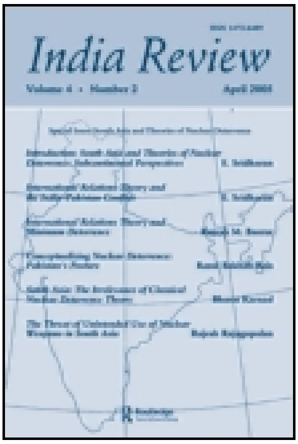

India Review
Publication details, including instructions for authors and subscription information:
http://www.tandfonline.com/loi/find20

Mrs. Gandhi's Final Term and the Remaking of the Congress (I)'s Social Base

Diego Maiorano [a]

[a] University of Torino, Italy

Available online: 14 Feb 2012

India Review, vol. 11, no. 1, 2012, pp. 23–45

ISSN 1473-6489 print/1557-3036 online
DOI: 10.1080/14736489.2012.649124

Routledge
Taylor & Francis Group

Mrs. Gandhi's Final Term and the Remaking of the Congress (I)'s Social Base

DIEGO MAIORANO

Introduction

Myron Weiner commenting on the 1980 general elections argues that "the breakup of the Janata coalition in 1979 and the victory of Congress (I) in 1980 restored India to its *normal political state*" (emphasis added). Among the features of this restored normality, Weiner puts the electoral coalition that supported Mrs. Gandhi, that is, the extremes of the social order, "from Brahmins to ex-untouchables, from well-to-do businessmen and government bureaucrats to tribal agricultural laborers and Muslim weavers"[1] Middle strata, the argument continues, preferred opposition parties. James Manor[2] points out how Weiner's argument, although an accurate picture of the politics of some north Indian states (Uttar Pradesh, in particular[3]), cannot be considered valid for the south. Manor adds that Weiner's all-India generalization is not really convincing for parts of the Hindi belt itself (e.g. Rajasthan). One may add that Mrs. Gandhi's party was not relying on such a political coalition in Gujarat either, where the party had chosen to pursue what is known as the KHAM strategy. The Maharashtra Congress (I) as well was in the process of breaking the hold in politics of the hitherto politically hegemonic Maratha lobby. The north-east of the country presented a still different picture. In short, all-India generalizations are extremely difficult to sustain.

The just mentioned methodological impasse has led scholars to focus on the state level, when analyzing the social background of party politics. To date, perhaps the best attempt in the field is the collective work edited by Francine R. a and M. S. A. Rao.[4] This study has clearly shown not only that Indian politics was made up of many different party systems—a point already made by Weinerbut that even the one thing these party systems had in common—"a national Congress party"[5]—was indeed a different social formation in different parts of the country.[6] In addition, this and other state level studies[7] underlined how caste-based or identity-based alliances are an essential feature of Indian politics. Since a caste group may be dominant or allied to a given party in a given place, but may be politically insignificant or allied to another party or not even exist in another, it becomes immediately clear that any attempt to group together the heterogeneous social formations supporting a party is an almost desperate endeavor. Yet, this paper will try to investigate the nature of the social base the Congress (I) was seeking to build at the national level during the first half of the 1980s.

What will make such an attempt "non-desperate" is the methodological approach that will be used. A fundamental methodological premise of this paper is that, at the

Diego Maiorano is a Ph.D. candidate at the University of Torino, Italy.

national level, economic factors matter more than caste or identity issues. It is true that during the 1980s identity politics started becoming important at the national level too. The RSS and its affiliates sought to promote through a set of demonstrations and *yatras* a "national" Hindu identity, which was supposedly endangered by Muslims assertiveness; Muslim identity was strengthened worldwide by the victorious Islamic revolution in Iran in 1979; Sikhs throughout the country felt threatened by Mrs. Gandhi's anti-Sikh stance, especially after the attack at the Golden Temple in June, 1984; within the Hindu community, moreover, an OBC identity was beginning to emerge and to become an important issue in politics. However, in the first half of the 1980s, all these examples of identity-based politics were still in an embryonic stage. It was only during Rajiv Gandhi's prime ministership that these issues would influence national politics to a significant extent. For these reasons, the focus of this paper will be on the attempt by the Congress (I) to appeal to certain national social groups through a set of economic policies.[8] Caste or identity factors will not be considered, on the basis of the belief that such factors played a role at the local or state level only or, at least, predominantly. It is exactly the interplay between national, economic-based political coalitions and local, caste/identity-based alliances that result in the overall social formations that support any given party in India. Such a methodological approach allows us to consider political affiliation as something fluid and multilayered. It allows us not to assume, for example, that a Jat in Uttar Pradesh will necessarily vote for Charan Singh's party but, on the contrary, their electoral behavior will be considered as the overall result of their being, say, a Jat, a rich farmer and the parent of an aspirant middle class member. While his caste affiliation plays a significant role at the local level, the two latter features would be significantly affected by national economic policies. Therefore, it is crucial to evaluate how these policies had an impact on important, national social groups.

This article will consider national economic policies in respect to four social groups that can be considered national, as far as their economic interests are concerned. Three of them roughly correspond to what Pranab Bardhan[9] called the "dominant proprietary classes," namely industrial capitalists, rich farmers, and the middle class. The fourth group is made up of the Indian poor. A central argument of the paper is that Mrs. Gandhi's government in the 1980s chose the industrial capitalists and the middle class as its major allies. The other two groups, although not explicitly unfavored by national economic policies, were not accommodated as much as the two major allies.

The article is organized as follows. The first section will deal briefly with the economic policies adopted by the Janata party in 1977–79. An overview of India's economic performance in the first half of the 1980s will be provided too. The following sections will be dedicated to each of the above mentioned national social groups and to their relationship with Indira Gandhi's economic policies.

The Indian Economy 1980–84: An Overview

In January 1980, India was facing an extremely difficult economic situation. A severe drought, accompanied by political instability and unfavorable international circumstances (the doubling of oil prices being the most important factor), resulted in the decline of the Gross National Product by 4.8%, a fall in agricultural and industrial production by 15.5 and 1.4%, respectively, acute shortfalls of mass consumption commodities like kerosene or sugar[10], heavy shortages of power, and a two-digit rate of inflation.[11] Not surprisingly, the law and order situation was at least as bad.[12]

The new Government, again not surprisingly, blamed the Janata Party's economic policies and in particular what the Indian Press used to call the "kulak budget," elaborated by Charan Singh in 1979. The latter had been able, first as Deputy Prime Minister and later as Finance Minister, to please his "natural" constituency, that is, the rich and middle peasantry.[13] During the two and a half years of the Janata Government, not only were investments in the agricultural sector elevated above investment in industry,[14] but subsidies for fertilizers were increased from Rs 60 crore[15] in 1976–77 to Rs 603 crore in 1979–80[16]; concessions were given to commercial banks with respect to rural credit; taxes on various agricultural inputs (such as mechanical tillers, plastic PVC pipes for irrigation, etc.) were either reduced or abolished; procurement prices for food grains were increased.[17]

On the other hand, the industrial sector and the middle class were less appeased by the Janata party's economic policies. It was clear to the business community that a new path of development was about to be undertaken, one that would have reversed the Nehruvian model of rapid industrialization, to favor the rural world. The proposals for the Sixth Five-Year Plan included a reduction of the plan outlay for the industrial sector by four percent, and an equal increase in the outlay for the agricultural sector.[18] The middle class was explicitly indicated by Charan Singh as the main target for mobilizing additional resources through increased excise duties on items like tooth paste, soaps, biscuits, instant coffee, and so forth, and increased direct taxation (both income and wealth taxes).[19]

The Janata party's economic policies tried to win the support of the most important (in numerical terms) social group in India: the poor. The electoral manifesto of the party for the 1977 elections stated that a "Gandhian" path of decentralized development would have been the cornerstone of the party's anti-poverty strategy. Such developmental strategy aimed at creating employment opportunities for the rural poor through heavy investment in the rural sector. In this respect, the Food-for-Work Programme and the peak in food grain production of 1978–79 can be seen as two of the achievements the party could be proud of.[20] However, the overall situation of the rural masses severely worsened during 1979. In particular, the drought, the subsequent inflation (the wholesale prices rose by as much as 21.4% in 1979–80[21]) and the mismanagement of the situation affected the rural poor more than any other social group in India.

Therefore, the Janata party's economic policies surely conquered the support of the middle and rich peasantry, but failed to maintain the broad electoral coalition which had allowed the party to come to power in 1977.

Needless to say, economic considerations can only partially explain the overwhelming success of the Congress (I) in the 1980 general elections.[22] However, it is arguable that the bad shape of the economy and the feeling among large strata of the electorate that Mrs. Gandhi was the only alternative that could provide "a government that works,"[23] necessary to set the economy back on the path of stability, played an extremely important role in determining the results of the elections.

