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Some Aspects of Development for the Peasant as India Emerges from Dirigisme

India, the world's largest democracy, is home to one-fourth of the world's absolute poor (World Bank 243). The country is one of very few pre-industrial countries, in history or the contemporary world, which has adopted a system of democracy with universal suffrage. This unusual combination leads to some important consequences for the peasant. An agrarian economy coupled with democracy leads to rural empowerment. Of course, this empowerment has not always been in evidence. India's independent democratic history¹ can be divided into three periods: Nehruvian socialism; post-Nehru state-led development; and post-crisis liberalization. As the system of political economy has changed, the degree of rural empowerment has been altered. To evaluate the extent of peasant empowerment, it is necessary to look at the basic political and economic feature of the India system, specific economic policies in the three periods above and the impact of reforms upon peasant life.

The 1991 Fiscal Crisis

The most sweeping economic reforms were enacted in the years following the 1991 fiscal crisis. This crisis disrupted a trend of growing peasant power. IMF structural development imposed extraterritorial power (which is non-democratic) over fiscal, monetary and economic policies. The crisis was rooted in a balance of trade issue as India had consistently been importing more than it exported. Such a system is sustainable so long as there are sufficient

¹ For agrarian-state relations in the colonial and pre colonial period see Barrington Moore *Social Origins of Dictatorship and Democracy*, Chapter 6 “Democracy in Asia: India and the Price of Peaceful Change” (Moore 314-410). For a more thorough treatment see Sudhindra Bose *Some Aspects of British Rule in India*, especially pages 71-83 “Agriculture and Famine in India.” Tom Kemp in *Historical Patterns of Industrialization* compares British colonial policies towards India with those towards Canada for some important observations.

inflows of hard foreign currency. India lacks the investments in foreign countries which have allowed the US and UK to manage such imbalances. India has relied primarily on remittances from its diaspora and foreign loans to provide the needed inflow. As foreign loans piled up the government was losing its ability to service these loans (with hard currency). Foreign creditors were losing confidence in India as the country came close to defaulting (World Bank 243).

By 1991, three factors pushed the Indian government to the brink of default. Firstly, the Soviet-bloc communism collapsed. India had been a beneficiary of Soviet economic assistance as the United States poured money into arch-rival Pakistan. With the collapse of the Soviet economy, foreign aid from that source quickly dried up. Secondly, due to domestic disturbances in its eastern states oil production fell. Most of India's on-shore oil production is in the eastern states of Bihar and Assam. For decades there has been a secessionist movement in Assam, occasionally with work-stoppages and other actions directed against state undertakings such as the energy industry. The national government suffered in excess of a \$1 billion loss due to the turmoil. Thirdly, and most significantly, the Persian Gulf became a battleground. The Persian Gulf War incurred three losses on India. Firstly, oil prices soared forcing additional outlays from the Indian government to subsidize energy costs. Secondly, remittances from Indian workers in Persian Gulf countries were cut-off. Thirdly, the Indian government had to repatriate its nationals from the conflict zone (Das Gupta 302). These factors contributed to India's precarious fiscal position in 1991.

A Brief Description of the Indian System

Before 1991, India had developed in a manner which needs to be described to understand the significance of the IMF-mandated reforms. Independent India has carried the

scars of a British colonial legacy. India has tried to develop economically which is very much a work in progress. For India's state of economic development much is owed to the British Raj. On the positive side, subjugation by the UK brought railways, public works improvement, competency to the civil service and a lingua franca, among other benefits. However, there have been some costs to UK rule. Bose writes that the "alien intruders [the English] ... destroyed the home trades and industries...securing an exclusive market in India for their manufactured goods" (Bose 57-58). He continues "Indian industries were annihilated...not by competition with English goods but by monopoly and coercion" (Bose 61). During the British Raj, Indian industry employed no more than 2% of the population and produced 6% of the GDP (Kemp 143). In the agricultural sector, India had 15 famines between the eleventh and eighteenth century and 34 during the 200 years of British rule. He estimates 19th century famines killed 32.5 million Indians (Bose 80). This increase Bose attributes to a change in the land regime. The British attempted to create a native landlord class which had never existed in the Hindu or Mogul periods of rule. Previous regimes relied on a system of tax-farming, taxing a proportion (contrast with Japan's fixed rate) by the local *zamindar* (tax collector). By law all possessions of *zamindar* were assumed by the Mogul Emperor upon the death of the collector. (There are even reports of the state hastening death.) Investment was discouraged in this way in favor of ostentatiousness. It was this *zamindar* class the English sought to make as landlords. The British Raj redistributed land to loyal *zamindars* from small-scale producers, authorized them to collect taxes and imposed a 90% annual tax on their revenue. Tax burden overall increased to fund a dense civil service and military expenses of the Empire² (Moore 344). Perhaps most

