

Governing the Economy of Rural India

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1. The Research Question

The orientation of the pre-liberalised Indian economy was distinctly different from what the present day economy of India is. The pre-liberalised Indian economy was a state directed mixed economy. It is well known that the development strategy that the country adopted assigned the public sector a crucial role in the economy. The emphasis was on achieving economic growth by accelerating public investment. It became more pronounced following the adoption of Nehru-Mahalanobis heavy-industry oriented planning strategy. Parliamentary commitment to a socialistic pattern of society (1954) which was followed by the Industrial Policy of 1956 largely shaped the course of development during the next three decades. As Mrs. Gandhi came to power, more radical steps including bank nationalization were taken. That the state was to maintain the leading role was reinforced by adopting 'socialism' in the Directive Principles of State in the Constitution of the Republic. In India, private right to property was no longer considered as a fundamental right.

Distributive justice was also a much talked about subject in this era. Economic development was expected to cover the poor and the underprivileged that had already been endowed with the right to choose the government in a federal setting. However, economic exclusion and marginalisation still ruled the roosts. Poverty, particularly rural poverty continued to have its sway. In the absence of land reforms, rural inequality in asset distribution could hardly be reduced. In urban India also, access to economic opportunities remained perversely distributed. No wonder that class conflict which often appeared in the form of caste and community based contradictions, sharpened over time. Privation leading to regionalism emerged as an important political force to reckon with.

Indian state which was basically the continuity of the British Indian state did perform well in managing this complex situation. Apparently, the political authority was successful in formulating such rules of governance that would adapt to the emerging needs of the society. This was quite a challenging task particularly in a society in which the contradiction between economic democracy based on exclusion and inequity (in entitlement to market) and political democracy based on universal adult suffrage (i.e. no exclusion) sharpens over time and the state is supposed to play the role of a mitigator in development related activities. At hindsight, it appears that Indian state performed remarkably well in meeting this challenge. How could it be achieved? The proposed research plans to address this question.

The course of development that India has adopted since the introduction of the New Economic Policy is radically different from what had been there during Nehru-Indira era. The state initiative has now been replaced with the initiative of the private capital and market with its twin feature of exclusion and inequality is accepted as omnipotent in the economic life of the people. The rules of governance that the state used to follow, by carefully working out targeted policy measures so that the underprivileged could be included in the development process, are being undermined now --- the factory and labour laws are being revised in favour of capital and the protective measures for the small units and unorganized workers are being withdrawn systematically. It appears that the notion of governance itself is changing

under the new dispensation. What the state can do and cannot do is being renegotiated.

Issues related to governance are to be discussed in this general perspective. What were the rules of governance when India was following the state-centric development strategy? What was the role of the non-state (social) institutions in the scenario where state was assuming a bigger role and the expectation that the state can deliver was growing over time. How did the non-state institutions adjust with this changing scenario? Again, the role of the state in economic development is being re-negotiated in the post Nehru-Indira era. Market and not the state is gradually being accepted as the pivot of the economic life of the citizens of India. What then is the possible fall out of this re-negotiation on state and non-state institutions of governance? The proposed research plans to address these issues, as well.

2. Focus of the Proposed Research: Governing Rural India

The focus of the present study would however be on rural India. To be precise, we plan to study the evolution of the rules of governance with respect to rural India. As one may recall, at the time of independence rural India was basically peasants' India. The vast majority of these peasants were landless and marginal farmers. Land was mostly owned by the landed gentry which wielded enormous social and political power in the countryside of India. Inequality in the distribution of ownership holding being quite high, there was sharp contradiction between the landed gentry and the peasants. Finding a basis of consent for a certain social order to be backed by a Gramscian 'historical block' was difficult if not impossible under such a dispensation. It appears that in early Nehruvian era, Indian state could hardly address this issue. Addressing this issue was not that urgent either. Political democracy based on universal adult suffrage, which was bound to intensify the conflict between the landed gentry and the peasantry was not allowed to function properly. For quite a long time the landed gentry exercised its economic and extra-economic power to rule the countryside, notwithstanding the fact that Nehru's India was for socialism and land reforms had been in the political manifesto of the National Congress. One may argue that governing the countryside was largely left to the non-state (social) organizations with landed gentry wielding power over these organizations.

However, the scenario changed over time as state-sponsored development programmes (green revolution, for example) gradually reached rural India. With state investment in agriculture, productive forces did develop and with the development of the productive forces, the age-old production relations were now facing challenges. The social institutions based on traditional production relations were now being undermined and the importance of the state-run institutions of self governance was gradually increasing in the daily life of rural India. There was a process of readjustment on the part of the rural rich which largely shaped the rules of governance during Nehru-Indira regime.

As India adopted the policy of economic liberalisation, the agenda of development was reset. State was no longer supposed to play the role that it used to play during pre-liberalised era. What is the possible consequence? Should one expect that state-sponsored institutions of development, including the Panchayats would gradually become irrelevant in the economic life of the people of rural India? Or would these institutions still find some space, given that market driven development process is in essence development by exclusion? There are problems with non-state institutions of governance as well. Since the market forces are expected to rule over the economy,

market mitigated relations of production should develop further and therefore pre-capitalist production relations are expected to face further challenges. Consequently, the authority of traditional social institutions is also expected to be undermined further. While examining this possibility, one should not expect a radical change in the rules of governance, neither a new set of institutions of governance are expected to emerge in rural India. The existing institutions might continue to rule rural India by accommodating the social reality of neo-liberal era. The non-state institutions would however, have to induct the elements of bourgeois civil society under the new dispensation.

