



Class and Conflict: Revisiting Pranab Bardhan's Political Economy of India

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CHAPTER

1 Revisiting *The Political Economy of Development in India*

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Abstract

Pranab Bardhan's 1984 book *The Political Economy of Development in India (PEDI)* has had enduring influence. For students of Indian political economy it quickly became a scholarly touchstone. In the years since publication, however, political economy has fallen out of favour in South Asian studies. The contributors to this volume revive class analysis to interrogate India's great transformation since the 1980s. This chapter outlines Bardhan's key analytical tools, his innovative fusion of Marxist and rational-choice theory, and his diagnosis of India's deep collective-action problems as a result of fierce competition between dominant classes. It then surveys the chapters that follow, which together find striking continuities in contemporary Indian political economy in the face of three decades of liberalization.

Keywords: political economy, state–society relations, class analysis, liberalization, collective action, bureaucracy, corporate sector, economic growth, India

Subject: Economic Development and Growth

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If we suppose influential books must be large and forbidding, we would be surprised by *The Political Economy of Development in India* (hereafter *PEDI*) by Pranab Bardhan. Published in 1984, the original contains only 83 pages of text and 22 pages of tables. Bardhan describes the book as 'taking on the vast panorama of the political economy of development in contemporary India with a few quick, impetuous brush-strokes' (Bardhan, 1998: vii).¹

Despite—or because of—this concision, *PEDI* has had enduring influence. For students of Indian political economy, it quickly became a scholarly touchstone. The revised 1998 edition, which contained a short epilogue on the political economy of reform in India after the 1980s, is regarded as a minor classic in its own right. By the turn of the twenty-first century, Bardhan's slim volume was hailed as 'the prevailing consensus' on state–society relations in India (Fuller and Harriss, 2001: 7).

In the years after *PEDI*'s publication, however, political economy and especially class-based analysis fell out of favour in South Asian studies. By the later 1980s, academic interest in class and capitalism was declining. The fall of the Soviet Union confirmed the replacement of class analysis by a resurgent free-market

ideology, carried throughout the Global South by international financial institutions, alongside the embrace of identity politics on both sides of the political spectrum. In India, class-based organizations and political parties increasingly fell by the wayside or abandoned long-standing ideological commitments as state and national governments converged on the necessity of economic liberalization. Instead, mobilizations increasingly tended to be identity-driven and often conservative, such as the Hindu-nationalist agitations of the early 1990s around Ayodhya's Babri Masjid and upper-caste protests against the Mandal Commission's recommendations on reservations. In the academy too, class analysis was replaced by social-scientific formalism on the right and postcolonial theory on the left (Chibber, 2006; Herring and Agarwala, 2006). South Asian studies proved especially vulnerable: in the United States of America it already had a well-consolidated internal culture—classical Orientalism rooted in the teaching of religion, language, and literature (Chibber, 2006). This culturalist emphasis only accelerated with the rise of Indian postcolonial theorists in elite North American universities, who increasingly shaped the agenda of South Asian research and the training of young Indian academics. Together these dynamics led to the marginalization of *PEDI*-style class analysis, leaving *PEDI* ever more isolated as an intellectual totem.

p. 5 Scholarship on the political economy of South Asia did not cease, and more recently the socio-economic changes that have attended India's economic growth have helped to rejuvenate an interest in class. Many have posited that India's political economy has undergone 'a great transformation' since the 1980s, to quote the title of one recent collection (Ruparelia et al., 2011). Such scholarship often points to the 'three Ms'—market, *mandir* (temple), and Mandal—to summarize the key changes: economic liberalization, the rise of identity politics, and democratic mobilizations from below. The state has revised its economic development strategy to favour the private sector, especially big business (Corbridge and Harriss, 2000; Kohli, 2012). Together, market competition and the power of regional business groups have helped to shift the centre of political gravity from the federal government to the states (Basu, 2000; Sáez, 2002). Contrasting sharply with widespread perceptions of agrarian crisis, newly visible are both a consumerist middle class and assertive, upwardly mobile lower-class groups. However, both have often been associated less with a reinvented politics of class-for-themselves than a turn to identity politics, whether through caste-based parties or Hindu nationalism (Fernandes, 2006; Jaffrelot, 2003). The dimensions of this great transformation—each of which is interrogated by the contributors to this volume—might appear to cast doubt on *PEDI*'s analytical relevance in the economic reform era, even as its method has crept back into the academic mainstream.

