters to liberalize sectors of the economy. This was especially so after the elections of 1967 when voters reacted to the failed economic policies of the Congress party by voting them out of several state governments (Frankel 2005, 396). The nationalization of these sectors was the means by which the new Prime Minister sought to keep reformist forces at bay. The impending nationalization of life insurance, cement production and distribution and the increased activities of the State Trading Corporation (instead of private trading across state boundaries) constituted what the BJS describes as a totalitarian trend on the part of the government (BJS 1956a, 37-40). The BJS maintains that 'giving control into the hands of an administration that is corrupt, dishonest and

incompetent, from top to bottom, would prove detrimental to the interests of the people' (BJS 1952, 44-45).

The resolutions that examine the government's approach towards poverty reduction provide some insight to the BJS party's own approach towards the issue of governance and economic development. In response to the Fifth Plan the BJS takes to task a wholesale reversal in the government's focus on poverty (*garibi hatao*). In particular it chastises the Congress government for its claim that poverty in India is too big and complex a problem to be overcome in the span of five years (BJS 1974, 5). A properly functioning public sector, the BJS argues, had to be able to provide full employment to all able-bodied persons, capital to the educated and technically skilled, primary health and education to all citizens. Furthermore, the provision of clean drinking water in every village, stable prices to protect both producer and consumer through relevant fiscal and monetary policy, land ceilings and redistribution of waste-land to landless peasants are listed as the responsibilities of the government and public sector (BJS 1969b, 15-18).

The party outlines its counter-proposal to accomplish this in a resolution on the Fifth Plan. Here, in a brooding document, the BJS envisions an alternative Five Year plan which will focus on *swadeshi* and the country living within its resources. A fully decentralized

production process will create employment. Multinationals will be banned from producing consumer goods, which would be reserved for the small-scale and cottage industries. The modernization of agriculture will be accomplished through expanded irrigation and through an agro-nuclear complex. Rural industries and dairy farming will be further encouraged with an integrated price policy for minimum needs; fair prices will be guaranteed for producers and price stability for consumers. A simplified tax structure with reduced income tax, raised income exemption levels and a penal consumption tax will create the fiscal framework for such a plan without the need to accumulate deficits (BJS 1974, 8).

In summary, the devolution of centralism and the banning of multinationals to maximize employment the industrialization of agriculture, price management, lower income and higher consumer taxes are therefore the BJS party's outline for tackling the urgent problem of poverty. Key to this is the decentralization of production and the encouragement of small-scale cottage industries. How will this be achieved? I turn to an examination of the industrial policy of the BJS to demonstrate how the party envisioned a decentralized industrial sector.

2.4.4. Industry

The centrality of heavy industrial development to the Planning process, means that this topic occupies a large share of the BJS party's economic resolutions. The party's views on

industry, inherited from Integral Humanism, bypass the preoccupations of contemporaneous developmental theorists on increasing capital accumulation (Gilpin 2001, 307). Instead it criticizes the organizational and fiscal structure of the industrial sector while proposing the alternate vision of a rural economy driven by decentralized cottage industries.

Concerns about industrialization first emerge in the BJS party resolutions on the Second Plan. Here the BJS equates greater democratisation and decentralisation of the sector with creating a viable cottage industry that is not dependent on government funds or threatened by 'big industry' (BJS 1956a, 37-40). A second resolution entitled 'Second Plan: Over Centralized and Totalitarian' proposes that small cottage industries with requisite capital and mechanical skill and labour be made the basis of industrial policy:

Bharatiya Jana Sangh is of the definite view that any plan for India must avoid the dangers of over centralization and totalitarianism which are inherent in the present Plan. Jana Sangh stands for democracy and de-centralization of power, so as to make the maximum number of people a partner in economic and political development of the country. To that end it aims at making the cottage industries the basis of the industrial policy of the country. It stands for an integrated industrial plan in which the cottage industry is not left on the mercy of the doles from the Government for all times but is able to stand on its own legs without fear of destructive competition from the big industry (BJS 1956a, 39-40).

Beginning with a critique of the operational and governance implications of the Second Plan, the BJS maintains that its alternative to central planning would not only ensure higher employment but also increase the democratic potential and self-reliance of the population.

While the goal of decentralization was inherited from Integral Humanism, this policy was also directed at consolidating the party's voter base. Among this base of small trader families, the BJS advocated the family unit as the ideal organizing framework for the economy. Thus the emphasis on small industries, which could be run on the organizational principles of family units, was a strategy advocated on behalf of the party's core constituencies (Graham 2007, 159).

The 'malaise' of heavy industrialization is described in a resolution entitled, 'Fourth Plan – An Appraisal', which leaves no dimension of the central industrialization programme unrepresented. This resolution draws attention to the 'large idle capacity in our industries, a dull capital market, a stagnant per-capita income, rising prices of most necessities, big drain on account of interest and annuity payments resulting from huge foreign indebtedness, increasing disparity of incomes with declining consumption of food grains, cloth and edible oils and an ever-growing unemployment.' (BJS 1969a, 11-12). These symptoms are entirely ascribed to centralized heavy industrialization. In its place, the BJS consistently advocates a decentralized cottage industry based economic model.

Specific policies to support cottage industries are spelled out in greater detail in a resolution concerning the handloom industry. The chief concern of this policy is maintaining

employment for some ten million weavers. It is proposed that ubiquitous items of clothing such as *dhotis* and *saris* will be reserved for production on handlooms, while sales tax on handloom products removed to encourage consumption of these products. In order to create a ready market for these goods:

The Jana Sangh also recommends that the handloom products be used for the necessities in Government offices and for the uniform of Government employees, both in the Centre and in the States. The Jana Sangh further calls upon the people to use handloom cloth as much as possible. The Jana Sangh urges upon the Central Government to direct our Embassies to make planned and systematic efforts to popularise our handloom-products in their respective countries, so as to secure for it a wider market abroad (BJS 1954b, 125).

The purpose of supporting cottage industries provided here are to maintain employment in the rural sector and enhance self-reliance. However, the impression made by these proposals is of a static employment equilibrium with no indication of where savings, investment and increased productivity would fit into such an idyllic state.

Finally, the resolutions go on to tackle growth rates. The BJS argues that the low growth rates of all Plans since the Second (both real and targeted) was primarily the result of an economic inertia caused by having to mobilize resources centrally through taxation and deficits. However relatively low targets are also cited as a source of this arrested growth. In a resolution on the Fifth Plan, the targeted growth rate of 5.5 percent is described as 'puny' when measured against the needs of the economy. The BJS argues, somewhat hyperbolically, that a growth of at least 10 percent could be achieved (BJS 1974, 7).

It is clear from this discussion that the BJS party's criticisms of the Planning Commission's industrial policies draw directly from Integral Humanism's preference for decentralized cottage industries. The party argues that such industries will maximize employment, keep costs low and maintain an efficient allocation of abundant local resources. However, in this particular area, there is some evidence that even the BJS recognized the limitations of its alternative proposals. Among others, Upadhyaya recognized that small industries were not growing at a rate that was sustainable (Graham 2007, 162). Advocating mechanization and temporary protectionism to increase productivity, he blamed this lack of growth on insufficient government expenditure into the rural sector, even though expenditures were in fact increased during the Second and Third Plans (Graham 2007, 162-166). The BJS criticisms of centralized industry and advocacy of a decentralized cottage based alternative therefore appears to have been more problematic than its other economic policy platforms.

2.5. Conclusions

This chapter set out to answer two questions. First, is there a distinct set of economic ideas advocated by Hindu nationalism? Second, can such ideas be shown to have actually influenced the economic policies of Hindu nationalist political parties? This chapter has responded in the affirmative to both questions. Two extended engagements with historical sources have been used to support these conclusions. The first presented a detailed account of the economic ideas of Hindu nationalism sourced from its chief economic ideologue,

Deendayal Upadhyaya. The second delineated a Hindu nationalist economic programme proposed by the Hindu nationalist Bharatiya Jana Sangh which developed these ideas from philosophical concepts to critiques of existing policies and alternative policy proposals. In doing this, the latter part of the chapter has also repudiated a commonly held assumption that Hindu nationalism does not possess a distinctive economic agenda. Critically reviewing the scholarly literature of this era, one scholar described this assumption as, 'the general belief that the [BJS] party does not have any definite economic programme' (Jhangiani 1969, 73). I summarize my findings below.

Upadhyaya's critique of modern economic thinking, based on his larger framework of humanist philosophy, was an attempt to step toward a holistic development of individuals beyond an exclusive focus on either technology or wealth creation. Planning for Upadhyaya was an inadequate approach to development since it was an enterprise that was built on a notion of human insufficiency. For Upadhyaya, the ideal economic system would emphasize decentralized production and self-sufficiency. These attributes would allow individuals to flourish in their multiple dimensions.

The BJS party documents extend into greater detail on specific points of economic policy. Discerning the influence of Integral Humanism on the BJS is not a simple question of a point

for point correlation between Upadhyaya's ideas and party proposals. However, the major themes in Upadhyaya's economic writings (self-reliance and decentralization) are infused throughout BJS party resolutions on key policy areas. This clearly demonstrates the underlying influence of Integral Humanism on the BJS party's economic approach. There is a distinctive and consistent thread encompassing these two themes woven through the economic policy formulations of the BJS.

The BJS resolutions themselves, are mostly commentaries on what it regarded the failures and shortcomings of Planning. They therefore read largely as reactive criticism rather than proactive policy. However, it is clear that they heavily utilize the approach of Integral Humanism in their criticisms. In places, the acuity of these criticisms is apparent through similar criticisms in the academic literature. For example, in their seminal work on Indian Planning, Bhagwati and Desai concurred with some of the major concerns of the BJS. These included concerns over unrealistic and overly ambitious targets inevitably fell back on deficit spending, stymied economic activity due to the over-regulation of a highly centralized economy and lop-sided expenditures that focused on heavy industry at the cost of agriculture (Bhagwati and Desai 1970, 5).

Occasionally the party does make policy proposals that outline the priorities described above. These are useful in demonstrating a concrete economic policy based on Integral Humanism. This was still one-step removed from the possibility of actual policy implementation – a prospect that would be made possible through their successor, the BJP and its coalition government some two decades later. By the time the BJS was absorbed into the Janata coalition government of 1977-1980, and re-emerged as the Bharatiya Janata Party, Hindu nationalist political engagement had moved as a whole towards the centre in order to generate greater mass appeal. Economic thinking also shifted to more ‘centrist’ ground (Puri, 2005: xx-xxi). This is where the next chapter begins.

Chapter 3: At Home with *Hindutva* – The Formation of the BJP's Domestic Economic Policy

3.1. Introduction

This chapter is an analysis of the influence of domestic factors on the NDA government's economic policies. It sets out to accomplish two goals. The first is to demonstrate the BJP's economic reorientation from an emphasis on the values of Integral Humanism to a new set of neoliberal priorities. The second is to explore the role of domestic factors in creating this reorientation. This chapter will seek to demonstrate how far domestic factors supported or restricted the neoliberal reorientation of these economic policies.

This section provides a brief overview of the context, rationale and structure for the chapter. The next section will provide a short chronological overview of the BJP's economic policies from its formation to its election at the head of the NDA government. The next three sections will assess the influence of coalition partners, interest groups and voters in shaping the NDA government's economic policies. They will draw conclusions based on the analysis of primary and secondary sources as well as survey data. A concluding section will show where domestic factors influenced the BJP's neoliberal economic policy formation and where further investigation (pursued in chapter 4) is needed.

The BJP was formed out of the remnants of the Janata coalition which lost its election bid to Congress in 1980. From the beginning, the party attempted to portray itself as a real alternative to Congress. It continued to do this even as Congress experienced increasing electoral success in the elections of 1980 and 1984. This success belied a growing alienation between the Congress and regional state governments as regional political parties began to win significant numbers of seats in the Lok Sabha. Even within the Congress party, the style of leadership that had emerged by the 1980s concentrated the reins of major policy formation in the hands a close circle of trusted advisors around the Prime Minister. These advisors were picked for both their experience and personal loyalty to the Nehru-Gandhi family (Brass 1990, 53).

Throughout the next decade, increasing centralization of government power within the Congress party, at the expense of government institutions, created an environment in which regional parties and caste based demand groups became increasingly significant brokers of power. Despite sweeping electoral success in 1984, the ill-fated response to separatist activities in Punjab and tepid steps towards industrial de-licensing failed to ensure the necessary political and economic stability for the Congress party to remain in power. The formation of the Janata Dal government (1989) and its implementation of caste-based reservations was an illustration that the political domination of Congress was unravelling. Under the Janata Dal, a lack of economic opportunity compounded by resentments over the

institutionalization of so-called lower caste 'privileges' created a fertile environment for political newcomers such as the BJP to gain a populist base among an alienated emerging middle class (Biswas 2004, 111).

From the 1980s onwards, the BJP began its political ascendancy through an intensive programme of mass political campaigns and close collaboration with regional partners and the *Sangh Parivar*. Jenkins describes the 1990s as an era of particularly tumultuous relations among fundamental social forces he characterizes acronymically as the four 'Ms': the politics of the 'Mandal' caste reservations, Hindu nationalist mobilization around the icon of the Ayodhya 'Mandir', demand based social 'Movements' and the newly introduced social forces of the 'Market' (Jenkins 2010, 597). With other political alternatives exhausted, the BJP emerged from this turbulent social brew to create a stable coalition government (1998-1999, 1999-2004).

Once in government, the BJP led NDA government put forward an aggressive program of neoliberal reforms. This chapter examines how a reorientation in economic priorities was accomplished, from the priorities of Integral Humanism to economic liberalism. The chapter investigates various domestic influences on the party's policy formation *while in*

government. The main influences considered are the BJP's coalition partners within the NDA government, organized interest groups and voters.

The examination of these three domestic factors: coalition partners, organized interest groups and voters have been chosen for their ubiquity in the literature on domestic policy formation in India (the influence of ideology has been discussed in the previous chapter). In one classic study, the most formative influences on domestic policy formation are identified as coalition politics, 'demand' groups and individual voters (Rudolph and Rudolph 1987, 178-200; 220-246; 247-255). These factors also resemble some of the key elements within the theory of public choice. The first chapter has already supplied a rationale for the inclusion of these factors in the analysis below. In summary, the BJP's position as a party within a large coalition, newly elected to government through a novel electoral strategy and addressing a policy area contested by both commercially focused and *Sangh* interest groups would imply that the influence of coalition partners, voters and interest groups would be significant influences on policy formation. Since these factors provide the basis upon which I will pursue this investigation, some further consideration must be given as to how I understand and utilize these factors.

This chapter will examine the crucial role of political parties within the NDA coalition and their influence on economic policy formation. In public choice analyses, the category of 'political party' may be cast widely and could include the influence of opposition parties (e.g. Congress, Left Front) through the 'politicization' of policy issues (Seeberg 2013). However this approach sees the formation of policy in a somewhat reactive and even *ad hoc* manner. This could distract from an identification of the underlying rationale for shifts in economic approach that were responsible for the majority of the novel economic reform policies implemented by the NDA government. Moreover, the NDA's economic agenda was an expansion of policies that had already been put in place by a Congress government (now in opposition) that was sympathetic to the overall economic direction taken by the BJP. Reactions to pressures from opposition parties cannot therefore explain these policy innovations. For the most part, the major opposition party (Congress) was sympathetic with the overall economic direction undertaken by the NDA government. The role of political party influence can be much more fruitfully investigated by examining the policy forming dynamics at play within the NDA coalition. Thus the focus will remain on the BJP's coalition partners and their influence on policy formation.

Likewise the influence of interest groups on economic policy formation is restricted to interest groups that had a direct stake in economic issues. While it is possible that other interest groups (e.g. caste based advocacy groups) may well have had an interest in the

NDA's economic policies, it is the interest groups formed around economic issues that are the focus of this analysis. This focus is based on the assumption that these groups would have tried to influence the economic policy formation process more intentionally and more substantially than other groups. It is these groups that the NDA and the BJP in particular would have contended with most consistently in the formation of its economic policies, whether in a supportive or critical capacity.

Finally, examining the support for the BJP among individual voters conveys an idea of how the NDA's economic policies were perceived by voters themselves. The perception of voters would have determined the electoral fortunes of the BJP. For a party that had successfully strategized its political ascendancy in the span of a decade, a new awareness of voter satisfaction, within both the party and among coalition partners, would have acted as a strong influence on policy formation. This is not to crudely imply that economic policies were formed simply to appeal to voters. However these economic policies would have been implemented within a larger framework of electoral strategies aimed at maintaining or even growing the BJP's support. In taking a radically new direction in its economic policies, how did the BJP and its NDA coalition partners respond to the reactions of its hard won core and coalition voters? This is the key question that the final section will attempt to answer.

Together an examination of these factors will develop a rich and complex picture that will seek to illustrate how the economic policies of the NDA government were shaped domestically. Each of these factors will be shown to have had some limited influence in shaping the policy approach of the BJP while in power. However before I get to an analysis of the individual factors, I examine the evolution of the BJP's economic approach over the preceding decades.

3.2. From BJS to BJP

This section briefly recounts the development of the BJP's economic perspectives from its formation to its leadership of the NDA government. It shows that while the party began with an economic agenda broadly in line with its predecessor (the BJS) its economic perspectives began to gradually evolve. By the time it formed the NDA government, the BJP adopted a full-blown neoliberal agenda.

At the end of the Janata coalition, former members of the dissolved BJS regrouped to form the Bharatiya Janata Party (BJP). The leaders of this new party (L. K. Advani, A. B. Vajpayee) were former lieutenants of Deendayal Upadhyaya. They had been instrumental in trying to broaden the Bharatiya Jana Sangh's popular base, despite opposition from more conservative factions within the party and the *Sangh* at large (Hansen 1999, 129). However, this new leadership carried this populist approach into the newly created BJP and began

building a populist base during the early 1980s. These efforts were geared towards transcending the strong support the BJP (and its predecessor, the BJS) had enjoyed among high caste Hindus and appealing towards a broader caste constituency and even Dalits. This was accomplished both through mass political campaigns and regional coalition building.

In terms of its economic perspectives, there is at first not much to distinguish the BJP's positions from its predecessor. The BJP remained critical of economic centralization while cautiously supporting gradual economic reforms under both the Indira and Rajiv Gandhi Congress governments. As an illustration, the party's 1980 Economic Policy Statement castigated the centralized economy model for producing low rates of growth and creating a culture of corruption. In line with Upadhyaya's original critique, these symptoms were attributed to the adoption of 'foreign' economic models with no relevance to India (Ralhan 1998, 1-18).

When the first limited economic reforms were introduced by Congress governments that followed the Janata coalition in the 1980s, the BJP was quick to criticize their impact. While attempting to build an electoral base among the broader constituency of the 'common man' the Party argued:

There is a consistently anti-poor and pro-rich bias in Government's policy. In this year's budget, direct taxes were reduced, both on corporate and personal incomes, thus triggering one of the biggest

boom [sic] in the stock market. However, indirect taxes were raised substantially as a result of which prices of most commodities have risen... The Government should have begun with indirect taxes, which impinge directly on the expenditure levels of the common man and then tackled direct taxes which in any case account for a fraction of the revenue (BJP 1986).

However, political developments began to expose the BJP to new economic perspectives. With the decline of Congress hegemony and the resulting process of political decentralization, large regional parties collectively gained ten percent of seats in the Lok Sabha, formerly the exclusive demesne of national parties (Rudolph and Rudolph 1987, 178-207; Guha 2007, 418-429). A new focus on regional level political priorities aggregated to a blurring of lines between centre and state level politics. Through this development, state based political parties were able to make themselves indispensable to governments at the centre.

Partly due to the exposure to new ideas made possible by political coalition building, the BJP developed a greater appreciation for the fact that the factors that had sustained the economic stagnation of the previous decades had passed. In light of these new realities a more critical assessment of the party's ideological heritage began to develop. For example, there was some recognition that the idea of decentralized village economies, the ideal model of Gandhian and Integral Humanist thinking, had questionable contemporary relevance. Factors such as high population growth, the Green Revolution, the growth of

industry (replacing tradition with contract) and the growth of modern education made this ideal somewhat irrelevant (Lal 1993, 423).

Even as the party began to reflect on its economic positions, it was quick to appeal to its ideological roots in response to major economic events. This included the economic liberalization of 1990. At the time, the Rao government's model was explicitly criticized in preference of a model based on Integral Humanism:

The economic policies initiated by this Government with so much fanfare and promise have also been tested and tried over the last three years. It is clear that these policies are nothing but a rehash of the IMF/World Bank model which has been followed with disastrous results in Mexico, Brazil, the former Soviet Union and some other countries... The Rao/Manmohan Singh model rests on three legs 1) Fiscal stabilisation 2) Economic restructuring 3) Foreign investment and globalization. As far as this is concerned, the BJP does not share the misplaced faith of the Government in foreign investment and globalisation as a panacea for all our ills. Unrestrained globalisation in effect means wholesale and shameless capitulation before foreign vested interests (BJP 1996c).

It is significant that at this stage the BJP rejected outright the legitimacy of fiscal restructuring and foreign investment as suitable economic policies. As I will demonstrate, the BJP eventually embraced both policies wholeheartedly at the head of the NDA government. At the time, the BJP demanded a white paper from the government on the balance of payments crisis and castigated what it called Congress 'capitulation' to policy adjustments linked to IMF and World Bank assistance. Such policies included the slashing of agricultural subsidies, the entry of multinational corporations into the economy and the selling of gold to shore up foreign reserves. The BJP proposed nationally-centred policy alternatives such as providing incentives for Non-Resident Indians to invest foreign currency into the economy to make up for the loss of foreign reserves. In the face of the

government's policies, and even what that BJP called the Left's surprising enthusiasm about globalization, the party portrayed itself as the sole remaining champion of *swadeshi*. It described its own policy agenda as broad-based agricultural development, total youth employment and a lingering support of village based small-industries (BJP 1997a).

The BJP formed a 13-day government in 1996. While this government did not enact any major policy milestones during this period, cracks in the façade of ideological continuity with the BJS were slowly beginning to appear. According to one advisor to the BJP who would later serve as a senior finance ministry official in the NDA government:

It [the BJS] was an ultra-nationalist party opposed to any foreign investment. And these were the resolutions of the party: that foreign investment is bad and everything must be done inside, foreign cars are bad... everything is bad. Investment should come for computer chips not potato chips and people like me argued that potato chips created more jobs than computer chips (M. Guruswamy, Telephone Interview, July 17 2012).

The use of the term 'ultra-nationalist' provides a clear understanding of the way the BJS was perceived among senior officials in the BJP government. The BJS is clearly depicted as a party that had extreme views on the economy with knee-jerk (and even simplistic) dismissals of foreign goods and services without due consideration to their possible benefits.

The reference to potato chips and computer chips, misattributed by this official to the BJS, actually comes from a BJP election slogan from its election campaign 1996: 'Computer chips yes! Potato chips no!' (Hansen 1999, 220). This slogan was originally conceived by Murlidhar Manohar Joshi, a leading figure of the Hindu nationalist movement in the 1990s who would go on to become a 'hard-line' traditionalist cabinet minister in the NDA government. The slogan provides a window into the BJP's evolving economic views in the years just prior to forming its stable coalition government.

At the party level, Joshi played a leading role in the formation of economic policy statements. These statements enacted a cautious adjustment to the outright opposition to foreign investment advocated by the BJS while maintaining the priority of high employment in low-skilled work, inherited from the BJS. Hansen calls this the BJP's 'patriotic capitalism' (Hansen 1999, 220) which emphasized the need to protect high employment low-skill domestic industries (the production of potato chips) while discerning the need for foreign investment and expertise for the development of other sectors such as technology (computer chips).

The period from 1996 until 1999 was a period of short-term coalition governments. In 1998 the BJP formed its first NDA coalition government. The economic programme that followed

would result in the major neoliberal economic policy milestones. This programme was exemplified by the BJP's shift from the more traditional language of *swadeshi*, to the language of high-finance. By doing this, the party adopted a central concern among transnational elites or what Diwan, playing off the ubiquitous description of Indian emigrants (Non Resident Indian), disparagingly calls the 'Resident Non-Indian' (Diwan 1995, 73). These policy milestones included the abolition of the Monopolies and Restrictive Trade Practices Act (MRTP) and industrial de-licensing, removal of foreign investment restrictions, decreases in tariffs and import licenses, the lifting of Quantitative Restrictions on consumer goods (in response to WTO requirements), the Insurance Regulatory and Development Authority Bill and major initiatives on Public Sector Undertaking disinvestment and domestic fiscal consolidation (Panagariya 2008, 98-109).

These policies marked a significant shift from the BJP's *swadeshi*-based approach to a greater free market emphasis. Furthermore these policies constitute the main platforms of what key observers of the Indian economy have described as a neoliberal economic policy. Important markers of this policy were the deregulation of the economy, an openness to international goods and services, the shrinking of government and privatization over job security and full-employment (Chandrashekar and Ghosh 2006; Panagariya 2008, 16, 18; Kohli 2006, 1251).

What began as a gradual reassessment of economic perspectives while the BJP remained out of government, turned into a neoliberal economic agenda once the party was in power at the head of the NDA government. The rest of this chapter will focus on providing an explanation of how this reorientation took place. It will accomplish this by examining the influence of domestic influences on the BJP's economic policy formation. In appropriate places it will draw from the economic policy statements of the BJP to show the gradual divergence from the approach of the BJS and Integral Humanism.

3.3. Coalition Politics

This section will place the discussion of economic policy and reform in the context of domestic coalition politics. It begins with the assumption that (during the late 1990s and early 2000s) coalition politics in India remained central to domestic politics at the federal level and therefore had the ability to directly or indirectly impact upon economic policy. This assumption is based on the fact that from 1996 until 2014, the central government has been headed by coalition governments. To situate economic policy within coalition politics is to ask: did economic policy remain on the side-lines of policy making as a by-product of collective-bargaining? Was it an instrument through which collective action problems were solved by the major party (BJP) in the NDA coalition? Or was it a key area of contestation among the various coalition members seeking to placate their individual constituencies. These questions and others are addressed below through a discussion of party politics. This

necessitates a brief theoretical account of the politics of political coalitions, focused on state-centre relations and their implication for economic policy.

The theoretical work on government coalitions defines the range of coalition arrangements from single party majorities to 'minimal winning' and 'minimal connected' coalitions (Woldendorp et al 1993, 5; Mueller and Strom 2003, 13). The former is defined as a coalition government in which each party has the incentive to form a coalition with the smallest majority margin and the greatest level of flexibility regarding the actual power sharing agreement, ideology or policy. Such an opportunistic arrangement would allow each party to achieve the maximum pay-off as a part of a small group in government. Minimal connected coalitions are defined as coalitions of parties that are grouped around a common ideological spectrum (Sridharan 2008, 11). The European political experience, formed against the backdrop of a left-right ideological axis, provides evidence for the frequent occurrence of the latter (minimum connected coalitions). This, however, does not immediately translate into the Indian experience where the ideological axes are characterised as multiple and cross-cutting within an overall political climate in which party identification is also weak (Sridharan 1999, 278).

Sridharan characterizes the Indian situation as distinctive for three reasons – almost all coalition governments have been minority governments, none have been minimal winning coalitions and these governments have been among the largest in the world in terms of the

actual number of parties involved. The other distinguishing feature of coalition politics in India is the significance of single-state 'regional' parties in central government coalitions. These parties, having little to no presence outside the states where they originate, were initially formed due to parochial concerns about local languages and regional identity that had not been addressed by regional Congress parties (Guha 2007, 418-429). The popularity of their regionally-focused platforms made them significant adversaries to the Congress party at the state level. Gradually Congress recognized the crucial need for regional support at the centre and in turn elevated regional parties to national significance. The most prominent examples of nationally significant regional parties are the Dravida Munnetra Kazhagam (DMK) in Tamil Nadu, concerned about the 'encroachment' of the Hindi language into the southern Tamil speaking state and the Shiv Sena in Maharashtra, initially formed around concerns at the migration of Gujarati and Tamil communities into the city of Mumbai (Fickett 1971, 194).

In the case of the NDA government, the coalition was formed of 12 parties, some with a strong regional/identity orientation: the Shiv Sena based in Maharashtra, the Akali Dal based in Punjab and the DMK based in Tamil Nadu. Other coalition partners could be described as ideologically opportunistic depending on the prevailing electoral climate. The NDA coalition did not form a parliamentary majority. Instead, it relied on the external support of the Telegu Desam Party (led by Chandrababu Naidu) from Andhra Pradesh to

achieve stability. Thus the NDA coalition defied definition under the simple categorization in the literature as it maintained only some of the ideological connectivity necessary to be a minimally connected coalition while not being able to even form a majority in parliament. However, given the broad party base and its minority status, the stability of the NDA coalition government remains a significant political fact, especially since it constituted one of the largest coalition governments on record (Sridharan 2008, 17).