In this respect, it can hardly be denied that Mrs. Gandhi kept her promises. Five years later the gloomy picture of the Indian economy had been replaced by a much more optimistic one. The GNP had increased by 5.42% on average[24] and inflation was under control. India had taken off.[25] What used to be termed the "Hindu rate of growth" which had characterized the whole economic history of independent India was a thing of the past.[26]

The reasons for which India managed to enter the path of sustained growth and whether such growth was sustainable or not have been two of the major issues of debate. Some emphasized the role of liberalization measure adopted by the government[27]; some underlined the role of a highly interventionist state in promoting growth as a state goal;[28] some others stressed how India's economic growth in the 1980s was the product of fiscal expansionism and was therefore not sustainable;[29] and, finally, some scholars found the cause of India's economic growth in the "new" attitude of Mrs. Gandhi's government toward the private sector.[30] Most of these scholars underlined the fact that, in 1980, India had a robust indigenous industrial sector and a huge, skilled workforce without which any attempt to undertake the path of growth would have been unfruitful.

This article will not take part in such debate. Rather, it will attempt to answer a different question–what kind of social groups were chosen as the principal allies in the process of growth and what others were, if not excluded, at least relegated to a secondary role? The focus will be on Indira Gandhi's last government from January 1980 to her death in October 1984. To answer the question, the economic policies adopted during these five years will be analyzed with respect to four important national social groups. The next two sections will deal with the two major allies chosen by Mrs. Gandhi, namely, the business community and the middle class. The remaining two sections will consider the government policies with respect to the rich peasantry and the rural poor.

The Business Community

The Bombay stock market reacted positively at the proclamation of the results of the 1980 general elections.[31] It was a clear sign that business circles were "extremely gratified"[32] by the outcome. Indeed, the industrialists' gratification was justified. Indira Gandhi's government rapidly chose to change the traditional anti-capitalist approach,[33] to embrace what has been called a "pro-business" orientation.[34] Growth became the principal state goal and industrial growth, to use the Finance Minister, R. Venkataraman's words "the key-stone"[35] of the new strategy of development. In other words, the business community's and the state's goals converged: the government chose to "embrace [. . .] Indian capital as the main ruling ally."[36]

Of course, Indian capitalists were not chosen as the main component in the political coalition being forged by the government because of their numerical strength. Their importance lay in the huge resources they were able to mobilize. In 1980, Congress (I) was far from being one of "the world's [. . .] best-institutionalized political parties"[37] as it was in the 1950s. Indeed, the organizational structure of the party had been wiped away during the course of two splits (in 1969 and 1978) and because of the centralizing policies of Mrs. Gandhi.[38] Therefore, raising funds for the party was as difficult as important. An American scholar[39] estimated that the cost of state elections to the party exchequer was around $100,000,000 in the mid-1980s, at a time when the average per capita income was $350. The industrial sector was the only one that could provide the resources the party needed to function.

On the other hand, the business community needed the support of the government to prosper. This was even truer in a country like India where the government, out of rhetoric, did control "the commanding heights" of the economy (one just needs to consider that the state controlled 91% of the total bank deposits in the country).[40] The alliance between the government and the business community could therefore be funded upon solid common interests. Moreover, as we shall see in the next section, the policies favoring the industrial sector were matched by a set of measures which aimed at winning the support of the Indian middle class—the second major ally in the government's economic strategy in the first half of the 1980s. The reciprocal advantages were clear: while the government gave important concessions to the extremely influential middle class, Indian industrialists could benefit from an expanding internal demand for industrial products and increased savings which were made available to them through the state-controlled banks (credit to the industrial sector more than doubled between 1979–80 and 1985–86).[41]

The strategy favoring Indian capital was made up of two elements. First, the government sought to create a new economic environment in which the industrial sector could take lead of the new developmental strategy. Such a new environment was not, as two scholars have argued[42] brought about just by an "attitudinal" shift; rather, the new approach was accompanied by a set of policies that added consistency to the new stance of the government towards the private sector. Second, the government gave a series of fiscal concessions to the industrial sector in order to provide incentives to step up industrial production.

Within months from the 1980 general elections, the shift that occurred in the government circles was clearly recognizable. The first sign that the new government intended to pursue a strategy that would have not hindered the growth of the industrial sector was the fact that imports were not tightened despite the acute crisis in the balance of payments of 1979–80.[43] In April 1980 a new import-export policy was announced. Export promotion was accompanied by a slightly more liberal import policy (in particular as far as industrial inputs were concerned) which, in any case, as specified by the Finance Minister himself, gave "due consideration"[44] to the protection of indigenous capabilities. The whole import-export policy was to be financed by the newly established Import-Export Bank (whose initial capital was set at Rs 200 crore).

Shortly afterward, the procedure for industrial licensing, including conversion, expansion and setting up of new units was centralized. In other words, the final word on any request by the business sector to expand or convert production would have been that of the economic committee of the cabinet. This, on the one hand, made the process of licensing quicker and more efficient; on the other, it channeled black money (often, if not always, necessary to obtain a license) toward the central government.

In July, 1980 the Minister of State for Industry, Charanjit Chanana presented a document to the Lok Sabha that constituted the basis upon which the industrial policy of the government was to be built in the following years. Apart from some very general socio-economic objectives, the statement on industrial policy contained a set of measures removing some of the barriers that had hitherto hindered the growth of big business. Such a "rethinking on industrial policy"[45] included the recognition of existing excess production capacity; the extension to all the nineteen industries coming under the Monopolies and Restricted Trade Practice Act (MRTP) and the Foreign Exchange Regulation Act (FERA) of the facility of automatic expansion by 25% in a plan period; the introduction of incentives for 100% export-oriented units; the enactment (in 1982) of a set of measures, which allowed further expansion of the licensed capacity and the installation of new equipment, which could be imported under the open general licensing; and other minor measures aimed at easing the process of maximization of production. This set of "pragmatic policies"[46] was consistent with the new "philosophy" of the government, which was clearly enunciated by the Prime Minister herself two years later, when she remarked that the maintenance of "regulations whose only virtue [was] restriction on production [did] not make [them] socialists."[47] Such limited, internal liberalization[48] was furthered few months later (October, 1980) when the restrictions on the production of goods in excess of capacity by companies covered by the MRTP Act were completely removed, to the extent that goods were exported. The new economic environment was monitored by three powerful committees (headed by L. K. Jha, Abid Hussain, and M. Narasimham) whose composition was "well regarded by the Indian business community."[49]

Two more elements which contributed to create a more industry-friendly environment need to be pointed out. In the first place, the government made an enormous effort to bring an end to the infrastructural bottleneck, which was largely responsible for the bad shape of the economy in 1980. The central outlay for sectors such as petroleum, coal, power generation, port development, transport, and so forth had steadily increased (it reached 57.78% of the total central annual plan allocation in 1984–85.[50]) The heavy investments in the infrastructure sector resulted in an increase of all major sub-sectors: production of coal stepped up by an average of 7.2% a year; generation of electricity increased by 8.5% a year, while crude petroleum production by 19.8%; the amount of goods handled by railways and ports grew by 4.1 and 6.3% a year, respectively.[51]

Secondly, Indira Gandhi's government tried to limit the loss of productivity due to undisciplined labor. Atul Kohli[52] argues that the taming of labor was one of the main components of the "pro-business" strategy of the government. However, if it is true that Mrs. Gandhi imposed some "draconian" measures to deter strikes—the Essential Services Maintenance Act of 1981 being the most notorious example—results were disappointing (from capital's point of view). The number of man-days lost per year increased from 28.06 million in 1980–81 to 35.93 million in 1984–85.[53] Indeed, more than repressing labor, Indira Gandhi seemed to prefer some sort of corporatist solution to regulate industrial relations. In the government's view, workers and industrialists ought to collaborate to face the difficult economic situation. The government, on its part, offered to establish an apex body at the national level, tripartite committees for each industry and a task force for key industries for speedy settlement of industrial disciplines. Furthermore, wage boards and a central conciliation and adjudication machinery were activated.[54]

However, strikes did not diminish. This was due to a set of reasons. First, since the late 1970s, workers started to rely more on spontaneous actions than on concerted, unions-led protests. When trade unions realized they were losing ground with respect to a new class of militant trade unionists[55] with no ideological or organizational affiliation (like Datta Samant in Bombay or Kuchelar in Madras), rivalries between them "became a feature of every industrial dispute."[56] As a consequence, while workers' bargaining power was severely weakened, their attitude became more militant. Second, harsh economic conditions, especially the high rate of inflation, did not help to soften the tense industrial relations situation. In this situation the government was neither ready to repress labor (for obvious political considerations) nor to appease it (because it needed the industrialists' support). It attempted to act as an arbiter but results were rather disappointing.

The government chose to prioritize broader economic and political considerations rather than the business community's interests in two other respects. The first one was the credit policy followed. This aimed at bringing prices under control, more than at providing cheap credit to the industrial sector. It is true that credit was largely made available to industrialists, but interest rates and tax on interest were kept at rather high levels.[57] The Federation of Indian Chamber of Commerce and Industry (FICCI) repeatedly complained about the credit policy of the government.[58] The second provision, which caused a strong reaction of the industrial lobby, was the attempt by the government to have more weight in the private sector. In March 1984 the cabinet issued new guidelines relating to the conversion of loans granted by financial institutions into equity and appointment of nominee directors of financial institutions. The guidelines, especially as the powers of the nominee directors were concerned, were seen as an attempt by the government to keep intact its hold over the "commanding heights" of the economy, in a context where the business community's expected further internal liberalization.