Yet a competing strand of literature stresses continuities that echo much of the discussion in *PEDI*. In retrospect, the hallmark of the 2000s was arguably a new path of ultimately unsustainable growth based on the extraction of raw materials, burgeoning infrastructure, dispossessing and amalgamating land for big construction, and jostling over telecommunication spectrum allocations (Sen and Kar, 2014). All these sectors push the supposedly liberated private sector back towards the state bureaucracy to acquire the necessary land, licences, and permits (Chandra, 2015). Despite promises to roll back state intervention, the bureaucracy continues to exercise regulatory discretion over many aspects of the economy. The state's new pro-business tilt has met resistance from popular protest movements, regulatory agencies, and the judiciary. To counter its worst effects, national politicians have felt compelled to offer social protection schemes, often characterized as populist subsidies. The last decade saw the launch of a wide range of new welfare programmes for guaranteed rural employment, the right to education, and a rejuvenated food subsidy scheme. The growth of registration schemes and the discretionary authority passed to state officials in allocating these welfare benefits were clear examples of rolling the state *forward* rather than backward. Most recently, and ranging far beyond India's own borders, *PEDI*'s provocative suggestion that inequality is not necessarily caused by economic growth but that the line of causation might run the other way—that inequality could *retard* growth—has found echoes in the work of Joseph Stiglitz and others in the aftermath of the 2008 global financial crisis (Chapter 3). Thus, more than 30 years after Bardhan delivered the short

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lectures that became *PEDI*, the time is ripe for a re-evaluation of his seminal arguments and their relevance in the twenty-first century.

Bardhan's 'Heretical' Experiment

Internationally celebrated for his contributions as a development economist on topics as wide-ranging as corruption and agricultural institutions, Bardhan (Chapter 2) notes that *PEDI* has received 'nothing but benign neglect' from mainstream economists in the three decades since its original publication. This indifference is likely the flipside of the book's deep appeal for non-economists: it eschewed the dense formal exposition of much economics literature in favour of freewheeling interdisciplinary engagement. *The Political Economy of Development in India* sought to synthesize several competing and influential political-economic paradigms with what Bardhan elsewhere wryly called his 'heretical eclecticism' (1988a: 67). From Marxism, the book took its overarching emphasis on class analysis and the structure of state-society relations. Yet, it also incorporated rational-choice microfoundations and a focus on collective action and rent-seeking associated with the 'New Political Economy', alongside a quite different reading of the state that drew on neo-Weberian institutionalist scholarship (Toye, 1988: 113-4; Sridharan, 1993).

p. 7 In this masterful synthesis, *PEDI* was not simply opportunistic, but was rather an experiment in a much more ambitious and collaborative intellectual project. In 1982, Bardhan had joined an informal international collective of 'democratic, egalitarian scholars', including philosophers, historians, and sociologists as well as other economists.² As he explained in a short autobiographical essay,³ they were drawn together by their conviction that 'Marx asked important questions (even though his answers were often wrong) but one needs analytical methods to properly study them' (Bardhan, n.d.). The plausibility of each theoretical argument had to be treated as a matter for empirical scrutiny. Their influential movement was, therefore, often known by outsiders as analytical Marxism, though Bardhan and his colleagues preferred a saltier term that emphasized its commitment to analytical rigour: 'non-bullshit Marxism'.⁴

Although the movement was spearheaded by the philosopher G.A. Cohen under the influence of his classic work *Karl Marx's Theory of History: A Defence* (1978),⁵ several members quickly moved away from Cohen's overt functionalism and methodological collectivism, notably the political scientist Jon Elster and the economist John Roemer. Their methodologically individualist variant of the analytical approach—often called rational-choice Marxism—and especially Elster's game-theoretic tendencies would particularly influence Bardhan in the 1980s.

p. 8 These rational-choice microfoundations brought structuralist class analysis into conversation with a quite different, neoclassical body of theory emerging from Bardhan's fellow economists. Drawing on public choice theory first developed in the Global North, neoclassical economists provided a cynical picture of a state systematically mined by a parasitic bureaucracy, albeit one in which the state played a much more dominant role than in Northern analyses. A.O. Krueger (1974) accordingly analysed India as a 'rent-seeking society' in which interest groups competed for windfall gains from state-endorsed monopoly licences, an interpretation later influentially extended by Jagdish Bhagwati (1982). *The Political Economy of Development in India* nodded towards their emphasis on the rent-seeking bureaucracy within an overweening state,⁶ although it pushed beyond the static equilibria of these neoclassical models to incorporate a diachronic analysis of interest-group change over time more akin to the new institutional economics.