Having briefly considered the NDA coalition from a theoretical standpoint, how was it that this group of parties formed their unlikely alliance? The roots of this coalition can be traced to the new possibilities opened up by the changing political landscape in India in the 1980s. Manor describes the 1980s as politically significant due to an increasing political awareness among younger voters and because for the first time, voters' social concerns and political loyalties began to diverge. Social cleavages began to take precedence over identification with a particular party at the national level even as the populace in general were less inclined to view the state and national politics as agents of change (Manor 1997, 104-105). This translated into a crucial role for state level regional parties at the centre, as part of ruling coalitions.

Unstable coalitions between 1989-1991 (Janata Dal) and 1996-1998 (National Front) were stop-gapped by various coalition and minority governments. The election of 1996 produced

a hung parliament and the BJP was invited to form a government by securing the necessary support of other political parties within two weeks. Within 13 days the BJP conceded that it was not able to generate the necessary support and a new coalition government was formed by the Janata Dal. By the 1998 the BJP had formed the National Democratic Alliance out of a coalition of twelve parties with the Telegu Desam Party (TDP), supporting it from the outside. The major coalition partners (by number of seats) included the Janata Dal, Shiv Sena (Maharashtra), All India Dravida Munnetra Kazhagam (Tamil Nadu), Biju Janata Dal (Orissa) and the All India Trinamool Congress (West Bengal and North East).

Losing a confidence motion the following year (1999), the NDA coalition won the election of 1999 with the BJP holding 182 seats out of a required 272 for a majority. Together the NDA coalition held 270 seats. Most parties in the original coalition remained with the major exception being the departure of the AIADMK in favour of its regional political rival the DMK. With the further external support of the TDP, the NDA became a minimal winning coalition with surplus external support (Election Commission of India n.d. 90-99). Having established the significance of coalition politics in India and for the NDA government in particular, the focus of this section returns to the role of coalition politics in the formation of economic policy.

As recounted above, minimal coalitions (both winning and connected) are seen as especially advantageous to smaller coalition members. As coalition members, these relatively minor political parties are able to leverage their positions in the ruling coalition to exert a disproportionate influence over policy formation. As one means of gauging the ability of NDA coalition partners to bargain within the BJP, McMillan discusses the significance of portfolio allocation within the NDA's council of ministers. Major portfolios were retained by the BJP (including Finance, Home and External Affairs) while the remaining allocations reflected the particular interests of various party agendas. The Janata Dal and Shiv Sena occupied most other posts. Overall, however, portfolio allocation reflected proportionality while the actual number of cabinet positions (including junior ministers) expanded considerably to 70 members (McMillan 2005, 28).

The impact on actual policy engendered by this arrangement was evident to different degrees. On the one hand, regional coalition partners were able to extract concessions from the BJP on politically sensitive issues for their particular regions. This was, however, not a unidirectional pressure as the BJP was in turn able to negotiate agreements with coalition partners to consolidate its own position. The coalition presented two explicit occasions in which conflict over economic policy was apparent: early proposals to reduce subsidies and fiscal reform. Both conflicts were resolved through a combination of capitulation and management by the BJP. I discuss them in further detail below.

Under the NDA government's reform agenda, the rural sector came under particular scrutiny for its reliance on government subsidies. Given the demographic fact that India's rural regions carry a higher proportion of votes than urban areas and given that 60 percent of the labour force is engaged in rural areas (Ahluwalia in Nayar 2007, 210) rural welfare is an especially acute electoral issue. An early proposal to discontinue food grains and fertilizer subsidies in order to secure savings of 10,000 crore during the 2000 financial year (*Financial Express* 2000, March 09) was stymied through pressure from coalition partners. The two parties that led this response, the Janata Dal (U) in Odisha and the Akali Dal in Punjab, were especially reliant on crucial votes from agricultural constituencies. These parties acted after their senior leaders were approached directly by rural representatives who expressed grave concerns about the subsidy reduction proposals (Sahay 2000).

Populist expediencies also prevented the implementation of price hikes in petroleum (based on cutting subsidies) from NDA partners in Andhra Pradesh (Telegu Desam Party) and West Bengal (Trinamool Congress). Both parties were reluctant to implement cut-backs in fuel subsidies as they were about to face crucial polls in their individual states (Jha 2004, 286). A major point of contention was the BJP finance minister's lack of consultation with coalition members before announcing these cuts in the annual budget. Coalition members even threatened to vote against the (minority government) in a joint memorandum presented

directly to the Prime Minister. The challenges of coordinating policy among diverse coalition members was aptly summarized by then BJP General Secretary Narendra Modi who commented that, 'it is natural that disagreements will crop up amongst ourselves' (Sahay 2000). In his own recollection of the events, finance minister Yashwant Sinha rationalized the cuts in light of increased defence expenditures during the Kargil war (1999). He recalled severe political pressure exerted by coalition partners not only through meetings with the BJP leadership but also in parliamentary debates and criticisms in the media (Sinha 2001, 81).

Ultimately the proposals to cut subsidies were dropped in a major reversal of Sinha's original determination to introduce the cuts in the budget that year. In these particular cases, the influence of regional coalition partners, acted as a restraint on economic reform policies advocated by the BJP. The major motivation for resistance from coalition partners was the fear that these policies would translate into electoral losses (Jha 2004, 291). The BJP was therefore strongly influenced by coalition partners on issues of rural welfare where coalition members went as far as threatening to bring down the government if policies were not withdrawn.

Even as the influence of regional parties increased at the federal level some scholars argue that post-liberalization, the centre was able to reassert some of its power. It did this by acting as a gate-keeper to global investment as states mobilized in order to attract investment (Sinha 2005). The Economic Surveys of the Ministry of Finance from 1999-2004 point to the increasingly precarious picture of state level borrowing. This was a legacy of populist politics by state governments, which, following two phases of economic liberalization at the centre, were forced to maintain public spending to compensate for rising inflation. While the fiscal situation of previous governments remained a constant refrain for the BJP in opposition, the record of the NDA on fiscal management was somewhat mixed. As I have shown in the previous chapter, the BJS had maintained an alarmist view on deficits that were needed to fund the Planning process. However, these concerns stemmed from the threat of inflation within the domestic economy, rather than concerns that deficits would stem international investment.

For the BJP, however, reducing the fiscal deficit was a priority in order to attract greater Foreign Direct Investment into the economy. In its early economic statements, the party situated the genesis of high fiscal deficits in the process of Planning. It claimed that Planning had led to increased levels of poverty and vulnerability to external shocks (with specific reference to the rise of oil prices in the 1970s). This vulnerability inevitably necessitated intervention from international institutions and induced high external debt servicing costs.

The party was originally not in favour of fiscal consolidation at any cost. The BJP accused Congress of negotiating a loan (in 1982) from the IMF 'behind the back of Parliament' and criticized the loan's attendant conditions such as reduced subsidies, tighter fiscal and monetary policies, liberalized imports and investment policies, and a greater export orientation in industry. The BJP viewed this as a costly move the government could have avoided by creating fiscal and credit incentives to mobilize domestic production and 'unleash creativity' (BJP 1981, 355-356). Thus the BJP's original stance on fiscal consolidation was suspicious of the role of international institutions and focused on creating domestically focused solutions. Once in government, the BJP's approach to this problem was substantially different.

In a bold move to achieve fiscal consolidation, the NDA coalition government negotiated a package of reforms to shore up the fiscal circumstances of individual states. The BJP recruited a number of coalition partners to this initiative through the signing of fiscal reduction MoUs (Echeverri-Gent 2001, 10). Through a debt-swap scheme, the government sought to relieve states of the burden of high interest payments and allow them to substitute these payments by current, low-coupon-bearing small savings and Open Market Loans (Ministry of Finance 2003-2004). A former Secretary of the finance ministry described this process as regional state governments were recruited to the signing of the MOUs:

I started signing fiscal reform MOUs with each State, linking the release of loans and grants to the fulfilment of certain fiscal reform objectives. Though some States resisted it (strictly, loans and grants are an entitlement under the Constitution in which the Finance Commission lays down the criteria), still, taking advantage of the weak fiscal condition of some states and their acute need for resources to run their respective administrative machineries, I found it feasible to make them sign such MOUs. One State after another followed. Subsequently, I convinced the then Finance Commission to include this as a formal institutional mechanism in its report to the Parliament. It did become a reality. (E.A.S Sarma, Telephone Interview, July 26 2012).

Based on this account, it is clear that the central government, and the finance ministry in particular, was able to exert substantial influence over fiscal reform at the state level. Where states were resistant to this reform, the ministry even went so far as to leverage the diminished fiscal circumstances of a state to their own advantage and ensure the implementation of fiscal reforms. The inclusion of this as a formal mechanism in the report of the Finance Commission, an independent body set up by the President to advise on the distribution of taxation revenues between the states and centre, is particularly significant. This demonstrates that while capitulating on the issue of subsidies, the centre was able to reassert its influence at least on fiscal matters.

Among the nine states that came on board with the fiscal reforms, four were represented in government by regional coalition partners (Orissa, Rajasthan, Punjab, Himachal Pradesh). This demonstrates that as coalition leader, the BJP influenced its coalition partners on fiscal reform. However, despite these successes, for various other reasons state level fiscal deficits

remained high during the term of the NDA government, continuing an upwards trend from previous governments before peaking during the fiscal years 2001-2002 and 2002-2003.

Difficult relations over fiscal concerns was mirrored in other policy areas. The cornerstone policy of public sector disinvestment was opposed by cabinet ministers from regional parties. Disinvestment remained one of the most controversial points of the NDA's economic reform agenda, especially in the appointment and method of the process. While the BJP initially followed the BJS in criticizing the public sector for its heavily centralized approach to the provision of goods, the proposed alternative emphasized *swadeshi* and decentralization rather than privatization. In contrast to this, the policies of the NDA took an even more aggressive stance on privatization than the previous Congress government.

A fundamental catalyst for this process was the NDA's creation of an entirely new government department to supervise disinvestment (the Department for Disinvestment) and provide a systematic approach toward the privatisation process. A former secretary of the Disinvestment Ministry explained the rationale behind its formation in the following way:

When you sold [public] assets, there were questions to be asked in the parliament for instance. Now a minister could not take the responsibility of answering on behalf of a Disinvestment Commission that was independent. So therefore it was felt that there was need for a Disinvestment Ministry and that is how it was created (P. Baijal, Personal Communication, July 14, 2012).

According to this view, the Disinvestment Ministry was formed in order to provide greater parliamentary accountability to the process of public sector privatization. Ironically, the disinvestment process would come under heavy criticism within parliament on various points including the scope and method of disinvestment.

On coming to power the NDA government's stated target was to reduce government equity in all 'non-strategic' (i.e. non- defence or energy related) Public Sector Undertakings to 26 percent or less. Budget announcements were careful to maintain that the interests of public sector workers would be 'fully protected' and that the receipts from these sales would be used to retire public debt and maintain the competitiveness of profitable public sector companies (Ministry of Finance 2000-2001). By the second year of the full-term NDA government, the privatization of 27 companies was approved (Ministry of Finance 2001-2002). Sales in a further 7 public sector companies and properties belonging to the government owned Hotel Corporation of India (HCI) and the India Tourism Development Corporation were completed a year later (Ministry of Finance 2002-2003).

However, disinvestment formed a particularly thorny point of contention among coalition partners. Whether due to differences in ideology that would be expected within such a large coalition or due to the machinations of cabinet level politics, there were clear instances of difference over, and even resistance to, disinvestment among coalition members. Early

proposals for the disinvestment of Air India, a Public Sector Undertaking under the portfolio of the Minister for Aviation Sharad Yadav (Janata Dal U) and similar proposals for the disinvestment of Mahanagar Telephone Nigam (MTNL) a Public Sector Undertaking under the portfolio of Minister for Communications Ram Vilas Paswan (Janata Dal U and Lok Janshakti Party) were met with resistance (Mishra et. al. 2003, 501-502).

Significant delays that frustrated the BJP's plans for rapid disinvestment were suspected to have originated with the Ministers' alleged resentment of Disinvestment Minister Arun Shourie's supposed 'encroachment' into Public Sector Undertakings within their own portfolios. The actions of these ministers are highly suggestive of stonewalling tactics. For example, mere weeks before the planned disinvestment of Air India, aviation minister Sharad Yadav suddenly announced the dismissal (on corruption charges) of the pro-privatization Managing Director of Air India, Michael Mascheranas (*Frontline* 2001, June 09). This dismissal put the plans for privatization on temporary hold. In order to clear the way for the progress of disinvestment, these two Ministers were reshuffled to alternative cabinet positions (*Business Line* 2001, September 02). Here the BJP exercised an ability to manage opposition within the coalition, rather than capitulating to coalition pressure as on the issue of subsidies. The reshuffle enabled the Disinvestment Ministry to carry out an aggressive programme of privatization unhindered (McMillan 2005, 28-29).

These incidents point to another possible source of influence on policy formation within the government that strictly falls outside the scope of 'coalition' politics. While I have accounted for debates among coalition partners, what of debates within the parties? How would these have influenced the policy direction of the NDA government? Of particular importance are the ideological debates within the BJP which, given the legacy of Integral Humanism, would have surely been a point of contention within the party. The record shows that this was indeed the case. While drafting the 1998 economic policy manifesto, the BJP side-lined *swadeshi* advocate and senior party figure Murli Manohar Joshi, to enable the formulation of policies more sympathetic to a neoliberal economic agenda (*India Today* February 09, 1998). This is especially significant given that Joshi was closely involved in the drafting of the BJP's *swadeshi* oriented economic policy manifesto in 1996.

As the government progressed with its program, differences became all the more apparent. On the introduction of the Insurance Regulatory and Development Authority Bill, the president of the BJP was particularly strident in public criticisms of the government's economic policies. However, through the intervention of the Deputy Prime Minister (and Home Minister) L. K. Advani, even traditionalists were eventually brought on side. In the words of one such BJP Member of Parliament, 'We had planned a big showdown on the IRA [Insurance Regulatory and Development Authority Bill] issue. We held back after it was clear that Advani wasn't backing us' (*India Today* February 09, 1998).

Differences between hardliners advocating a *swadeshi* approach and 'progressives' pushing for neoliberal policies would bubble over into public disagreements between the BJP and traditionalist *Sangh* organizations, which I will discuss further below. However, within the party, traditionalist opinions on economic issues appear to have been largely quarantined after the BJP formed its government in 1998. The Prime Minister increasingly relied on advisors in the Prime Minister's Office and appointed Advisory Councils to craft an economic approach that would appeal to a transnational economic sector rather than to its ideological supporters. This will be the topic of discussion in chapter 5.

To sum up, what can we say about the influence of coalition partners on the economic policies of the NDA government? The evidence presented here demonstrates that while the politics of coalition placed real pressures on the policy direction of the NDA government, coalition partners were also co-opted or simply bypassed in the formation of other reform policies such as fiscal reform or disinvestment. Thus what we have is a picture of a two-way relationship. Coalition partners had some limited influence on the economic agenda of the NDA government relating to sensitive political matters. However, on other economic matters, the BJP was clearly successful in containing opposition and pressing ahead with its economic agenda. The influence of coalition partners on the economic policy of the NDA

government was therefore somewhat mixed. What of the other avenues of influence? The next section investigates the role of interest groups.

3.4. Interest Groups

This section examines the influence of organized interest groups on the economic policies of the NDA government. While interest groups in India span the range of advocacy areas, from minority issues to the environment, this discussion will focus on groups particularly involved in advocacy concerning economic issues. This section examines the influence of the Confederation of Indian Industry (CII) and the Federation of Indian Chambers of Commerce and Industry (FICCI) which are two of the leading Chambers of Commerce in the country. In addition, it examines the role of a Hindu Nationalist group and BJP affiliate, the Swadeshi Jagaran Manch (SJM), founded in 1991 in order to respond to the economic liberalization policies of the then Congress government. An examination of primary and secondary sources will show that the BJP was able to resist the criticisms and political pressure of the *swadeshi* focused SJM while benefitting from its close relationship with FICCI as it crafted its economic policies. First some theoretical comments are in order to provide context.

Interest group theory emerged from the concerns of post-War American political scientists eager to describe the manner in which an increasingly expansionary Keynesian state would maintain its connections with the needs of people. Classical models include the

proportionate equilibrium view pioneered by Truman and Dahl and Olson's response in the free-rider problem (Berry 1978, 385). One prominent stream in the literature on economic transitions attempts to describe economic reform as the result of compromises or bargaining among various interest groups (Haggard 2000, 26). Applied to the present inquiry, interest groups served to connect the BJP with constituents in commercial industry (FICCI) and to connect Hindu nationalist constituents with economic concerns (SJM). In their efforts to influence the NDA government, we will see how far the process of bargaining and compromise affected the NDA's economic policy formation.

By the mid-1990s economic globalization had achieved momentum in East and South East Asia as well as in India. The BJP had initially taken a grim view of the general globalization trend, accusing developed countries of using pressure through international institutions and foreign consultants (in particular Jeffrey Sachs) to loosen trade regulations. This, the party maintained, would only jeopardise food security and the health of the small scale sector. There was also much scepticism regarding the importance of globalization for the Indian economy. This scepticism arose from the seeming fact that even after 1991 Foreign Direct Investment remained at 1 percent of GDP; and this was mostly concentrated in the services sector as opposed to high technology research or infrastructure (BJP 1997b).

Since the early 1990s, under the ever expanding legitimacy of the neoliberal paradigm, organized commercially focused interest groups such as the CII and FICCI moved from a merely advisory role to one of negotiation, cooperation and consultation with successive governments to build a business friendly economic environment in the country. A senior official in the CII described their role in the following way: 'essentially a conduit between the private sector and the government... we work for the membership which is industry at large... and we take up their issues with the government' (Bidisha Ganguly, Personal Interview, December 22 2010).

The multiple levels of engagement with policy issues included everything from the legal framework and physical infrastructure to creating a positive image of business among the public through the media and corporate social responsibility (Hardgrave and Kochanek 2008, 468). Multilevel engagement was particularly true for the CII. During the 1990s the organization undertook a significant expansion, placing an office in every Indian state and establishing a department of public policy to lobby Members of Parliament (CII, 2010). Revision of labour laws, improvements to sea and air ports, road infrastructure as well as the general promotion of business and entrepreneurship through the media during this period could be partly attributed to the work of such organisations.

A senior official at FICCI described their growing importance to the government in the following manner:

It was extremely difficult for anyone in government to start talking to twenty different organizations... but if they were really keen to do something, then they needed to do something with a body that could be more educative and supportive of the way things should happen and maybe come up with some new ideas; and at the same time be responsible for whom they are standing up and speaking for. So that created [sic] this apex organization into a real functionally apex organization because we in FICCI would represent the entire cross-section of industry (V. Topa, Personal Interview, December 24 2010).

What is implied in this description is that the role and purpose of these organizations had evolved. During a period of neoliberal reform, the government required an efficient means of communicating and consulting with multiple stakeholders in the business community, and this was the role that these organizations stepped in to fill. Furthermore, they played an intermediary role as a trouble-shooter between government and industry:

Any proposal that government would have would benefit some and not others. So there would always be pulls and counterpulls. So it became our responsibility in the process to be able to manage that. So when we put our proposal to government, they felt comfortable that this process of managing the differences of opinion or complexities in terms of what could be good or bad for people has been taken care of. And if there was something that went wrong for any cross-section, they would say go and talk to FICCI. So it became a buffer (V. Topa, Personal Interview, December 24 2010).

These organizations were therefore deeply involved in the process of bargaining among various commercial interests that was at the heart of economic policy formation. Furthermore, rather than simply acting as an intermediary, such organizations also existed to facilitate the vertical and horizontal consensus in the process of policy formation:

The other side was that you always wanted ideas. You always wanted newer ways of looking at things and it's not that in government you could be repository of all that is available to seek [sic]. Chambers had the advantage of various international connectivities through joint business councils... so therefore there was an opportunity for us to gather a lot more information from others, put it together and assimilate it and put some proposals to government. We also... could interact with various cross sections of society who would influence the decision-making process, whether it was parliamentarians, legislative assemblies, general political other think tanks, journalists; you had an advantage, you could put all of these people together and start a debate or discussion and evolve a process (V. Topa, Personal Interview, December 24 2010).

While these organizations saw themselves as a crucial partner and enabler of the reform process, others remain sceptical of the value added to the process of policy formation by these associations. A former Secretary of the Finance Ministry under the NDA government maintained that:

The Chamber of Commerce on the other side were only a bunch of lobbyists. They were always lobbying for something some giveaway some tax reduction, some quote some permit some protection... you know against foreign capital. They also had no difference when it came to foreign capital. They wanted foreign capital but under their thumb you know. And they didn't want better management practices. And they'd give awards to themselves you know son of the head of TATA, the head of Reliance would get management awards by this chamber of commerce for being best manager, best entrepreneur, best leader. So it's a tight incestuous circle a bit of a cesspool of a zone (M. Guruswamy, Telephone Interview, July 17 2012).

Thus among some government officials, commercial interest groups were viewed as acting purely in the interest of a closed group of actors. Political critics, such as opposition Member of Parliament H.D. Deve Gowda, expressed discomfort at the unequal level of access business associations had to the government when compared to other constituents:

Day in and day out, the FICCI holds several meetings, symposiums and conferences. The CII, the ASSOCHAM and other organisations always try to invite the Prime Minister, the experts, the Minister of Finance, the Commerce Minister and others and try to ventilate their problems. They try to persuade the rulers or administrators to see that their problems are solved. Where is such a lobby for the farmers? (Lok Sabha Debates 2002, December 04)

Even among critics of the organizations, the prevailing view was of undue influence and access these organizations had with the government. The influence of these interest groups is not in dispute; only the character of this influence.

However, even among these organizations, the level of access and influence was uneven. These interest groups maintained close relationships with the governments led by the party with which they had historic links. Over the course of the NDA's term, FICCI was observed to have a closer working relationship with the BJP than CII. The secretary general of FICCI, Amit Mitra, was a former member of the *Sangh Parivar* affiliate Akhil Bharatiya Vidhyarthi Parishad and had personal relationships with several BJP leaders. FICCI's general constituency of migrant business communities (*marwaris*) also had strong cultural inclinations towards the BJP. FICCI even was the first business organization to hold official meetings with the RSS (*The Financial Express* 2004, May 14). This close relationship was reflected in the fact that Prime Minister A. B. Vajpayee chose to announce major initiatives (e.g. the golden quadrilateral project) at FICCI events. The reverse was true of the CII whose Director General Tarun Das had close personal ties with Rajiv Gandhi and several senior figures in the Congress party.

Having established that the groups enjoyed unequal access to the two main political parties, what can be said of the actual policy influence? Even though the CII maintained a cooler relationship with the NDA government than FICCI, both bodies supported similar policies on deregulation, the passing of the Insurance Regulatory and Development Authority (IRDA) Bill, the institution of patent reforms and disinvestment (*Asia Pulse* 1999, February 22). The efforts of FICCI and the Swadeshi Jagaran Manch offer the opportunity to observe the influence of interest groups close to the NDA government. Here relations took somewhat a surprising turn with the SJM, a fellow member of the *Sangh Parivar*, maintaining a harshly critical stance against the NDA government's policies. Meanwhile FICCI maintained a quietly supportive position.

The SJM was the strongest flag-bearer for the traditional policy of *swadeshi* during the term of the NDA government. Its chief irritation with the BJP stemmed from the fact that while the party relied on the political support of its 15 million members, the BJP had largely 'capitulated' to a non-*swadeshi* agenda. From the very beginning of the NDA government's term in office, the SJM was keen to make its presence felt, criticizing the Prime Minister's decision to appoint economic and trade advisory councils (discussed further in chapter 5) and fill them with 'persons who are hostile to the very idea of *swadeshi*' (*The Financial Express* 1998, September 01). Already claiming a multinational 'casualty' in the cancellation

of the Enron power contract in Maharashtra (under the BJP-Shiv Sena government), the SJM was emboldened to make its presence felt on the national scene.

Relations between the SJM and BJP were not, however, entirely negative. Estimations of finance minister Yashwant Sinha's early performance and opinions on the first budgets were sympathetic. SJM convenor S. Gurumurthy commended the 'Pokhran Spirit' of the first budget, with its increased investments into the rural sector and small scale industries (*The Hindu* 1998, June 03). The finance ministry and SJM held meetings before the second budget to work out a common position on a comprehensive range of key issues, including the WTO, agriculture and small scale industries, capital account convertibility, foreign investment in the insurance sector and increasing tariffs to protect domestic goods (*The Indian Express* 1998, May 07). Through such high-level meetings the NDA leadership would have been induced to adhere to the traditional Hindu nationalist economic approach based on Integral Humanism.

Despite the SJM's arguments against the liberalization of the insurance sector (*The Indian Express* 1998, November 03), the sector was opened up to foreign investment in the first year of the NDA's first full-term government (1999). In its policy statements, the BJP hailed the Insurance Regulatory and Development Authority Bill as an opportunity to improve

efficiency as long as foreign investment was limited to 26 percent ownership and the relevant rules ensured that premium monies did not leave the country (BJP 1999a). A senior advisor to FICCI, pointed to this milestone as an important accomplishment for the organization in the post-liberalization period, as they had been active in putting together the reports that formed the basis of this particular policy reform over the six previous years.

One of the leading things that we always felt proud of saying was the opening of the insurance sector which FICCI was primarily responsible for [sic]. We put together groups of people who produced various reports on various aspects of it which ultimately were used by the regulator to bring up the regulatory system that he developed (V. Topa, Personal Interview, December 24 2010).

In a tribute to the organization's efforts in this initiative, the announcement of the insurance sector reform bill was made at a FICCI annual general meeting. Meanwhile, despite showing a united front in public, internal divisions within the *Sangh* were becoming increasingly evident with stinging criticisms from both the head of the RSS and the SJM directed at Prime Minister Vajpayee and finance minister Yashwant Sinha (*The Hindu* 2001, July 07).

The BJP leadership was sensitive to the fact that the growing gulf with the SJM needed to be bridged. Several high ranking officials were recruited to participate in joint meetings including the ministers for law (Arun Jaitley), disinvestment (Arun Shourie) and finance (Yashwant Sinha). The powerful Home Minister L.K. Advani, trusted by the RSS as an 'insider' was also recruited by the government to give credence to the argument that reforms were inevitable. The BJP took the line that while some of their policies (e.g. WTO regulations,

insurance) were against its electoral platform, having been introduced by the previous government they had to be fulfilled (*The Statesman* 2000, May 24). Even after a four hour meeting between the BJP and SJM on this particular issue, a compromise was not reached (*Hindustan Times* July 26, 2000).

As the NDA government's reforms progressed, a consortium of *swadeshi* organizations, including the SJM and Hindu nationalist trade and farmer unions, organised rallies in order to demonstrate the difficulties faced by the agricultural and small scale sectors as a result of these reforms (*Business Line* October 05, 2002). The BJP's frustration with the SJM was evident in the Prime Minister's irritation at the organisation's criticisms and lack of practical alternative suggestions (*The Statesman* 2003, January 29). A former secretary in the NDA Ministry of Finance described the contentious relationship between the BJP and SJM in the following manner:

SJM has no point. They are opposed to any foreign FDI. They are opposed to anything foreign. Whereas I didn't see McDonald's as particularly bad. If McDonald's came in and put money [in] here and opened shops and bought real estate and hired people and bought all their raw materials here, it was a good thing; it created the value addition chain. So what the hell do I care if it's called McDonald's: it's like any *halvai* shop. But SJM is opposed to that. But SJM doesn't have a refined view of economics. It's a kind of a very primitive view of capital: foreigners have been bad for India, the influence of foreigners has been bad, women behave badly and all kinds of primitive notions they carry. So I don't think SJM should be taken seriously; it's just a damn nuisance bunch of crackpots (M. Guruswamy, Telephone Interview, July 17 2012).

From this particular perspective, SJM opposition to foreign investment is seen as part of a narrow social and cultural attitude that includes such base instincts as the suspicion of

foreigners. However there is also the clear implication that the SJM's economic viewpoints stem from a lack of analytic sophistication.

The SJM appears to take such criticisms in their stride:

The criticism of SJM has been as old as the criticism of Mahatma Gandhi himself. The criticism is posited on the Western worldview and is in disregard of the facts of Indian life. Even today there are 60 million farming families with 330 million people dependent on it [agriculture] with as much landless labour who share 60 percent of the farm products on barter basis; and only 40 percent of the farm products gets into the commercial stream. This functioning *vikendrikaran* in distribution is what is sustaining India and its food security and not centralised government distribution system[s]. Social security is almost completely decentralised in India. 700,000 villages and some 8000 towns have only 12,800 police stations. Yet India has the lowest crime rate in the world according to the UNDP Human Development Index (S. Gurumurthy, Email interview, 2012).