² One-half of the government budget was spent on defense.

significantly, five per cent of India's GDP was expatriated through adverse terms of trade (Kemp 139) by mercantilist policies banning Indian industries and making the colony a dumping ground for UK manufactures (Bose 57). In another chapter Kemp argues this outflow from India (1) provided the UK with financial means to fund its military machine (2) deprived India of capital needed for development and (3) provided the capital for Canada's development (Kemp 115). This was the experience India had under the British trade regime.

At independence, Nehru sought a different economic policy: he wished to develop industry; provide a more equitable distribution of wealth; and end famine. Nehru was a Fabian socialist and less than enthusiastic about "free trade." India embarked on a state-directed capitalist strategy with a series of five-year plans. India's leaders regarded export-orientation as a tool of colonial exploitation ("India and Pakistan at 50" 17). India adopted an ISI system of tariffs and NTB's to protect its infant industries from unequal competition. The state itself undertook many enterprises, especially in transportation, communication and energy, and restricted foreign ownership. It achieved a rate of growth of 4% ("India's Economy" 3) which compared very favorably to rates of 1.3% from the colonial period ("India and Pakistan at 50" 17). Nehru redistributed land to the peasants, transferring power from the aristocracy ("India and Pakistan at 50" 17). On Nehru's third economic goal, India conquered mass starvation ("India and Pakistan at 50" 20) and is now a net exporter of food overproducing by 20% by 1984 (Patnaik 83).

On the political side, India is a multi-party, parliamentary democracy. The credit for democracy lies in colonial experience and the nationalist movement, argues Das Gupta. British rule came to India as the despotic and incompetent Mogul Empire was collapsing. Das Gupta

recalls Roy among others welcomed British rule founded on rational thought and “civil and political liberty” to the subcontinent, hoping these features would characterize a future Indian state (Das Gupta, 264). The UK did not feel Indians (as nonwhites) were fit to govern themselves; it set up the British Raj which ruled from Delhi. The British system of (restricted) democracy in the nineteenth century provided the model framework for a later system in India. Independence or state-forming struggles leave an imprint on the national psyche. Indians by democratically and peacefully achieving freedom perhaps laid the groundwork for independent democracy. The Indian National Congress, created in 1885, was organized on democratic procedures. In UK laws passed in 1909, 1919 and 1935, the British Raj devolved very limited powers to the Indian people. The INC participated in elections, sweeping the field in 1937 (Das Gupta, 273). The Congress, having developed procedures as a subordinate institution, with the mandate of the people after independence, was able to provide stability in the continuity of Indian civil service and bureaucratic system from the colonial period. Democratic procedures, learned in the restricted democracy of the late colonial Raj, were adopted for an independent system. To these factors should be added the “great leader” element and climate of world affairs. Jawaharlal Nehru, leader of the INC and first PM of independent India, was a fervent democrat. A member of the Anglicized elite, he had studied in England and came to cherish the democratic ideals he encountered. The charismatic founder of a nation can greatly influence its destiny. Lastly, in the wake of the Second World War, the United States was at the (relative) peak of its economic and military power. Along with the UK, as a victorious and prosperous democratic superpower her ideals were enticing to the newly independent states of the Third World.

Agricultural Policies

The first generation of politicians in the overwhelmingly peasant Indian republic were mainly lawyers and industrialists (Bose and Jalal 114). Nehru, often called the last Englishman to rule India, was himself trained for the British bar. Few Congress party leaders had agricultural experience. Gandhi, in the struggle for independence, brought to cause to the peasants for the support of their sheer numbers. Later generations of the Congress and other parties would see involvement of peasants, especially at the sub-national level (Varshney 205). Due to the peasants share of the population, labor force and GDP, the government incorporated them into its five year plans.

In the Nehruvian system, the goals of low agricultural prices and labor-intensive agricultural development guided policy (Varshney 183). Low prices discourage production beyond the amount needed for immediate survival as growers wish to limit the drudgery as much as possible. Low prices make food cheaper, allowing lower wages to be paid to workers in the expanding urban industrial sector, and reduce the income level of the producers. Nehruvian policies also sought to develop agriculture in a labor-intensive fashion to make use of a resource India has in abundance: labor. Employment of labor in small-scale agricultural settings isolates the peasantry making mobilization more difficult and restrains urbanization patterns³. Under this system, agricultural efficiency was disastrous and India depended on food aid.