The second element of the government's economic strategy towards the industrial sector consisted of a set of fiscal concessions. In general terms, the corporate sector highly benefited from the fiscal policy pursued by Mrs. Gandhi's government. Concessions in direct taxes were given throughout the period under consideration. These included tax holidays for units established in free trade zones or backward areas, deductions of expenditure on research and development and increased rates of depreciation. In addition to these provisions, the government provided several relief measures to specific industries, which either had export potential (e.g., electronic industry) or were in a difficult financial situation (e.g., clothing and textile).[59]

Indirect taxation was the main instrument of resource mobilization during the first half of the 1980s. Increase in excise duties were usually spread over a large number of items, so that no particular industry was penalized, with the exception of cement (which was liberalized in 1982). Reduction in excise duties, on the other hand, either favored some specific industries (usually in the small-scale sector), or constituted a way to appease the middle class (see next section). Moreover, starting from 1982—declared the "Productivity Year" by the Prime Minister[60]—indirect tax concessions were also used as incentives for those units which were able to expand production or their export potential. Custom duties, as we have already noted, were selectively increased to protect indigenous production or diminished to favor imports of industrial inputs.

Finally, two more measures are worth noting, as they show that Indira Gandhi's embrace of Indian capital as the ruling ally was not complete and, in any case, subject to broader political and economic considerations. As the main problem of Indian developmental effort since independence has been the difficulty in raising additional resources, Indira Gandhi's government tried to avoid a situation in which highly profitable corporations did not pay any tax because of concessions. In the budget for 1983–84, the Finance Minister decided that concessions could not absorb more than 70% of the profits. The same logic was followed when tougher measures to fight tax evasion were enacted.

In conclusion, Indira Gandhi's economic strategy toward the industrial sector created a new economic environment in which the industrial sector could prosper and take the lead of the new developmental path the government had chosen to undertake. Parallel to this, a set of tax concessions and (as we shall see shortly) incentives for savings tried to increase the amount of resources available for investment. The overall result of such a strategy matched the government's expectations: the secondary sector grew at an average rate of 5.76% a year during the first half of the 1980s.[61]

The Middle Class

The second major component of the social base Indira Gandhi was seeking to build was the Indian middle class. Social scientists have always found it difficult to define this social group. In fact, many prefer to designate it in plural terms as the "middle classes." The Indian middle class is no exception. It is characterized by fundamental internal distinctions, which cannot be ignored. Firstly, a broad distinction can be drawn between urban and rural middle classes. Important economic differentiations contribute to further divide each group. Moreover, internal social hierarchies and differences such as caste, region, religion and language interact to "shape the middle class."[62]

Despite difficulties in finding a definition that could take into account all these aspects, the middle class has been the object of extensive research. It has been defined as a group with relatively high income and non-manual occupation[63], a structurally defined group[64], a product of a discourse[65] or as something ascertained by a combination of elements taken from the aforementioned definitions, resulting in a broad, dynamic and fluid understanding of the middle class.[66] Furthermore, Marxian,[67] Paretian,[68] and empirical[69] definitions have been attempted. For the scope of this paper, the broad definition used by D. L. Sheth[70] is probably the most helpful. According to him the middle class is a highly diversified, "open-ended" entity whose members nevertheless share economic interests and lifestyles—and aspirations, one may add. In other words, subjective (i.e., the individual feeling of belonging to the middle class) and objective elements (i.e., ten or more years of schooling, ownership of certain assets like motor vehicle, TV, or non-agricultural land, residence in a "pucca house," white-collar jobs) define a blurred social group, whose importance cannot be overestimated.

Depending on the definition and on the methodological approach used, scholars have formulated many estimates of the size of the middle class. As far as the period under consideration is concerned, estimates range from 35–40 million people to almost 200 million.[71] However, most observers agree on estimates varying between 10 and 20% of the population. Another point of consensus regards the exponential growth, during the 1980s, of this sector of the population, however defined. Empirical evidence is usually used to support such a conclusion. Dubey[72], for example, shows the skyrocketing growth in consumption of typical middle class items such as refrigerators (+361%), cars (+472.3%), motor scooters (+1.102.8%), and wristwatches (+145.4%).[73] Similarly, the increase in domestic savings, appreciation of the Bombay Stock Market, or expansion of the advertisement sector, confirm the growing importance of the Indian middle class in both numerical and economic terms.

More than its size, what makes this group so important is the human and cultural capital possessed by its members, in the form of "education, skills and technical expertise."[74] The middle class counts "because it dominates the media; because its opinions are the ones that politicians have to hear; and because every election in Indian history has been determined by issues that were first raised by the middle class."[75] The list could easily go on. Middle class members dominated bureaucracies (both civil and military), public sector enterprises, and political parties. Their positions allowed them to dispense jobs, state resources and patronage. Pranab Bardhan[76] puts the middle class (which he calls "the professionals") among the three "dominant proprietary classes" that controlled the Indian state. In Gramscian terms, it is arguable that the Indian middle class enjoyed a hegemonic position in Indian society.[77] Therefore, every political party had to take into account the middle class' needs.

In this respect, Mrs. Gandhi's party was in serious difficulties at the beginning of the 1980s. Myron Weiner[78] argued that the urban middle classes were "either divided or opposed to Congress" in 1980,[79] as shown by evidence from Calcutta, Bombay, and Madras, were the Congress (I) lost a majority of seats. The middle class resentment against Mrs. Gandhi's party stemmed from a set of reasons. First, the intelligentsia and a great part of the middle class had not forgiven Mrs. Gandhi for the dictatorship she had established a few years before. Secondly, many scholars[80] point out how an urban, upper-caste[81] Hindu middle class started feeling more and more alienated since the late 1970s.[82] This feeling of alienation and political frustration was mainly due to a perception, which is quite common among middle class members, that Indian democracy was decaying because of the persisting appeasement (by the Congress party) of lower classes and castes. The feeling was reinforced by the "threat" represented by the "awakening" of Indian subaltern strata.[83] Thirdly, middle class members were also threatened by growing unemployment (stemming from high birth rates and slow industrial growth). This problem was further aggravated by the competition of the "middle class aspirants."[84] These could be members of disadvantaged communities who had benefited from affirmative action policies in the previous decades; or members of rural families who had invested part of the gains of the "green revolution" in the education of their sons. Fourth, the middle class had been the only social group (apart from the corporate sector), which had been taxed since independence. Therefore, there was a perception that the Congress' fiscal policies had resulted in an extraction of resources from the middle class members that had been used to finance the uplift not only of those living in poverty, but also of those groups that now threatened "the overall structure of inequality on which the privileged position of the middle classes [..] had rested since the colonial period."[85]

Mrs. Gandhi's economic policies tried to reverse this trend. The government was facilitated by the anti-middle class economic policies of the Janata party in 1977–79. The middle class had largely supported Morarji Desai's party in 1977, but the rural bias of the government had certainly convinced many that no national representative of the urban middle class existed in the late 1970s. Mrs. Gandhi sought to fill this void.[86]

The economic appeasement of the middle class was based on three main elements. First, the new economic strategy, which centered on industrial growth, constituted the only way out of the employment bottleneck. This had frustrated the aspirations of young members of the middle class. Obviously, this was a medium term strategy.

Second, the middle class was perhaps the main beneficiary of the fiscal policy of the government. This, on the one hand, reinforced the industrial policy of the government, sustaining internal demand; on the other, it conceded some relief to taxpayers who had been badly affected by high inflation. Significant relief measures were enacted in respect of both indirect and direct taxation.[87] The Finance Minister, R. Venkataraman, made it abundantly clear that the anti-middle class stance of the previous government was to be reversed. "The entire thrust of Mr. Venkataraman's [first Budget] speech was to undo what Charan Singh had done in his unpopular budget in March 1979."[88] Excise duties on many middle class items such as pressure cookers, soap, tooth paste, electric bulbs, TV sets, and the like were reduced starting from the 1980–81 budget. In following years, goods typically purchased by this section of the society were either exempted from excise duties or benefited from concessional rates. In other cases, middle class consumers benefited from incentives on investments given to industries producing goods which could be purchased only by those who were better off—chinaware, mosaic tiles in 1982, cosmetics, toiletries, and refrigerators in 1983; ceiling fans in 1984; and so on. The left-wing press called Mrs. Gandhi's indirect taxation policy the "pressure cooker approach."[89]

Direct taxation was restructured in a way to benefit income-tax payers in all slabs of income. Exemption limit for income tax was raised from Rs 10,000 in 1979–80 to Rs 15,000 in 1984. This freed around two million people from the tax net (1.5 million in 1982 only).[90] At the other extreme of the middle class, the wealth-tax exemption limit was raised from Rs 100,000 to Rs 150,000 in 1980 and further raised in 1984. Moreover, the value (up to Rs 50,000) of tools necessary to enable taxpayers to carry on their profession or vocation was excluded from wealth-tax. Other measures favored the whole range of income earners. Direct income-taxes were reduced by 10–15% depending on the slab; surcharge on income-tax was nearly halved (from 20 to 12.5%); standard deduction entitlements were raised; exemptions from income-tax were granted to those retiring from work or buying a house; civil servants and pensioners were either given fiscal concessions or granted higher salaries and pensions.