In particular, the institutional economist Mancur Olson, and especially his *The Rise and Decline of Nations* (1982), provided the immediate inspiration (Bardhan, 1998: 69).⁷ Olson's seminal work, *The Logic of Collective Action* (1965), had provided a powerful critique of the assumption that actors with congruent interests—such as the working class—were able to act collectively, a mainstay of orthodox Marxism and an insight whose importance was recognized by rational-choice Marxists. He pointed out that free-rider

problems often weakened the ability of large collectives to cooperate, while narrow, homogeneous groups could better coordinate to advance their interests. *Rise and Decline* extended this argument to suggest that countries' divergent economic trajectories could be explained through the accumulation of such narrow—and therefore well-organized—interest groups over time. Such special interests were able to extract excludable benefits, and thereby gradually reduced overall economic efficiency in stable societies ('institutional sclerosis'). A related collective action dilemma provided *PEDI*'s overarching theme. Bardhan would later describe the book as deploying 'an implicit analytical framework of a noncooperative Nash equilibrium': it read the fiscal crisis of the Indian state as the result of 'an infinitely repeated game between a number of powerful interest groups that compete over a common pool of public saving' (2005b: 202–3).

p. 9 Nonetheless, *PEDI*'s political economy of institutions was not purely cynical. Both neoclassical and Marxist scholars took too passive a view of the state, Bardhan charged: it was not simply the arena for competition between the three dominant classes, but in certain times and places could act in the national interest in its own right. The book, therefore, included short but suggestive remarks on potential state autonomy. Accordingly, *PEDI* did not simply prescribe state retreat but instead drew on the contrast between India and South Korea to outline criteria for success that resembled the then newly emergent notion of the 'developmental state' (discussed below in the section '[State versus society-centred political economy](#)').

Rational-choice Marxism is now often treated as a mere historiographical footnote, and Bardhan himself subsequently declared *PEDI* an 'oversimplified exercise' (1986: 76n18). Nonetheless, the synthesis offered in its 83 pages was strikingly bold and catholic, ranging far beyond the narrow confines of area studies and disciplinary or ideological boundaries. Despite Bardhan's modesty, it continues to be regarded as 'the most elaborate and influential approach to the political economy of India's arrested development', at once elegant, terse, and sweepingly ambitious (Jenkins, 1999: 31).

Main Themes of *The Political Economy of Development in India*

The Political Economy of Development in India marked a late intervention in an ongoing debate amongst Indian economists and political scientists on this 'arrested development', especially on slow industrial growth (see Chapter 3; Varshney, 1984; Ahluwalia, 1985). While others had attributed its causes to everything from planning errors to the misguided nature of import substitution industrialization, Bardhan provided an interpretation focused on the relationship between India's society and state. The deceleration in industrial growth *PEDI* attributed to a decline in public investment.

p. 10 Yet this was only the proximate cause. The economist's explanation—rooted in a regression analysis finding a significant link between public investment and economic growth—was embedded in a rich political economy framework. As the following section explains, *PEDI* argued that the fundamental basis for India's economic stagnation lay in a collective action dilemma, created by the heterogeneous and competitive nature of India's governing class coalition. At the risk of providing a summary almost as long as the original volume, we also outline two of the book's key sub-theses. One has proven perhaps even more famous among political scientists of India than the central collective action thesis: the idea that Indian political economy is best understood by reference to *three dominant proprietary classes* of industrial capitalists, wealthy farmers, and urban professionals. The second remains less well known: *PEDI*'s attempt to balance out the society-centric bent of this tripartite class competition with the theoretical potential for *autonomous state action*.

India's Collective Action Problem

India is a famously diverse country in both social and ethno-linguistic terms, and *PEDI*'s starting premise is that the country's dominant elites are also heterogeneous. The paradox, Bardhan argued, is that India's greatest success and failure both stemmed from the way it accommodated this heterogeneity: through a complex 'machine' model of politics in which spoils were distributed in return for support (Bardhan, 1998: 77–8). Formal democracy provided mechanisms to manage conflict, absorb dissent, and articulate, negotiate, and balance demands from different interest groups. Rather than risk domination or extremism from their rivals, India's disparate elites, therefore, continued to invest in the democratic system (75–8). Other scholars have seen the workings of political parties, particularly the rise and fall of the 'Congress system', as being crucial to the functioning of political machines (Kothari, 1964). This was an institutional debate that *PEDI*, for all of its richness, sidestepped.