The implication is clear. Criticisms of the SJM are associated with the criticisms of Gandhi's own economic positions. Such criticisms assume the position of someone in the Western world, far removed from the social realities of rural India. In an illustration of a viewpoint particular to the Hindu nationalist view of economics (criticized as 'primitive' by the NDA government advisor above), this SJM official maintains that decentralization of resources (food, security) takes place naturally and only needs be enhanced rather than subsumed by the priorities of the central government.

However, even sympathizers within the BJP began to lose their patience with the group. One *Sangh Parivar* member and head of the BJP's economic cell discussed the SJM's opposition to foreign investment in the following terms:

In fact I had a difference with the SJM also, because they were opposing all [the] foreign goods and MNCs. They started involving themselves in things like breaking Pepsi bottles. Even going by Gandhian philosophy you cannot oppose MNCs. As far as MNCs and foreign investors are concerned, you're not importing. They are setting up a base here and they are contributing to the GDP of the country; they are generating employment opportunities for the people. So they are contributing to the national interest and you have to support them. But somehow I could not convince them [the SJM] (J. Shettigar, Personal Interview, December 21 2010).

Here the SJM appeal to Gandhianism is turned on its head. Inasmuch as foreign investment contributes to the national economy, it coincides with Gandhian priorities far more than the superficial actions of damaging foreign made goods. The government's distance from the SJM's approach to economic issues appears to have been wide even at the level of interpreting basic Gandhian principles.

In the heat of the policy forming process, criticisms also abounded on the other side of the interest group spectrum from the SJM. The CII issued public criticisms that not enough had been done by the NDA government to progress reforms. Within three years of publishing their policy paper for the new government *The Agenda for the New Government* (CII 1998), the CII became disillusioned by what it termed the gap between the NDA government's official policy and its implementation. Director-General Tarun Das publicly criticized what he called the government's inertia on implementing disinvestment and increasing infrastructure capacity. He blamed the former on what he called 'internal resistance' within the government, clearly implying the restrictive influence of groups such as the Swadeshi Jagaran Manch (Hardgrave and Kochanek 2008, 465).

In 2002 the CII's distance from the government was further exacerbated by their vocal criticisms of the NDA government's handling of the anti-Muslim pogrom in Gujarat. The same year the CII broke with convention at its national gathering, inviting the leader of the opposition, Sonia Gandhi to give their inaugural address. This was in opposition to the usual practice of inviting the sitting Prime Minister (Hardgrave and Kochanek 2008, 465). In the meanwhile, FICCI was a major partner in the Vibrant Gujarat Summit held in 2003 to bolster Gujarat's business-friendly face in the aftermath of the Godhra violence.

At their annual convention the same year, the SJM turned its focus to the disinvestment policy of the NDA government. The disinvestment process enabled the expansion of private capital into significant sectors of the economy, until now largely monopolized by the government. It was successful in attracting small levels of Foreign Direct Investment. However, despite these successes, the process was dogged by critics. Controversy over the procedure for privatization emerged when the process was, in the government's reasoning, streamlined. The process was accelerated from the sale of small lots of shares in an open auction to the sales of share blocs to strategic investors. The newer method was criticized as less transparent and wasteful, due to the discount prices used to incentive potential buyers (Chandrashekar and Ghosh 2002, 89).

Disinvestment brought about a rare alignment between the Left and some of the more conservative elements among the Hindu nationalist *Sangh Parivar*. Together they criticized the need for disinvestment itself and the method that was used for this process. The *Sangh* advocated the decentralization of public units (i.e. loosening the purview of the central government over their operations) rather than the wholesale privatization pursued by the BJP in government. Echoing the criticisms of the Left parties, the SJM accused the government of being non-transparent in its private sales of share blocs. They were also accused of destroying national assets while encouraging private monopolies.

The SJM took direct issue with Disinvestment Minister Arun Shourie who was accused of ignoring the national interest and having vested interests. It lamented that economic policy had been 'taken over by former World Bank executives who have no stake in nationalistic vision' (*The Statesman* 2003, October 15). Like the SJM, FICCI also supported a public offerings method for disinvestment, as opposed to the bloc method devised by disinvestment minister Arun Shourie. The former, it argued, was a more transparent and efficient method. Floating shares in international markets would avoid the possibility of encouraging domestic monopolies. However, rather than taking the SJM line, FICCI blamed coalition politics for the poor coordination of the disinvestment process (*The Economic Times* 2003, January 07).

Reforms that stemmed from WTO commitments also attracted the ire of the SJM which initiated a two month long agitation against policies it felt were endangering indigenous small scale and agriculture sectors. The convenor of the BJP's economic cell Jagdish Shettigar was left to make the case for these policies by arguing that they were in fact in the national interest. He explained his rationale in the following manner:

When it comes to the WTO; in the absence of the WTO you have to indulge in bilateral negotiations, which means that instead of one negotiation at WTO binding more than 148 members, you have to negotiate with each and every country, which is a gigantic effort, which is not possible. And then you do the bilateral negotiation you may end up, going by the China example... America extracted more from China before it became a member of the WTO. So bilateral negotiations are not an easy joke; not an alternative. WTO certain things [sic] are not in the interests of countries like India... like farm subsidy. But that is because of our negotiating failure (J. Shettigar, Personal Interview, December 21 2010).

Thus the BJP appreciated that WTO membership allowed for a more efficient way to deal with matters on international trade in one venue rather than engaging in an almost exponential series of bilateral agreements. The alternative of bilateral agreements was also unrealistic because it could very well leave the country at a greater disadvantage. While criticisms of the WTO's undue influence are acknowledged, it is argued that this stems more from the inability of the country's representatives to negotiate appropriately rather than anything innately wrong with the WTO. These arguments were made to the SJM who retorted that despite numerous consultations, their input into the dialogue on trade policy was not evident (*The Financial Express* 2003, April 14; *The Hindu* 2003, April 15; *The Financial Express* 2003, April 17).

As an expression of these frustrations, the SJM organized a large joint rally in the capital ahead of the WTO talks in Cancun to put pressure on the government to 'change' the WTO or quit (*The Indian Express* 2003, July 21). The numbers at the event reached the tens of thousands and the speeches and entertainment provided at the event castigated the WTO and multinational organisations, even if sceptical journalists were able to ascertain that members of the audience were barely conversant in the details (one confusing Cancun with the Indian city of Kanpur). A joint resolution was adopted by other *Sangh* organizations present (representing labour and farmer interests) and sent to the Commerce Minister. The SJM then convened a six-member team to attend the WTO meeting in order to maintain its pressure on the Indian delegation (*The Financial Express* 2003, August 13). On this particular issue the SJM expressed satisfaction that the BJP minister (Arun Jaitley) had maintained the national interest by taking a tougher line over agricultural subsidies at the Cancun meeting. However, it is likely that the influence of coalition partners and state level interests in maintaining subsidies (described above) was an even more significant influence than any pressure coming from the SJM.

What can be concluded about interest group influence over the NDA government? The NDA government maintained close ties with interest groups during its tenure in government. It was particularly close with FICCI, although this was not true for all commercial interest groups. There is at a first glance a pattern of relationships based on political kinship. As a

member of the *Sangh Parivar*, the Swadeshi Jagaran Manch had unencumbered and regular contact with the BJP and NDA government leaders. This was also the case for FICCI whose leaders had *Sangh* associations and members that had broad *Sangh* sympathies.

However, access did not immediately translate into influence. The SJM's recommendations were resisted and when necessary the BJP learned to manage dissent from such groups through its networks of affiliates both within the Hindu nationalist *Sangh* and outside (e.g. through FICCI). 'Outside' groups such as the CII were at first cautiously supportive, then unhappy about the government's policies, both economic and political. Of the three groups, the BJP's relationship with FICCI appears to have been the most significant for the formation of economic policies. Despite some differences (e.g. on the method of disinvestment) the influence of this organization on the economic policy formation of the NDA is clear. Even as the BJP was able to satisfy some commercial and business constituencies, it would also need to connect with the larger constituency of the voting public, a theme to which I now turn.

3.5. Voter Opinion

In this section I examine voter opinion in order to assess whether the influence of voters can be discerned on the BJP's economic policies. An examination of support for the BJP as it correlates with social, political and economic voter attributes, will shed light on how voters responded to the economic reform policies described above and how these responses could

have further influenced the government's overall economic agenda. According to Wlezien (2004) recent studies demonstrate that government policy decisions do in fact respond to public opinion. While this is depended on a number of conditions, including the policy domain, the salience (relative priority) of a policy and the level of awareness among the voting public, such studies suggest that democratic accountability is possible under certain conditions. This section does not aim to build an equivalent argument for India and Hindu nationalism. However, the analysis will show that the evidence strongly suggests that the BJP strengthened its resolve to pursue economic reform in response to the opinions of at least one voting constituency.

The backdrop against which this analysis takes place is the electoral strategy the BJP pursued in the 1990s. Chhibber differentiates between the two chief electoral strategies of this period: cleavage based and catch-all strategies. The former is a description of an electoral strategy directed at expanding a party's voter base among groups that are aligned to particular social, cultural or economic priorities. The latter applies to a strategy of appealing to voter groups *across* these priorities. Chhibber argues that the volatility of politics at the central government during the 1990s was fundamentally the result of a change in the electoral strategies of Congress and the BJP. This change involved a move from cleavage based strategies that appealed to narrow interests to a catch-all strategy in which parties attempted to maximize their votes through the broadest possible appeal

(Chhibber 2001, 1-24). Heath investigates the source of the BJP's electoral fortunes in the 1990s and attributes this to the expansion of support out of its traditional 'home' in the heartland of the central north region and into the various regions of the country through strategic alliances with regional political partners (Heath 1999).

Against this background Kumar (2004) presents a study on the relationship between voting patterns and perceptions of economic policy. Looking at the 1996 and 1998 election surveys conducted by the Centre for the Study of Developing Societies (CSDS), he establishes that a greater number of Congress voters approved of the economic reforms instituted in 1991 (39% and 30% respectively) than disapproved (20% and 22% respectively) while a larger number of BJP voters disapproved of the reforms (37% and 37%) than approved (28% and 26%) (Kumar 2004, 1623). Going into the era of the NDA coalition government, therefore, a larger number of voters for the BJP disapproved of the Congress led economic reforms.

Kumar's analysis is further qualified by an identification of how various social groupings responded to the economic reforms. He demonstrates that white collar, highly educated and rich voters maintained above average support for the reforms. From one election to the next election, the average proportion of voters who approved of the reforms increased across all of the above categories, especially among older voters for whom support moved

from below average to significantly above average. Furthermore he makes the important argument that awareness of the economic reforms remained below average among the uneducated, manual and agricultural labourers and among the poor. Taken together with his analysis of support for the reforms among social groups, Kumar's point is simply that better educated, older and wealthier individuals not only showed greater support for the economic reforms but actually demonstrated greater awareness of these reforms (Kumar 2004, 1624). Lack of support for the reforms therefore may not simply imply disapproval but also a general lack of awareness about these reforms.

By the end of the NDA coalition's term, Kumar observes that, in the sample taken from the election in 2004, it was largely the upper castes that communicated satisfaction with the economic progress of the country. This group also maintained that the overall effects of the reforms were positive and widespread (Kumar 2004, 1628). Thus any conclusions regarding the opinions of various social groups must be qualified with the understanding that it is among such groups that there is an actual awareness of the process of economic reforms.

In this section I intend to extend this analysis further to shed light on voter opinion regarding the BJP's economic policies. This section asks what influence voter opinion may have exerted on the BJP's economic policies. I examine the data for each of the years 1995,

2001 and 2006 drawn from the World Value Surveys which are conveniently near-contemporary with the national elections of 1998, 1999 and 2004. They can therefore provide an idea of opinion trends roughly before during and after the NDA's term in power.

The analysis utilizes indicators that convey the level of BJP support along three axes: class, political self-placement and business model preference. The class indicator is a categorical variable that asks respondents to position themselves on a social scale of upper, upper middle, lower middle, working and lower class. The political self-placement indicator is an ordinal variable that asks respondents to rate themselves politically on a scale of left (1) to right (10). The business model preference indicator is an ordinal variable that asks respondents to rate themselves on a scale of private (1) to public (10). Private indicates a responder's preference for a greater role for private business in the economy while public indicates a responder's preference for a greater role for government in the economy. The analysis tests the correlation of these indicators with the likelihood of voting for the BJP. These opinions in each of the three periods: roughly before, during and after the term of the BJP government, provide a sense of how electoral incentives may have shaped the economic policies of the BJP.

These are the results we can expect on the basis of the analysis so far in this chapter. Before the BJP came to power it expressed a cautious support for some of the Congress Party's neoliberal policies. On coming to power, however, it began to pursue a neoliberal agenda, with some early opposition from domestic quarters. We can expect to see this reflected in the analysis for the years 1995 and 2001. Upper class voters and right wing voters would support the BJP in 1995 although not for purely economic reasons while pro-private business voters would not especially favour the BJP over another party. In 2001, with the NDA already in power and pursuing an agenda of economic reform, we can expect to see significant support across all three categories. Upper class voters would benefit from the reforms personally, right wing voters would support the reforms for ideological reasons while pro-private business voters would support the party's economic agenda professionally. In 2006, with the UPA in power and a scaling back of neoliberal reforms due to the influence of the Left Front we can once again expect to see support for the BJP across at least the right wing and pro-private business categories. Right-wing voters would oppose the UPA alliance with the Left Front while pro-private business voters would oppose the UPA's scaling back of disinvestment.

What we will in fact observe contrasts with these expectations slightly. This analysis will show that the BJP's social base of support remained consistent among the upper and upper middle classes. It will also show that support for the BJP was consistent on the 'right' side of

the political scale and that this support increased significantly on the BJP coming to power. The application of a 'right' to 'left' political scale to the Indian context is contested, even if it has become a common means of referring to Hindu nationalist parties in the scholarly literature. The World Values Survey questionnaire does not offer a definition of these terms to respondents so a response that scores on the 'right' side of the scale may indicate a genuine social and cultural conservatism and free market orientation or simply a reflexive oppositional reaction against identification with parties commonly associated in the popular perception with the 'left'. Finally, starting with no particular political party preference, voters who wished to see more privately owned businesses became less likely to vote for the BJP when the NDA was in power. However, following the NDA's term in government these voters became more likely to vote for the BJP. Among the BJP's allies, the analysis will show that over the three periods, typical coalition party voters became more socially, politically and economically aligned with BJP voters.

A multivariate time series analysis tests correlations among the dependent categorical variable (first choice for party in vote) and a series of independent variables (class, self-positioning, business model preference). For this analysis, the variables for first choice for party in vote, social class, ideological self-positioning and business model preference have been recoded into 'dummy variables'. Binary logistic regression is applied in this case as the dependent variable is also a binary variable. The relationships take the form: $\text{logit}(p)=a+b_i x_i$

where p is the probability of a dependent binary categorical variable taking on a value y , x represents the independent binary categorical variables, b represents the logistic coefficients and a is a constant. The inverse natural logarithm of the logistic coefficient gives us the value of the odds ratio.

The results can be interpreted in the following manner. An odds ratio value greater than 1 indicates a greater likelihood that a particular constituency will vote for the BJP (or NDA in the second analysis) over another party, while an odds value less than 1 indicates the reverse. The three dummy variables and a series of dummy control variables (Age, Education, Gender) are tested for statistical significant at the 5% ($p=0.05$) level. For values of p greater than 0.05 we cannot reject the null hypothesis (i.e. that the relationship is statistically insignificant). Thus we establish a statistically significant relationship between a vote for the BJP (or NDA ally in the second analysis) if $p \leq 0.05$ (p is equal to or less than 0.05). The results are discussed below. The results of this analysis are summarized in Appendix 3.1.

The analysis shows that social class was highly correlated with voting for the BJP before, during and after the term of the NDA. In 1995, upper class and upper middle class voters were almost twice as likely ($p=0.0001$; odds ratio=1.907) to vote for the BJP over other

parties compared to the reference category of lower middle and lower class voters. In 2001, this correlation was still statistically significant but the likelihood of voting for the BJP decreased slightly ($p=0.029$; odds ratio=1.571). Following the end of the NDA government's term, the correlation strengthened again with upper class and upper middle class voters more than twice as likely to vote for the BJP as middle and lower class voters ($p=0.0001$; odds ratio=2.079).

In 1995 those voters self-positioned on the 'right' were twice as likely to vote for the BJP ($p=0.0001$; odds ratio=2.129) than those positioned on the left. However by 2001, voters self-identified on the right were four times as likely to vote for the BJP over voters on the left ($p=0.0001$; odds ratio=4.399). Following the term of the NDA government, the correlation dropped in strength slightly so that voters on the right were just over twice as likely to vote for the BJP over voters on the left ($p=0.0001$; odds ratio=2.448). There was therefore a strong correlation among voters who positioned themselves on the right and voting for the BJP, especially during the NDA government's rule.

An analysis of the final variable, business model preference, tells an interesting story about reactions to the NDA government's economic policies. In 1995, as expected, there was no significant correlation among those who preferred a greater role for the private sector in

the economy and BJP voters ($p=0.68$). However in 2001, during the term of the NDA government, this relationship became significant, with voters supporting a greater role for private business *less* likely to vote for the BJP ($p=0.0001$; odds ratio= 0.650) than voters supporting a greater role for the government in the economy. Following the term of the NDA, voters preferring a greater role for the private sector in the economy were more likely to vote for the BJP ($p=0.0001$; odds ratio=2.403) than another political party. During the term of the NDA, supporters of a greater role for private sector business were less likely to support the BJP than another party. This may be indicative of a drop in confidence around such policies as the NDA's privatization (disinvestment) initiatives which, as we have seen, raised some domestic controversy. Following the term of the NDA government, this group reversed their lack of support for the BJP indicating greater likelihood in voting for the BJP than another party. This could be indicative of a number of things. First, with the UPA government's halting of privatization initiatives, due to the influence of the Left Front, these voters may have simply been indicating a desire for a political alternative. However, this could also be indicative of a retrospective approval of the BJP's privatization initiatives.

The regression analysis has yielded the following results. Upper class and upper middle class voters were consistently more likely to vote for the BJP than another party, although during the term of the NDA government, this correlation decreased in strength slightly. Voters on the on the 'right' of the political scale were consistently at least twice more likely to vote for

the BJP than another party and four times more likely to vote for the BJP over another party during the term of the NDA government. Voters with a greater preference for private over government owned businesses in the economy initially had no preference between the BJP over another party. During the time of the NDA government, these voters were less likely to vote for the BJP than another party. This relationship reversed when the NDA completed its term with these voters indicating a greater likelihood of voting for the BJP over another party.

A second regression analysis examines the preferences of NDA voters as a whole (including BJP voters) and yields another series of interesting results. In 1995, political self-placement, gender level of education had statistically significant correlations with a vote for an NDA party. A voter who possessed at least a high school education ($p=0.028$; odds ratio=1.377) and positioned on the right of the political scale ($p=0.0001$; odds ratio=1.875) was more likely to vote for an NDA party over another political party. Meanwhile male voters were less likely to vote for an NDA party over another party ($p=0.01$; odds ratio=0.693). In 2001, these correlations began to change with gender ($p=0.73$) no longer statistically significant, political self-placement ($p=0.0001$; odds ratio=4.399) and education level ($p=0.001$; Odds ratio=1.772) statistically significant and class now statistically significant for the first time ($p=0.004$; odds ratio=1.749). Following the term of the NDA government, political self-placement was still statistically significant ($p=0.0001$; odds ratio=3.179), class remained

significant ($p=0.003$; odds ratio=1.727) and pro-private business voters now significant for the first time ($p=0.0001$; odds ratio=2.003).

At the outset, the social base of NDA voters as a whole appears to have been somewhat different than BJP voters. Male voters were less likely to vote for an NDA party while voters who possessed at least a high school education were more likely to vote for an NDA party over another party. An NDA voter would also place themselves on the right of the political scale. In comparison, during this period BJP voter was more likely to be upper or upper middle class, gender neutral, but also have a political self-placement on the right. By 2001, the social base of the NDA became more gender neutral, though voters with a high school education level were still more likely to vote for an NDA party. Support also shifted towards the upper and upper middle classes while still remaining strong among 'right' voters.

However, following the end of the NDA's term in government, individuals likely to vote for an NDA party had an identical social, political and economic profile to a BJP voter. In this period, upper and upper middle class individuals with a preference for private business and political self-placement on the right were more likely to vote for an NDA party than another party - identical in form to that of a typical BJP voter. This implies that for the NDA parties, electoral support for the entire coalition increasingly took on the profile of electoral support

for the BJP. This is significant because it indicates that rather than simply being a response idiosyncratic to BJP voters, voters for the coalition as a whole responded to the legacy of the BJP's overall performance in an identical manner. Upper class, right of centre, pro-private business voters demonstrated a preference for the BJP or an NDA party over other parties once the NDA was out of power.

How far can democratic accountability and electoral incentives be shown to have influenced the policy direction of the BJP? Among the voters who were aware of the effect of the economic policy direction (among the upper and upper middle classes), there was consistent support for the party. Given that the BJP's own statements and policies would have shifted slightly from advocating patriotic capitalism in 1995 to supporting neoliberal reform by 2001, this appears to be an indication of voter loyalty among the upper classes rather than an endorsement of the BJP's policy positions. For NDA voters as a whole, support for the NDA following the conclusion of the NDA government could be indicative of a retrospective approval of the NDA government's economic performance. It could also indicate a rejection of the UPA's policies of greater restraint in pursuing economic reforms due to the influence of the Left Front.

Among right of centre voters, support is also consistent in both analyses across all three periods and increasing significantly during the term of the NDA government. These results, while clearly indicative of consistent support for the party, may however signify support for more than the BJP's economic policies. These results may well be indicative of support for not only the economic agenda but the overall policy agenda. At the very least, the consistency of support for the BJP and the NDA as a whole among right of centre voters in all three years demonstrates a level of voter loyalty unchallenged by the economic policy successes or shortcomings of the government.

The consistent support for the BJP among voters on the 'right' is in marked contrast to the final indicator, where a response of purely economic significance changes across all three periods. Among voters with a greater preference for private business, there is a significant lack of support for the BJP in 2001 (while the BJP was in office). This then changes in 2006 when these voters become more likely to vote for the BJP over another party. This implies very strongly that the BJP alienated this particular group of voters, sympathetic to economic reform, during its term in government. Concerns over the slow pace of disinvestment early in the NDA's term, a policy directly related to a greater role for private business in the economy, could well have been the source for this lack of support. However once the pace of disinvestment was increased through the removal of political obstacles (as we have seen above) the evidence suggests that these voters were satisfied by the BJP's efforts. In fact

following the BJP's term in government, voters in this category showed a greater likelihood to vote for the BJP or an NDA party. This strongly suggests a retrospective support of voters in favour of greater private business for the legacy of the NDA's economic policies.

Consistent support from Upper class and Upper middle class voters and right of centre voters may not have directly impacted on the economic policy formation of the BJP. However, it does demonstrate that within its core base, the party's voter loyalty was not significantly tested by the process of economic policy reform implemented by the NDA. This cannot therefore count as a formative influence on economic policy making, even if voter consistency would have provided the BJP with an electoral 'cushion' as it carried out reforms that I have shown were unpopular among some quarters.

In comparison, the support of pro-private business voters was wholly inconsistent. Initially, before the NDA came to power, these voters were indifferent to the BJP. Once the coalition came to power, this group expressed dissatisfaction with the NDA as it struggled to institute policies to cut subsidies, pursue disinvestment of Public Sector Undertakings and attract greater levels of Foreign Direct Investment. Could the early lack of support among this constituency have spurred the BJP to act and accomplish its subsequent policy reform successes especially in the area of disinvestment? While this is not likely in and of itself,

voter dissatisfaction in this constituency may well have contributed to the momentum for change that was developing among other domestic, international and transnational factors. How far did voters influence the economic reform policies of the BJP? This analysis shows that disapproval of the BJP's early economic record among one cross-section of voters would have augmented the influence of other factors on at least one key economic reform policy.

3.6. Conclusion

This chapter set out to accomplish two goals. The first was to demonstrate that the BJP's economic agenda was reoriented from an early emphasis on the tenants of Integral Humanism to a new set of neoliberal priorities when the party was in power at the head of the NDA coalition government. This chapter has recounted the early economic positions of the BJP and has contrasted these positions with the major economic policy accomplishments of the BJP-led government. The latter included the implementation of a series of policies that decisively deregulated and privatized major functions of the economy, from insurance to trade and reductions in government expenditures.

Having accomplished this, the second question asked how far this change in approach could be attributed to domestic influences. This chapter has examined the influence of three factors with varying results. Influence from coalition partners appears to have been largely

in the form of reactive 'pushback' to reform initiatives directed at politically sensitive topics such as rural subsidies or the privatization of Public Sector Undertakings. On the other hand, the BJP scored some victories with coalition partners, especially in the area of fiscal management commitments. The relationship between the BJP and its coalition partners therefore appears to have been a case of 'give-and-take' with coalition partners able to influence policies on issues that were of particular concern to their regional electoral bases. However, while subsidy reform may have been taken off the agenda, the BJP was able to secure the agreement of coalition partners on the broader goal of fiscal policy reforms. The dynamic of coalition politics therefore sheds some light on the process of economic reform and the reciprocate nature of influence from coalition partners.

Policy influence also came from organized interest groups. Among those groups that had access to the government on issues of economic policy, the nature of the relationship was not always convivial. FICCI advised the government on the priorities of the business community and this partially resulted in the introduction of some key reforms (e.g. the Insurance Regulatory and Development Authority Bill). Ironically, the BJP maintained a tense relationship with the SJM which took a confrontational line with the government on some of its key economic policies.

During the course of the NDA government, key policies regarding agriculture, the rural sector and disinvestment were opposed by the SJM, without gaining any traction with the government. There is some indication that towards the end of the NDA's term, the BJP's stronger line with WTO deliberations earned plaudits from the SJM. However, it is not clear whether this was a result of the pressure exerted by the SJM or the BJP's coalition partners. Thus the BJP's economic agenda appears to have been partially formed through its relationship with one interest group even as it resisted the influence of another. What this analysis does not demonstrate is why the BJP preferred the advice of one group, FICCI, over another, the SJM, especially when the latter was part of its Hindu nationalist constituency.

Finally among voters, the evidence suggests a consistent support for the BJP among upper class voters and a consistent support for the BJP and the NDA among right of centre voters. This is strongly suggestive of a broad support for the BJP's economic policies among the social groups that would most benefit from greater economic reform and integration with the global economy. However, a key economic constituency (pro-private business voters) opposed the BJP's policy during its first years in government. Possibly due to a combination of pressure from these voters and other influences, the BJP accomplished a change of course on privatization in the latter years of the NDA government, even earning the retrospective approval of this constituency.

Taken together, the analysis of domestic factor influence demonstrates the key role of coalition partners defining the boundaries of economic policy reforms, shows that interest groups served in both supportive and adversarial capacities on particular policy issues, and that voters provided consistent support for the party or disapproval on specific economic policies depending on their constituency. Each of these domestic factors can account for some aspect of the reform process: how far it was allowed to go unobstructed, how it was shaped by domestic constituencies and levels of support among ordinary citizens. However, they cannot account of the actual origin of the neoliberal orientation of these policies.

Why, for example, did the BJP prioritize fiscal consolidation? Why did the BJP alienate members of its core constituency by deregulating the insurance sector? In this chapter, I have shown how these initiatives were pursued and how they were shaped at the domestic level. However, one question that remains unanswered is why the BJP's economic policies took on a neoliberal orientation in the first place. For this we must examine another set of influences. In the next chapter, I will examine whether external factors can explain why the BJP's economic policies assumed this orientation.

Chapter 4: Home and the World: Hindu Nationalism in the International Political Economy

4.1. Introduction

The previous chapter examined how domestic factors such as the NDA's coalition partners, interest groups and voters influenced its economic policies. It concluded that while domestic factors did play a formative role in the formation of economic policy, their influence was chiefly in the form of constraints imposed on the BJP by coalition partners, the advice provided by interest groups and reactions among voting constituencies. These factors cannot explain the actual origin of the BJP's economic re-orientation in the NDA government, even if they are helpful in understanding the limits, shape and popular responses to these policies. To look at the root causes I must turn the focus elsewhere.

This investigation therefore turns 'outwards'. Having examined the most significant domestic factors in the formation of the BJP's economic policy, and found them only partially illuminating, the search for adequate explanatory factors telescopes outwards to international factors. This analytic leap takes its cue from prominent streams of political economy literature which portray the process of economic policy reform, especially in developing countries, as primarily driven by international factors (Amin 1976; Stallings 1992). Thus any account of economic policy reform in India under the NDA government should involve a discussion of international factors.