The third element of Mrs. Gandhi's economic policy toward the middle class was the extensive net of incentives to stimulate savings. Once again, measures in this respect were consistent with the growth-oriented path of development undertaken by the government. During the first half of the 1980s, a number of schemes to stimulate savings were launched.[91] Income earners could therefore benefit from high interest rates and, in some cases, fiscal concessions on the income deriving from specified investments.

The overall result of this strategy, combined with a more purely political appeal to the middle class, was that this important social group was ready to re-establish a preferential relationship with the Congress (I) party. In 1985, *India Today* described the middle class as "Rajiv Gandhi's people" and as a group which was "relieved that the government no longer [tried] to tax everyone to distraction in the name of the poor, enamored of a prime minister who [understood] the importance of color TV."[92]

Rich Farmers

Farmers form a social group that is even more heterogeneous than the Indian middle class. Not only do caste, class and linguistic divisions characterize rural society, but in each state—if not in each district—agriculture has specific problems and needs. Yet, quite large sections of the peasantry share important economic interests. For the present purposes, what is crucial is to identify a group whose interests were profoundly affected by national economic policies, despite agriculture being in the constitutional domain of the states. Such a group is identifiable in peasant-proprietors of economically viable units (including tenants enjoying proprietorship rights). The actual amount of land that can be considered viable varies significantly according to the kind of crop cultivated, the quality of seeds employed, the type of irrigation, and infrastructure available, and the like. Yet, units of more than two hectares of land are usually considered economically viable. Moreover, such an amount of land was enough to take full advantage of the technology introduced by the green revolution in the 1960s.[93]

This social stratum has been labeled in many ways. We will use the label "rich farmers" and this will include the whole spectrum of peasant proprietors owning more than two hectares of land. Thus, for the present purposes, Indian rural society can be divided into two groups, one constituted by landless laborers, and marginal and small owners (that is, those owning less than one, and between one and two hectares, respectively), the other made of middle and large farmers (those owning between two and four, and more than four hectares, respectively) producing most of the agricultural marketable surplus.[94] According to Ali et al. in 1975 the latter group constituted nearly 35% of rural agricultural population, controlled more than 80% of agricultural land and produced more than three fourths of the crop output.[95]

Two changes occurred in the decades before 1980 that need to be stressed to understand the national character of this social group. The first one is the centralization of the decision-making process in regard to the rich farmers' economic interests. In the first two decades after independence, the most important decisions that affected the rural world were made at the state level, as envisaged by the Constitution. In particular, rich farmers were interested in blocking the effective implementation of the land reform. They were not so much interested in what happened in Delhi, where the other two "dominant proprietary classes" were free to direct national economic policies. Rudolph and Rudolph call this tacit agreement the "Nehru settlement."[96]

In the late 1970s the situation had completely changed. Land ceilings legislation had been effectively boycotted. The green revolution had brought immense change to the rural world. Rich farmers had been encouraged to invest (especially after the nationalization of banks in 1969 which redirected credit towards agriculture[97]) in the newly introduced state-sponsored technologies, and they had subsequently benefited from state assistance in terms of input subsidies and minimum support prices for their output. Therefore, the key economic interests of rich farmers–by the late 1970s a "class-in-itself" and a "class-for-itself"[98]–were no longer in the hands of the state governments; rather, it was the central government that decided what and how much to subsidize and it was the central cabinet that had the last word on procurement and minimum support prices, which were determined on recommendation of another central organ, the Agricultural Price Commission (APC).[99]

The second critical change is the so-called "first democratic upsurge" or the rise of middle and lower castes in Indian politics, especially in the highly populated Hindi belt.[100] In many cases the most assertive groups were cultivating castes that had taken advantage of the green revolution. As Yogendra Yadav has argued, for this group, "crucially, economic gains had converted themselves into political ambition."[101] However, such ambition was thwarted by the fact that their growing economic power had not been translated into political influence.[102] The Janata party had, to a certain extent, tried to respond to these grievances. But, Mrs. Gandhi's return in 1980 had in many cases restored the hold of elite groups on local and state level politics.[103] In some other cases, as in Maharashtra, the Congress (I), in the process of altering the power relations of state politics, had reduced the hold of powerful rural lobbies on politics.[104]

The overall effect of these changes was that rich farmers were divided despite common economic interests. In general terms, those groups with strong links–usually based on kin and caste–with the ruling party could still exploit the functioning of the "old" Congress system as described by Rajni Kothari.[105] However, two crucial features of this system could not work anymore. First, it was not possible any longer for the Congress to pursue a strategy based on a "continuing accommodation of interests,"[106] which had been the basis of the Congress political strategy in the first two decades after independence. In 1980 the context had profoundly changed: growing demand for developmental, state-administered resources, was paralleled by stagnating (if not shrinking) allocation of funds to the agricultural sector and growing prices of inputs (especially fertilizers). In this context a strong source of rural opposition to the Congress (I) arose in many parts of the country.[107] This opposition was in great part formed by rich farmers who were kept at the margin or excluded from the administration of state resources.[108] For these groups the only way out of a deteriorating economic situation was to obtain higher support from the central government through higher procurement prices and higher subsidies for agricultural inputs, two forms of support less affected by caste and local factors. It is not surprising then that since the late 1970s, mammoth farmers' demonstrations started taking place in Delhi, where these crucial economic decisions were taken[109]; and it is not surprising that the farmers' growing interests in national politics was matched by the growing number of MPs with a rural background (in 1952 only 22.5% of the members of the Lok Sabha had such a background. In 1980 the percentage had increased to 39.3%).[110]

Second, the "awakening" of part of Indian electorate made vertical mobilization increasingly difficult.[111] Those once subaltern groups that had acquired significant economic power could not be mobilized any longer simply on the basis of a traditional social order, which was falling apart in many parts of the country, even in the heart of the Hindi belt itself.[112] Instead, they demanded their share in the allocation of (shrinking) state resources.

To sum up, rich farmers in the 1980s, on the one hand, formed a truly national social group, as far as their economic interests were concerned. Yet, within this group, quite large strata of the rich peasantry all over the country—economically powerful but politically weak—were excluded or had limited access to state resources.

The situation was worsened (from the rich farmers' point of view) since Mrs. Gandhi's government had no intention to alter the allocation of resources in favor of the rural world. After a phase in which agriculture had been the focus of India's developmental strategy (from the mid-1960s until the mid-1970s), now emphasis was being translated to the industrial sector. However, despite the rhetoric adopted by supporters of the farmers' movements, Indira Gandhi's economic policies in the 1980s cannot be called "anti-peasants."[113] On the other hand, they cannot be referred to as being totally pro-peasant either. Therefore, the source of the farmers' opposition toward the central government, which was expressed in the nation-wide farmers' movements of the 1980s, was the result of the incapacity of the farmers to effectively use their power to impose a predominantly rural-oriented path of development which could fulfill their expectations; or, to use the words of the major ideologue of the farmers in the 1980s, Sharad Joshi, to make "Bharat" dominate "India."

In any case, Indira Gandhi's government took a set of steps to please rich farmers.[114] In fact, in 1980 "the dominance of the surplus-producing rich farmers in *all* political parties" was a "simple yet crucial fact of Indian political economy" and therefore their demands could not be simply ignored.[115] Indeed, one of the first moves of the new Cabinet was to expand the terms of reference of the APC, with a directive to take into account the prices of non-agricultural items used by farmers. Shortly afterwards, the Reserve Bank of India was asked to enlarge the scope of cash credit for fertilizer handling agencies and to remove obstacles in the norms for short-term crop loans to farmers. Therefore, only a few months after Mrs. Gandhi's return, many thought that her aim was to "steal Mr. Charan Singh's thunder"[116] with heavy concessions to the farm lobby. The feeling was reinforced when the Finance Minister, Mr. Venkataraman, exempted agricultural property from the ambit of wealth tax in his first budget. Other measures favoring rich peasants included the continuation of a credit policy, which made significant resources available for farmers. Direct institutional credit to farmers increased from Rs 2928 crore in 1979-80 to Rs 6167 crore in 1984-85.[117] The establishment of a National Bank for Agricultural and Rural Development in July 1982 and the mushrooming of regional rural banks were steps in the same direction, providing farmers with the financial means they needed.