After Nehru's death, policy was governed by producer price incentives and investments in new technology (Varshney 183). On the face of it, this seems a pro-agriculturalist policy. The

³ If this sounds familiar to European audiences, it should. The USSR fixed prices of agricultural products low to reduce costs incurred by industry and combated inefficiency by throwing more people at the problem.

state had responded to rural pressures democratically expressed with higher prices, lower inputs and the waiver of loans (Varshney 179). However, Nehruvian policies had proletarianized substantial number of peasants to work in labor-intensive agricultural schemes. With the new policies, prices received by agricultural producers rose and India became self-sufficient in food. However, higher prices lead to lower food intake, especially by the poor. More food is produced and less is consumed (domestically) leading to accumulating surpluses. India suffers from a global malady: continuing food surpluses (and even exports) amidst hunger (Varshney 179). This paradox emphasizes the fact of hunger that it is caused not by a lack of food but by a lack of money (Varshney 195). Poor and landless laborers were most catastrophically hit. However, Nehru's goal of the elimination of mass starvation has been accomplished through increased production, and more importantly, improved distribution systems. Even if inequality has increased, economic growth has had a positive effect on poverty (Harriss 660) as famines have been localized and starvation reduced to malnutrition.

One of the factors enabling India to conquer starvation was the Green Revolution. This “Revolution” provided technological (seeds, fertilizers, pesticides) and financial assistance to developing countries (Patnaik 80). The Intensive Agricultural Development Programme (IADP), following a 1961 study, introduced Green Revolution technology into India. Seeds developed in Iowa and used successfully in Taiwan and Mexico were transplanted to India. The first phase of the revolution increased wheat yields and total production in India's northern states, most significantly Punjab. With increasing yields the relative price of manufactured inputs to agriculture declined (Patnaik 81). Rice yields were not as successful due to different labor practices and the unsuitability of the seed to the land. Varshney suggests a biotechnology

industry must be established in India to design seed varieties specific to local conditions (Varshney 195).

As total production rose three times from 1951 to 1983, India became self-sufficient in food grains (Patnaik 82). This gain intensified class and geographical divisions. The great advances in wheat production were not replicated for rice which is the dietary staple. Wheat is commonly grown in several northern states (Punjab, Uttar Pradesh, Haryana) while rice crops dominate the labor forces of the rest. Much of the surplus of Punjab was put into the national public distribution system, subsidizing less productive states. This transfer gave renewed impetus to demands for an independent state of Khalistan or at least increased autonomy for Punjab (Patnaik 89). Beyond geographic distinctions, class relationships have been transformed. Green Revolution agriculture is capital-intensive and as such requires massive investment and encourages conglomeration. Only rich peasants and capitalist-landlords (that class created by the British Raj) could afford the technological inputs. Financial assistance was, in theory, available from the state but access to such capital resources was determined within the political system. Campaign contributions and payments to bureaucrats often determined access to subsidies. After inputs were acquired, marginal costs for additional agricultural land in production diminished relative to the increased revenue. Economies of scale supported large-scale capitalist production. Poor peasants, tenants and squatters were evicted from the land of landlords with the help of state coercive power. As economic power became concentrated, conservative parties (e.g. BJP) gained support in Punjab and Uttar Pradesh.

Wider adoption of green revolution techniques was constrained by state corruption, lack of education and tradition. Corruption touches every government; it is especially prevalent

in countries where state intervention in the economy is common. Bureaucrats provided funds for acquisition of capital to individuals and communities which benefited the formers' economic or political interest. Even when capital for seeds, pesticides and fertilizers was made available, often peasants could not effectively use such inputs. Uttar Pradesh has had several incidents of peasants dying from using DDT improperly. Green Revolution seeds are less stable than indigenous varieties: they produce high yield only when conditions are perfect (Patnaik 85). Peasants often scatter seeds haphazardly, leaving to probability when crops will take root or be snatched up by the birds. Finally, some peasants refused and resisted adopting new techniques. They preferred using methods of their millennia of ancestors to new imported techniques. Most significant was that the state-landlord coalition, in those states where the Green Revolution took root, gained new incentive and means to restrict peasants access to land and capital.