What are these factors? Hegemonic foreign nations, international institutions and private multinational corporations (corresponding to Realist, Liberal and Marxist approaches respectively) are some of the chief external influences to which economic policy reforms are attributed. This chapter focuses on the role of international institutions, especially the International Monetary Fund, World Bank and the World Trade Organization in influencing the economic policy formation of the NDA government. In taking this approach this chapter does not imply that the role of states or multinational corporations is irrelevant to the formation of economic reform policy. Instead, this focus reflects a recognition of the key role these institutions have played in the formation of economic policy in developing countries since the 1980s. These institutions set the policy environment within which other factors in turn operate. Towards the end of the chapter I will show how at least one other factor (multinational corporations) responded to the incentives put in place by international institutions.

The focus on institutions rather than states draws from an existing debate on the propagation of power in the international system between the neoliberal and neorealist schools of international relations (Schweller and Priess 1997, 1-3). While both recognize the role of institutions in the international system, the former views them as autonomous catalysts towards achieving cooperation, while the latter views them as a reflection of underlying power relationships among states. Traditional realists view institutions as tools

of legitimacy captured by powerful states (Schweller and Priess 1997, 13) and therefore simply reflections of underlying state power dynamics. Against this view is the classic liberal-institutionalist assumption that 'state actions depend to a considerable degree on prevailing institutional arrangements' (Keohane 1984, 89).

What is at stake for this analysis is not whether or not institutions constitute an independent actor in the international system, but rather whether they act as significant 'vectors' of influence in the international system. The question is, do they influence the formation of economic policy, rather than whether they do so independently. On this point, there does not appear to be much controversy as both schools depict international institutions as capable of influence, either due to their own legitimacy or the underlying state power structures. This chapter will demonstrate how far international institutions influenced the Indian economy under the NDA government.

Historically, the influence of these institutions on developing countries took on a new significance in the 1980s. As developing countries defaulted on international loan commitments when interest rates in the United States were increased to contain domestic inflation, the World Bank and IMF assumed a function far beyond their original mandates. Assistance to developing countries was provided in exchange for Structural Adjustment

Programmes (SAPs) through which developing countries were required to implement major changes in economic practice (O'Brien and Williams 2004, 223-224). These policies initiated a new phase of external influence on developing country economies by international institutions. The package of Structural Adjustment Programme policies described variously as an application of the 'Washington Consensus' or 'neoliberalism' prioritized macroeconomic stability through the containment of inflation and reduction of fiscal deficits, trade and capital account liberalization, privatization and deregulation of domestic markets (Gore 2000, 790).

Critics point out that far from its original mandate of requiring borrowing countries to pursue policies that enhanced economic stability, loan conditionalities became 'a way for the IMF to regulate the entire gamut of a country's economic policies' (Peet 2003, 57). In fact, Structural Adjustment proved to be a highly formative and often highly destabilizing economic influence on developing countries (Orford 2003, 112). In real policy terms, Peet maintains that Structural Adjustment simply meant the IMF's advocacy of neoliberal policies. While the adverse effects of a universal adoption of Structural Adjustment and neoliberal priorities were eventually identified (Stiglitz 2002; Rodrik 2007) and even recognized by international institutions themselves (Mallaby 2006), the legacy of these policies remains undiminished.

Among developing countries, India is the largest single borrower from the World Bank (Kirk 2005) and experienced at least one highly formative episode of IMF policy intervention (Chaudhry et. al. 2004, 61). The World Bank, and to a lesser extent the IMF, continued to have close interactions with the Indian economy throughout the 1980s and 1990s through a series of Structural Adjustment Loans from the World Bank and two IMF loans. The World Trade Organization by comparison is a relatively newer organization, but its ability to exert influence through binding international resolutions (as I will show in this chapter) make it a key institutional influence deserving investigation. International institutions offer a clear starting point to investigate the role of international influences on the NDA's economic policies.

Due to the ubiquity of the category of 'influence' in this analysis, this term merits some clarification at the outset. Influence is the term used to describe the capacity of one actor to modify the behaviour of another (Woods 2003, 3-4). Even if it is granted that the IMF and World Bank exert influence on states, how is this influence identified? Influence from these institutions can be traced to the economic policy direction pursued by governments. Cox and Jacobsen's landmark study on the influence of international institutions describes the chief sources of influence as the 'rule-creating' and 'rule-supervisory' capacities of these institutions. Through these mechanisms, international institutions both create and apply rules by instruments such as conventions or agreements among states (Cox and Jacobsen

1973, 427). It is these rule-creating and rule-supervising capacities, mainly in the form of structural adjustment conditionalities (IMF, World Bank) and trade regulations (WTO), that constitute the main arms of influence by the international institutions examined in this analysis.

This chapter will investigate the influence of international actors on the NDA's economic policies. In particular it will look at the role of three international institutions: the IMF, World Bank and World Trade Organization (WTO). In each case it will show that the influence of these institutions on the NDA government's economic policies is demonstrable through this government's adoption of certain economic policies. Again, like the domestic factors examined in chapter 3, this influence not entirely sufficient to explain all of the major economic policies undertaken by the NDA government. In fact, on some policies there were clear instances of resistance to the influence of these institutions.

With only partial answers provided by exclusively examining the influence of institutions, the chapter broadens its focus to ask what other international incentives might have motivated particular economic policy directions undertaken by the NDA government. Foreign Direct Investment by multinational corporations is identified as one such incentive and the attempt to utilize policy reforms to attract such investment is examined as another

possible source of influence. The chapter concludes with an assessment of how it has addressed some of the 'why' questions that remained at the conclusion of the last chapter. However it also points to some remaining blind-spots that are taken up in chapter 5.

In the next section I provide some theoretical background on the analysis undertaken in this chapter. This is followed by sections that examine the influences of the IMF, World Bank and World Trade Organization. A further section looks at the influence of multinational corporations and a concluding section brings together the inferences reached in this chapter.

4.2. Naming the NDA's reforms

Economic transitions have been studied from a number of theoretical perspectives in order to explain how and why they occur. Economic transitions constitute an economic policy movement from a centralized economic model towards the privatization and liberalization of economic activity, the imposition of budget constraints on public spending and the creation of institutional and legal frameworks to ensure efficient market activity (Oleh and Thomas 1999). Taken together as a 'package' of policy reforms, they have been described variously as 'neoliberal' or an illustration of the 'Washington Consensus'. Left-critiques of the process of economic transition in India commonly use the term 'Washington Consensus' as a short-form for the advocacy of free market policies since the early 1990s (*The Indian*

Express 2011, July 12). Since both terms have come to symbolize this policy approach in India, they deserve some scrutiny.

The Washington Consensus view is attributed to Williamson (1989). By his own account, the term originated in a paper describing the economic policies pursued by Latin American states toward the end of the 1980s. He takes pains to assert that the term originated as an observation of the policies pursued by these states rather than as a proscriptive policy formula that emerged from policy evangelists in Washington D. C. Thus he attempts to portray this scheme as a positivist inference rather than an ideological prescription. He therefore argues that the formulation of these policies was a matter of convergence around practices that were already widespread among the OECD, the US government and international financial institutions present in Washington, with some scope for disagreement and refinement.

However, Williamson asserts polemically that this set of policies does not equate to neoliberalism or market fundamentalism. Instead, it is based around the following principles: fiscal discipline, public expenditure and tax reform, competitive exchange rates, liberalization of interest rates, prioritizing FDI and trade, privatization, deregulation and the establishment of property rights (Williamson 1989, 17). He objects to criticisms by the 'Left'

that place these policies alongside neoliberalism or market fundamentalism as populist, anti-imperialist rhetoric that has gained rhetorical capital at the expense of conceptual accuracy. This point is recollected here in the interests of factual accuracy. However, as demonstrated below, on a number of policy priorities the Washington Consensus aligns strongly with neoliberalism. This distinction may not therefore be entirely significant for this chapter.

As discussed in the introduction, neoliberalism is a highly contested term which has evolved in the course of the last century. In its current use, the term is problematic in that it acts as a negative marker for the undesirable consequences of economic globalization rather than as a particular set of policy agendas (Stiglitz 2002, Chomsky 2011). Thorsen (2009, 10) traces the first use of the term in the twentieth century to a doctoral dissertation in 1950 where neoliberalism was the term used to depict a revival of classical liberal economic ideas in the face of post-War Keynesian. He traces the later currency of this term in the English-speaking world through the work of the Belgian-American economist Wilfred ver Eecke who employed the term idiosyncratically to denote both the state's proactive role in the German Social Market model and Reaganist monetary policies which minimized the role of the state. However, from this point on, neoliberalism served as largely an umbrella term for the latter: policies through which a state prioritized the functioning of the free market (Peters 1983).

Neoliberalism as a political philosophy is chiefly distinguished from its economic offshoot by an agnostic commitment to political freedoms: economic neoliberalism may take place under the conditions of democratic freedom or dictatorship; all that is required is the state's commitment to the market economy. Williamson and others place the zenith of neoliberal economic policies in the Reagan-Thatcher era and their demise with the East Asian financial crisis (Stiglitz 2008, 43; Harvey 2005, 50, 57, 72). Within this span of time, developing countries were encouraged, both by International Financial Institutions and OECD governments to move beyond state centred developmental approaches and to adopt policies in favour of privatization, deregulation and liberalization. Even as Williamson attempts to make a distinction between the Washington Consensus and neoliberal approaches to economic policy, this distinction is not always explicit in the sources examined below. While taking Williamson's protests into account, this chapter will assume that the categories 'Washington Consensus' and 'neoliberalism' are complementary. However, it will use the latter term to denote the adoption of the policy priorities that these approaches emphasize.

Having examined these two concepts, what application, if any, do they have to the case of the BJP-led NDA government's economic policies? Chapter 1 offers a justification for the application of this term. Here I will provide a short recap of this argument. Key studies of economic reform policies pursued by both Congress and BJP governments since the 1990s

assume the label 'neoliberal' as an accurate description of economic policies pursued by both governments (Panagariya 2008, 16, 18; Kohli 2006, 1251). Critics are especially prone to describe such policies as neoliberal (Chandrashekar and Ghosh 2005). These studies also clearly see the policy reform momentum initiated by Congress to have carried on under the NDA. Thus these policies did not originate as the economic counterpart to the prestige-seeking nationalist politics of the BJP but as a continuation of policies already put in place by a Congress government acting under the requirements of an International Monetary Fund stabilization package. Chapter 3 has illustrated the further expansion of policy provisions made by the BJP-led government towards privatization, fiscal consolidation and deregulation despite opposition from domestic constituencies. Thus even though the implementation of such policies was limited by domestic constraints, as far as such policies were a priority for the NDA government, they may be most properly described as 'neoliberal'.

4.3. International influences on the Indian economy

What impact have international institutions had on the economic policy of the NDA? To answer this question I must step back briefly to examine what role international influences have had in general on the Indian economy. The central planning model instituted in India's post-independence economy emphasized a highly regulated local industry and trade regime. Despite its relative isolation from the global economy, there were significant points

at which international influences such as aid and even war had a deep policy impact on the Indian economy. Popular accounts of the liberalization of the Indian economy in the 1990s also point to the significance of international influences. These include the balance of payments crisis and the Iraq war in 1990 as the chief catalysts for the subsequent pursuit of economic reform (Kohli 2006a, 1251).

The adoption of neoliberal economic reforms in the early 1990s was widely understood as a condition of the IMF loan provided to address this crisis. In one popular narrative of economic reform in India, the economy was thereby finally 'unshackled' of its excessive regulation and subsequently experienced unprecedented growth through the exponential development of its informational services sector. While widely quoted, this narrative reflects what Pedersen (2000, 267) refers to as the bias of the Dependency Debate. This bias assumes that the reform policies were solely the result of external pressures from international markets and institutions (Jenkins 2003, 71-80), without adequately accounting for other (domestic) factors that might have affected the Congress government's decision. Indeed current studies tend to place the origins of liberalization further back to the mid-1980s under the Prime Ministership of Rajiv Gandhi.

In the case of the NDA, however, I have accounted for the major domestic factors in the previous chapter and have found them of limited utility in explaining the origins of the NDA's economic reform policies. On looking outwards, international influences provide the next possible iteration of factors that can be examined for influence. International institutions provide a locus for the introduction and implementation of economic policy changes absorbed from a global neoliberal economy.

This analysis therefore moves to the arena of international influences, because a previous analysis of domestic influences has proven to be only partially successful in identifying key influences that moved the BJP's economic policies in a neoliberal direction. Under the aegis of international institutions, economic reforms would bear the mark of a Structural Adjustment agenda, especially in the areas of privatization, trade liberalization and fiscal conservatism. Was this in fact the case? The next two sections examine the influence of three international institutions, the IMF, World Bank and WTO to determine if and how far these institutions influenced the economic policy formation of the NDA government.

4.3.1 International institutions: The International Monetary Fund and the World Bank

The purpose of this section is to identify the influence of the International Monetary Fund and the World Bank on the economic policies of the NDA government. The most direct method of influence are the conditionalities attached to loan mechanisms. Bajpai points to

the introduction of the Structural Adjustment Loan (SAL) mechanism in 1979 as the chief means by which the World Bank began to exert a broad-based influence on developing country economies, beyond its original mandate. The SAL provision was originally implemented in the climate of rising interest rates post-1979 to enable developing countries to support their balance of payments positions without adversely affecting domestic economic demand.

The relative inflexibility of the provision, in comparison to other lending instruments, however, also means that the World Bank was able to exercise influence on the recipient state since 'disbursement of SALs is always conditional on the elaboration of an appropriate set of specific measures that the concerned government will take either to increase or save foreign exchange earning' (Bajpai 1990, 791). Quoting another study, Bajpai lists policies specifically targeted in exchange for the SAL provisions as: import quotas, tariffs, budgets, interest rate policy, prices and subsidies (Bajpai 1990, 791). Thus the major focus of SAL conditionalities are fiscal (budgets, subsidies), trade (quotas, tariffs) and monetary policies (interest rates).

While in opposition, the BJP had made strong pronouncements against the 'interference' of external institutions such as the IMF and the World Bank as part of its message of national

self-sufficiency. The local national daily *The Hindu* (no connection to the BJP or the religious tradition) succinctly summarized local perceptions of the IMF's position: 'the IMF has almost habitually harped on such initiatives as privatisation, export policy, further trade liberalisation, financial sector reforms... and the widening of the tax net.' It appears that this suspicion was mutual as the IMF similarly believed that the BJP-led government lacked the will to continue with broad based economic reforms due to the party's original *swadeshi* platform (*The Hindu* 1998, September 30). However this rocky start was temporary and local newspapers would soon be 'quoting BJP leader Madan Lal Khurana's admission, that [union minister of state for internal affairs] Rao said the NDA's budget was prepared as per guidelines of IMF and World Bank' (*The Times of India* 2000, April 20).

India's direct assistance from the IMF has amounted to three loans, made in 1965, 1982 and 1991. There were no IMF loan arrangements made during the term of the NDA government although payments were continued on outstanding loans. Thus this section must try to ascertain a channel of IMF influence on the NDA government that was not as direct as loan conditions, yet still bearing the mark of the Fund in crucial ways: namely in maintaining and expanding the economic policy agenda adopted in 1991.

In the case of the World Bank, however, a series of Structural Adjustment and Sector Adjustment Loans had been granted since 1991, requiring the consolidation of economic policies in line with World Bank conditionalities. Between 1998 and 2004, India obtained seven World Bank SALs totalling \$1.77 billion. In comparison to other major borrowers among developing economies, Brazil received nine SALs totalling \$4.44 billion and Turkey received six loans totalling \$5.669 billion (Appendix 5.1). While it would be tempting to propose an arithmetic proportionality between the total size of loans and level of influence, this is clearly not the case. For example in the case of Turkey, high deficits seemed to accompany the highest level of SAL borrowing of the three countries (Karadag 2010). Thus the influence of the World Bank must be determined in a more deliberate way. The sub-national lending approach developed by the World Bank in the mid-1990s offers a particularly appropriate avenue through which to determine this influence. I will take this up further below.

The rest of this section examines the statements of the IMF's Article Four consultations and World Bank Country Assistance Strategy papers on India to gauge support and criticisms for the policies of the NDA government. The Article Four consultations and Country Assistance Strategy papers are the major reports published by these respective institutions that provide their estimations and analysis of the current economic state of affairs in a member state. As might be expected, the bulk of the Article Four recommendations centre on

monetary and fiscal policies with some attention to deregulation, financial and trade liberalization. Meanwhile, the World Bank's Country Assistance Strategy papers consistently target fiscal management, infrastructure and governance (World Bank 2001, 2). The level of influence can be inferred from the statements made by the two institutions in their official documents. Where they explicitly make demands *and* match or support subsequent NDA economic policy, the exercise of influence may be inferred.

Fiscal Policies remained a central concern of the Fund's Article Four recommendations throughout the term of the NDA government. This in itself was not unusual, in that it continued a pattern that can be observed prior to and following this NDA's tenure. On the formation of the NDA government the Fund expressed concerns about what it considered a high level of fiscal deficits, arguing for immediate 'front-loaded' reforms by the centre and by the states (IMF 1998). There was a special concern about the fiscal situation of states (*Business Line* 1998, April 15). The Fund expressed support for the Prime Minister's Economic Advisory Council which advised a course of removing fiscal subsidies and creating better public sector efficiencies (IMF 2001). Over this period the Fund maintained that consolidating the fiscal situation at the centre and among states was vital to guarantee investment in other areas (infrastructure and social sector) (IMF 2000). The IMF welcomed the eventual implementation of reform measures through the signing of fiscal reform MoUs (discussed in chapter 3) between the NDA government and nine state governments (IMF

2000). This implies that that NDA's reform policies may have owed something to the influence of the IMF, although this conclusion must await an analysis of other factors.

The World Bank's influence was more explicit in its emphasis on the need for fiscal and governance reforms. In fact, early in the NDA government's tenure, the Bank asserted that the implementation of such reforms would become an increasingly important condition of continued support (World Bank 2001, 32). The Bank's newly minted sub-national lending programmes in India were explicitly linked to states that had initiated reforms in fiscal management and governance (World Bank 2003b, 17). Although initiated during the United Front's government in 1997, this lending strategy was closely aligned with the NDA's own economic priorities. The model partner of this program in India was the state of Andhra Pradesh, which was governed by the NDA's external ally the Telegu Desam Party (Kirk 2011, 106).

In three states (Uttar Pradesh, Andhra Pradesh and Karnataka), the Bank pointed to the introduction of medium-term fiscal frameworks as an actual response to its policies. These 'frameworks' refer to the MoUs signed between the NDA and state governments referred to in chapter 3. While the previous chapter discussed the mutual influence of the BJP and its coalition partners on the issue of fiscal reform, by restricting its scope to domestic factors it

was not able to show *why* the BJP attempted to influence its coalition partners to undertake fiscal reforms. The present discussion shows where the motivation for these reforms originated: namely through the World Bank's sub-national lending policies and the NDA's attempts to coax state governments (some led by NDA coalition partners) to take advantage of World Bank lending programmes by agreeing to more stringent fiscal management. What we have therefore is an explanation for the origin of one aspect of the NDA's fiscal policy. Through a new lending strategy, the World Bank was actually able to influence the NDA government to pursue fiscal policy reforms.

However, other policy priorities pushed the NDA towards a less stringent overall fiscal policy. While the NDA was able to secure commitments towards spending controls at the state level, new private and public priorities required new spending commitments from the centre. With the economy experiencing rising growth, domestic (business) groups began to make the case for expansionary spending in order to support private business activities. This appeared to confirm IMF fears of public spending 'crowding out' private investment. These pressures created further concerns at the Fund as it cautioned against expansionist monetary and fiscal policies required by domestic industrial groups (*The Hindu* 1998, September 30). Furthermore, a government review of public sector benefits and salaries under the Sixth Pay Commission increased both provisions (benefits and salaries) significantly, also attracting criticisms from the IMF and World Bank (*The Statesman* 2003,

July 07). Thus even as the influence of international institutions on the NDA's fiscal relations with states is discernible, the influence on overall fiscal policy does not appear to have been universal. The NDA clearly broke with policy recommendations from the institutions in order to address the demands of domestic constituencies.

While fiscal policies were a significant point of concern for the IMF and World Bank during the NDA government, the second policy area discussed in chapter 3, disinvestment, received surprisingly little attention in World Bank and IMF policy documents. The program of disinvestment received a substantial profile domestically among the economic policies of the NDA government. Whether we consider the NDA's enthusiastic formation of the Disinvestment Ministry or the trenchant criticisms of disinvestment policies by its opponents this policy clearly attracted significant attention. The lack of interest in disinvestment on the part of the IMF and World Bank is even more curious, given that privatization forms one of the key pillars of Structural Adjustment and neoliberalism more generally.

Given the high rate of Structural Adjustment lending to India, which continued into the era of the NDA government, it is not immediately apparent why disinvestment received very little attention among these institutions. To be sure, the Article Four Consultation and

Country Assistance Strategy documents do regularly mention disinvestment (IMF 2002; World Bank 2002, 1; 15), but usually as one among several other policy priorities or as a means of achieving other goals (e.g. power sector reform). It is not until 2003 that this policy elicited the direct input of the institutions. In this year, at the request of the NDA government, the World Bank engaged in a joint consultation on disinvestment with the leading economic think-tank in the country, the National Council for Applied Economic Research (World Bank 2003b, 7). This raises two important questions. First, why is it that these institutions do not comment more on the disinvestment process? Second, given the seeming indifference of international institutions and opposition on the domestic front, how was the process of disinvestment created and sustained?

In response to the first question, there is clearly a discontinuity in the manner in which disinvestment was regarded domestically and internationally. While politically controversial on the domestic front, disinvestment was only one of several policy areas on which these institutions emphasized change through Structural Adjustment conditionalities. Thus, at one level, disinvestment did not secure greater attention from the institutions than any of the other economic policies instituted by the NDA. Furthermore, the institutions seemed far more concerned with basic macro-level issues pertaining inflation, fiscal deficits and monetary policy than the specifics of privatization. From the perspective of these institutions, there were therefore more important economic issues than disinvestment that

required attention and discussion. This leaves the following question unanswered: if not from the institutions, from where did the incentive for disinvestment come? A response to the second question is provided in chapter 5 where it is argued that transnational elite advisors to the government served as the both the advocates and facilitators of this policy.

Even as disinvestment received negligible attention, another pillar of Structural Adjustment and neoliberalism more generally, received almost as much attention as fiscal policy. This policy area was the deregulation of local industry, financial markets and trade. On financial markets, the IMF advocated a predictable mixture of policies promoting greater exchange rate flexibility (which up to this point had remained limited) and the introduction of financial innovations such as derivatives. Financial sector reforms in India had already begun under previous governments, which began to make the first moves towards greater capital account liberalization and deregulation on the recommendations of two advisory committees convened in 1991 and 1998 respectively. The committees' work was supported by a key IMF-World Bank consultation on the Indian financial sector (World Bank 2003b, 8). Here we have an example of direct IMF and World Bank input into policy recommendations to governments preceding the NDA.

Although advisory committees and international institutions moved financial market policy towards greater deregulation, the NDA government eventually broke with the recommendations of the committees and the IMF. In response to the Asian Financial Crisis and fears of global financial contagion affecting the Indian economy, the NDA implemented measures to curb foreign exchange demand and speculation. These measures were subsequently opposed by the Fund (1998). However, the IMF's criticism received little sympathy from within the country with one business publication maintaining that the IMF had not 'learned its lessons' from the Asian financial crisis (*Business Line* 1998, April 15).

Once the NDA government's earlier inclinations toward greater convertibility were withdrawn, the Fund once again began to make a case for more flexible exchange rates to facilitate trade and capital account liberalization (IMF 2003). In fact, the Fund went even further, suggesting the introduction of innovative structural changes including a foreign exchange market and hedging instruments to further attract global capital (IMF 2002). Even though foreign exchange markets continued to expand under the NDA government and hedging instruments were finally introduced three years after the conclusion of the NDA's term, there remained no movement on the issue of convertibility.

Policy regarding financial deregulation, therefore demonstrates the clear influence of international institutions at the outset as the World Bank and IMF worked closely with the advisory committees struck by a Congress government. However these recommendations were deflected by the NDA government due to larger global economic trends (namely the Asian Financial Crisis). Despite some sympathy within the NDA for such reforms at the outset, larger global economic trends derailed the possibility of their implementation. In this particular case, the NDA's resistance to the influence of the institutions is evident. Even as the IMF and World Bank advocated certain policies, the timing of these policies against the larger backdrop of global economic trends resulted in their non-implementation.

The timing of policy recommendations appears to have been key to the NDA government's early acceptance and later rejection of this particular policy recommendation. Key to this quality of timing was broad simultaneous consensus among various stakeholders on the importance of a particular policy proposal from one of the institutions. When a policy recommendation from an institution was concurrent with a broad range of support from advisors and important stakeholders, the influence of the institution was more likely to be successful. On the other hand, with a lack of consensus or even unfavourable external conditions, the influence of the institutions was likely to be less successful. In the case of financial deregulation, despite consensus among the institutions and key advisory

committees, global financial conditions mitigated against the NDA's adoption of the recommended policies.

On the other hand where consensus was present, the adoption of policy recommendations was more likely. In a bid to promote industrial growth, the Fund argued for the de-reservation of small scale industries and more flexible labour laws (IMF 2000). This policy found support with the Prime Minister's Economic Advisory Council which produced recommendations on structural reform including small scale sector privatization and labour law reform (IMF 2001). In its 2001 Country Assistance Strategy, the World Bank spoke approvingly of reforms focused on easing small business registration. These reforms were implemented on the basis of proposals from the management consulting firm Price Waterhouse Coopers and the Confederation of Indian Industries (World Bank 2001, 5-6). In this particular case, the institutions' recommendations were implemented in tandem with the advice of private, commercial interest and advisory committees. The deregulation of local industry was achieved when institutional influence was enhanced by the influence of other agents from private, interest group and advisory agents.

Taken together, what can be said about the influence of the World Bank and IMF? Far from the caricature commonly drawn up of an institutional duopoly forcing its particular policy

agenda on developing economies, the picture that emerges in this chapter is somewhat more complex. While the NDA government appears to have implemented the institutions' recommendations on fiscal policy reforms, similar recommendations on financial deregulation were not accepted. Thus the influence of these institutions was not universal or even inevitable across all policy areas. Policy recommendations were accepted when they aligned with other factors. Thus international institutions were able to exert influence most effectively where there was an alignment between their own policies priorities and the priorities of domestic stakeholders or larger global economic conditions. Finally, in policy areas such as disinvestment, the institutions' influence appears to have been negligible, indicating that we need to look elsewhere to identify the source of this policy. However, before tackling disinvestment (in chapter 5), I will examine the influence of other international actors to see if they can explain further aspects of the NDA's economic reforms.

4.3.2. International institutions: World Trade Organization

This section discusses the influence of the WTO on the NDA's trade policy reforms. The origins of the WTO from the post-war GATT framework have been discussed elsewhere so will not be recounted here (Narlikar 2005). In comparison to the World Bank and IMF, whose influence on developing countries stretched back at least to the 1980s, the WTO (inaugurated in 1995) was relative a 'newcomer' as an international institutions. However, its effect on the economic policies of the NDA government appears to have been no less

significant. The very fact that the WTO came into existence a mere three years before the NDA came to power, meant that the NDA government was entrusted with a major portion of the adjustments that were necessary to bring the country in line with the new global trade regime. To properly appreciate the significance of this, some historical background on the BJP's approach towards international trade is necessary.

Predictably while an opposition party anticipating threats to the small scale sector and the agricultural sector, the BJP's reaction to the WTO draft proposals was strongly protectionist. The BJP also took a suspicious line on the Dunkel proposals to bring the Uruguay round of GATT to a conclusion (and inaugurate the WTO). The party argued that this was detrimental to the country particularly because the proposals extended the scope of Intellectual Property Rights and facilitated the opening of developing economies to exploitation by developed economies. Without access to licensed patents, the party worried that prices of pharmaceuticals would be significantly inflated while lower customs tariffs would reduce government revenues (BJP 1992c, 175). Furthermore, the party saw the proposals as 'anti-farmer' in that they would deny farmers the use of patented seeds from their own crops and potentially hinder future progress in the agricultural sector of the kind achieved under the Green Revolution (BJP 1993b, 166). The BJP called for massive public protests against the adoption of the Dunkel proposals (BJP 1994, 151-154).

While an opposition party, the BJP clearly resisted trade reforms and engaged in anti-WTO activism. However, once in power, the party maintained a shrewd stance on WTO requirements. The BJP argued that since a previous government had committed to these requirements, the NDA was now obliged to follow through. This was a significant reversal of the BJP's earlier approach toward the WTO. The sheer range of trade policy reforms implemented by the NDA included de-reservation of agricultural implements, auto components, chemicals and drugs, removing reservations on small scale industries, phasing out export controls and the extension of futures and forwards trading over all agricultural commodities (Ministry of Finance 2002-2003). Subsequently, one of the BJP's final statements on the WTO outlined a rationale for decreasing non-tariff Quantitative Restrictions even though it questioned the maintenance of agricultural subsidies among developed countries (BJP 2001, 61-73). In contrast to its opposition and resistance to the WTO while an opposition party, the BJP's accommodation to WTO regulations in government is clearly evident. Was this change of heart a result of WTO influence? Or does this difference merely reflect the tempered realism of a party in power contrasted with its political opportunism while in opposition?