However, many measures taken by Mrs. Gandhi's government went in the opposite direction. In the first place, the overall allocation of resources to the agricultural sector[118] was decreased from 18% of the total public sector outlay in 1980–81 to 14% in 1984–85, which represents a decrease of 21%.[119]

Second, the price policy followed by the government was not as favorable to the farmers as the increase in the procurement price of all major crops might suggest.[120]

In fact, if one takes into consideration the rate of inflation (especially in the first two years of Mrs. Gandhi's government), it is difficult not to conclude that increase in procurement prices were almost entirely absorbed by the increase in the level of prices. According to official reports[121] growth rates in minimum support prices for rice and wheat declined (in real terms) by 0.95 and 2.22%, respectively, in the 1980s. Indeed, the term of trade between agricultural and manufactured products deteriorated starting from the late 1970s.[122] Farmers were particularly affected by the steep rise in fertilizers prices (which was administered by the central government).[123] These rose by 60% in the first two years of Mrs. Gandhi's government.[124] At the same time the cabinet reduced subsidies for fertilizers (from Rs 603 crore in 1979-80 to Rs 375 crore in 1981–82), even though in subsequent years subsidies reached the record amount of Rs 1832 crore in 1984–85 (an electoral year). However, in more general terms the ratio of rural to urban per capita income deteriorated during the decade after 1980–81.[125]

Finally, Mrs. Gandhi did not favor the writing off of farmers' debt (as proposed by some states), the establishment of a nation-wide crop insurance scheme and, in order to keep the price of food grains as low as possible, she started importing wheat even though reserves were not in a critical situation.

In addition, it can be argued that given the reduced amount of resources made available to the states–tax concessions to the middle class and the industrial sector were in most cases financed through reductions in taxes collected by the state governments—these were not able to meet the expectations of the assertive and powerful rural lobby. In short, the "Nehru settlement" had been broken.

The Poor

The last national social group considered herein is comprised of the great majority of Indian people, namely the poor. Contrary to the other three groups, Indian masses are not a powerful lobby or, to use Bardhan's terminology, poor people are not included in the dominant coalition that has ruled the country since independence. Yet, their importance in Indian politics is huge, basically because of their numerical strength and because, as many scholars have pointed out, voter turnout among the Indian poor is relatively high.

Many estimates of the incidence of poverty in India exist. According to the methodology employed, the number of people defined as poor in a given period, varies. According to the World Bank those living below the poverty line in 1980 were 45.31% of the rural population and 35.65% of those living in town and cities.[126] Quite obviously, this is an extremely heterogeneous social group. Apart from the fundamental urban/rural distinction, many other elements differentiate the Indian poor internally—caste, gender, and language to name just a few. In addition, economic factors contribute to further divide this category. The Indian poor can be landless agricultural laborers, small or marginal farmers, rural artisans, urban unemployed, and so forth.[127] Finally, within the poor, a fundamental distinction exists since the late colonial period between the Scheduled Castes and Scheduled Tribes and the rest of the population. Despite all these differences, the Indian poor have a vital economic interest in common, namely, to buy or produce enough food to survive. This makes the boundaries of this social category very fuzzy. A bad monsoon can significantly increase the number of people living below the poverty line. For this reason those on the brink of poverty should be assimilated to the poor more than to any other social group, at least as far as their primary economic interests are concerned.

The great majority of those living in poverty conditions are located in the countryside. They are prevalently landless laborers and marginal farming households. Their main source of income is the wage they receive, which varies significantly according to the number of days worked in a year or season. Therefore, weather affects the rural poor more than any other social group in India: a bad monsoon means less agricultural output, which means, on the one hand, fewer days of work and therefore lower incomes; on the other hand, it means higher prices of agricultural products and therefore still lower incomes (in real terms). Thus the prices of food, availability of work and wage rates can be considered the main economic interests of the rural poor.

The Indian poor were political orphans in 1980. The emergency regime had alienated many of them from the Congress party, especially in the north, where the family planning effort, which Francine Frankel has described as "a terrifying campaign of forced sterilization," had been particularly cruel against the weaker sections of society, in the name of whom the emergency had been declared for.[128] On the other hand, the Janata party had not been able to ameliorate their situation. In fact, the out-of-control rate of inflation in 1979–80 and the extremely high number of atrocities against the Scheduled and lower castes occurred during 1977–79 (17,775 cases were reported between April 1977 and September 1978 compared to 40,000 in the preceding ten years) convinced many of the rural poor that Mrs. Gandhi's party was the lesser of two evils.[129]

The Congress (I) strategy toward the poor was made of short and medium-term elements. The former were constituted by checking prices and assuring adequate provisions of food grains through public distribution systems. To achieve both objectives, Mrs. Gandhi did not hesitate to affect the interests of the business community and the rich farmers. The former resented the fact that the Reserve Bank of India kept interest rates artificially high in order to control the amount of liquidity in the system; the latter would have appreciated both higher procurement prices (which would have increased prices of agricultural goods in the fair price shops too) and higher market prices (kept low by the government through imports and the release of food reserves). The government was able to regain control of the price situation and food shortages did not constitute a serious problem.

The medium-term strategy was based on the hope that growth would have automatically ameliorated the living conditions of the poor and ultimately eradicated poverty—the "notorious" trickle-down effect. In the meantime, all that could be doneMrs. Gandhi loved to repeat that she had no "magic wand"[130]—was to contain poverty. Contrary to the 1950s, emphasis was not so much on structural policies – *in primis* land reform – but on specific programs which targeted the weaker section of society or, as the government's rhetoric used to call them, the beneficiaries of the 20-point program.[131] According to some observers the anti-poverty strategy endorsed by the government constituted a "radical departure from the past," as it gave up efforts to bring about social changes through "land reforms, progressive direct taxation, measures to restrain conspicuous consumption and control over monopoly."[132] The most well known (and best-financed) programs were the Integrated Rural Development Program, the National Rural Employment Program (which substituted the Food-for-Work Program, particularly disliked by rich farmers), the Minimum Needs Program, and the Rural Landless Employment Guarantee Program.[133]

It is virtually impossible to reach a consensus about the effectiveness of these programs. In particular, what is hard to evaluate is the amount of resources that reached the targets of anti-poverty programs. Corruption, family or caste ties, connivance, negligence, and simple mismanagement contributed to direct significant resources toward the non-poor. Indeed, bureaucracy in India, as N.G. Kurian as put it, "is not known for its ability to absorb the ethos of economic development and social change."[134]

Arguably the most important anti-poverty program implemented in the early 1980s was the Integrated Rural Development Program (IRDP). This was initiated in 1978 and strengthened in 1980. The aim of the program was to provide to households standing below the poverty line with a series of productive assets, which could help them to take up self-employment ventures. In more practical terms, the scheme was a subsided credit scheme.[135]

According to the Government of India, after an initial phase in which the outcomes in terms of poverty reduction were relatively disappointing, the program was a complete success; yet, after two years only about 40% of the beneficiaries had crossed the poverty line.[136]

However, several scholarly works suggest that the impact of the program was rather limited. Jean Dreze, basing his conclusions on evidence collected in Uttar Pradesh (UP). points out how "the relatively privileged among the "poor" along with many non-poor captured the lion's share of the benefits."[137] Similar conclusions were drawn by scholars working on other parts of India, such as, Swaminathan on Tamil Nadu, and Gopal and Ramulu on Andhra Pradesh.[138] Other studies conclude that exclusion of the poor from the beneficiaries was a structural feature of the IRDP all over India, with the partial exception of West Bengal.[139]

Evidence suggests that the IRDP was the typical "clientelistic" program. More than addressing poverty and inequality, its importance laid in the opportunities for patronage distribution that it enabled. Indeed, political interference determined to a large extent the degree of success of the program. This was particularly evident in West Bengal, where the IRDP was significantly more successful than in other parts of India, mainly because the rural poor constituted the bulk of the ruling CPM's base of support.[140]

Analogous considerations are valid for other anti-poverty initiatives. According to some empirical studies at the village level the number of non-poor but benefiting from anti-poverty programs ranged from 15 to 70% of the total beneficiaries.[141] Therefore, it is not so important to evaluate the amount of resources invested,[142] also because the allocation of funds was by no means sufficient to assist all those who were in need.[143] For example, even a complete success of the IRDP would have covered no more than 75 million people (out of at least 230 million rural poor).[144] Thus, from our point of view, what is relevant is to evaluate whether anti-poverty measures adopted by the government resulted in a decline of the incidence of poverty and in an improvement—or at least not a worsening—of the living conditions of the rural poor. Evidence seems to suggest that poverty declined during the first half of the 1980s, thus continuing the positive trend initiated in the previous decade. According to the World Bank, the incidence of rural poverty in India declined from 50.60% in 1977–78 to 39.23% in 1987–88.[145] Other estimates do not vary significantly and in any case lead to the same conclusion.[146]

Anti-poverty programs were not the only steps taken by the government. Two more measures are worth noting. First, Indira Gandhi's government favored the revision by the state governments of the minimum wages policy.[147] During the 1980s, wages of unskilled agricultural laborers increased by 4.6% in real terms.[148] Second, in 1981 the Cabinet issued new guidelines to the Reserve Bank of India in order to ensure that "an increasing share of priority sector credit is directed to weaker sections."[149] The target of 40& of net bank credit to the priority sector was exceeded by 1.3 percentage points.[150]

In short, it is likely that the situation of the rural poor did not worsen in the first half of the 1980s. Poverty was not eradicated and indeed no effort was made in this sense. What the government wanted to achieve, that is, checking the number of poor and making them feel that the government was taking care of them, was indeed achieved.