Nonetheless, the same machine politics also undermined the state's ability to implement meaningful policy change in the face of conflict between these heterogeneous elites and rising pressure from newly vociferous 'lower classes' (Bardhan, 1998: 78). The fragmentation of India's elites, with 'none of them ... individually strong enough to dominate the process of resource allocation', made it increasingly difficult to organize cooperation towards long-term problem solving or investment. Instead, these plural elites 'pull in different directions', predictably leading to 'the proliferation of subsidies and grants to placate all of them' (61).

p. 11 The result of proliferating subsidies was reduced public investment and, therefore, industrial stagnation and fiscal crisis. As *PEDI* put it, 'a patron-client regime fostered by a flabby and heterogeneous dominant coalition preoccupied in a spree of anarchical grabbing of public resources tends to choke off efficient management and utilization of capital in the public sector', such as long-term investments in infrastructure (70–1). Meanwhile, the increasing intensity and visibility of this 'unseemly' bargaining process—and the 'brokers' and 'political middlemen' on whom it relied—risked weakening the legitimacy of the state (66).

The Political Economy of Development in India thus marks a sustained exploration of the thesis that underlying social or ethnic heterogeneity can help to explain institutional underperformance. While India had already begun to shift from economic stagnation into a period of more rapid growth from around 1980, Bardhan would later contend that this central thesis remained relevant into the liberalization era. His epilogue to the updated 1998 edition of *PEDI*, on the first decade of economic reforms, acknowledged that there had been an increase in the 'diversity, fluidity and some fragmentation of the dominant coalition'. Nonetheless, it re-emphasized that 'the system' continued to 'settle ... for short-run particularist compromises in the form of sharing the spoils through an elaborate network of subsidies and patronage distribution' (131). The epilogue concluded that '[t]he prospects for more reforms are not bleak, but one should not underestimate the scale and nature of opposition' (137). Bardhan's more recent monograph-length comparison of India and China concluded similarly on the persistence of India's collective action problems (Bardhan, 2010).

The purchase of the thesis was not confined to India. Matthew McCartney (Chapter 3) notes that *PEDI* pre-empted a set of later scholarly debates with implications well beyond the subcontinent. It anticipated much later and more rigorous statistical work by scholars such as William Easterly and Paul Collier, who have painstakingly measured social heterogeneity and found it causally related to a failure to provide public goods, and so to lower economic growth (Easterly and Levine, 1997) or to political conflict (Collier, Honohan, and Moene, 2001). Bardhan himself has continued to build on this central thesis, synthesizing recent research on the role of distributive conflicts in the persistence of dysfunctional institutions with a wider theoretical argument about scarcity, conflict, and cooperation across the Global South (Bardhan, 2005b). Bardhan's contribution on this theoretical front deserves its own volume. Nonetheless, it is on *PEDI*'s Indian case study, and the influential—and controversial—framework that the book offered to

p. 12 decipher the subcontinent's ↪ political and socio-economic complexity, that the present collection modestly concentrates.

The Three Dominant Proprietary Classes

At the core of *PEDI*'s collective action dilemma were India's plural and heterogeneous elites, and the competition between these elites that undermined the possibility of long-term collective action. Today, the book is especially remembered for its depiction of India's political economy as a complex 'ménage à trois', as Bardhan jokingly called it, between three 'dominant proprietary classes' (Bardhan, 1998: 66). The selection of these three classes was a triumph of *PEDI*'s eclectic borrowings from a range of scholarly traditions, as mentioned earlier, united by the innovative suggestion that each class was proprietary—that it could be defined by the 'property' that entitled it 'to acquire part of the surplus generated in society' (Bardhan, 1989a: 155).