If the WTO did influence the NDA government, how did it do so? While Structural Adjustment was the chief influence mechanism of the World Bank and IMF, for the WTO, influence was rendered through two mechanisms. The first consisted of a rule-supervisory

Trade Policy Review and Dispute Resolution mechanism. The second mechanism was the Biennial WTO Ministerial Conference. These ministerial meetings provided a forum for states to negotiate their 'starting positions' in the new global trade regime.

The NDA government was represented at the WTO ministerial meetings in Seattle (1999), Doha (2001) and Cancun (2003). In Seattle, developing countries were at the receiving end of a number of trade policy adjustments propagated by 'developed country' members. These meetings therefore constituted a significant avenue of influence for the WTO over developing countries. However, by the Doha round the meetings became a channel for developing countries to exert counter-pressures. Thereafter, these meetings were used by the NDA (and governments of other developing countries) to varying degrees of success to forestall the implementation of rules and policies that these countries believed would be to the detriment of their economies.

The Trade Policy Review is a mechanism through which the WTO reviews the trade policies of member states and makes recommendations. The process results in a pair of policy documents: one from the WTO's Trade Policy Review Department and a response document from the government of the member state. This exercise was carried out in 1998 and 2002 during the tenure of the NDA government. A facility under this mechanism allows states to

resolve disputes on trade conflicts with binding resolutions passed by a Dispute Resolution Body. While the Trade Policy Reviews present a picture of a country's trade environment to the world, and therefore have an influence in the general impression a country makes in the global environment, the Dispute Resolution Mechanism applies direct force onto a member state's trade policies.

Under the NDA government, India was a respondent sixteen dispute resolutions. The major themes of these resolutions were patent protections for the chemical and agricultural sectors (brought by the US and EC), reductions in Quantitative Restrictions (brought by the US, Australia, Canada, New Zealand, Switzerland, EC), local content and export balancing requirements in the automotive sector (brought by the US and EC), anti-dumping measures (brought by the EC, Bangladesh, Taipei) and indirect taxes on the imports of wines and spirits. Tariffs remained a contentious issue for the NDA within the dispute resolution mechanism with no less than three disputes either carried over from the previous government or initiated in the early years of the NDA government. However the most significant policy adjustments pertained to Quantitative Restrictions and intellectual Property Rights. These adjustments had wide implications for greater trade openness and the activity of multinational corporations.

Reductions in Quantitative Restrictions constituted one of the major trade policy adjustments undertaken by the NDA. In fact, the evidence points to the NDA significantly accelerating the pace of reforms on this front. For example, while a previous Congress government had negotiated the phase out of Quantitative Restrictions by 2003, the NDA brought the timetable of the phase-out forward to 2001. Critics argued that this was a wholly unnecessary step, brought on by factors outside of purely WTO commitments:

When this restriction was removed in 2000, it was done in a bilateral agreement with India and the United States of America. It was not binding on us that we have to remove the Quantitative Restrictions by 2000. Our Government could have waited up to 2003 because a number of countries belonging to the European Union agreed to extend the time for lifting of the Quantitative Restrictions. It is because of removal of Quantitative Restrictions that it has ruined [sic] the farmers of our country (Basu Dev Acharia, Lok Sabha Debates 2004, December 22).

This particular critic hints that the bilateral influence of the USA was chiefly responsible for the removal of Quantitative Restrictions earlier than required under WTO rules. In response, Agriculture Minister Nitish Kumar maintained that the quotas were being removed early not due to external pressure (from the WTO and the USA) but due to the improved balance-of-payments position (*The Hindu* 2001, February 25). A former secretary of the Commerce ministry described the position of the Ministry in the following way:

This was an obligation which was taken up by the Government of India that we should remove the skewers [sic] by 2000, there was no escape from that. Because the main aim of the WTO when it was formed was to please remove [sic] as much as [sic] non-tariff restrictions as possible. You can have a tariff structure to suit your economy but QRs were nothing but a non-tariff restriction, and pretty arbitrary on occasions. So we were required to do that; remove those. What we had to do [was] to ensure that the local industry was not affected [so] we... set up a group to monitor the import of some of the materials that were considered sensitive (P. Sengupta, Telephone Interview, September 13 2012).

The Ministry therefore viewed Quantitative Restrictions as an arbitrary and unnecessary restraint on trade. The dismantling of QRs by member states of the WTO was also viewed as inevitable. In and of itself, the repeal of Quantitative Restrictions was therefore a moot point simply because the government was already committed to their dismantlement. However, the timing of this roll-back, just a year into the NDA's full term government and three years earlier than required by the WTO, is a clear indication of the trade policy reform priorities of the NDA government.

With movement Quantitative Restrictions (and other trade policy areas) made possible through the Dispute Resolution mechanism, the Trade Policy Review from 1998 was positive (WTO 1998). Interestingly, the Review maintained that rather than simply the outcome of the Dispute Resolution mechanism, the NDA's trade reforms had been accomplished due to the government's recognition of the link between growth and trade. For example, the report discussed the NDA's Special Economic Zone initiative which sought to leverage the new trade regulations while immunizing industries from infrastructure and administrative bottlenecks in the rest of the country (WTO 1998). Thus the WTO was able to exact changes in domestic policy that then became part of the growth strategy pursued under the NDA government.

Among remaining trade restrictions, only a high customs tariff remained which, despite efforts made by the government, remained difficult to rationalize (WTO 2002). However in a nod to an IMF observation on the need for tax reforms, the report maintained that since customs tariffs formed 30% of government tax revenue, tariff reforms would ultimately depend on broader taxation reform (WTO 2002). The Dispute Resolutions in themselves were therefore somewhat limited in what they could achieve in the absence of larger economic reforms (e.g. taxation). A broader stream of reforms would need to keep pace in order to maximize the impact and scope of trade policy reforms.

Inertia in other areas of economic policy therefore served to dampen the scope of the WTO influence on trade reform policy. However, more intentional mechanisms were also utilized to confront and even challenge the influence of the WTO. Much as the Dispute Resolution mechanism and Trade Policy Review mechanism were the avenues through which the WTO influences the policies of member states, the WTO Ministerial Forum served as occasions for the application of counter-pressure from member countries. This was a channel through which the NDA was able to exert some counter pressures to offset the policy changes demanded under the WTO's Trade Policy Review and Dispute Resolution mechanisms. Indeed the 1999 BJP election manifesto maintained that India should be strongly represented at the WTO and that tariffs would not be calibrated down to East Asian levels (as per Congress plans) but according to the needs of local industry (*Business Line* 1999,

August 17). The domestic sentiment before the Doha Round was captured by a business publication article which maintained that a new round of talks should be pursued only if they supported local business interests (*Business Line* 2001, February 17). In order to gauge the potential for counter-pressure a brief diversion into the domestic policy arena is necessary.

Following a series of difficult discussions at the Doha round (2001) NDA Commerce Minister Murasoli Maran maintained that in negotiations to launch a new round of trade talks, the NDA government would welcome trade 'isolation' if national interests were threatened. The boldness of this statement appears to have been brought on by the perception that 'developed' member WTO countries were promoting their own private agendas at the discussions rather than promoting mutually beneficial proposals (*The Financial Express* 2002, October 05). On this the NDA government had the support of even its political opponents where, in a telling statement, senior Congress official Pranab Mukherjee asserted that there were no major differences between the Congress and NDA on WTO issues (*Business Line* 2001, October 20). This level of domestic support may have gone some way towards emboldening the attitudes reflected in Maran's statement.

The potential for resistance however appears to have been deepened through the support of some of the same domestic actors discussed in the previous chapter. The agricultural sector in the country had until now largely remained shielded from external pressures due to concerns about self-sufficiency. This was chiefly accomplished through import and export controls and state trading (canalization) restrictions. However the WTO as well as some local observers maintained that many of these provisions were counterproductive, with buffer stocks now at unsustainable levels (WTO 2002, part 5).

The NDA government's response to this WTO criticism was an attempt to decentralize food grain production, storage and distribution. This early attempt was, however, rejected at the state level by both BJP allies (Akali Dal and the Telegu Desam Party government in Andhra Pradesh) and Congress (SM Krishna's Karnataka government and Digvijay Singh's government in Madhya Pradesh) (*Tribune News Service* 2002, March 23). Following the later implementation of food production and distribution reforms stemming from the Doha round (2001), the Akali Dal (NDA coalition partner) publicly complained of interference in what it considered to be a policy area solely within the state-level policy ambit (*The Indian Express* 2001, November 26).

Predictably, the NDA earned further ire from the constituency of Hindu nationalists on the issue of trade. Sangh affiliates such as the Swadeshi Jagaran Manch consistently maintained a hostile view of the WTO in particular. The former convenor of the SJM expressed this in no uncertain terms:

The SJM is opposed to the WTO itself as a concept. We trust the global trade will be increasingly based on geopolitical realities and not by economic reasons [sic]. WTO needed a global order founded on the superiority of the West - read US - which is fast disappearing (S. Gurumurthy, Email Interview, 2012).

Following the SJM, the *Sangh's* Bharatiya Kisan Sangh farmer trade union also broke ranks with the BJP on WTO directed reforms. In response to the NDA's WTO directed reforms, the vice-president of the organization, Babasaheb Takwale rehearsed the classic criticism that 'the BJP Government at the Centre has failed to appreciate the concept of the self-reliant villages and has ignored the interests of small and marginal farmers in its new agriculture policy' (*The Hindu* 2000, September 05).

Responding to such concerns in discussions before the Doha round, newly appointed Commerce minister Arun Jaitley asserted that farmer interests would take priority. These interests included the maintenance of subsidies and tariffs and asking developed countries to reduce their own import tariffs on agricultural products. A concerted effort by developing countries to put up a united front further facilitated the resistance offered by the NDA government. Summing up this situation one senior official in the NDA Commerce Ministry related:

There is no doubt that sometimes the WTO wanted to pursue things that we did not consider suitable for countries like India. But I would not like to say that the WTO was dominated by Western interests only. That will not be fair. But the most important thing one has to keep in mind is that by the end of the 20th century the voice of the developing countries has become much more important and much more vocal than it was even five years back. And India did try our best to ensure that the developing countries act[ed] together and put up a common front in the international negotiations. So by the nature of the development of geopolitics the developing countries have become more important at the negotiating table; and India also plays a large part in catalysing those views (P. Sengupta, Telephone Interview, September 13 2012).

What can we say about the influence of the WTO on the NDA's trade policies? It is apparent that as an international institution, the WTO was able to exert influence on the NDA's economic policies through a number of channels. Most significantly, the Dispute Resolution Mechanism provided a means through which the institution could exert binding requirements on its members such as India. Beyond these requirements, the evidence demonstrates that the NDA was even keen to increase compliance by accelerating the pace of reforms on other areas such as non-tariff Quantitative Restrictions. However, while appearing to capitulate on such requirements, the NDA was able to assert itself through other channels. At the biennial Ministerial Conferences the NDA was able to resist further trade reforms through domestic support and concerted coordination with other developing countries sharing similar concerns. I conclude therefore that while WTO influence on the NDA's economic policies is clearly discernible, it was not universal across all policy areas and even encountered some resistance.

4.4. Multinational Corporations

This chapter has so far examined the role of international institutions on the economic policies of the NDA government. It has shown how particular mechanisms such as Structural Adjustment Conditionalities and Dispute Resolution influenced the economic policies of NDA government. It has also demonstrated that the influence of these institutions is discernible in some specific policy areas. However, in other areas there is evidence of NDA policy agendas either being defined against the recommendations of these institutions or of NDA policy priorities (such as disinvestment) that did not attract significant attention from these institutions.

As far as international influences are concerned, the NDA's economic policy formation process was therefore not a simple case of point by point adherence to Structural Adjustment or Trade Policy Review priorities. This opens up the possibility that there may have been other international incentives at play. What were they and how can they contribute to an understanding of the NDA's economic policy making process? This section shifts the focus of this chapter to ask whether the rationale of these policies can be explained by other international incentives. What explains a reform agenda where some reform policies were influenced by international institutions and others seemed to carry a momentum of their own? What other sources of international influence can be identified?

In order to get to the root of the question, the notion of economic reform must be re-visited. To what end is economic reform pursued? In developing countries pro-market economic reforms were pursued in order to enhance macro-economic stability and create a suitable environment for growth. Among relevant international factors, the investment of foreign capital and technology constitute two of the key drivers of growth. If the economic agenda set by the NDA was not purely formed out of a response to the requirements of international institutions, can the goal of attracting investment and technology shed any further perspective?

The attraction of Foreign Direct Investment (FDI) has been one of the consistent goals of the economic reforms in India since the 1990s. Foreign Direct Investment constitutes the simultaneous inflow of capital, knowledge and technology (Balasubramanyam 1996). Multinational corporations in high-income countries are one of the key sources of FDI for developing countries (Chakraborty and Nunnemkamp 2008, 1193). Multinational corporations transcend the sharp distinctions between state and economy and act as significant vehicles of economic globalization (Gilpin 2001, 278). These entities therefore offer an alternative channel of investigation. They can help to determine how far the NDA's economic agenda was shaped by international incentives beyond the influence of international institutions. These incentives constitute the efforts to attract inputs of capital, knowledge and technology (FDI) from high-income countries.

On coming to power, the NDA government set an annual FDI target at 10 billion (*Business Line* 1999, August 17). In order to meet an annual target of \$10 billion in FDI, then Commerce and Industry Minister Murasoli Maran created a Secretariat for Industrial Assistance (SIA). This body was charged with coordinating all activities related to FDI, 'so that the investors at the highest corporate level become aware that Government of India is fully committed to ensuring that the FDI inflows into the country are smooth and implementation of projects is quick' (*Press Information Bureau* 2001, October 17). The Secretariat was charged with contacting appropriate parties including industrial apex organizations such as the CII and FICCI in India (and corresponding bodies abroad), trouble-shooting with the appropriate Ministry/Agency or State governments and involving Indian missions abroad in the coordination of FDI (Department for Industrial Policy and Promotion 2003). This shows quite clearly that the NDA government was highly committed to working closely with multinational corporations.

This is significant because, much like some of the economic policy areas discussed in chapter 3, multinational corporations offer another illustration of ideological adjustment on the part of the BJP. The BJS had a mixed view of multinational corporations, encouraging their entry only where multinationals could add value to the economy by providing new capital and knowledge. On the other, it opposed multinational corporation involvement in the area of

consumer goods that, the BJS argued, could be produced by local small scale industries. Early statements from the BJP resolutions seemed to largely inherit this view. The BJP took a critical line on multinational corporations in its early days. It pegged ongoing economic problems, such as high unemployment, on the entry of multinationals into economic sectors the party claimed were formerly the preserve of domestic and small scale cottage industries (BJP 1986, 228-231). The Bhopal industrial disaster (1984) added further fuel to both the political and public scepticism regarding multinational corporations. The BJP criticized what it called the Congress 'love affair' with multinational corporations (BJP 1986, 233) which allegedly focused on increasing presence of these actors in the economy at the cost of the domestic small scale sector.

Following the 1991 reforms, multinational corporations representing virtually every area of business gained access to the economy, especially those in the areas of information technology and business processing. Once again, the BJP's stance was suspicious, maintaining that the:

Production of consumer goods by multinationals and big industries should be statutorily banned. Consumer goods which can be manufactured in cottage industries should not be produced by other sectors. Whatever can be produced by small scale industries should not be produced elsewhere (BJP 1987b, 240).

However, the actual experience of working with multinational corporations during this period provided precedents through which this initial suspicion and hostility evolved to

active cooperation. Perhaps the most significant instance of collaboration with multinational corporations the years immediately preceding the NDA government's tenure was the case of the Dabhol Power plant in Maharashtra. This initiative involved a partnership between the Maharashtra State Board Power utility provider and a consortium of multinationals including Enron, Bechtel and General Electric. This case is significant because it demonstrates how Hindu nationalist political parties (in this case the BJP and Shiv Sena) changed course on their former opposition to multinational corporations.

The proposal and initial construction of the Dabhol plant was completed under a Maharashtra Congress government between 1992 and 1995. The project began in inauspicious circumstances that fed the existing suspicion of multinational corporations within the BJP and Shiv Sena. A former Secretary of the NDA government's Ministry of Power described the experience with the following cynicism:

So the first shot at [power sector] reform was to select eight project developers including Enron and Hinduja and there was a no competitive bidding procedure. It was just selecting arbitrarily [sic] and there was no way to pin them down to a competitive price or FDI in competitive terms. So the enthusiasm was to push through projects; they somehow mistook reform [for the desire to] to push through projects at any cost, bending the rules, bending competition and bending transparency (E.A.S Sarma, Telephone Interview, July 26 2012).

The haste brought on by enthusiasm for new developments, resulted in a lack of transparency and due process that seemed to reinforce the well-worn reasons to be suspicious of multinational corporations. While the project itself did not reach completion

under this consortium of multinationals, as an episode of multinational activity in the Indian economy, this case is significant for two reasons. First, it demonstrated the early difficulties of multinational corporation involvement in an imperfect and nascent emerging market economy. Second, it demonstrated the potential for conciliation with the idea of multinational corporations playing an active role in the economy, even among Hindu nationalists (Purkayastha 1995).

During the 1995 Maharashtra state election campaign, the Hindu nationalist Shiv Sena party (a future NDA ally) campaigned partly on a platform of 'throwing out' multinationals from the state. With the election of a BJP-Shiv Sena coalition government, a commission to review the project headed by Deputy Chief Minister (the late) Gopinath Munde recommended discontinuing the project due to inflated costs and proposed tariff rates, lack of transparency and suspicions of corruption. The original version of this report was written by the convenor of the Swadeshi Jagaran Manch, S. Gurumurthy. However, significant diplomatic efforts involving Enron executives and even the American Secretary of the Treasury Robert Rubin created a split in the Hindu nationalist ranks. Newly elected Chief Minister Manohar Joshi (not to be confused with NDA minister Murli Manohar Joshi) was in favour of renegotiation while *Sangh* hardliners were eager to press the advantage of the recent election and terminate the project entirely (Sanotra and Jain, 1995).

Eventually, the original contract between Enron and the State of Maharashtra was renegotiated and construction of the plant continued. Opinions differ as to why this happened and range from fears about losing arbitration proceedings initiated by Enron to strong support for the project among state bureaucrats (*Outlook* 1995, October 18). Within five years, the project became defunct due to the collapse of Enron (Ray 2007, 300-303). However, the project did not terminate before the Shiv Sena and BJP effected a reversal in their earlier decision to end multinational involvement in the project.

Even if it was the result of opportunism on the part of the BJP-Shiv Sena government, the adjusted attitude towards multinational corporations set the precedent for the BJP's own change of course in at the head of the NDA government (Ray 2007, 299-300). The NDA government pursued initiatives to increase the presence of multinational corporations. It pursued such initiatives despite the BJP's earlier reluctance regarding the role of multinational corporations in the economy and opposition from quarters within the broader *Sangh*. In order to accommodate the entry of multinationals, Prime Minister Vajpayee provided a fresh nuance to the notion of *swadeshi*. In a somewhat convoluted argument, *swadeshi* was reinterpreted as the means of helping domestic companies successfully compete with multinationals (*Business Line* 1999, August 17; Oza 2012, 84). This implied welcoming multinational companies into the country where they could contribute to the success of various economic sectors.

Taking advantage of new intellectual property provisions under the WTO, multinational corporations were able to establish themselves even in politically sensitive markets. Missouri based multinational corporation Monsanto's efforts to introduce a genetically modified cotton variety received much negative publicity. This publicity centred around the rumoured inclusion of terminator technologies within these genetically modified cotton varieties and the expense of high input methods (fertilizers, chemicals) required to grow the variety (Shiva 2005, 148). This was a particularly sensitive issue, given the growing rates of farmer suicides in the country largely caused by an increase in the overhead costs of agriculture. Speaking on the issue of a genetically modified variety of cotton (Bt. Cotton) a member of the opposition, stated:

Last year, after much debate, Bt. Cotton was allowed to come into this country. Today, to our utter horror, we have found that the Bt. Cotton, which has been brought to us, is not giving us the yield that we need. At Mallapur in Mahbubnagar district, the cotton crop has failed after Bt. Cotton seed was given to us. To compound our injury, we had to spend large sums of money on the additional pesticide to keep this crop going at a high premium. We did not ever recover that (Renuka Chowdhury, Lok Sabha Debates 2003, March 03).

The failure of such varieties to demonstrate the very properties (high yield) they were created for was only one of several concerns about the introduction of new crop varieties by multinational corporations. An equally urgent concern, expressed by another opposition Member of Parliament was the suspicion of so called 'terminator technologies':

An American multinational seed company known as Monsanto... is selling various seeds of transgene genes variety. This company is also selling cotton seeds in Dharmapuri district of Tamil Nadu... the farmers of Dharmapuri district are in the grip of fear about the nature of these seeds... the farmers are afraid that the seeds sold by Monsanto could be terminator seeds... It is reported that these

seeds, like terminator seeds, will affect the soil and the water resources. The farmers are not sure whether they can save seeds even for one crop. This fear in the minds of the farmers might lead to abandoning the cotton crop (K. P. Munusamy, Lok Sabha Debates 1999, March 11).

Highly publicised crop burnings and a major demonstration by the KRRS farmer union took place in Karnataka. Even high profile personalities such as former Prime Minister V.P. Singh warned against the entry of multinational corporations into the agricultural sector (*The Times of India* 2001, November 02). However, this variety of genetically modified cotton was sold and gained sufficient market share as to encourage other multinationals to enter the market. For example, the American company Aventis quickly followed Monsanto's lead by introducing a genetically modified variety of mustard (*Business Line* 2002, March 22).

The role of multinational corporations adds a further layer of explanation to the influence of international institutions in other policy areas. The IRDA bill introduced in December 1999 was the NDA government's first definitive step towards opening the economy to foreign investment through the deregulation of domestic industry. In fact the agenda to open the insurance sector was adopted by the BJP leadership well in advance of the formation of the NDA government. Finance Minister Yashwant Sinha (1999-2002) maintains that his own position, communicated to both future Prime Minister Vajpayee and the influential future Deputy Prime Minister L.K. Advani, was that opening up the monopoly insurance sector to private investment would increase flows of FDI, increase the range of insurance products in a diversifying economy and encourage competition among local providers (Sinha 2007, 83-

87). In short, among the major benefits of such a policy was the attraction of foreign investment.

Despite major opposition from within the cabinet and other members of the Hindu Nationalist *Sangh Parivar*, which described these policies as a 'reckless concessions for the entry of multinational companies' (Singh and Saxena 2003, 18), the IRDA bill opened up the insurance sector to private and foreign ownership in an area that had previously been a government monopoly. The bill allowed the entry of foreign companies into the domestic insurance sector for up to 26 percent stake in joint ventures. Once again, both major political parties were committed to the opening of the insurance sector for minority shareholding by foreign companies, with the only significant notes of dissent coming from the Left parties (*The Hindu* 1999, August 19). Provocative criticisms of the bill came from members of the opposition Communist Party of India such as Ajoy Chakraborty:

This is nothing but an infringement of economic sovereignty of our country. It is anti-national. More than one crore people have put their signatures and submitted to the House for its discontinuance [sic]. I would like to submit, through you, that the Government should not come forward with this Bill. It should instead be referred to the Select Committee for re-consideration. I strongly oppose IRDA Bill. The whole nation is opposing it (Lok Sabha Debates, 1999, November 29).

By criticizing the bill as anti-national and appealing to issues of national sovereignty, such criticisms accused NDA government policies of being opposed to the very core values of the BJP. The reference to the 'whole nation' in these remarks referred to a series of protests

against the bill undertaken by employees of the existing government owned insurance companies as well as the All-India Insurance Employees' Association (Mahalingam 1999). However, given general consensus between the BJP and Congress on the issue, the protests were not successful in halting passage of the Bill. The response by multinational corporations was initially encouraging with AIG New York Life and Standard Life in London among the companies that undertook joint ventures by the following year (*Business Line* 2000, April 19).

Despite such promising initiatives the actual record of FDI remained well below the targeted \$10 billion, growing from \$2.168 billion in 1999 to \$5.335 billion in 2004 (UNCTAD 2004, 2005). Lack of infrastructural capacity, restrictions on convertibility as well as a lack of labour law reform, were listed as some of the chief reasons as to why this ceiling would not be breached until the Congress-led UPA government in 2005. In addition, the process of Public Sector Undertaking privatization was largely accomplished through domestically owned companies. While making a significant contribution to government revenues, this policy did not encourage a significant inflow of FDI. In fact the actual method of privatization, through the issuance of shares rather than assets, is thought to have contributed to the lack of attractiveness to foreign investors who would have been keen on mergers and acquisitions (Ram Mohan 2007, 3).

This section has asked what international influences beyond international institutions would have acted on the NDA's policy formation. As a source of growth stimulating foreign investment, multinational corporations are clearly a factor of the global economy that could have affected the economic policy formation of the NDA. However, I stop short of concluding 'influence' as defined in the introduction of this chapter as it has not been shown that a multinational corporation was able to direct policy changes in the manner of an international institution. Instead, a symbiotic relationship between the reform agenda and multinational corporations can be inferred. In this relationship, the NDA government sought out multinational investment and multinational corporations sought out opportunities in an economic environment newly primed for international investment through the implementation of policies influenced by international institutions. The role of multinational corporations was therefore dependent on the pre-existing policy influence of international institutions without which it is doubtful that the economy would have attracted their attention. However, on putting the necessary provisions in place, the NDA was clearly eager to attract the attention of multinational corporations.

4.5. Conclusions

Following the argument of international theorists, can the economic policy reforms instituted by the NDA government be explained primarily by international influences? This chapter answers that while international influences are discernible, they do not entirely

explain the policy decisions of the NDA government. International institutions were able to exert influence on policy issues through binding mechanisms such as World Bank Structural Adjustment and WTO Dispute Resolutions. These policies were successfully implemented with the cooperation of state governments keen to attract investment (in the form of World Bank loans) and with the support of advisory councils and interest groups keen to implement the deregulation of economic sectors. The alignment among multiple stakeholders (state governments, interest groups) or economic conditions (the global economy) appears to have been a key factor in determining how fertile the policy landscape was for the implementation of policies recommended by international institutions. However these factors only directly influenced a relatively narrow stream of economic policy. In order to broaden the scope of investigation other incentives, such as the effort to attract Foreign Direct Investment were examined. Once again the evidence painted a mixed picture.

On the one hand, multinational corporations began to respond to reforms undertaken at the behest of international institutions. Lower fiscal deficits, robust intellectual property rights and the deregulation of former government monopolies (such as insurance) made the economy more attractive for investment. However, with the overall FDI targets unmet from year to year, indications are that significant constraints remained on the ability of the NDA to successfully obtain the benefits of neoliberal reforms. These constraints largely consisted of a lack of alignment between reforms in various policy areas. While the NDA was keen on

attracting investment, the achievement of this priority was held back by at the lack of infrastructure or restrictions on currency convertibility.

This attribute of 'alignment' suggests a means of understanding the scope of international influences. International institutions were able to exert influence most effectively when there was a level of alignment among multiple stakeholders or conditions. Conversely, they were unable to influence the NDA's economic policies without such an alignment. As I have shown above, state level fiscal consolidation was accomplished through an alignment between the investment priorities of state governments (e.g. Andhra Pradesh) and the World Bank's preferential lending schemes. On the other hand, a lack of alignment led to other policy recommendations being resisted. A lack of alignment between the IMF's proposals for greater convertibility of the Rupee and the global economic conditions following the East Asian Crisis explains why the IMF was unable to influence the NDA to adopt this policy. In this case, concerns about the larger global trend of financial 'contagion' mitigated against the IMF's recommendations which would have made the Rupee more vulnerable to such global shocks.

In the case of trade policy, the WTO's formative influence on the NDA's trade policies was successful partially by virtue of the fact that the NDA government's tenure coincided with

the new global regime and regulations on trade. Thus the NDA's trade policy reforms were in part a reflection of a larger global policy compliance momentum instituted by the creation of the WTO. The reduction in Quantitative Restrictions also drew from an alignment between WTO priorities and bilateral interests between the USA and India. On the other hand, the resistance of NDA coalition partners to the reduction of subsidies, successfully challenged the influence of the WTO at Ministerial Conferences. Thus when there was a lack of alignment with domestic interests (state governments), WTO influence was unsuccessful. Finally, the NDA's ambitious Foreign Direct Investment targets explain why WTO requirements to implement intellectual property rights and IMF-World Bank recommendations to deregulate domestic industries were successful. On the latter policy, the government also had the support of domestic constituencies such as FICCI. Concerns from opposition parties and domestic unions were not sufficiently strong to overcome the momentum of these policy changes.