Conclusion

This essay has attempted to elucidate the characteristics of the national social base that Indira Gandhi sought to build in the 1980s. In doing so, it has analyzed the economic policies implemented by her government, on the basis of the belief that it is possible to identify national social groups whose economic interests are affected by national economic policies. The focus has been on four such groups of significant importance, namely the business community, the middle class, the rich farmers, and the poor. The former two, evidence suggests, were chosen as Indira Gandhi's major allies, whereas the latter two were not disfavored, but were not greatly appeased either.

It is likely that this choice was the outcome of an ideological turn that occurred in Mrs. Gandhi's views following the severe economic crisis of the mid-1970s.[151] The kind of radical economic policies adopted during Mrs. Gandhi's *garibi hatao* ("eliminate poverty," in Hindi) phase—in particular the series of nationalizations and the stiffening of an already rigid economic system—had led to a disappointing economic performance and limited political benefits. Furthermore, the huge amount of resources invested in the rural sector after the adoption of the New Agricultural Strategy (i.e., the Green Revolution) in the late 1960s and 1970s had had the paradoxical effect of strengthening certain sections of the rich peasantry (mostly OBCs, especially in the North) which would later play a fundamental role in sustaining the Janata coalition. For all these reasons, it is likely that, when Mrs. Gandhi returned to power in 1980, she was willing to undertake a new path of development and, accordingly, change the nature of her national social base of support. This is also consistent with what Chaudhry et al. argued about the formulation of a strategy of "homegrown conditionality" for approaching the IMF, a strategy to which Mrs. Gandhi gave the go-ahead.[152]

Two broader conclusions can be drawn from this empirical study. First, Mrs. Gandhi's government in the early 1980s tried to shift the focus of India's strategy of development from the agrarian to the industrial sector and from the rural to the urban world. This was done at the expense of part of the rich peasantry. In particular, those who had full access to developmental resources because of their links with the ruling party did not resent excessively such a shift. On the contrary, those that were excluded or kept at the margin of the administration of state resources resented their deteriorating economic situation. This was particularly frustrating for rich farmers, given the fact that this category seemed to dominate the political scene not only at the state level, but also in Delhi. Therefore, despite the fact that rich farmers constituted a national entity in respect to their economic interests, caste factors played a crucial role in determining their political affiliation. This was due to the fact that the administration of state resources (even when sponsored by Delhi) was in the hands of locally dominant groups, which tended to favor their local allies. Groups who were excluded asked for higher financial support from Delhi, in terms of higher procurement prices and higher subsidies for agricultural inputs. Both forms of state support were not affected by caste or local factors. In fact, they were the key demands of all farmers' movements in the 1980s.

Second, the construction of a national social base funded on solid economic interests can be seen as a clear sign of the twilight of the "Congress system." In 1971 Mrs. Gandhi had been able to launch a national appeal, *garibi hatao,* to a wide sector of the electorate. But, this appeal was quintessentially populist. Moreover, it was not addressed to any powerful social group in India. In 1971 vertical mobilization was still an extremely important political tool. In the 1980s the pattern seems to be reversed. National economic policies directed toward national social groups were possible on a larger scale, given the growing number of middle class members and the centralization of the decision-making process in regards to the rich farmers' interests. Horizontal mobilization from Delhi was gaining importance at the expense of the old, client-patron network of local relationships, which had guaranteed the functioning of the Congress party after independence. In other words, the building up of a national constituency based on solid economic interests and on powerful social groups became the keystone of the Mrs. Gandhi's political strategy in the early 1980s, replacing the more localized kind of political mobilization effort of the earlier decades. Indeed, such a centralization of the political strategy of the Congress (I) was the only way for the party to survive, in a context where local or state-level political formations were emerging as a central feature of India's political system. Given the rupture of the Congress (I)'s organizational machine and the "awakening" of large strata of Indian electorate, the enlargement and the consolidation of a national political strategy represented the last attempt by Mrs. Gandhi's party to keep its place at the center of Indian political scene.

NOTES

I would like to thank Michelguglielmo Torri, James Manor, and two anonymous reviewers for their comments on an earlier draft. Chloe Mackin made an invaluable work of proofreading, for which I am extremely grateful.

1. Myron Weiner, "Congress Restored: Continuities and Discontinuities in Indian Politics," *Asian Survey* Vol. 22, No. 4, (1982) pp. 340–41.
2. James Manor, "Blurring the Lines Between Parties and Social Bases—Gundu Rao and the Emergence of a Janata Government in Karnataka," *Economic and Political Weekly* Vol. 19, No. 37 (1984), pp. 1623–32.
3. Paul R. Brass, *Caste, Faction and Party in Indian Politics, Vol. 2.* (New Delhi: Chanakya Publications, 1985).

4. Francine R. Frankel and M. S. A. Rao, eds., *Dominance and State Power in Modern India, Vol. 1* (New Delhi: Oxford University Press, 1989) and Francine R. Frankel and M. S. A. Rao, eds., *Dominance and State Power in Modern India, Vol. 2* (New Delhi: Oxford University Press, 1990).
5. Weiner, "Congress Restored" (see note 1 above.)
6. A similar argument can be found in Pradeep K. Chhibber and John R. Petronick, "Social Cleavages, Elections, and the Indian Party System," in Richard Sisson and Ramashray Roy, eds., *Diversity and Dominance in Indian Politics. Volume 1: Changing Bases of Congress Support* (New Delhi: Sage, 1990).
7. For example, John R. Wood, ed., *State Politics in Contemporary India: Crisis or Continuity?* (Boulder and London: Westview, 1984).
8. Needless to say, other, more political factors contribute to the formation of a stable social base. However, the analysis of such factors is out of the scope of this essay.
9. Pranab Bardhan, *The Political Economy of Development in India* (New Delhi: Oxford University Press, 1998).
10. *India Today*, January 1, 1980 called that of 1980 "the sugar and kerosene election."
11. All data are taken from Ministry of Finance, *Economic Survey* (New Delhi: Government of India, 1981).
12. As evident from the headlines of all major newspapers in late 1979 and early 1980.
13. Terence J. Byres, "Charan Singh, 1902–87: An Assessment," *Journal of Peasant Studies* Vol. 15, No. 2 (1988), pp. 139–89.
14. Llyod I. Rudolph and Susanne H. Rudolph, *In Pursuit of Lakshmi: The Political Economy of the Indian State* (Chicago: University of Chicago Press, 1987).
15. A crore is equivalent to 10 million.
16. Vijay Joshi and I. M. Little, *India: Macroeconomics and Political Economy 1964–91* (Washington, DC: World Bank, 1994), p. 153.
17. For further details see Charan Singh's Budget Speech before the Lok Sabha in 1979.
18. Ministry of Finance, *Draft of the Sixth Five-Year Plan* (New Delhi: Government of India, 1978). The Plan was not approved due to the changed political situation. When the Congress (I) came back to power, a new Planning Commission was established.
19. B. B. Bhattacharya, "Union Budget, 1979–80," *Economic and Political Weekly* Vol. 14 (1979), pp. 667–72.
20. Jyotirindra Das Gupta, "The Janata Phase: Reorganization and Redirection in Indian Politics," *Asian Survey* Vol. 19, No. 4 (1979), pp. 390–403.
21. Ministry of Finance, *Economic Survey*, 1980 (see note 11 above.)
22. The huge number of atrocities against low castes members, or Charan Singh's anti-urban rhetoric, or the deteriorating communal situation are all examples of other important factors which contributed to the defeat of the Janata party in 1980.
23. This was the best-known slogan of the Congress (I) electoral campaign.
24. Ministry of Finance, *Economic Survey* (New Delhi: Government of India, 1986).
25. Since 1980 India's economic growth has been steady and sustained (if one excludes 1991, the year of the fiscal crisis).
26. Baldev Raj Nayar argues that the "Hindu" rate of growth ended in 1974–75, when, according to the author, the first liberalizing measures were implemented. Baldev Raj Nayar, "When Did the 'Hindu' Growth End?," *Economic and Political Weekly* Vol. 41, No. 19 (2006), pp. 1885–90. However, the infrastructural bottleneck which seriously hindered economic growth was not removed until the early 1980s.
27. Francine R. Frankel, *India's Political Economy 1947–2004: The Gradual Revolution*, (New Delhi: Oxford University Press, 2005); Arvind Panagariya, *India – The Emerging Giant* (New York: Oxford University Press, 2008).
28. Atul Kohli, "Politics of Economic Growth in India, 1980–2005 – Part I: The 1980s," *Economic and Political Weekly* Vol. 41, No. 13 (2006), pp. 1251–1259; C. P. Chandrasekhar and Jayati Ghosh, *The Market that Failed—A Decade of Neoliberal Economic Reforms in India* (New Delhi: Leftword, 2002).
29. M. S. Ahuwalia, "Economic Reforms in India since 1991: Has Gradualism Worked," *Journal of Economic Perspectives* Vol. 16, No. 3 (Summer 2002), pp. 67–88.
30. Dani Rodrik and Arvind Subramanian, "From 'Hindu Growth' to Productivity Surge: The Mystery of the Indian Growth Transition," *IMF Working Paper,* 2004.
31. *Indian Express,* January 01, 1980, p. 9.
32. *Economic and Political Weekly,* January 26, 1980, p. 135.
33. Ramachandra Guha, *India After Gandhi* (London: Macmillan, 2007). Indeed Indira Gandhi's anti-capitalist stance had always been more rhetorical than practical cf. Bardhan, *The Political Economy* (see note 9 above), p. 41.
34. Rodrik and Subramanian, "From 'Hindu Growth" (see note 30 above), p. 4.
35. *Indian Express*, February 29, 1980, p. 1.
36. Kohli, "Politics of Economic" (see note 28 above), p. 1252.
37. Rudolph and Rudolph, *In Pursuit* (see note 14 above), p. 127.
38. James Manor, "The Electoral Process Amid Awakening and Decay: Reflections on the Indian General Election of 1980," in Peter Lyon and James Manor, eds., *Transfer and Transformation: Political Institutions*