For these capital inputs to agriculture, as for industrial development, India relied upon foreign capital inflows in the form of investment, aid and loans. At each foreign exchange crisis, creditors were able to demand reductions in the regulations which created a predominant role for state-owned enterprises (Havnevik 69). The IMF attached numerous conditions for the extension of emergency aid, including opening the market to Western exports, investment and technology. The IMF was more concerned with opening the market to foreign exploitation than preserving India's democratic institutions. The conditions bailing out from the 1973 balance of payments crisis increased unemployment and cut wages. This sparked unrest and political protest, agitated by the opposition. Cheryl Payer quotes Jeremiah Novak "These IMF arrangements require changes in policy that are almost impossible to implement without authoritarian rule" (Havnevik 70).

The IMF Conquers Democracy

In 1975, PM Indira Gandhi's election was voided by a court for a campaign fundraising technicality. Exercising constitutional powers intended for national security crises, Gandhi declared the Emergency. For two years, she ruled authoritarianly implementing IMF stabilization under dictatorship. With vast military and police assets under her control, martial law pacified protest as wages fell more rapidly than prices and squatters were evicted from farmland (Bose and Jalal 119). In 1977, misjudging the normative legitimacy of democracy in the electorate, Gandhi called elections, believing she would be re-elected.

However, the Janata Party⁴ won a stunning victory over the Congress (CP(I)). The new government (1977-80) brought a “creeping liberalization” which was continued by Indira Gandhi (1980-84) and, after her assassination her son, Rajiv Gandhi (1984-89), who achieved a growth rate of 5.5% (“India and Pakistan at 50” 19). There was a problem, however, with competition between political parties subsidies and entitlements of every kind shot up during election campaigns as all sectors had to be appeased, ballooning the fiscal and trade deficits and quadrupling foreign debt. India’s abandonment of Nehruvian Socialism was prompted by the 1991 fiscal crisis: India was about to default on its foreign loans. Lal, comparing the 1991 crisis to early 1980’s Latin American dramas, found the crisis to part of a cycle: economic repression → macroeconomic crisis → reform (Lal 1479). He continues such crises arise when (1) entitlements become unsustainable and (2) tax revenues and borrowing fall short of covering such expenditures. As an inflation-shy democracy, India was limited as to how much taxes could rise. Internal borrowing was limited as the capital market was underdeveloped and remittances from the diaspora were short-term and volatile (Lal 1479). India then was forced to look to foreign lenders to finance its entitlement schemes. The growth of entitlements outpaced India’s ability to finance its foreign debt.

On the verge of default, PM Rao sought the aid of the IMF. The IMF required India to adopt an austerity package of privatization of state undertakings (Celarier 534), devaluation the currency (the rupee fell by half against the dollar), revamping the financial industry, allowing FDI (“Road Map” 79), reducing social programs and dismantling the stifling bureaucracy of the “license raj” (Strasser and Mazumdar 43). Rao’s reforms have been continued by the 15-party

⁴ Also called Janata Dal, a peasant-based party.

United Front coalition government (“India’s next 50 years” 11). In the wake of such reforms, India’s economy has sustained growth at 7% annually, seen the emergence of a 200 million-strong middle class (with middle class spending habits) (Morris 27) and spawned a computer industry in Bangalore which is growing at 50% a year powering the Bombay stock exchange (Rao 158). FDI has grown to \$3.7 billion annually (Morris 28) and the Indian stock market has a capitalized of over \$50 billion (Lal 1484).

On the political side, democracy continues with an alternation of power at the federal level now frequent and a vigorous press booming. Through four wars, numerous insurgencies and assassinations, communal riots, economic crisis, faith in democracy has been deeply socialized, all the more so in India’s new middle class (Morris 28). For the upper and middle classes, the future looks very bright. Total production and salaries for those employed have increased. However, this economic “boom” has failed to create substantial numbers of new jobs. India remains a predominantly agrarian country. As a democracy, India’s government will have to answer to the masses.

NEP and Agrarian Producers

The Rao-Singh reforms (NEP) were designed to benefit foreign investors and the affluent urban classes. Investment has concentrated on industry and energy extraction (Bidwai 13). Bidwai writes: “For the mass of the population, four years under Prime Minister Narasimha Rao and Finance Minister Manmohan Singh have meant high inflation, costlier food, rising unemployment, worsening poverty and growing destitution” (Bidwai 9). Singh ended subsidies on basic foods which forced the price up to market level—an increase of 85% (Bidwai 11). He

cut real spending on health, education and social services by as much as 80% and according to Nilakantha Rath rural poverty rose to 60% (Bidwai 12).