What this suggests is that International institutions influenced the economic policy reforms of the NDA government in so far as they aligned with other factors such as domestic priorities and larger global trends. Where there was a lack of alignment, these institutions were not able to successfully exert their influence. There is therefore an element of arbitrariness in the level of influence these institutions were able to exert. Policies were only successful when there was alignment among multiple stakeholders.

As a rationale for the economic policy formation of the BJP this is unsatisfactory. For example, significant questions remain unanswered. For example, did the successful implementation of an economic reform depend on the alignment of a certain number of factors? In addition, why did these successful economic policies largely take on a neoliberal shape? Alignment appears to be a necessary but not sufficient condition for policy change. To complete the picture, we still require some underlying rationale as to why certain economic reform policies were successful and why they took on a neoliberal orientation. The next chapter will argue that the role of transnational elites provides the best possible response to these questions.

Chapter 5: The net of Indra – transnational networks and the process of neoliberalization

5.1. Introduction

The previous chapters have examined the influence of both domestic and international factors in the formation of the economic policies of the NDA government. While they have revealed the extent to which some factors have influenced the NDA's economic policies, they stop short of providing an explanation for the actual origins of these policies. This chapter will demonstrate that these policies originated within a new global context. The neoliberal informational global economy constitutes the continuum within which these factors operated and established the rules and logic through which they interacted. This chapter will investigate two elements of this continuum in particular to illustrate their formative influence on the NDA's economic policy: globalized spaces and transnational elites. It will show how the neoliberal economic policies pursued by the BJP-led NDA government were directed by transnational bureaucrats and advisors to the benefit of professionals living in globalized urban spaces.

The fact that domestic and international influences generally converged on a mode of neoliberal reform, owed much to the concerted and deliberate effort of a class of transnational bureaucrats and advisors within the NDA government. By making this argument, the purpose of this chapter is not to supersede the previous chapters with

another hypothesis. Rather, the purpose is to bring together the perspectives of the previous chapters into an underlying logical framework. As part of the inner circle of the BJP-led NDA government's leadership, transnational bureaucrats and advisors were intent on creating reforms that matched their own neoliberal ideals. These ideals were drawn from professional and educational experiences at international institutions and western universities. In the introductory chapter I discussed the shape of this inner circle around the Prime Minister. This chapter will attempt to connect the policies examined in chapters 3 and 4 to the work of these individuals. It will thereby show the key role these individuals played in neoliberal economic policy formation.

While economic policy addresses one aspect of the global context (namely neoliberalism), the informational sector addresses the second. The informational sector is premised on the technology of the microprocessor and digital communications (Castells 1996, 105). While enhancing the network mobility of capital, the microprocessor has cloned corresponding social and cultural practices: namely the culture-ideology of consumerism in globalized urban centres (Sklair 2002, 36). It is this aspect of the informational economy: its social and cultural practices and its radical reordering of space that I identify as a key incentive in the process of neoliberal economic reform. While other aspects of the informational economy such as the radical transformation of commercial, organizational and communicative

practices are also implied in this process, it is these urban social and cultural aspects of the informational economy that I will emphasize in this chapter.

This chapter will therefore explore the policy forming role of transnational elites based on the incentives created by the culture-ideology of consumerism in newly globalized urban spaces. These themes have been synthesized in a sociological approach which examines the process of 'neoliberalizing space' (Peck and Tickell 2002, 392-399). This view, inherited from the literatures on global cities and urban studies, seeks to examine the effects of neoliberal policy on the everyday lives of individuals and communities within urban centres. Echoing the earlier notion of 'actually existing socialism' which attempted to distinguish the policy goals of socialist governments from their actual effects on the lives of people, 'actually existing neoliberalization' seeks to weigh the claims of neoliberal policies against the experience of those who inhabit the spaces where the policies are being implemented. The goal of engaging this perspective is to critically assess the impact of neoliberal economic policy. It attempts to identify who has benefitted most significantly from the implementation of neoliberal economic policies. Applied to this chapter, this approach will serve to illustrate that the BJP-led government's economic policies were directed at the aspirations of the newly emerging class of professionals in the neoliberal informational economy.

The chapter will proceed in the following manner. It begins with an historical overview of economic policy transitions showing how transnational elites are implicated in the process of economic reform. The next section introduces the concept of transnational elites and discusses the application of this concept in this thesis. It then recounts the main concepts from the literature on global cities and discusses comparative studies of global cities in India to show how the reorganization of space to the benefit of transnational consumers was one of the key incentives for neoliberal reform. Following this this chapter presents transnational bureaucrats and advisors as the key instigators of the economic policy reforms of the NDA government. This section will also show how these transnationals form the policy forming link between the domestic and international policy influences discussed in previous chapters. A concluding section summarizes the argument.

5.2. How do Economic Transitions take place?

This section reviews the literature on economic transitions and discusses its application to the Indian case. A global trend in which individual states began to successfully transition from planned and centralized economic models towards free market models began in the 1980s. This trend was largely driven by economic factors, but also by new developments in technology. Concurrent to this restructuring of economies in the developing world, was the information technology revolution. Technological advancements in micro-computing and software, which began in California's Silicon Valley during the 1970s, created new

possibilities for information processing, communications and commerce. This enabled the creation of a new global economy, in which the very notions of space and time were reconfigured around instantaneous information flows and decentralized production chains. The compression of space and time meant that private capital could maximize its gains by seeking out new comparative advantages across national borders. This encouraged the cross-border search for new sources of economic growth (Castells 1996, 151-200).

Foreign Direct Investment from advanced industrialized countries moved to the developing world, economically restructured through IMF and World Bank conditionalities and newly open to foreign investment. Production chains, formally situated within large industrial complexes in North America and Europe, were more efficiently fragmented into a series of smaller linked facilities in Asia, Central America and Africa. This resulted in what Sassen calls the increasing 'financialization' of the economy and the concurrent rise of global cities as informational nodes providing the service and support industries to facilitate the global diffusion of capital. Sassen describes these service and support functions as 'producer services' which include international legal, accounting and consulting services and a subordinate category of 'ancillary services' which include entertainment, transportation and health for the professionals providing producer services (Sassen 1991, 8). Economic restructuring and the information technology revolution were therefore two important milestones in the search for new sources of prosperity.

Recent work on global economic transitions, and assessments of the Indian experience in particular, have attempted to extend this narrative in more critical directions. In particular, this work attempts to revise the Dependency perspective that assumes that the economic reform process was entirely reactive to international influences (including the oil shock of 1990 and IMF/World Bank conditionalities).

According to one prominent summary, this literature identifies both the source of the reforms and their characteristics (Haggard 2000, 22). To begin with, the literature delineates two steps in the process of reform: (i) the initiation and (ii) the propagation of reform. At the very outset, such an inquiry confronts a paradox: why would a state undermine itself by initiating a reform process that essentially equates to the diminution of its own powers? The answer most relevant to the Indian case, is that in the process of transition the need for skilled technocrats, to manage privatization, financial and trade liberalization, actually strengthens the state in what Kahler calls the 'orthodox paradox' (Kahler 1990, 55). Thus while creating an economy free from restrictive controls in the minutiae of commerce, the state assumes an even more powerful role as the leader of a dynamic new economic process.

Key to this stage is an elite group of bureaucrats, committed the reform process and able to create a break from the status quo while deflecting the political start-up costs of reform (Haggard and Kauffman 1992, 17-18). Stallings (1992, 52-55) has used the term 'linkages' to describe the source of such reforms. Linkages comprise a general consensus among the top bureaucrats and technocrats in developing countries on a normative set of 'orthodox' (neoclassical and monetarist) ideas about the economic reform process. Senior economists, advisors and policy makers within developing countries were largely western educated and counted furloughs at international organizations and multinational corporations within their professional experience. These officials were often the chief negotiators between developing countries and International Financial Institutions in the process of economic transition.

The evidence suggests that these elites had been active in promoting a reform agenda in the Indian government since at least the late 1970s. Among others, they included L.K. Jha a graduate of Trinity College Cambridge, former ambassador to the USA and senior economic advisor to Prime Minister Indira Gandhi; Jagdish Bhagwati, a Cambridge educated Columbia University professor and former member of the Planning Commission; and I.G. Patel, former Director of the London School of Economics, former Governor of the Reserve Bank of India and Commerce Secretary under Indira Gandhi.

Technocrats, private sector entrepreneurs and some professional interest groups maintained a steady pressure to initiate economic reforms in the 1980s. They achieved some modest success until the Oxford educated (and then) Finance Minister Manmohan Singh and a coterie of advisers in the Finance Ministry (including Harvard Business School trained P. Chidambaram) were able to institute the reforms of the 1990s. Concurrently, advancements in telecommunications policy and infrastructure led by the American educated telecommunications entrepreneur Sam Pitroda (University of Illinois) initiated a quantum leap in the country's information technology sector when the Department for Electronics obtained export concessions for clusters of small service companies that supported government research enterprises in the cities of Bangalore and Pune (Saxenian 2002, 180). Within a decade, these companies became the leading information services exporters in the country.

Once able to account for the process of 'break' from an entrenched policy, there remains the trend of continuity to account for. The initiation of reforms in India was brought about under a Congress government and severely criticised by the BJP-led opposition. Why and how is it that the reforms were then sustained and even expanded under the BJP-led NDA coalition? Explanations for this vary. Nayyar (2000, 792) argues that this continuity was based on what he calls the 'centrist tendency' in Indian politics. Waterbury (1992, 215-217), on the other hand, argues that continuity is enabled through the broad consolidation of

expectations based on a new set of 'irreversible incentives'. A government with stable coalitions of political and private support possesses at least the tacit acquiescence of major opposition parties. These parties 'free-ride' on progressive policies without risking the loss of political support if these policies prove unpopular. Incentives remain even if the governing party changes, so that a newly elected party maintains the policy course of its predecessor, taking credit for beneficial outcomes and redirecting any costs to the party formerly in power. Accordingly, on forming its coalition government, the BJP gained more from continuing with the economic reforms (which produced some economic benefits), while deflecting any political costs onto the Congress Party which had initiated them.

However, this only partially explains the BJP's record once in government. Rather than merely maintaining these reforms, the BJP greatly expanded the reform agenda through its own initiatives. Studying the involvement of the state in the earlier economic periods of industrialization and Structural Adjustment, Evans (1992, 139-181) provides a complementary explanation by coining the term 'embedded autonomy'. By this term, Evans draws together what he considers to be two ingredients of a successful developmental state. The first of these is an autonomous bureaucracy staffed through the meritocratic recruitment of candidates within coherent and long-term career oriented state institutions. The second is extensive networks between such institutions and industry at large through which policies can be implemented and then refined.

Somewhat parallel to this second characteristic of embedded autonomy, Jenkins shows why constituencies such as state governments and the business sector would not necessarily oppose economic reforms that could potentially be destabilizing. After the inaugural fissure with the status quo, the process of reform creates long-term institutional and organizational changes. Political parties learn how to maintain patronage through new channels and even seek out new patronage opportunities while established business groups support economic reforms in exchange for special privileges from the government (Jenkins 1999, 86; 114). The close relationship between apex groups like FICCI and the BJP serves as an illustration of this, especially given the FICCI's influence over the course of economic policy making. This chapter will however focus on the former aspect of embedded autonomy: an autonomous bureaucracy staffed by long-serving officials in state institutions and advisory capacities. It will show that these individuals provided the key link for a general continuity in economic reform policy between the Congress and BJP coalition governments.

5.3. Who are the Transnational Elites?

In the introductory chapter, the concept of transnational elites was briefly introduced. This section focuses on the crucial role of these transnational elites in catalysing neoliberal economic reforms during the BJP led NDA coalition government. Transnational elites form part of the neoliberal informational context which linked domestic and international factors

along neoliberal policy priorities. This conceptual category therefore deserves some preliminary discussion.

This thesis understand transnational elites as a hybrid concept derived from a synthesis of the social concepts 'elite' and 'transnational'. The first of these concepts emerged in the social sciences towards the end of the 19th century from concerns over a particular antinomy in democratic systems. The latter concept, transnational, has become increasingly significant as a means of uncovering the labyrinthine networks of culture, movement and capital which underpin the logic of globalization.

Transnationalism is the first root concept considered here. Vertovec (1999, 2-13) provides a useful categorization of six particular premises through which transnationalism is manifested: social, consciousness, cultural, capital, politics and location. Social and cultural transnationalism refer to the commonality of values and associations among individuals situated in transnational contexts. Examples of such associations include attendance at common global universities, memberships in global associations and the possession of values sometimes at odds with those of the local context in which an individual lives. Capital, politics and location refer to the physical contours of transnationalism

encompassing globally mobile capital and political priorities formed to encourage this mobility.

Despite the recent interest in this topic due to the onset of globalization, scholars are cautious to point out that transnationalism is not a recent phenomenon. Bamyeh (1993) places the origins of transnationalism in medieval European trans-local economies, and early global trade necessitated by the limitations of natural resources in any particular locality. The resultant economic activity created the conditions for the abstraction of capital from the local to the transnational level and a transnational class whose interests thereby transcended national borders. The onset of modernity further enhanced these characteristics through greatly expanded trade (with colonies and the new world) and the search for 'universal' values that transcended local cultures (Bamyeh 1993, 17-19).

In the contemporary context, transnationalism inherits and enhances the above characteristics through vastly improved communications and the expanded mobility of individuals. Transnationalism also occurs across scale so that these premises could apply to a Transnational Corporation or to a small ethnic community in Los Angeles. Historically, transnationalism in the twentieth century became significant on the establishment of the Bretton Woods institutions, created to ensure a stable global economy in which capital

could move freely. In addition, immigration reforms in North America and Western Europe set against the backdrop of cold-war competition for skilled labour also contributed to the reality of transnationalism (Williams 1996, 23). With growing numbers of migrant groups in developed countries, and the spread of transnational corporations, transnationalism emerged as networks of communities in different physical localities sharing a common consciousness and means of cultural reproduction, engaging in common commercial activities and political concerns and creating new transnational spaces (Appadurai 1996).

By the time Bamyeh's study was published, the methodological challenges in gauging the exact parameters of these various transnational categories was understood. It would therefore be suitable to limit the scope of what is meant by transnationalism in this section. Here transnationalism refers particularly to a group of shared economic orientations drawn from a common set of values largely derived from common educational backgrounds and professional experiences. Transnational linkages among key bureaucrats in the Prime Minister's Office and economy-related ministries was central to the economic reform process of the NDA government. However, before discussing this in any detail, a short exploration of the second root concept is necessary.

The question of the role of elites has largely emerged in the contemporary context as a means of deducing where the benefits of globalization accrue. However, the problem of elites has a lengthier pedigree. In the context of the modern state, Weber proposed the problem of bureaucratic elites which emerged from an examination of the way democracy actually functions. The bureaucratic rationalization of the modern state creates inevitable tensions that arise when decisions affecting the citizenry at large are made by small groups within the bureaucracy. On the one hand, Weber maintains that bureaucratic specialization and the technical knowledge that comes with this specialization is a necessary function of the modern state (Weber 1997, 65). However, this situates the holders of this knowledge, and their work which directly affects the citizenry, at a distance from democratic accountability. Both the specialized knowledge and state bureaucracy are not easily accessed by the citizenry and this is problematic for democracy.

Weber's solution to this dilemma is rigorous parliamentary accountability so that the actions and priorities of the bureaucracy are led by democratically elected politicians. However the prospects for democracy, even under the ideal conditions for parliamentary accountability, are most aptly summed up by Pareto (1997, 51) who argues that, 'a political system in which 'the people' expresses its will... without cliques, intrigues, 'combines' and 'gangs' exists only in the pious imagination of theorists'. The role of specialists is therefore inevitable in any realistic account of democracy.

I have examined the categories 'transnational' and 'elites' above. The synthesis of these individual concepts results in the idea of transnational elites. For Sklair the class of transnational elites constitutes a key element of the hegemonic order of neoliberal globalism. It comprises a cross section of political and economic elites, including owners and controllers of transnational corporations (TNCs) and their local affiliates, globalizing bureaucrats and politicians, globalizing professionals and the consumerist elite (Sklair, 2001, 17). Sklair's analysis is the contemporary formulation of a line of inquiry that stretches as far back as Weber in trying to ascertain the tension between emerging democratic systems and class and bureaucratic elites (Abbink and Salverda 2012).

This chapter focuses on the agency of bureaucrats, government advisors and globalizing professionals (namely knowledge industry professionals) in the formation of the NDA government's neoliberal economic policies. One reason for this choice is that this is a study of the political circumstances of economic reform and therefore the most relevant factions of this group are key government and economic agents such as bureaucrats and informational professionals. Another reason for this choice relates to a weakness of Sklair's approach. While he does provide a useful taxonomy to identify individual agents of transnationalization, he leaves the issue of causation unsolved: do transnational cultures create transnational agents or do transnational agents create a transnational culture?

For this particular analysis, causation is established in the following manner. The evidence demonstrates that Indian bureaucrats absorbed transnational values through exposure to transnational cultures during professional and educational furloughs in western countries. While transnationalist consumer culture in India was still very much in a formative phase during the period of the NDA government, the benefits that the new professional class enjoyed in the nascent transnational consumer economy reinforced the policy directions taken by transnational politicians and bureaucrats. This is especially apparent in the reconfiguration of space within the new global cities for the professional classes.

In the context of India, a bureaucratic elite emerged with the birth of the modern state. The development of technical know-how was key to the Nehruvian vision of a developed state. Nehru's equation of development with modernity, scientific methods and techniques necessitated the creation of a group of skilled technocratic cadres in government bureaucracies (Guha 2007, 216). Highly selective admission into the Indian Institutes of Technology and Management followed by competitive recruitment into the Civil Service or a Public Sector Undertaking was the usual route to social and financial privilege under the planned economy dirigisme (Evans 1995, 66).

In the era of free-market reform that followed, highly trained professionals found new routes to financial and social privilege in the expansion of the middle class. Given the technical nature of the economic reforms themselves, the role of technocratic elites in the state bureaucracy was significantly retrenched. Thus in the era of neoliberalism, the new elites, social and bureaucratic, engaged in a somewhat complimentary relationship: in the market, professional elites trained in the technocratic skills of the global economy formed a new class of social elites practicing transnational consumer lifestyles. Their existence in turn, was premised on the policies implemented by transnational bureaucrats and advisors in key policy forming roles. These bureaucrats were able to utilize their own set of common transnationally oriented experiences and skills to further the course of neoliberal reform.

A change in the ruling political party would not reverse or substantially redirect the overall pursuit of reform, if it were driven by an isolated elite of civil service bureaucrats. The NDA coalition (1998-1999), the third government since the economic liberalization of the 1990s, furthered the course of reform, through the recommendations of reform-minded ministers and senior advisers. The same pattern was echoed in the full-term BJP led NDA government (1999-2004) where a group of pro-reform minded advisers and senior civil servants populated the inner circle of Prime Minister Atal Behari Vajpayee. Civil servants such as the Harvard trained Chief Economic Adviser Shankar Acharya, appointed under the pro-reform Congress government, continued to exert their influence by remaining in their positions well

into the NDA government's tenure. Significantly, until joining the government, none of these individuals carried membership in any of the Hindu nationalist political organizations and were therefore harbingers of ideas and approaches outside of this tradition.

Having examined the notion of transnational elites as a concept and the particular elite categories relevant to this chapter, the next two sections discuss the role of the new professional class and transnational bureaucrats in the economic policy formation of the NDA government.

5.4. The Global City: The neoliberalization of space

The analysis in chapters 2, 3 and 4 looked at the influence of domestic and international factors in the formation of economic policy. While discussed individually in the preceding chapters, policy formation at these individual levels was not disconnected. In fact, the actions of domestic and international factors are deeply linked within transnational networks which provide the logic and structure within which domestic and international factors influence economic reform. These networks also mediate the effects of economic reforms at the social and cultural level. These social and cultural factors comprise part of what I term the neoliberal informational context. This section seeks to accomplish two goals. The first is to demonstrate the emergence of a novel transnational phenomenon in India: namely the global city. The second is to implicate neoliberal economic reform in the

radical reordering of urban spaces to facilitate the emergence of these global cities. By doing this I uncover the major incentive for neoliberal reform: namely access to transnational lifestyles afforded by the growth of the global informational sector. Having established the motive for neoliberal reform, the next section will demonstrate the means by which this reform was brought about: the agency of transnational bureaucrats within the NDA government.

The re-ordering of space ultimately derives from a reordering of the role of the state in the everyday lives of citizens. Critical engagements with neoliberalism have questioned the equation between the roll-back of economic regulation and the diminishing of the state. Harvey examines the function of neoliberalism as a mask for the greater involvement of the state in the everyday life of citizens (Harvey 2005, 79-81), while Foucault describes neoliberalism as part of the larger complex used by the state to exert biopower (Foucault 2008). Thus the seemingly benign connection between economic reform and the everyday experience of citizens is opened up to scrutiny. Economic reform policies shape the lives of citizens in fundamental ways that must be recognized in order to understand the logic of neoliberalism.

In a global neoliberal informational economy in which capital searches out new opportunities among developing economies newly open to investment, global cities emerge as crucial information processing nodes that enable this flow of capital. The embeddedness of neoliberal policies within the urban context of global cities make them intensive sites of neoliberal 'creative destruction' (Brenner, Peck and Theodor 2005, 11). The global city is the theatre within which intensive neoliberal policy activity is translated into the everyday experiences of citizens. Global cities epitomize the impact of neoliberal reform on individuals within a rapidly changing economic landscape. These cities are therefore the ideal arena to illustrate the overall impact of neoliberal policies that encourage market oriented growth and elite consumption patterns. These policies include fiscal austerity, prioritization of the inflows of financial capital and trade and the shrinking of governance in a public private partnership service provision model which emphasizes private sector priorities (Brenner, Peck and Theodor 2005, 12).

Saskia Sassen describes global cities as nodes in a network of electronically connected centres of financial activity, which create a distinct urban phenomenology (Sassen 2001). The global city is the fundamental unit of the global informational economy. The value of Sassen's description lies in the explanatory power of this concept to describe a pattern of urban life that is ultimately premised on the priority of finance capital. Sassen and others (Harvey 2010, 158) have described this urban phenomenology as 'time-space compression'

across the network of global cities and within their individual physical configurations. Urban phenomena such as gentrification and suburban growth have been ascribed to the informational-finance complex that lies at the heart of the urban economy of a global city. These are the current manifestations of what urban theorist Henri Lefebvre called the subordination of history and the formulation of solutions to the logic of space (Nair 2005, 122).

An application of these considerations to the new globally oriented urban context in India yields some intriguing results. Chatterjee performs an analysis in which he links the neoliberalization of trade policy and urban governance to two fundamental changes in the urban spaces of Ahmedabad (Chatterjee 2009). On the one hand, he argues, neoliberal economic reforms ultimately led to the steep decline of the textile industry and the urban neighbourhoods of textile industry workers. On the other hand, these policies catalysed an exponential growth of the information services sector and the ancillary real estate, consumer and retail industries. Chatterjee ultimately links these trends, the decline of the textile industry and the growth of the informational sector, to the marginalization of minority groups and the larger theme of communal tensions. While this (connection to communal politics) is not the argument pursued in this chapter, Chatterjee's paper demonstrates the highly formative effects of neoliberal economic policies on urban spaces.

The emergence of global cities, in the Indian context has a lengthier history than the NDA government's tenure. This trend can be traced from the mid-1980s when tentative steps towards economic reform were taking place under the Congress government led by Rajiv Gandhi. Under these piecemeal reforms, the encouragement of the domestic electronics industry in particular aroused the interest of multinational corporations. The multinational Texas Instruments established a presence in the city of Bangalore in 1985 (Patibandla 2006, 111). Following the economic reforms of 1991, and given a critical mass of specialized expertise among the various government research and public sector units already in the city, Bangalore turned from an idyllic government and private technology base into a thriving metropolis barely able to keep its infrastructure apace with the speed of growth (Srinivas 2001, 12).

The greatest source of growth during this period was the information technology services sector, which had grown from a collection of small private units established in the early 1980s to some of the largest software and business processing service providers in the world. These companies provided the necessary information and knowledge processing services to facilitate the transfers of capital around the world in a global neoliberal informational economy. Attracting substantial numbers of highly trained, consumer oriented workers, the growth of the information and knowledge processing industry created a renewed premium on space in the city. The development of Electronic City and the

International Tech Park in Whitefield formed an information technology corridor that was the source of a new economy around which 'ancillary services' such as private residential and retail developments mushroomed.

Bangalore serves to illustrate the spatial reordering of old urban centres under the influence of neoliberalism. However, the spatial effects of neoliberal reforms were even more apparent in the development of entirely new urban centres. In the early 1980s, the village of Gurgaon came to the attention of the public as the site for a new industrial development. Given its proximity to the New Delhi airport, Gurgaon was chosen as the site for the first Maruti car plant in 1981 (Becker-Ritterspach 2007, 2). From this small industrial base, Gurgaon emerged through the 1990s as a major centre for Knowledge and Business Process Outsourcing.

The growth of the informational sector in turn catalysed an exponential demand within the real estate and retail sectors and new opportunities for private developers. An astronomically heightened experience of the consumer lifestyle became available to the educated and well-travelled informational professionals who moved to self-sufficient private development complexes where a range of amenities from shopping to schools and Swedish spas became accessible without having to step out from a private compound into

the public space (Meerman 2009). New shopping malls targeted at these professionals constituted sealed cocoons of consumerism, with visual aesthetics, personal security and ambient temperatures almost diametrically opposed to the surroundings (Voyce 2007, 2056). The vocational focus and lifestyle aspirations of these professionals were far more integrated into a transnational socio-economic and cultural environment than the local context. I will continue to refer to this transnational professional group as the professional-consumer class.

The benefits of reform, however, largely remained within this class of professional-consumers. The growth of the informational sector soon began to outgrow the infrastructure capacities of the city of Gurgaon and other global cities in the country (Srinivas 2001, 12). The influx of informational professionals was mirrored at the other end of the income scale. Low skilled work (textiles, casual labour) was adversely affected by global economic trends even as this boom in the informational economy transpired. A small but active hub of textile firms was set up in Gurgaon during the 1970s. The repeal of Quantitative Restrictions under the NDA government gave consumers access to more competitive imports, even as access to US and EU markets did not deliver expected export returns to the local textile industry (Narayanan 2008, 130). Additionally, the trend towards 'Toyotism' (industrial decentralization based on the Japanese model) and the greater fragmentation of garment and automotive production chains during the time of a

simultaneous boom in the informational sector created the conditions for the pronounced income polarization of the city (*The Times of India* 2011, December 7; Robinson 2004, 15). Luxury apartment complexes and office towers sat cheek by jowl with slums housing domestic staff and other informal workers (*New York Times* June 9, 2008).

The pronounced income polarization was felt acutely as a lack of urban infrastructure capacity. In the absence of solutions from municipal and local government, new public-private partnerships attempted to address these infrastructural capacity problems. However, these efforts were primarily concerned with way these problems impinged on the lifestyles of the professional-consumers. A senior official at one of the largest national information technology and business process outsourcing trade associations in the country (NASSCOM) described the information and knowledge sectors' incentives in trying to create solutions to such urban capacity problems:

There has been some discussion about the IT hubs existing as centres of excellence and as silos and the rest of the city's infrastructure not being that great. We certainly recognize that you cannot have these kinds of major disparities. And certainly even the people of the industries also suffer from it. When you are stuck in a traffic jam and get to your office in less than two hours then something has to be done. People from NASSCOM and the industry are part of several civic bodies that are looking at how we can have equitable development of the city (S. Eashwar, Telephone Interview, January 03 2011).

While recognizing the significant disparities in physical infrastructure, the concerns expressed largely relate to the experience of professional-consumers. Proposed solutions to these problems included better public transportation and pavements:

For instance there is one initiative for the building of mobility hub bus terminals and bus routes that cover the arterial roads so that not everyone has to go around in private transport. There's another initiative to develop the pavements of the city because truly from my own experience it's very difficult for a pedestrian to be walking around in the city today. So there is a recognition that something needs to be done because it's our own quality of life ultimately that is affected... The large so called underbelly of the city: they service the industry so there is even a self interest in contributing to equitable development (S. Eashwar, Telephone Interview, January 03 2011).

Once again, the phrase 'quality of life' seems to suggest the perspective of a professional-consumer on urban capacity problems. Even when concerns extend to other social sectors (the 'underbelly' of the city), these are formulated in relation to the perspective of the information and knowledge sector.