in the New Common wealth, (Leicester and New York: Leicester University press, 1983); James Manor, "Anomie in Indian Politics – Origins and Potential Wider Impact," *Economic and Political Weekly,* Vol. 18, No. 19/21, Annual Number, (May, 1983), pp. 725–34.
39. Frankel, *India's Political Economy* (see note 27 above), p. 659, note 83.
40. *Indian Express*, July 1, 1980, p. 3.
41. Reserve Bank of India, *Handbook of Statistics on the Indian Economy* (Mumbai: Author, 2009.)
42. Rodrik and Subramanian, "From 'Hindu Growth'" (see note 30 above).
43. Joshi and Little, *Macroeconomics* (see note 16 above), p. 59. Imports were relatively liberalized in 1981, probably under the pressure of the International Monetary Fund, with which India had signed an agreement. However, import controls were soon reimposed following the strong protests of the business community. See *Economic and Political Weekly*, March 19, 1980, p. 1203.
44. *Indian Express*, April 16, 1980, p. 7.
45. *Economic and Political Weekly,* September 20, 1980, p. 1594.
46. *Indian Express,* July 24, 1980, p. 6.
47. *Times of India*, March 02, 1982, p. 1. The same argument had been made the previous year, see *The Hindu*, February 15, 1981, p. 3.
48. That Indian business community was not ready to accept complete liberalization became apparent when Rajiv Gandhi initiated a policy of external liberalization. Opposition to such a policy by the business community resulted in a reverse of the process of liberalization.
49. Kohli, "Politics of Economic" (see note 28 above), p. 1256.
50. Ministry of Finance, *Economic Survey* (New Delhi: Government of India, 1986). The figure refers to the total allocation for Energy, Industry and Minerals, and Transport.
51. Ministry of Finance, *Economic Survey*, various issues.
52. Kohli, "Politics of Economic" (see note 28 above).
53. Ministry of Finance, *Economic Survey*, various issues. Figures in 1982–83 and 1983–84 would be even higher if man-days lost due to the two-year long textile strike in Bombay had been taken into account.
54. *The Hindu*, March 03, 1983, p. 1.
55. *Indian Express*, December 12, 1980, p. 6.
56. Sanjaya Baru, "Continuity and Change in Indian Industrial Policy," in T. V. Sathyamurthy, ed., *Industry and Agriculture in India since Independence* (Oxford: Oxford University Press, 1995), p. 119.
57. Finance Minister, *Budget Speech* (New Delhi: Government of India, 1980–84).
58. E.g. *Hindustan Times* June 19, 1980, p. 9; *Times of India* July 15, 1982, p. 7.
59. It is likely that Indira Gandhi used the Budget as an instrument to appease or penalize supporters and adversaries within the business community. This was the feeling of many observers at that time. However, no definite proof exists.
60. *Times of India*, January 15, 1982, p. 1.
61. Ministry of Finance, *Economic Survey*, various issues.
62. Leela Fernandes, *India's New Middle Class—Democratic Politics in an Era of Economic Reform* (Minneapolis: University of Minnesota Press, 2006).
63. E. Sridharan, "The Growth and Sectoral Composition of India's Middle Class: Its Impact on the Politics of Economic Liberalization," *India Review*, Vol. 3, No. 4 (2004), pp. 405–428.
64. Bardhan, *The Political Economy* (see note 9 above).
65. A. Appadurai, *Modernity at Large: Cultural Dimension of Globalization,* (Minneapolis: University of Minnesota Press, 1996).
66. Fernandes, *India's New Middle Class* (see note 62 above).
67. Ghanshyam Shah, "Middle Class Politics: Case of Anti-Reservation Agitations in Gujarat," *Economic and Political Weekly,* Vol. 22, No. 19/21 (1987), pp. AN155-AN172.
68. B. M. Bhatia, *India's Middle Class—Role in Nation Building* (New Delhi: Konark Publishers, 1994).
69. S. M. Faikh, quoted in Suman Dubey, "The Middle Class," in Leonard Gordon and Philip Oldenburg, eds., *India Briefing, 1992* (Oxford: Westview, 1992).
70. D. L. Sheth, "Secularisation of Caste and Making of New Middle Class," *Economic and Political Weekly*, Vol. 34 No. 34/35 (1999), p. 2508.
71. Dubey, "The Middle Class" (see note 69 above)
72. Dubey, "The Middle Class" (see note 69 above), p. 151.
73. Figures refer to the 1980–81 to 1990–91 period.
74. Sridharan, "The Growth" (see note 63 above), p. 408.
75. Priya Sahgal quoted in Fernandes, *India's New Middle Class* (see note 62 above), p. 173.
76. Bardhan, *The Political Economy* (see note 9 above).
77. Deshpande, cited in Fernandes, *India's New Middle Class* (see note 62 above), p. 178.
78. Weiner, "Congress Restored" (see note 1 above), p. 340.
79. Even though, as already noted, all-India generalizations are not usually accurate, it is likely that urban middle class opposition to the Congress (I) was a nation-wide phenomenon.
80. Fernandes, *India's New Middle Class* (see note 62 above); Thomas Blom Hansen, *The Saffron Wave: Democracy and Hindu Nationalism in Modern India* (Princeton: Princeton University Press, 1999);

Christophe Jaffrelot, *The Hindu Nationalist Movement and Indian Politics, 1925 to the 1990s* (London: Hurst & Co., 1996).

81. Great part of Indian middle class belong to upper caste groups, cf. Francine R. Frankel, "Middle Class and Castes in India's Politics: Prospects for Political Accommodation," in Atul Kohli, ed., *India's Democracy: An Analysis of Changing State-society Relations* (Princeton: Princeton University Press, 1988).
82. Hansen's and Jaffrelot's argument is that this feeling of alienation was largely responsible for the middle class' support for the Bharatiya Janata Party (BJP) in the late 1980s and early 1990s.
83. James Manor, "The Electoral Process" (see note 38 above). Similar arguments can be found in Sunil Khilnani, *The Idea of India* (London: Hamish Hamilton, 1997), p. 48.
84. Weiner, "Congress Restored" (see note 1 above), p. 351.
85. Frankel, "Middle Class" (see note 81 above), p. 227.
86. Myron Weiner, *India at the Polls—The Parliamentary Elections of 1977* (Washington, DC: American Enterprise Institute for Public Policy Research, 1978).
87. The following factual information are taken from Finance Minister, *Budget Speech* (see note 57 above), 1980-84, and Ministry of Finance, *Economic Survey*, 1980–84, and major national newspapers.
88. *Indian Express,* June 19, 1980, p. 7.
89. *Economic and Political Weekly*, March 15, 1980, p. 545.
90. *Times of India*, March 01, 1980, p. 1.
91. Examples are the scheme providing incentives to those investing in a life insurance (1980), the National Savings Certificate (1981), the Social Security Certificate and the Capital investment Bond (1982), and the National Deposit Scheme (1984).
92. *India Today,* December 16, 1985, p. 1.
93. Michelguglielmo Torri, "Economic Policy and Political Gains: The First Phase of India's Green Revolution (1966–1971), *Asian Studies*, Vol. 2 No. 3, (1974), p. 48; Francine R. Frankel, *India's Green Revolution: Economic Gains and Political Costs* (Princeton: Princeton University Press, 1971).
94. Thus the latter group constitutes what we have called "rich farmers."
95. Ifzal Ali, B. M. Desai, R. Ramakrishna, and V. Vyas, "Indian Agriculture at 2000 – Strategies for Equity," *Economic and Political Weekly*, Vol. 16, No. 10/12 (1981), Tab. 2 and 5, pp. 410–13.
96. Rudolph and Rudolph, *In Pursuit* (see note 14 above), p. 51.
97. Michelguglielmo Torri, "Factional Politics and Economic Policy: The Case of India's Bank Nationalization," *Asian Survey* Vol. 15, No. 12 (1975), pp. 1077–1096.
98. Terence J. Byres, "The New Technology, Class Formation and Class Action in the Indian Countryside," *Journal of Peasant Studies* Vol. 8, No. 4 (1981), pp. 405–54.
99. State governments had the power to pay higher procurement prices to farmers. However, it was politically difficult, especially for Congress (I)-led governments.
100. Yogendra Yadav, "Electoral Politics in the Time of Change: India's Third Electoral System 1989–99," *Economic and Political Weekly* Vol. 34, No. 34/35 (1999), p. 2394.
101. Guha, *India After Gandhi* (see note 33 above), p. 532.
102. This has been suggested by Sudipta Kaviraj, "A Critique of the Passive Revolution," *Economic and Political Weekly* Vol. 23, No. 45/47 (1988), pp. 2429–44; Zoya Hasan, "Power and Mobilization: Patterns of Resilience and Change in Uttar Pradesh Politics," in Frankel and Rao, eds., *Dominance and State Power* (see note 4 above); Christophe Jaffrelot, *India's Silent Revolution* (London: Hurst & Co., 2003).
103. Bihar and UP were probably the most striking examples see Francine R. Frankel, "Dominance in Bihar: Breakdown of the Brahmanical Social Order," in Frankel and Rao, eds., *Dominance and State Power* (see note 4 above); Jaffrelot, *India's Silent Revolution* (see note 102 above).
104. This was evident with respect to the Maratha lobby.
105. Rajni Kothari, "The Congress 'System," *Asian Survey,* Vol. 12, No. 4 (1964), pp. 1161–73.
106. Kothari, "The Congress" (see note 105 above), p. 1168.
107. Mangesh Venkatesh Nadkarni, *Farmers' Movements in India* (Ahmedabad: Allied Publishers, 1987); Tom Brass, ed., *New Farmers' Movement in India* (Ilford: Frank Cass, 1995).
108. See the essays published in Brass, ed., *New Farmers'* (see note 107 above). In particular, D. N. Dhanagare, "The Class Character and Politics of the Farmers' Movement in Maharashtra During the 1980s;" Jairus Banaji, "The Farmers' Movements: A Critique of Conservative Rural Coalitions;" Zoya Hasan, "Shifting Ground: Hindutva Politics and the Farmers Movement in Uttar Pradesh." See also, Bardhan, *The Political Economy* (see note 9 above).
109. The first one was that organized by Rammanohar Lohia on Charan Singh's birthday in 1978. Other two impressive farmers demonstrations were the Congress (I)-led in February 1980 and the oppositions' in March 1980.
110. Parliament of India, *The Seventh Lok Sabha, 1980–84* (New Delhi: Lok Sabha Secretariat, 1985).
111. Manor, "The Electoral Process" (see note 38 above).
112. Frankel, "Dominance in Bihar" (see note 103 above).
113. Harkishan Singh Surjeet in *Seminar* No. 267 (November, 1981), p. 13.
114. Factual information is taken from the already mentioned newspapers and from official publications specified in the text.