What did this do to the average peasant? Agricultural land is very much subdivided to the point that an individual small-scale producer rarely can survive in the subsistence sector. They are forced to enter the market. High inflation and unemployment reduces the peasant's real purchasing power such that his/her family must reduce intake. Cuts in state assistance and subsidies removed a cushion provided against the whims of the market. Since 1991, as production has stayed strong, daily per capita food grain consumption has plummeted from 510 g to 465 g and protein intake has dropped by 10% (Bidwai 11). Once again, it is lack of money not lack of food which determines starvation. Certainly, NEP has had a disproportionately negative effect on peasant. What recourse do they have?

Peasant Power in Democracy

India, as a democracy, provides peasants with an opportunity to make their issues and positions known. Peasants form an absolute majority of India's population and eligible electorate. Despite an illiterate mass comprising half the country, India's elections produce voter turnout rates rivaling the US (voting is not compulsory). Peasant-based parties such as the Lok Dal and Janata Dal have had limited success at the national level. Peasants within these parties or the more diversified Congress and BJP have often been elected to legislatures, especially at the state and local levels. Agriculturalists make up nearly 40% of the Lok Sabha (national Parliament, lower house), their proportion of MP's having doubled since 1951 (Varshney 181). Regional parties often elect peasants to state houses and both Kerala and West Bengal have long been run by the Communist Party of India (Marxist).

Peasants have also entered the civilian bureaucracy. Since reforms in the mid-1970's, half of the Commission on Agricultural Costs and Prices (CACP) has been reserved for agriculturalists, not technocrats. Peasants have, so far, failed to penetrate the equally powerful Finance Ministry and Planning Ministry (Varshney 204).

Peasants have entered the legislature, bureaucracy and the party. However, executive and cabinet posts remain elusive at the national level. At the state level, peasants have been able to exercise their massive numbers for hierarchical advancement.

This political power was gained through collective action, by marches and rallies. Repression of such activities was never a "planned strategy" of the state (Varshney 185). Initially, these peasant actions were a novelty easily dispersed, but as they continued, they gained legitimacy. Varshney tells of an instance when peasant demonstrations in Delhi forced the Prime Minister to relocate his own rally to the outskirts of the city (Varshney 185). At this point, the authorities had little ability to repress short of gunfire which was usually unthinkable.

Mass mobilization was possible because the costs of political action were low. Costs include time and energy spent in organizing and participating in actions and the threat of repression. In India, the chances of police repression are minimal. Government actions are constrained by the press and the opposition. The opposition has an interest in embarrassing the government. These factors aid peasant mobilization.

There are also some constraints on peasant gains. Firstly, there are simply too many of them. The large numbers of peasants make them difficult to organize without a hypocritical hierarchy-replicating system. For this reason the aggregate of minorities can seem more powerful than the majority. Also, it is difficult to believe a poor state such as India could

subsidize a majority of its population. The US is able to provide exorbitant subsidies to farmers because they constitute only 5% of an affluent population.

The other major constraint is that peasants are not merely peasants. They have multiple selves. Class, caste, religion, language and ethnicity come together to form cross-cutting cleavages. Peasants leaders Sharad Joshi, Mahendra Singh Tikait and Narainswamy Naidu have been trying to organize on *Bharat-India* (rural-urban) division but they have found other divisions diminish peasant solidarity. “Besides, half a million may show up for agitations between elections, making political news, but an equal number may stay back distrusting the caste of the leaders of the agitation or the social composition of the leaders’ main support base...A farmer may well vote on caste, religious or regional considerations” (Varshney 207). Even participants in the collective action, at election time, may find non-economic issues more salient. The Congress party has a long practice of whipping up the fires of majoritarian nationalism to overshadow its inability to address economic conditions (Bose and Jalal 127). Much as racialization has smothered class consciousness in the US, caste and other factors dwarf a peasant movement in India.

The Spoils of Rural Power: Subsidizing the Peasant

Yet, there have been some gains. The national government spends fully 1% GDP subsidizing food and fertilizer, accounting for 65% of total central (national) subsidies. Beyond this, the states also make a contribution (Varshney 196). These amounts are roughly three times that expended before the first mass peasant rallies. There are three major limits on peasant power in obtaining subsidies: technical change; income distribution; and fiscal constraints. Technical change is disseminated by public outlays. As in the Green Revolution, the constraint is

addressed by provision of irrigation, fertilizers and seeds. Varshney cautions against assuming the constraint can be overcome with subsidy alone: “A new seed suitable for India’s agronomic conditions cannot be fiscally willed into existence by the political bosses” (Varshney 199). Also, peasants may not wish to adapt their time-tested techniques, refusing technical change imposed from above (Scott).