At the regional level, Karnataka Chief Minister S.M. Krishna (Congress) convened a special advisory group, the Bangalore Agenda Task Force (BATF), to advise on some of the most urgent urban capacity problems. This group was composed of representatives from some of the major local corporations and various municipal and regional departments representing policy areas such as planning, development, sanitation, transport and telecommunications (Smitha and Sangita 2008, 12). Pani notes that key members of this body were executives from the Indian software company Infosys (Pani 2006). NGOs and groups representing the interests of sectors outside of the government-private industry nexus were excluded. Discussions around urban capacity problems led by such NGOs and organised groups were already taking place and emphasized the need for better basic services including 'land development and planning; water, power and telecommunication and services, public

transportation enforcement of traffic management; enforcement law and order; and last but not least municipal budgeting' (Ghosh 2005, 4916). However, such priorities were overlooked by an ambitious informational sector aspiring to transnational global city status.

A summit organized by the BATF, brought together representatives from the corporate sector to discuss a coordinated urban development plan. These representatives managed to extract promises from public sector 'stakeholders' (reduced to the status of observers at the meeting) with the audacious goal of 'converting' Bangalore into a new Singapore (Nair 2005, 123). The prioritization of a newly proposed international airport and the idealization of Singapore as a model city ensured the primacy of global interconnectivity and an urban environment ordered to facilitate transnational producer-consumer services over and against fiscal prudence and the particular socio-urban challenges of Bangalore. Such idealization only increased the social and physical isolation of transnational producer-consumers from workers in the informal sector.

A struggle between the public use of space and the increasing appetite for privately developed housing reached an extreme as new townships in Bangalore were re-imagined as transplanted Southern California information technology metropolises complete with 'CEO-mayors' (Nair 2005, 135). The appropriation of villages in the peri-urban areas and

encroachments on green spaces were accompanied by the forcible eviction of casual labourers from land originally zoned for public development. The re-zoned private developments catered to what sociologists call a middle class a flight from the realities of the city behind the boundary walls of gated communities. Here residents enjoyed entire lifestyle packages, including premium spaces such as jogging paths free of traders, shopping and education without the need to engage with the people and spaces outside of their private compounds (Smart and Smart 2003, 273; Nair 2005, 135).

Such development efforts were largely targeted at creating an enhanced living environment for the emerging producer-consumer class with little attention to the impact upon other social sectors. Land procurement proposals to improve urban infrastructure did not incorporate adequate consideration of slum populations. The focus on infrastructure development for the services sector therefore largely overlooked the needs of a large majority of the urban population. Significantly, Fernandes argues that such models of urban development demonstrated a new mode of state intervention on behalf of the new middle classes rather than the supposed retreat of the state under neoliberalism (Fernandes 2006, 156).

The unbalanced priorities of urban development elicited reactions from other parts of the social spectrum, often through novel channels of protest. Significantly, these protests were directed at the symbols of the transnational consumer lifestyle. A series of disruptions by the KRRS (Karnataka State Farmers' Association) farmers' union had begun in 1993 to resist WTO restrictions on long standing farming practices. In 1996 the ire of the group was directed at the global franchise Kentucky Fried Chicken with members occupying and then vandalizing a newly opened outlet on Bangalore's Commercial Street (Assadi 1996, 1184). Other targets included global retailer Metro Cash and Carry outlets, singled out by local traders who maintained that the entry of the German conglomerate was threatening their livelihoods (*Business Line* 2003, October 23). The Miss World contest in Bangalore held in 1996 witnessed further protests from groups across a wide political spectrum, from Communists concerned about the entry of foreign capital into the country to Hindu nationalists concerned about notions of 'feminine purity' (Fernandes 2006, 161). At the time, these protests, however, were largely viewed as the reactionary politics of 'eccentric' interest groups. However, in retrospect, they could easily be interpreted as protests against the signs and symbols of the neoliberal economy by urban constituencies that had been marginalized in the growth of the global city.

In sum, the formation of India's global cities according to the priorities of neoliberalism was oriented to a new class of transnational elites. These elites comprised the highly skilled

professional-consumers who maintained and propagated the transnational economy through their increased productivity and consumer lifestyles. This emphasis is further illustrated by the fact that the urban development policies within these cities intentionally targeted the lifestyle demands and aspirations of these elites, at significant cost to other urban constituencies. The economic productivity of these elites as well as their consumption oriented lifestyles in turn was premised on the process of neoliberal economic reform. To understand the productive and consumer aspects of the global city therefore requires an understanding of the neoliberal policies that created them. It is to an examination of this that this chapter now turns.

5.5. The Neoliberalization of the economy under the NDA: The role of transnational elites

Having examined the role of professional-consumers within globalized urban spaces, this section turns to the role of transnational agents within the government. This study recognizes that the transnationalization of government policy takes place at a number of levels, through central government ministers and technocrats to regional politicians and their advisers. One mode of transnationalization involves what some scholars refer to as the 'iconization' of the models of modernization. This encompasses a strategy of legitimizing particular development priorities by portraying them as expressions of the individual personalities of political or bureaucratic leaders (Pani 2006; Rudolph and Rudolph 2001).

Through this process, these figures are projected to embody the actual reform process itself. They act as a point of reference for the growing constituency of middle classes within urban regions. The Rudolphs point to the significant fact that post-1991 the chief icons of economic development were no longer Prime Ministers as was the case under Nehru. Rather this mantle was taken up by regional chief ministers who were viewed as the dynamic and entrepreneurial agents of development and key deal-makers with the thriving corporate sector (Rudolph and Rudolph 2001, 1541). Both NDA supporter Chandrababu Naidu, chief minister of Andhra Pradesh and his Congress counterpart in Karnataka, S.M. Krishna are illustrations of this kind of iconization.

While not discounting the crucial role of charismatic regional politicians, this analysis focuses on the role of the technocrats who were able to give the politicians' rhetorical skeleton of reform goals its policy based 'sinews'. Such work was often beyond the technical abilities or experience of these politicians themselves. In New Delhi, the key to the promotion of neoliberal economic reforms was the cadre of advisers in the Prime Minister's Office (PMO) which, since the time of Rajiv Gandhi, had begun to take on an increasing profile in the overall governance of the country. These advisers were largely drawn from senior positions among the various government ministries and shared common formative influences in their career paths. Careers usually consisted of at least two decades within the central government's prestigious administrative services (IAS) interspersed with sabbaticals

spent obtaining academic credentials (notably at the Kennedy School of Government, Harvard), working at international institutions (UNDP, World Bank) or even in the private sector (J.P. Morgan, Goldman Sachs).

Reform proposals in the NDA government often originated with specially convened advisory councils and commissions set up by the PMO. These bodies were staffed by transnationalist bureaucrats and were the basis upon which the major policy milestones of the NDA were created. Jenkins confirms that the initiation of key reforms in India was not always carried out through the politically charged venue of parliament. Often reform was accomplished through individual government departments, sometimes even through the use of obfuscation and stealth (Jenkins 2000, 172-207). This allowed 'safe passage' of reform proposals as they were developed within ministries until their introduction into parliament through the aegis of influential ministers. In the words of one Lok Sabha critic:

It is because everything is being done by the PMO, by the number of *Nav-Ratnas* sitting there, the former bureaucrats sitting there. You see how many documents are there or how many calls they have made. The *Ratnas* sitting in that PMO are ruling the roost. They are determining everything, finalising everything (Rupchand Pal, Lok Sabha Debates 2002, July 23).

The telling analogy here references the *Nav-Ratnas* (nine jewels), a closed circle of courtiers around the Mughal emperor Akbar. By equating the role of the advisors in the PMO to these figures, this critic paints a picture of important policies originating among an unelected

cadre of modern day 'courtiers' around the Prime Minister rather than through a democratic process.

Another Lok Sabha critic, discussing amendments to existing patent laws proposed by the PMO, expressed concerns regarding the introduction of these amendments in parliament despite protests from a wide variety of quarters, even from within the BJP:

How could it happen? Senior Members of BJP are against it. A number of ruling party Members are against it. Known scientists, economists and the powerful trade unions are against it. Under this background, how could this happen? (V. V. Raghavan, Lok Sabha Debates 1999, March 09)

Once again this particular critic placed the responsibility for the unresponsive style of policy formation in the hands of a powerful PMO attempting to bypass democratic procedure:

There is a talk in the Lobby and in the Central Hall that everything originates from PMO. Nowadays, there is a talk that PMO is more powerful than the Prime Minister himself and all the policies originate from PMO. I would not say that they do not have a right but they cannot deny the right of the House to know it [sic]... PMO cannot ignore or by-pass the House. We will not allow them to proceed like this (V. V. Raghavan, Lok Sabha Debates 1999, March 09).

This almost alarming portrayal of a closed and powerful PMO creating policy proposals in isolation from democratic mechanisms somewhat oversimplifies the nature of the PMO's policy forming *modus operandi*. The PMO's policy recommendations were in fact based on close consultations with industry and other sectors of the economy through its two advisory councils.

The PMO convened two permanent advisory councils on economic policy. The Council on Trade and Industry included representatives from all of the major industrial conglomerates in the country and representatives of both apex chambers of commerce (FICCI and CII) (*The Financial Express* 1999, November 15). A second Council of Economic Advisers (EAC) was staffed by veteran transnational bureaucrats including I. G. Patel (former director of the London School of Economics), M. Narasimhan (chair of the Narasimhan banking reforms committee), Montek Singh Ahluwalia (former IMF director), Kirit Parikh (MIT alumnus and former senior UNDP official), Ashok Gulati (former Director of the International Food Policy Research Institute), and N. K. Singh.

The very appointment of the councils elicited criticism from members of the opposition, such as former Prime Minister H.D. Deve Gowda who was concerned that the role of these councils limited the importance of sectors such as agriculture:

The hon. Prime Minister constituted two councils – the Industrial Advisory Council and the Economic Advisory Council. He forgot the agriculture sector... He gave more emphasis to the industrial sector and constituted an Industrial Advisory Council. On the economic situation, he wanted the advice of experts and so constituted an Economic Advisory Council. But he forgot the agriculture sector. He should now think over and ponder over whether such an advisory council consisting of agricultural economists and farmers is required. They may not be experts but at least they can ventilate [sic] their feelings in such an advisory body (Lok Sabha Debates 2002, December 04).

The implication of these remarks is clear – the advisory councils were formed to address a narrow spectrum of economic concerns. This lop-sided policy focus in the Prime Minister's Office would marginalize other crucial policy areas such as the rural sector.

Concerns about policy focus aside, it is clear that the advisory councils were widely perceived as bodies that had the ability to set the policy agenda. How far can these bodies be shown to have actually influenced the policy making process? One former member described the Economic Advisory Council's work in the following way:

We used to meet regularly in formal meetings and discuss a particular agenda. So we used to decide before the budget or before the WTO [meeting] what should be the approach. Of course senior economist such as I.G. Patel used to tell [sic] this is what we feel, but you [the Prime Minister] have to take a political decision. But as an economist this should be the right approach for the interests of the economy. But now what are its political repercussions [sic]; that you [will] have to deal with... But Vajpayee said one thing, 'I am prepared to pay the price, go ahead. Don't bother about its electoral repercussions. If it is in the interests of the country, let us go on' (J. Shettigar, Personal Interview, December 21 2010).

In the view of this EAC member, the body's role was to provide advice on current issues, independent of political pressures. What is especially telling is the manner in which the Prime Minister attempted to isolate the Advisory Council from possible political repercussions. This appears to match the aspect of embedded autonomy that emphasizes the isolation of bureaucratic elites engendering economic reforms. According to another former member, 'we had discussions among ourselves. As well, Mr. N.K. Singh was there and occasionally we met the Prime Minister. So what I think [is] that yes, when we thrashed out the issues it probably helped the PMO to make up its mind (Kirit Parikh Telephone Interview, July 26 2012).

The notion that the Economic Advisory Council set the economic policy agenda is also borne out by the policy record. For example in the widely cited report of 2001, *Economic Reforms: a Medium Terms Perspective*, the EAC recommended the phased elimination of tariffs and small industry preferences, the privatization of key public sector units (power, telecom, ports) the paying down of public debt with disinvestment receipts, reductions in the stake of public sector banks and reviews of kerosene and food subsidies. In these proposals there are the outlines of the reforms listed in chapter 3 and 4 related to trade policy, budget deficits, financial reform and subsidy reduction. The impact of these recommendations were felt (along with other committee recommendations) in the finance budget that followed that very year, and explicit connections between the EAC's recommendations and reforms were made in the media and official opinions (IMF 2001). In the words of one member of the council, 'we prepared the document on the economic reforms state [sic], which was to be carried out further and it was implemented in the very next budget' (J. Shettigar, Personal Interview, 2010).

The Prime Minister's Council on Trade and Investment made similar agenda setting recommendations. These recommendations lent the support of industry to some of the key economic policies undertaken by the NDA government. To take the example of disinvestment policy (discussed at length in chapter 3) the recommendations of the Council on Trade and Industry are apparent in the actual policy record. A 'Special Subject Group' of

the Council tasked with producing a set of recommendations for disinvestment was headed by three transnational elites. These individuals were G.P. Goenka the Harvard educated head of one of India's largest business conglomerates and former FICCI president, Nusli Wadia the head of a major multinational textile corporation (Bombay Dyeing) and Rajeev Chandrashekar the head of one of India's largest mobile telecommunications providers (BPL Mobile). Among the major recommendations contained in this document was the need to set up a Disinvestment Ministry to replace the existing Disinvestment Commission, which the Special Subject Group felt would only be able to accomplish disinvestment on an ad hoc basis. In their own words:

There must be Disinvestment Ministry (DM); other ministries can be co-opted only if absolutely necessary. The Secretary of DM must preferably have capital market experience. DM will be responsible for taking the proposal to a Cabinet Committee on Disinvestment consisting of the Prime Minister, the Finance Minister, the Disinvestment Minister and any other economic ministry considered necessary. There is no need for a Disinvestment Commission. The DM will have an Advisory Board consisting of members who have sufficient capital market and international investor experience and there will be a transparent and strategic approach (Goenka, Chandrashekar and Wadia 2000).

The rationale presented here emphasized the need for the disinvestment process to be carried out in a systematic matter in coordination with other key economic ministries. It also described the profile of the senior government official in the Ministry (Secretary) as requiring extensive capital market experience. As discussed in chapter 3, the minister ultimately placed in charge (Arun Shourie) was a former World Bank official who obtained a Ph.D. in economics from the USA.

The document goes on to discuss the rationale for disinvestment as well as a road-map for disinvestment. A three-pronged rationale behind disinvestment was presented in the following manner: to create a healthy context for entrepreneurship and foreign investment; to reduce deficits and make publically owned companies more efficient; and to shift government expenditures into areas of need such as basic education and agriculture. This report also recommended disinvestment of Public Sector Undertakings (publically owned companies) up to the 26% mark (in all non-strategic enterprises) exactly as proposed by disinvestment policies discussed in chapter 3. When the Disinvestment Ministry was finally established, the profile of officials and advisors as well as the actual level of disinvestment the NDA government's disinvestment policy closely followed the recommendations of this Special Subject Group of the Council on Trade and Industry.

Other committees were constituted as ad hoc bodies to advise the PMO on specific policy proposals, and were often facilitated by a key transnationalist bureaucrat or minister. N.K. Singh, a veteran of the Indian Administrative Service, and graduate of St. Stephen's College and the Delhi School of Economics, was retained as an Officer on Special Duty in the PMO after his retirement as Secretary of Commerce. Singh was tasked specifically with the pursuit of economic reforms (*The Statesman* 2001, February 19). Under Singh's leadership, reform policies appeared to carry a momentum quite apart from the initiative of the relevant government departments and ministries. In fact, critics even claimed that these

reforms were sometimes carried out in the absence of the minister of the relevant portfolio (*The Statesman* 2001, February 19). The Prime Minister was seen as merely rubber stamping the agenda of senior bureaucrats such as Singh with whom the BJP and RSS experienced increasing friction and whom they accused of wielding undue influence (*Outlook* 2001, April 02).

Even when Singh was persuaded to leave the PMO in favour of a seat in the upper house of parliament, he was replaced by Prodipto Ghosh, an IAS cadre and alumnus of Carnegie Mellon University (*The Statesman* 2001, May 09). One of the key legacies of N.K. Singh was the Steering group on Foreign Direct Investment, which recommend increases in FDI up to one hundred percent across a number of sectors, including telecom, real estate, banking, insurance, airports and trade. These recommendations were supported by the secretaries of key government departments (industry, external affairs), regional chief ministers (including Chandrababu Naidu) and representatives from FICCI and CII. Subsequent upward revisions in FDI restrictions, especially with regards to the infrastructure and insurance sector outlined in chapter 3, were the direct result of the influence of this body (*The Financial Express* 2002, September 4).

In his role as minister of finance, Yashwant Sinha (1998-2002) left the greatest reform-footprint. Sinha's biographical details match those of other reform minded bureaucrats. Sinha was a veteran of the IAS with stints in Bonn and Frankfurt during the creation of the European Economic Community, followed by a number of senior roles in the ministry of commerce (New Delhi) and the government of Bihar (Sinha 2007). Sinha's major policy reforms also drew from commissioned reports headed by transnational bureaucrats. The recommendations of the Committee on Fiscal Reforms headed by E.A.S Sarma (a Harvard educated career bureaucrat), were introduced into parliament as the 'Fiscal Responsibility Legislation Act'. This Act had a crucial role in the reduction of fiscal deficits under the NDA government as recounted in chapters 3 and 4.

A profile of membership in these committees confirms the crucial role of transnational elites in the formulation of their neoliberal recommendations. Often committee members held cross-appointments in private banking houses and global institutions. For example, the authors of the Tarapore report on Capital Account Convertibility included S.S. Tarapore (former IMF researcher), Dr. Surjit S. Bhalla (former adviser to the World Bank, Goldman Sachs, Deutsche Bank), M.G. Bhide (adviser to J.P. Morgan and UNDP) and Kirit Parikh (former adviser to UNDP). While the recommendations of this committee were not implemented due to the climate of caution that followed the Asian financial crisis, the transnational profile of these committee where these policies originated is clear.

Even within government ministries such individuals were crucial to the smooth progress of reforms. For example, within the finance ministry, Sinha was aided by transnational advisors such as Vijay Kelkar (Ph.D. Berkley) who implemented the global depository receipt (GDR) guidelines to increase capital account convertibility without the risks of full convertibility (*The Financial Express* 1998, August 28), before going off to join the IMF as an executive director (*The Financial Express* 1999, July 20). In the often difficult negotiations with the WTO ministerial meetings, Commerce minister Murasoli Maran, was especially dependent on the expertise of senior officials such as Special Secretary Nripendra Misra (Harvard educated former IMF Director 1981-85) and Commerce Secretary Prabir Sengupta, a veteran of several reform initiatives in various government ministries.

As recounted in chapter 3, traditional factions in the Hindu nationalist movement were vehemently opposed to the implementation of such policies. While they criticized the policies themselves these critics were quick to point to their source: key ministerial berths occupied by candidates who did not have their support. The ministry of finance was a particularly contested entity. Traditionalists in the BJP proposed candidates such as Murli Manohar Joshi or L.K. Advani, both of whom had reputations as ‘hard-liners’, to lead the ministry. Even coalition partners such as the AIADMK proposed their own candidates; in their case it was the self-styled *swadeshi* economist Subrahmanian Swamy.

Yashwant Sinha was the compromise candidate agreed upon after the Prime Minister's preferred technocrat candidates, Arun Shourie and N.K. Singh were blocked by traditionalist factions in the party (*The Financial Express* 1998, March 11; Frankel 2005, 758). Similarly, when the Congress Party appointed Chief Economic Adviser, Shankar Acharya (a Harvard alumnus and former World Bank executive) completed his term of appointment in 2001, a replacement was proposed by the PMO from the ranks of the EAC. This was in opposition to the SJM and RSS candidate, Bharat Jhunjhunwala (*The Statesman* 2000, October 10). Such appointments disillusioned some Hindu nationalist leaders to the point of stating, 'this is not our government. Only, some of our party leaders are its members' (*The Statesman* 2000, May 18).

As with government policies, committee recommendations also earned the ire of Hindu nationalist critics who expressed frustration at the prioritization of neoliberal reforms. These critics included the prickly, Harvard trained Subrahmanian Swamy whose proposals for *swadeshi*-focused economic policies were rebuffed by successive governments. As an individual, Swamy's case is of particular interest in that he represents particularly traditionalist economic viewpoints despite his educational background and continuing ties to Harvard University where he served as a summer session lecturer until recently. This appears to suggest that transnational experiences are therefore a necessary, though apparently not sufficient, condition for an overall transnational orientation. On the other

hand, Swamy is among one of many economists who claims to have authored (as a minister in the Chandra Shekar government) the blueprint for the economic reforms pursued by the Congress government in 1991 (Debroy 2000).

Swamy's alternative and typically nationalist counter-proposals to the EAC report in 2001 included giant public works to generate employment, a new public distribution system for essential commodities, making all savings income tax-deductible, cutting the cost of capital or interest rates for Indian entrepreneurs, demanding liberalized immigration to the West in exchange for economic liberalization and making Mumbai a free port along the Hong Kong model (*The Hindu* 1998, October 27). However, such criticisms of committee recommendations had little effect on the work of the committees which scarcely looked for consensus outside the ambit of their own membership. As discussed in chapter 4, the criticisms of traditionalists were 'neutralized' further down the policy chain, in the pre-budget meetings between the government and groups such as the Swadeshi Jagaran Manch.

5.6. Conclusions

This chapter has argued that transnational elites are the key factor that explain the origin of the NDA government's economic reforms. These elites formed the crucial policy forming link between domestic and international factors aligned towards neoliberal economic priorities.

Beginning with the literature on economic reform, this chapter has shown how an isolated core of bureaucratic elites played a key role in this process. The reconstitution of urban spaces in India's new 'global cities' made possible by neoliberal reforms enabled a new class of informational professionals to practice transnational consumer lifestyles. The economic productivity of these professionals and their consumer lifestyles were premised on the neoliberal economic policies formed by transnational bureaucrats and advisors.

In the case of the BJP-led NDA government, the process of neoliberal reform was initiated and propagated by transnational elites within the Prime Minister's Office and senior government ministries. These individuals possessed similar educational and professional backgrounds what were sympathetic to the emerging neoliberal paradigm. They instituted a series of reforms through their positions in key advisory bodies in the Prime Minister's Office, ad hoc committees convened by the PMO and in key government ministries. Such policies were often at odds with traditional factions within the BJP. The latter expressed severe discontent and criticisms of the policy directions taken by these key individuals and the inordinate influence they seemed to wield over policy formation. Nevertheless, these criticisms were largely side-lined, as the government progressed with its neoliberal economic agenda.

By identifying transnational elites as the source of the NDA's neoliberal economic policies, this chapter has also established an underlying logic for the influence of the factors described in chapters 3 and 4. The adoption of a particular economic policy required alignment among multiple domestic and international factors. Transnational elites linked domestic policy formation with the priorities of international institutions. Alignment between domestic and international influences was translated into actual economic policy through the proposals formulated by transnational elites.

In chapters 3 and 4 I examined the influence of domestic and international factors on three areas of policy: fiscal policy, disinvestment and deregulation. It is especially significant that reform in these policy areas was initiated through proposals originally formulated by the Prime Minister's two advisory councils. Heavily staffed by transnational advisors, the reforms proposed the Councils bore a distinctively neoliberal profile in their emphasis on the reduction in government and their emphasis on the role of the free market. These reforms emphasized fiscal consolidation, aggressive disinvestment and vigorous trade deregulation. These policy proposals were then implemented through the support of multiple domestic and international factors. Transnational elites therefore provide the keystone that supports the collective argument of this thesis: transnational elites with neoliberal priorities shaped the economic policy of the NDA government by linking domestic policy formation with the priorities of international institutions.

Chapter 6: Conclusion: from discontent to government, the BJP since 2004

6.1. Introduction

This thesis has attempted to address a neglected area in the study of Hindu nationalism: economic policy. It has focused on the process of economic policy formation and the implementation of economic reforms during the tenure of the BJP-led NDA coalition government during the years 1998-2004. The key question this thesis has attempted to investigate is: what influenced the neoliberal orientation of key economic policies instituted by the National Democratic Alliance government (1998-2004) led by the Hindu nationalist Bharatiya Janata Party? In this chapter I recount the major conclusions of this thesis and demonstrate what they contribute to the existing state of knowledge on the subject. I will then discuss the limits of this analysis and possible directions for future inquiry. Finally, this concluding chapter will discuss the BJP's compelling re-emergence, the leadership of Narendra Modi and the implications for the BJP's future economy policies.

6.2. Findings

This thesis has made the following conclusions. First it has shown that there has been a definitive shift in the way Hindu nationalist political parties have viewed economic issues. Historically, Hindu nationalism demonstrated a desire to chart a distinctive economic course from the central planning model of successive Congress governments. Historically, the Hindu nationalist economic approach emphasized economic self-sufficiency and

decentralized economic production. The policies advocated by the Bharatiya Jana Sangh emphasize these priorities quite clearly. Yet soon after the formation of the BJP, this approach began to evolve. This evolution reached its apex in the neoliberal economic policies of the BJP-led NDA coalition government.

Why did this drastic change in economic approach occur during the era of the BJP-led government? This thesis has attempted to explain why this change occurred by examining a range of influences on the NDA government's economic policy making. Political partners within the NDA coalition had a particular interest in economic policy. On the one hand, keen to attract investment from international institutions, the NDA government and state governments cooperated to adopt fiscal austerity measures. On the other hand, where measures proved to be too politically costly (such as in the case of subsidies), coalition partners were able to push back against the BJP's reform agenda. The dynamic between the BJP and its coalition partners on issues of economic policy appears to have been reactive to, and largely dependent upon, the political pressures to which they were individually subjected.

For regional state governments, this pressure came from constituencies within their own states, while for the NDA government this pressure came from international institutions. In the realm of coalition politics the competing pressures of domestic and international

influences collided upon the fault line of economic policy making. This may give the impression that the economic policy that resulted was merely the result of compromise – an equilibrium position between international and domestic influences. However on further examining other domestic factors and even the role of international influences, a more consistent rationale for the NDA's economic policy making can be exposed.

Outside the 'active zone' of coalition politics, the government found itself caught between organized interest groups vying for the government's attention. The record shows that commercial chambers of commerce consulted closely with the NDA government on the formation of pro-market policies. However, the 'natural' political allies of the BJP among Hindu nationalist groups such as the Swadeshi Jagaran Manch were held at arm's length. This was among the more surprising conclusions of my research. When necessary, the BJP-led government was willing to advance its neoliberal economic agenda even at the risk of alienating core Hindu nationalist support.

Yet these policies had an uneven effect among the BJP's supporters. While groups within the *Sangh* constituency had significant disagreements with the BJP on economic issues, individual voters reacted somewhat differently. Upper and upper middle class voters demonstrated a consistent support for the BJP. This point is significant in that it is a demonstration of the co-existence of nationalist sensibilities among those who nevertheless

self-identified among the socially advantaged. This contravenes the dubious but often assumed oppositions between democracy, economic neoliberalism and identity based politics (Barber 1995). In addition, voters who advocated a greater role for private business in the economy were initially unsupportive of the BJP during its term in government. As the level of support within this constituency reversed following the end of the NDA government's term, there is an indication that the BJP may have been reacting to disapproval among some voters when it enhanced some of its pro-business policies (e.g. disinvestment), mid-way through its term in office.

We are left with the picture of a government whose economic policies were supported by some domestic constituencies and opposed by others. However we do not yet have an idea of why some constituencies were more successful than others in influencing the NDA government. Why for example did the BJP prefer the economic advice of the Federation of Indian Chambers of Commerce and Industry over that of its *Sangh* partner the Swadeshi Jagaran Manch? Were there other actors who tipped the balance in favour of one group over another?

This thesis went on to examine whether international institutions were the catalysts who tipped the balance of policy. It examined the influence of three institutions in particular: the IMF, World Bank and World Trade Organization. This is what my analysis has revealed. The

IMF conveyed its preferred policy directions through its regular policy country-specific statements though it lacked the leverage to actually implement these policies. The World Bank and WTO exercised greater influence. The Bank exerted influence through conditional loan agreements which required recipients to adopt specific economic policies. Additionally, membership in the WTO required radical steps to reverse the highly controlled trade policy developed under the aegis of import substitution. The fourteen World Bank loans provided under the Structural Adjustment facility under the NDA government, had a direct influence on the fiscal arrangements between state governments and the centre. The creation of the WTO three years before the BJP came to power implied that the NDA was saddled with several of the trade policy adjustments that were required by the global trade regime.