3. Research Hypotheses

We propose to discuss this theme on the basis of the following initial hypotheses.

1. In early Nehruvian era, rural India in general failed to form a historical block in which the under-privileged (mostly landless and marginal farmers) could be included. Land reforms were mostly denied and therefore the basis for forming such a historical block remained unachieved. The state was not bothered either. Governance was based on the power of the rural elite. Primary institutions of governance were non-state institutions. The so-called historical block, if any, was formed by manufacturing consent. The landed gentry played the key role in this process. Governance was basically a non-state issue until and unless the rule by consent failed. (Only under such exceptional cases where rules by consent failed, the organized forces of state were utilized for maintaining 'peace'). The non-state institutions were basically social institutions. These were the seats of traditional authority. The economic basis of such institutions was the age-old production relations that promoted caste-based division of labour in rural India.
2. For several historical reasons, the conflict between the landed gentry and the peasantry resulted in organized peasant movement for land reforms in Kerala and West Bengal. The state had to respond by framing the new rules of governance by which land redistribution and security of tenure favouring the landless and the marginal farmers could be ensured to a large extent in these two states. This created the basis of forming a new historical block in which the peasantry was to play an important role. Rules of governance changed accordingly and the public institutions of self governance (panchayat) gradually became more powerful than the traditional non-state (social) institutions. Later political history of these two states was largely shaped accordingly.
3. With the passage of time, political democracy found a stronger footing in rural India and thanks to public investment in rural sector productive forces did develop to some extent so much so that the traditional relations of productions became weak. Consequently, governance based on the economic and extra economic power of the rural landed gentry faced severe challenge in the rest of India, even though the peasants movement remained weak in these regions. Class conflict was bound to sharpen under such a dispensation. In the absence of class based politics in these regions, class conflict now appeared in the form of caste and community based conflicts. Sometimes, regionalism had been the new form of politics. The traditional non-state institutions of governance over which the rural rich wielded power were now losing the authority. The society however, was trying to form a new historical block with its rules of governance which could be maintained by developing consent. The price was some concession to the poor and under-privileged. Mrs. Gandhi initiated this politics by taking up some

livelihood related state sponsored relief programmes under the slogan of 'Garibi Hatao'. The institutions that could meet this requirement had to be public in nature. Thus, the state sponsored institutions of self governance gradually found a space even in this part of India. With universal adult suffrage, such institutions were now being viewed as the new platform where the social conflicts are to be resolved. The non-state social institutions, such as 'Jati Panchayat' were not however, marginalized. These were increasingly being utilized to exercise power over the state sponsored institutions of governance.

4. The entire exercise came under serious threat as India adopted the new economic policy that intended to replace the state initiative with the initiative of private capital and market with its twin feature of exclusion and inequity was accepted as omnipotent in the economic life of the people. Forming the historical block by carefully working out targeted policy measures so that the under-privileged are not excluded from the block was becoming difficult in the new era. At present, Indian state is trying to negotiate by carefully utilizing both the state sponsored institutions of governance and the non-state institutions. The target is to build up a new consensus on the expected role of the government in economic development. To the policy makers, the expected outcome is that at the ideological level, the very notion of governance would change and the legitimacy of neo-liberal economic policy would be established in rural India in due course of time.
5. As neo-liberal economic order finds a firm footing in rural India, there should develop new issues of governance. Since market is based on the principal of exclusion on one hand and inequity on the other, the under-privileged often fail to meet their economic problems within the ambit of the institutions of market. They therefore seek redress by exercising the other right, the political right that they enjoy under the dispensation of universal adult suffrage. In other words, the under-privileged seeks a space outside the arena of market for mitigating the market generated problems of exclusion and inequity. To the state which is perceived as the ultimate mitigator, the problem appears as the problem of governance. Governance by special organization of force can hardly address this issue particularly when the deprived has the power to vote out an unpopular government. The state under such a situation, has to frame the rules of governance so that the economy *includes* the under-privileged even if the rules of market do not permit such inclusion ('poor law' of England, for example). The problem of inequity is also addressed by enforcing certain rules that provide some safety net for the weak (minimum wage law, for example). The non-state institutions consistent with such a situation are the political parties, Trade Unions and civil society organizations which often contribute in shaping the terms of governance. It is quite possible that such institutions gradually become powerful even in rural India. The present research proposes to explore this aspect of the issue as well.

4. Chapter Plan

1. Notion of Governance: Changing perception
2. Evolution of Public Institutions: PRI and Rural Power.
3. Social Institutions: Caste and Community based institutions of governance.
4. New Economic Policy and the Process of Re-negotiation.
5. Governance and the Left: Ruling West Bengal and Kerala.
6. The Rebels and the State: Ruling Insurgent India.