Secondly, income distribution is not easy for the state to enforce. A redistribution of income usually requires land reforms, which are “monumentally hard to implement” (Varshney 199). Nationalist Maharashtra and Communist West Bengal have launched rural anti-poverty measures which do not use land reform per se. Both the Employment Guarantee Scheme (EGS) and the Rural Employment Programme (NREP) provide for universal employment of the rural adult populations in those two states by means of public works projects (Gardezi 256). These plans apparently have addressed the income distribution issue but are constrained by the following factor: fiscal burden.

There are essentially four ways to fund subsidies to the peasantry. Firstly, the state can increase the price to the consumer. However, this is not politically appealing as it negatively impacts the urban poor (who are, by virtue of the concentration and proximity, easier to mobilize), the poor peasant and the landless laborer. The second option is to increase government revenue. Most revenue comes from taxes on non-agricultural earnings (agriculture is not taxed). A minority of the Indian population pays the taxes which fund the government. Their tax burden is as high as that for the American taxpayer. Policymakers to increase tax revenue could hike taxes on existing taxpayers or extend tax burden to agriculture. When the tax rate has increased, revenue has not gone up due to evasion and economic contraction. Taxing agriculture

(the solution proposed by economists) to subsidize it would entail massive administrative difficulties. Thirdly, they could increase the budget deficit (take out loans). There are three sources for loans: domestic, expatriate and foreign. The domestic capital market is underdeveloped (with a capitalization of \$50 billion) and the savings rate is declining. The banking system must be thoroughly reformed before it can provide such sums. China has funded much of its development from expatriates. Unfortunately, India's affluent expatriates⁵ tend to be professionals, not entrepreneurs, who have limited resources. They invest only for the short-term and use banks and bonds, not equity, as the tools of their investments. Foreign loans has been the route taken. The difficulty with this means has been that loans must be serviced in hard currency. When remittances or exports decline, India has a balance of payments crisis which has occurred three times in the last three decades (1973, 1981, 1991). The 1991 fiscal crisis was precisely caused by such activities. Finally, subsidies can be funded by a cut in government expenditure. There are four areas for savings: defense; other development schemes; administration; and greater discipline on public undertakings (instead of financing their deficits). Defense and interest payments each consume 40% of the national budget. National security considerations are beyond the scope of this paper but both Pakistan and China are considered hostile neighbors. Relatively little of the national budget is discretionary and that part is hotly contested (Varshney 201).

After 1991

This is to say that peasant power is rising but peasant parties have not come to power, nor peasants to dominate within existing parties. After 1991, it was not the CACP, Policy

⁵ Mainly in Canada, Australia, US, UK and the Middle East.

Ministry or Finance Ministry and certainly not the Lok Sabha which directed economic policy. Economic policy was mandated extra-territorially by the loan terms of the IMF. Such a foreign institution is not unlike the British Raj which could be wholly unresponsive to domestic political considerations. The IMF has sought to strengthen the industrial sector and to increase foreign penetration of the market. Peasants power has been nearly stopped in its tracks. IMF reforms have created a new class—a middle class 200 million strong—with a vested interest in the continuation of NEP reforms. As long as peasants remain poor, they fight an unequal battle for control of the political system. In a sense, IMF control has suspended democracy. Varshney contrasts the two states of Punjab which were created in the 1947 partition. The better-endowed (i.e. irrigated) west went to Pakistan and the east to India. After 40 years, agriculture in the Indian section has left Pakistani Punjab in its dust. Indian democracy has been more responsive to the demands of the agriculturalists than Pakistan's authoritarian state in the case of Punjab.

When the IMF regime ends (when loans are repaid and foreign currency reserves have sufficiently accumulated), democracy will be restored. Peasants will have to contest the newly-found power of the middle class. Peasant are no more divided by non-economic sub groups than members of the middle class are. There is no reason that peasant power will not continue to rise and likely undo many of the NEP reforms. As long as India remains agrarian, rural interests will have the democratic ability to beat any other class-based force. The reforms of 1991 have negatively affected the peasant, but that may be the necessary condition, or stimulus, for the formation of class-based solidarity.

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