Thus among these international institutions at least two had a significant influence on the NDA government. However once again it is not clear why in some cases the influence of these institutions was resisted. For example, due to the pressures of coalition politics agricultural subsidies were allowed to continue despite World Bank conditionalities. The analysis shows that policy adjustments were successful where they aligned multiple domestic and international factors that sought to influence policy in the same direction. This explanation potentially provides a richer basis on which to understand the NDA's economic policy formation. It can incorporate multiple factors (domestic and international) to determine when particular influences would converge upon the formation of a particular

policy. However, even given such alignment between domestic and international factors, is it merely satisfactory to describe the economic policy formation of the NDA government as an exercise in the *ad hoc* alignment of policy priorities among multiple factors? Given the scope and depth of these reforms, such an explanation is not satisfactory. We need to identify how a deliberate and consistent program of neoliberal economic reform was implemented by the NDA government. What turned the alignment of domestic and international influences into a neoliberal economic policy?

Transnational bureaucrats situated in government ministries, the Prime Minister's Office and in independently convened advisory committees are the most compelling candidates for such an explanation. These globalizing bureaucrats linked domestic policy formation with the priorities of international institutions. It is the policies that originated with this group which resulted in the BJP-led government's neoliberal economic record when they found the support of aligned domestic and international factors.

What can be concluded from this analysis? *The political economy of Hindu nationalism in India during 1998-2004 reflected a complex and multiple array of influential factors, domestic and international, which contributed to the pursuit of the NDA's neoliberal policy priorities. However the most compelling source of influence, which links together all other*

factors in an intentional web of neoliberal economic priorities, was the presence of transnational elites in key advisory positions and senior positions in the bureaucracy.

While I have been able to demonstrate this through my research, other relevant questions, strictly outside of the scope of the present work, are opened up for further investigation. One prominent theme in the literature on neoliberalism concerns the social impacts of the radical restructuring of the economy. In many cases, these social impacts constitute conflict across class and identity. A major theme in the recent history of Hindu nationalism is identity based violence. The concurrence of identity based violence and economic restructuring since the 1990s in India suggests the need to scrutinize what contribution neoliberal restructuring has made to the large scale incidents of communal violence that occurred both before and during the NDA government's tenure (Desai 2007; Sandbrook and Romano 2004).

For example, is it simply coincidence that two of the most significant instances of communal violence in post-independence India occurred in cities (Mumbai and Ahmedabad) that had witnessed radical shifts in their economic bases? Declines in long-standing textile manufacturing sectors occurred as these cities transformed into the new hubs of the neoliberal informational economy. While suggestive, such observations will require a rigorous engagement with the extensive work already done on communal violence in India

(Brass 2003; Wilkinson 2004; Varshney 2003). Such an analysis would investigate the relationship between neoliberalism and the politics of identity in the context of Hindu nationalism in India.

6.3. The BJP since 2004

This thesis cannot conclude without some comments on the remarkable trajectory of Hindu nationalism in the last decade. The BJP's electoral defeat in the 2004 general election stalled a nearly two decade long ascent of Hindu nationalism on the political scene. It was a reversal in the political fortunes of the party even as the 1980s and 1990s had been a harbinger of success. Since the election in 2004 the BJP lost two consecutive elections. Significantly, by the end of its term, it appeared that the mass appeal around the icon of *Ramjanmabhoomi* and Ayodhya, the core of the BJP's electoral strategy in the 1980s and 1990s, had largely dissipated.

The Congress Party as the leader of the United Progressive Alliance witnessed a slow re-consolidation, building successful coalitions with a series of national and regional partners. The first UPA government (2004-2009) held 219 parliamentary seats out of a total of 543 against the NDA coalition's total of 189. The UPA was a minority coalition government, receiving additional external support, most notably from the 'Left Front' with a total of 61 seats (*The Hindu* 2004, May 20). In a second election in 2009, the NDA coalition obtained

159 seats (net loss of thirty) while the UPA obtained 262, a net gain of 43 seats (*The Hindu* 2009, May 26).

Political analyses vary as to the cause of the BJP's electoral defeat in 2004. While some attribute the loss to the party's growing disconnection from the electorate, epitomised the 'India Shining' theme of its 2004 campaign, other explanations are more straightforward. These explanations point to the loss of NDA allies (namely the AIADMK) and suspicions among the electorate stemming from the communal violence in Gujarat during 2002 (Gowda 2011). In the words of one senior economic advisor to the NDA government:

I think that the NDA lost the election due to some very practical tactical reasons: [loss of] alliance partner in Andhra Pradesh [and] alliance partner in Tamil Nadu... but the Left has very successfully portrayed the defeat of the NDA as the defeat of India Shining, as the defeat of these kinds of forward looking high GDP policies and this has really set the clock back on the willingness of senior politicians and bureaucrats to support high growth policies. Today people might do it but they would be embarrassed to do it (A. Shah Telephone Interview, July 16 2012).

Whether this loss can be attributed to the NDA's suspicions surrounding communal incidents or loss of coalition support, the electoral loss was interpreted as a significant chastisement to the project of making Hindu nationalism a mainstream political presence (Hannon 2010). Moreover the influence of Left parties in the subsequent UPA government meant a moderation in the economic policy agenda that had been pursued since the early 1990s.

Following the electoral defeat of 2004, the BJP's election of the 'hard-line' former Home Minister L.K. Advani as party leader was interpreted as a retrenchment of its conservative factions. The analysis in chapter 3 demonstrated the tensions among factions within the Hindu nationalist movement during the term of the NDA government. In particular, it focused on tensions between the Swadeshi Jagaran Manch and the progressively minded government ministers, ministry officials and advisers in the Prime Minister's Office. The electoral loss of 2004 was interpreted among the conservatives in the party as a loss of confidence among its traditional voters as the party's election theme focused on gaining mainstream support. However, under Advani's leadership the party experienced even more significant losses in the 2009 election. Unable to win the election with an appeal to traditionalists, it also failed to recapture the middle-voters. Strategies, including personal attacks on a much admired Prime Minister (Manmohan Singh) were widely criticised as misguided (*Daily News and Analysis* 2009, May 20).

In recognition of these shortcomings the party went on to recruit Varun Gandhi (of the Nehru-Gandhi family) and Nitin Gadkari, a former Maharashtra state minister, into key leadership roles to widen its appeal to younger and more progressive voters. What was conspicuous in these efforts to reconfigure the leadership of the party was the absence of the charismatic chief minister of Gujarat, Narendra Modi. This implies that even as of the previous election (2009) there was either indifference or a residual caution within the BJP

around associating too closely with the Gujarat chief minister who was suspected of at least tacitly supporting the pogrom of anti-Muslim violence in Gujarat in 2002.

What of economic policy after the NDA government? The BJP initially continued to make statements on economic policy in line with its course during the NDA government. In its manifesto for the 2004 election, the BJP conveyed the aspirations of a party expecting to remain in power. In particular it envisioned the country as an economic superpower with a focus on manufacturing, knowledge and higher education. There was particular attention devoted to completing the current set of reforms to the financial sector. Within six months of the election, the party promised to revisit (increasing) FDI in the insurance sector and bringing state level revenue deficits to zero by 2006. Appearing to follow an IMF Directors' recommendation, the party even outlined a new initiative to 'educate' farmers on the more controversial elements of its economic policies such as the early repeal of Quantitative Restrictions (BJP 2004).

The 2009 manifesto, in contrast provides a revealing glimpse a party returning to the traditional economic stances of Hindu nationalism. What was immediately evident was a lack of concern with economic reforms and a greater focus on issues of national security. Economic priorities were briefly cited as, 'reviving the economy, re-orienting it towards agriculture, rural development, and unorganised [sic] and informal sectors; creating

adequate employment opportunities for the youth; pushing back the price line; and, investing heavily in infrastructure' (BJP 2009). There was a definitive turn towards a moderately *swadeshi* oriented economic policy. This could be ascribed to the absence of key pro-reform transnationals such as Arun Shourie in senior BJP positions and the loss of linkages established by senior officials in the Prime Minister's Office as they moved on to jobs in the private sector or international institutions,

In the meanwhile, the economic record of the UPA government was somewhat mixed. Between the years 2004-2009, and with the external support of the Left Front, greater restraint was exercised on the extent of neoliberal policy implementation. At the outset, a national 'Common Minimum' programme, outlining the minimum policy commitments of both coalition parties and their external supporters, proposed a general continuation with the policies of the NDA government. This included further capital market development, increased incentives for FDI in sectors, reductions in the gap between fiscal revenues and expenditures and the privatization of non-competitive public sector units (Government of India 2004).

However, the actual record of economic policies undertaken by this government showed significant divergences from this proposed programme. The NDA's Disinvestment Ministry was disbanded and the process of disinvestment placed on hold. Fiscal expenditures were

also increased, with the implementation of a new Rural Employment Guarantee Act and the report of the Sixth Pay Commission which recommended substantial increases in public sector salaries and benefits. These moves were broadly perceived as the result of the external influence of the Left Front on the UPA government. Finally increases in the cap for foreign investment in the insurance sector were also vetoed by the Left Front (Aiyar 2011, 4).

Despite such moves, a World Bank Country Strategy Progress Report for 2005-2008 enthused about the government's overall economic record, citing the UPA government's improved record on inclusive growth as well as governance reforms in the areas of transparency and decentralization (World Bank 2007, 1-3). A senior official from the CII, contrasted the UPA's inclusive economic agenda with the NDA's economic approach:

The current [UPA] government has focused much more on what they call inclusive growth. Because the previous [NDA] government was seen to fall on the fact that they projected too much of India's image: the campaign of India Shining where they said that all of India was doing really well due to the reforms... the current government started its campaign of inclusive growth and they have focused much more on say the social sector: things like increasing spending on things like health and education (B. Ganguly, Personal Interview, December 22 2010).

In a significant shift from the NDA's fiscal conservatism, the UPA emphasized government expenditures to ensure basic levels of access to education, healthcare and employment. In the latter case, the UPA ironically addressed a fundamental concern of the traditional Hindu nationalists: full employment. However, this was achieved through work guarantees rather than 'appropriate technology'.

The WTO's Trade Policy Review Board document for 2007 also pointed approvingly to the halving of tariffs over the period 2001-2007 (initiated by the NDA coalition but continued under the UPA) and measures adopted by the UPA to further simplify the entry of FDI. It did, however, also note with caution the stalling of further disinvestment in 2006 (WTO 2007). In the case of FDI, the UPA managed to achieve notable successes, increasing levels exponentially from \$3 billion to \$25 billion per annum towards the end of the government's first term (Ram Mohan 2007, 7). Disinvestment was revived once again with the formation of the second UPA government in 2009.

Under the UPA the WTO witnessed decreasing levels of influence with lower levels of trade disputes than during the NDA's tenure. The prevalence of World Bank conditional lending also seems to have dissipated, with most of the loans provided under the UPA's tenure falling into alternative categories – namely Development Assistance and Technical Assistance. Without the accompanying policy commitments in terms of conditionalities, these loans did not exercise a similar level of influence. This may have enabled the UPA to exercise greater discretion on its fiscal policies targeting health, education and employment, which diverged from the World Bank's emphasis on fiscal restraint.

With no significant Structural Adjustment Loans or Trade Policy Dispute Resolutions occurring during this period, neither the World Bank nor the WTO possessed the same level of influence under successive UPA governments as they had under the NDA. Indeed the UPA seems to have been less influenced by international institutions than by its bilateral relationships with other states such as the USA. In a marked contrast with the NDA, the UPA's greater success in strategic cooperation with the USA may have been partly responsible for its success in accomplishing the increases in FDI.

6.4. The return of the BJP

Since the writing of this thesis began the electoral fortunes of the BJP have reversed. Following a decade of failed electoral campaigns, a new electoral strategy based on the politics of 'charisma', facilitated by transnational media consultants (namely media guru Rajesh Jain and lobbying company APCO Worldwide) has delivered the BJP's best electoral performance to date (*The Economic Times* 2012, December 09). In fact, by winning an outright majority, the BJP has formed the first majority government in India since the election of 1984. While this reversal has been attributed to a widespread anti-Congress reaction among voters, this historic electoral success of the BJP cannot be attributed simply to anti-incumbency sentiment.

It is the central attribute of Narendra Modi's carefully engineered public persona, the promise of entrepreneurial leadership and economic revival (*The Economist* 2014), which makes his election as Prime Minister especially relevant to this thesis. Key to these expectations is a narrative of Modi's successful economic stewardship of Gujarat against the supposed economic mismanagement of the UPA government. According to this narrative, the UPA was responsible for a sharp drop in growth rates from 2010-2013, steep price increases and successive corporate corruption scandals.

Even if this narrative were true, what factors would determine how Modi leads a reversal in the country's economic fortunes? What kind of challenges will such a program face? Early indications are that the economic ambitions of this government will not be without its challenges. Of the deluge of commentary about Narendra Modi in the last year, the polarizing nature of his candidacy is perhaps the most undisputed and this has significant implications for the pursuit of economic policies. A *pracharak* from his early adulthood, Modi's leadership style has been attributed to his role as an RSS mobilizer more adept at 'campaign-style' politics than consensus-building statesman-like leadership (Jaffrelot 2008). The application of this leadership approach to the national level, epitomised by the almost presidential-style election campaign this year, would almost certainly put him at odds with what has been called the 'collegial' and consensus seeking culture among the leaders of the various *Sangh* organizations (*The Times of India* 2014, May 24). Modi's strained relationship

with some *Sangh* organizations, such as the VHP and RSS, is thought to have originated from a series of sensitive political and policy decisions made during his tenure as Gujarat chief minister. A lack of consultation over some of Modi's urban development plans in Gujarat, that included the demolition of derelict temples in Gujarat, riled the VHP to the point of harsh and open criticism of the BJP chief minister. Meanwhile Modi's almost unprecedented direct appointment of BJP political candidates in Gujarat without the prior approval of the RSS was a great source of irritation within the *Sangh* (*The Times of India* 2008, November 13).

As we have seen above, even though the BJP and *Sangh* organizations had disagreements over economic policy, the willingness to include groups such as the Swadeshi Jagaran Manch in deliberations on economic policy may be what sets the previous NDA's economic policy forming method apart from the present government. How the BJP will deal with the demands of NDA coalition partners presents another interesting question in that coalition partners no longer hold the balance of power in parliament. The assignment of ministerial berths in the cabinet already point to the marginalization of coalition partners, raising concerns even among stalwart Hindu nationalist coalition partners such as the Shiv Sena (*The Indian Express* 2014, May 27). It remains to be seen whether this will translate into less influence on economic policy priorities for regional coalition parties.

Additionally, while the BJP's political fortunes in Gujarat can justifiably be attributed to Modi's leadership, similarly ascribing the state's economic performance to the same source is somewhat dubious. A prominent narrative in the current election has been the promise that Modi will lead a reversal of the country's declining economic trends. The premise of this narrative, the exceptional economic growth of Gujarat due to Modi's leadership, is suspect given that Gujarat's economic growth has been at par with the country's best performing states since at least 1991 (well before Modi was in office). Furthermore, states with Congress governments have performed at least as well as Gujarat (*Times of India* 2012, Jun 12). Furthermore, some studies indicate that in the last decade Gujarat's performance has remained mediocre on social indicators (Ghatak, Ghosh and Kotwal 2014).

What makes Gujarat's success distinctive has been the close partnership with corporate actors in the achievement of industrial and infrastructure development (*East Asia Forum* 2014, April 20). The stock market rally in response to the election of Modi implies increased market exuberance at the prospect of a new economic agenda (*Economic Times* 2014, May 20). The so-called *Modinomics* model, prioritizing the role of foreign investment, state and private sector cooperation, the development of infrastructure and greatly reduced regulation for the private sector, combines aspects of so-called 'Asian Capitalism' with elements of neoliberalism (Nayyar 2014). In the next five years, we can expect an economic

policy that seeks greater engagement with both the domestic and international corporate sector through Foreign Direct Investment and public-private partnerships.

As described in chapter 5, the key determinant in economic policy formation for the previous NDA government was the appointment of advisory groups and transnational bureaucrats within the ministries of finance and disinvestment. During this election, Modi's reliance on a close circles of political advisors including BJP strategists Rajendra Singh and Amit Shah, may provide the precedent for an economic leadership consisting of Modi and a similarly close circle of economic advisors (*The Economic Times* 2014, May 28). In fact, recent indications are that major policy will be set by the Prime Minister's office rather than by the respective ministers and ministry officials (*The Economic Times* 2014, May 28). Close personal contacts have already been reported with former NDA Disinvestment minister Arun Shourie and pro-market Columbia University economists Arvind Panagariya and Jagdish Bhagwati. With economic policy originating among transnational advisors in the Prime Minister's Office, we may very well expect an economic agenda that once again revives tensions with economic traditionalists within the *Sangh Parivar*.

6.5. The Political Economy of Hindu Nationalism

In its first term in office, the BJP at the head of a coalition government pursued a neoliberal economic policy. This policy was chiefly driven by transnational bureaucrats who catalysed

links between domestic and international influences into a neoliberal economic agenda. Since its electoral loss in 2004, two consecutive UPA governments pursued greater moderation on neoliberal policy initiatives. Now the BJP is once again poised to lead an NDA coalition in an aggressive program of economic policy development that will no doubt witness the tussle of domestic and international actors jostling to steer the economy.

Where will the BJP government under Modi take economic policy? All indications are that within the support base of the party and the domestic and global corporate sectors there is an expectation of radical change from the current state of affairs. Relieved of the urgency of managing the influence of coalition partners and embodying a new managerial leadership especially eager to maintain a positive economic image, it is likely that the yet to be written story of this government's economic policy formation will be substantially different from its previous incarnation. With this election, Hindu nationalism has shown its ability to adapt successfully to the new political landscape. How it will be able to do so for the economy remains to be seen.

Appendix 3.1: Voter Opinion

BJP VOTERS

Variables	1995		2001		2006	
	P	Odds ratio	P	Odds ratio	P	Odds ratio
Class	0.0001	1.907	0.029	1.571	0.0001	2.079
Politics	0.0001	2.129	0	4.399	0.0001	2.448
Business	0.068	1.336	0.009	0.65	0.0001	2.403
Gender	0.265	0.841	0.52	0.895	0.229	0.807
Age	0.855	0.971	0.098	0.752	0.399	0.864
Education	0.051	1.372	0.123	1.308	0.077	0.721
Urban	0.9	0.963	0.374	1.361	0.157	2.098
Constant	0	0.142	0	0.253	0	0.171

NDA (BJP+ALLIES)

Variables	1995		2001		2006	
	P	Odds ratio	P	Odds ratio	P	Odds ratio
Class	.263	1.177	.004	1.749	.003	1.691
Politics	0.0001	1.875	0.0001	3.654	0.0001	3.177
Business	.154	1.225	.069	.760	0.0001	2.003
Gender	.010	.693	.073	1.328	.430	.883
Age	.310	.860	.625	.927	.198	1.220
Education	.028	1.377	.000	1.772	.282	.837
Urban	.253	1.376	.170	.623	.931	1.047
Constant	.000	.413	.000	.296	.000	.279

Explanatory Notes on variables:

- Class: indicates whether voters consider themselves upper or lower class.
- Politics: indicates whether voters position themselves on the Right or Left of the political scale.
- Business: indicates whether voters prefer a greater role for private owned business versus government owned business in the economy.
- Age: indicates whether a voter's age range is 18-40 or 41-99.
- Education: indicates whether a voter's possesses at least a High School education
- Urban: indicates whether a voter lives in an urban centre with a population of at least 500,000.

Appendix 5.1: Structural Adjustment Loans 1998-2004

Brazil

ID	Project Description	Principal	Approval Date	Closing Date
P063340	BR SOC SECURITY REF I	757569984	07-Jan-99	30-Jun-99
P063351	BR SOCIAL PROTECTION	252520000	07-Jan-99	30-Jun-99
P063341	BR ADMIN & FISC REF	505060000	30-Mar-00	31-Dec-00
P060575	BR PRGM.FISCAL REFORM SAL	757580032	18-Jan-01	31-Mar-02
P070640	BR Prgrm Financial Sector Adj I	404040000	24-May-01	31-Mar-02
P066259	BR Prgrm.Fincl Sctr II	404040000	13-Jun-02	31-Dec-02
P070641	BR-PRGM.FISCAL REF II	404040000	12-Jun-03	31-Dec-03

Turkey

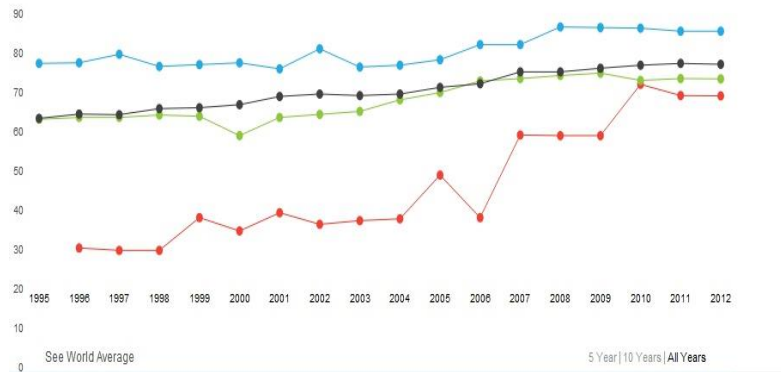
ID	Project Description	Principal	Approval Date	Closing Date
P066511	FSAL	777779968	21-Dec-00	31-Mar-02
P068792	ERL	759600000	18-May-00	30-Apr-04
P070286	ARIP	600000000	12-Jul-01	31-Dec-08
P070560	PFPSAL 2	550000000	16-Apr-02	30-Jun-03
		800000000	16-Apr-02	30-Jun-03
P070561		700000000	12-Jul-01	31-Dec-01
		800000	20-May-04	31-Dec-09
P074408	SRMP	500000000	13-Sep-01	31-Mar-08
		580000	13-Sep-01	31-Mar-08
		8820000	13-Sep-01	31-Mar-08
		1872000	13-Sep-01	31-Mar-08
P082996	PFPSAL 3	1000000000	17-Jun-04	30-Jun-06

India

ID	Project Description	Principal	Approval Date	Closing Date
P009907	EXTERNAL SECTOR ADJU	300000000	24-Jun-93	31-Dec-93
P010389	SAL I	250000000	05-Dec-91	31-Dec-92
		220000000	05-Dec-91	31-Dec-92
		300000000	05-Dec-91	31-Dec-92
P055490	KARN SAL I	750000000	21-Jun-01	31-Dec-01
		750000000	21-Jun-01	31-Dec-01
P059149	KARN SAL II	500000000	14-Mar-02	30-Sep-02
		500000000	14-Mar-02	30-Sep-02
P065471	UP FISCAL REFORM & PUBLIC SECTOR RESTRCT	126270000	25-Apr-00	30-Oct-00
		125000000	25-Apr-00	30-Oct-00
P073113	Andhra Pradesh Economic Reform Ln/Cr	125000000	14-Mar-02	30-Sep-02
		125000000	14-Mar-02	30-Sep-02
P075191	AP SAL II	110000000	10-Feb-04	15-Aug-04
		110000000	10-Feb-04	15-Aug-04

Appendix 5.2: Comparison of the index of Trade Freedom for Brazil, India and Turkey

The following comparison between the index of trade freedom has been obtained from a yearly report carried out by the American based conservative think tank the Heritage Foundation. The Y axis represents the index and the x axis represents year.



Source: <<http://www.heritage.org/index/visualize>>

Key: Black (World Average) Blue (Turkey) Green (Brazil) Red (India)
Index of Trade freedom

Year	India	Brazil	Turkey
1995	0	56.4	74.8
1996	14	57	75
1997	13.2	57	77.8
1998	13.2	57.8	73.8
1999	24	57.4	74.4
2000	19.6	51	75
2001	25.6	57	73
2002	21.8	58	79.6
2003	23	59	73.6
2004	23.6	62.8	74.2
2005	38	65.2	76
2006	24	69	81
2007	51.2	69.8	81
2008	51	70.8	86.8
2009	51	71.6	86.6
2010	67.9	69.2	86.4
2011	64.2	69.8	85.4
2012	64.1	69.7	85.4

List of Interviews

Pradip Bajjal

Former Secretary, Ministry of Disinvestment (NDA Government)

Interviewed by phone (July 14, 2012)

Amit Chanchal

Project Manager, Sustainable Urban International

Interviewed by phone (September 04, 2012)

Sucharita Eashwar

Regional Director for Karnataka/Bangalore, National Association of Software and Services Companies

Interviewed in Bangalore, India (January 03, 2011)

Bidisha Ganguly

Head of Economic Research, Confederation of Indian Industry

Interviewed at the CII offices Gurgaon (December 22, 2010)

Rajeev Gowda

Former campaign director for Karnataka, Congress party

Interviewed in Bangalore (June 21, 2011)

Mohan Guruswamy

Former Secretary, Ministry of Finance (NDA Government)

Interviewed by phone from Canada (July 17, 2012)

Sanjay Kumar

Director of the Lokniti project, Center for the Study of Developing Societies

Interviewed at CSDS, New Delhi (December 20, 2010)

Ramnath Narayanaswamy

Professor (spirituality and management) Indian Institute of Management

Interviewed at the Indian Institute of Management, Bangalore (August 2011)

Kirit Parikh

Member of the Prime Minister's Economic Advisory Council under Rajiv Gandhi

Member of the Prime Minister's Economic Advisory Council under A.B. Vajpayee

Interviewed in New Delhi by phone from Canada (July 26, 2012)

EAS Sarma

Former Secretary, Ministry of Finance (NDA Government)

Former Secretary, Ministry of Power (NDA Government)
Interviewed by phone from Halifax, Canada (July 26, 2012)

Chiranjib Sen
Professor (Economics) Indian Institute of Management
Interviewed in Bangalore, India (January 07, 2011)

Prabir Sengupta
Former Secretary, Ministry of Commerce (NDA Government)
Interviewed by phone (September 13, 2012)

Ajay Shah
Former Advisor, Ministry of Finance (NDA Government)
Interviewed by phone (July 16, 2012)

Jagdish Shettigar
Former member of the Economic Advisory Council of Prime Minister Vajpayee
Former head, BJP economic cell
Interviewed in Greater Noida Uttar Pradesh (December 21, 2010)

Sanjay Srivastava
Urban Sociologist, Institute for Economic Growth and resident of Gurgaon
Interviewed by phone (December 01, 2011)

Lisa Mary Thompson
former New Delhi based journalist for *The Economic Times* and Gurgaon resident.
Interviewed in London (July 14, 2012)

Vijay Topa
Special Adviser, Federation of Indian Chambers of Commerce and Industry
Interviewed at the FICCI offices, New Delhi (December 24, 2010)

List of Abbreviations

ABVP:	Akhil Bharatiya Vidhyarthi Parishad
ASSOCHAM:	Associated Chambers of Commerce and Industry of India
BJP:	Bharatiya Janata Party
BJS:	Bharatiya Jana Sangh
BMS:	Bharatiya Mazdoor Sangh
CII:	Confederation of Indian Industries
CME:	Coordinated Market Economy
EU:	European Union
FDI:	Foreign Direct Investment
FII:	Foreign Institutional Investor
FICCI:	Federation of Indian Chambers of Commerce and Industry
IMF:	International Monetary Fund
KRRS:	Karnataka Rajya Rayot Sangha (Karnataka Farmers' Association)
LME:	Liberal Market Economy
MNC:	Multinational Corporation
NASSCOM:	National Association of Software Services Companies
NDA:	National Democratic Alliance
PMO:	Prime Minister's Office
QR:	Quantitative Restriction
RSS:	Rashtriya Swayamsevak Sangh
SAL:	Structural Adjustment Loan
SAP:	Structural Adjustment Policy
SJM:	Swadeshi Jagaran Manch

SVD: Samyukta Vidhayak Dal
US/USA: United States of America
UPA: United Progressive Alliance
VHP: Vishwa Hindu Parishad
VoC: Varieties of Capitalism
WTO: World Trade Organization
WB: World Bank

Glossary

Artha:	wealth
Antyodaya:	service to the least
Bharatiya Sanskriti:	Indian culture
Bhoodan:	'Gift of Land' movement initiated by Gandhian Vinoba Bhave
Bhuddi:	intelligence
Dharma:	Law or the ordering principle of the universe
Hindutva:	Hindu-dom
Krishnajanmabhoomi:	Birthplace (literally ground.) of Krishna
Krita-Yuga:	The age of truth
Mana:	Mind
Marwari:	Member of a trading community originating in Rajasthan
Pracharak:	A fulltime worker (propagator) of the RSS
Purushartha:	Human purpose; the goals of human existence
Poorna Yoga:	Integral full/complete system of yoga as propagated by Aurobindo.
Ramjanmabhoomi:	Birth place (literally ground.) of Ram
Sangh Parivar:	Collective term for the parties in the Hindu nationalist movement
Shaka:	local level unit of the RSS
Shareer:	Body
Swadeshi:	Self-reliance
Vikendrikaran:	Decentralization

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