115. Alain De Janvry and K. Subbarao, *Agricultural Price Policy and Income Distribution in India* (New Delhi: Oxford University Press, 1986), p. 19.
116. *Indian Express*, July 19, 1980, p. 7.
117. Reserve Bank of India, *Handbook of Statistics* (see note 41 above), Tab. 57.
118. Agriculture and allied services plus Irrigation and flood controls.
119. Minister of Finance, *Budget Speech*, 1980–84 (see note 57 above),; Ministry of Finance, *Economic Survey*, 1980–85.
120. For details see Ministry of Finance, *Economic Survey*, 1980–85.
121. S. Dev Mahendra and N. Chandrasekhara Rao, *Agriculture Price Policy, Farm Profitability and Food Security: An Analysis of Rice, and Wheat* (New Delhi: Commission for Agricultural Costs and Prices, 2009), Tab. 4.
122. *Times of India,* December 12, 1980, p. 1; V. N. Mishra and Peter B. R. Hazell, "Terms of Trade, Rural Poverty, Technology and Investment—The Indian Experience, 1952–53 to 1990–91," *Economic and Political Weekly* Vol. 31, No. 13 (1996), pp. A2–A13.
123. Prices of agricultural inputs started rising from the 1970s. *Seminar*, No. 267 (November 1981), Tab. II, p. 29.
124. Ministry of Finance, *Economic Survey,* various issues. Prices were slightly lowered in following years.
125. R. Nagaraj, "Indian Economy since 1980: Virtuous Growth or Polarization?," *Economic and Political Weekly* Vol. 35, No. 32 (2000), p. 2837.
126. World Bank, *India—Reducing Poverty, Accelerating Development* (New Delhi: Oxford University Press, 1999), Annex Table 1.1. The "poverty line" is defined as an income of Rs 49 a month at Oct. 1973–Jun. 1974 rural prices. The national figure is 43%.
127. According to some scholars (e.g., Rudolph and Rudolph, *In Pursuit* [see note 14 above], p. 377) small farmers tend to identify more with independent farmers than with rural poor. However, for reasons spelled out below, small farmers will be included in our definition of poor.
128. Frankel, *India's Political Economy* (see note 27 above), p. 563.
129. Guha, *India After Gandhi* (see note 33 above), p. 535.
130. E.g. *Indian Express,* December 12, 1980, p. 1.
131. In January, 1982 Mrs. Gandhi presented the "recast and redefined" 20-point programme, *Indian Express,* January 15, 1982, p. 1.
132. *Economic and Political Weekly,* March 28, 1981, p. 585.
133. Many other smaller programs were financed by the central or the state governments, for example, the Small Farmers Development Agency, the Drought Prone Areas Programme and numerous programs for the betterment of the Scheduled Castes and Scheduled Tribes.
134. N. G. Kurian, "Anti-Poverty Programme: A Reappraisal," *Economic and Political Weekly* Vol. 24, No. 12 (1989), p. A13.
135. Nilakantha Rath, "'Garibi Hatao': Can IRDP Do It?," *Economic and Political Weekly* Vol. 20, No. 6 (1985), pp. 238–46.
136. See Ministry of Finance, *Seventh Five-Year Plan, 1985–1990* (New Delhi: Government of India), Vol. 2, Ch. 2; and Ministry of Agriculture, *Concurrent Evaluation of IRDP: The Main Findings of the Survey for October 1985–September 1986* (New Delhi: Author, 1987). See also K. Subbarao, "Regional Variations in Impact of Anti-Poverty Programmes—A Review of Evidence," *Economic and Political Weekly* Vol. 20, No. 43 (1985), pp. 1829–34.
137. Jean Dreze, "Poverty in India and the IRDP Delusion," *Economic and Political Weekly* Vol. 25, No. 39 (1990), p. A96.
138. Madhura Swaminathan, "Village Level Implementation of IRDP: Comparison of West Bengal and Tamil Nadu," *Economic and Political Weekly* Vol. 25, No. 13 (1990), pp. A17–27; G. Hara Gopal and C. H. Bala Rumulu, "Poverty Alleviation Programmes: IRDP in an Andhra Pradesh District," *Economic and Political Weekly* Vol. 24, No. 35–36 (1989), pp. 2025–34.
139. Rath, "Garibi Hatao" (see note 135 above); Raghav Gaiha, "Do Anti-poverty Programmes Reach the Rural Poor in India?," *Oxford Development Studies* Vol. 28, No. 1 (2000), pp. 71–95; Dreze, "Poverty in India" (see note 137 above).
140. Dreze, "Poverty in India" (see note 137 above); Swaminathan, "Village Level Implementation" (see note 138 above).
141. S. Guhan, "Rural Poverty: Policy and Play Acting," *Economic and Political Weekly* Vol. 15, No. 47 (1980), pp. 1975–82.
142. For the exact amount of resources allocated to anti-poverty programs see Ministry of Finance, *Seventh Five-Year Plan, 1985–1990,* Vol. 2. For IRDP tab. 2.1; for NREP tab. 2.2; for Basic Needs Programme tab. 19.1; for special programs for Scheduled Castes and Tribes tab. 15.5.
143. Rath, "Garibi Hatao" (see note 135 above), p. 240.
144. Figure calculated on the basis of the 1981 census. *Indian Express,* October 10, 1980, p. 6.
145. World Bank, *India—Reducing Poverty* (see note 126 above), Annex Table 1.1
146. B. S. Minhas, L. R. Jain, S. D. Tendulkar, "Declining Incidence of Poverty in the 1980s—Evidence Versus Artefacts," *Economic and Political Weekly* Vol. 26, No. 27/29 (1991), pp. 1673–82; Stuart Corbridge and John Harris, *Reinventing India—Liberalization, Hindu Nationalism and Popular Democracy* (Cambridge:

Blackwell, 2000); Rudolph and Rudolph, *In Pursuit* (see note 14 above); Panagariya, *India* (see note 27 above).

147. *Indian Express,* October 19, 1983, p. 7.
148. World Bank, *India – Reducing Poverty* (see note 126 above), Annex Table 1.2.
149. Finance minister, *Budget Speech* (see note 57 above), 1981–82.
150. Reserve Bank of India, *Handbook of Statistics* (see note 41 above), p. 60.
151. Nayar, "When Did the 'Hindu'" (see note 26 above). This is also the view of several social scientists, bureaucrats, and senior journalists interviewed by this author in Delhi in late 2010–early 2011.
152. Praveen K. Chaudhry, Vijay L. Kelkar, and Vikash Yadav, "The Evolution of 'Homegrown Conditionality' in India: IMF Relations," *The Journal of Development Studies* Vol. 40, No. 6 (2004), pp. 59–81.