The first dominant class was a conventional Marxist category: industrial capitalists. While this class was already 'reasonably strong at the time of Independence', it had also succeeded in wresting financial advantages from the interventionist Indian state (Bardhan, 1998: 40). Since the 1950s, the state had created lending institutions that became the predominant source of finance for large private industrial capital. Despite this financial interest, the state refrained from interference even in cases of indifferent private firm governance, while still 'act[ing] as a risk-absorber of the last resort and a charitable hospital where the private sector can dump its sick units' (42). Richer and better-connected industrialists also successfully subverted the 'licence raj' to their own advantage, appropriating the bulk of licences and freely violating regulations without fear of prosecution. Nonetheless, Bardhan noted some flux in the class's composition: new regional family capitalists were emerging to contest the dominance of old business conglomerates; policy changes presaged greater foreign involvement (although this was yet to materialize); and the informal economy appeared increasingly important, even if this trend often masked actual control by large corporate houses disguised for tax purposes (42–3). Unlike the powerful bourgeoisies of the 'industrially advanced countries' (40), however, *PEDI* was emphatic that India's industrial capitalists were far from triumphant.

p. 13 The second dominant class was comprised of wealthy farmers who often explicitly positioned themselves in opposition to 'the city' (54–5), echoing scholarship on urban–rural conflict that developed in reaction to Lipton's (1977) controversial 'urban bias' thesis (see, for example, Byres, 1979). This group, 'numerically the most important proprietary class' if empirically difficult to define, had benefited from post-Independence land reforms that accelerated the ongoing process of land transfer from non-cultivating absentee landlords to profit-minded farmers (Bardhan, 1998: 45–8). Such rich farmers benefited from high government procurement prices for their marketable surpluses, as well as from subsidies on farming inputs, cheap credit, and the minimal taxation of agricultural incomes. They were particularly influential within provincial state legislatures, especially in the northwest plains and parts of the agrarian south. Even there, though, they remained more diffuse, factional, and reliant on pure numerical weight than their wealthier urban rivals, if still far better organized than the landless labourers who might otherwise resist them (55–7). In particular, caste at once divided wealthy agriculturalists and opened possible avenues for wider mobilizations in their class interests (47–51). *The Political Economy of Development in India*'s delightful brevity can be seen in his succinct definition and analysis of the wealthy farmers when compared with the then concurrent 'mode of production debate' in India; the latter ran from the late 1960s to the early 1980s and was eventually lost amidst confusing technical terms, rival definitions, and Marxist obscurantism (reviewed in Nadkarni, 1991).

Finally, *PEDI* argued that if physical capital could be the basis of class stratification, so too could human capital. This was the primary 'property' of the third dominant class: urban professionals who enjoyed

scarcity rents from their education, skills, and technical expertise, none of which was widespread in the population. Their secondary property, however, was based on their access to the state: a segment of this 'rentier' class acquired 'license-giving powers at various levels of bureaucracy' and thereby 'increased their capacity to multiply their rental income' (Bardhan, 1998: 52). While in many other societies this group was treated as a mere subset or instrument of other classes, Bardhan claimed that in India it was a class in its own right. The country had a long tradition of powerful bureaucratic functionaries, who unlike their equivalents in Europe habitually had little personal link to or stake in trade or industry. ↪ They were instead recruited from traditional 'literate groups', insulated by caste barriers, at least into the 1970s. Yet, this group should not simply be equated with the state, *PEDI* cautioned: alongside the three canonical dominant classes appeared a fourth distinct actor—the 'state elite'.

State versus Society-Centred Political Economy

'Our theories of economic policy need a good theory of the state,' declared Bardhan shortly after *PEDI*'s publication (1988a: 64). Accordingly, *PEDI* contained an evocative but sometimes unsettling analysis of the Indian state, which in practice appears more like a *dual* theory. Its famous society-centric paradigm of the three dominant proprietary classes coexisted with a somewhat underspecified state-centric alternative, which preserved an ambiguous role for autonomous action by policymaking elites. The relationship between the two—and how countries such as India could move from one to the other—was only loosely sketched.

In a tantalizingly brief chapter titled 'The State as an Autonomous Actor' (Bardhan, 1998: 32–9), Bardhan asserted that the state enjoyed not merely the relative autonomy posited by Poulantzas (1973) in which it simply acted 'on behalf of the dominant proprietary classes', nor could it be simply equated with the bureaucracy (emphasis added). Instead, he drew on now-classic works by Weberian historical institutionalists to argue that under some circumstances the state was able to actively make policy in its own right, including the famous paper by Skocpol that would be published the following year (citing Stepan, 1978; Trimberger, 1978; Skocpol, 1985; see Bardhan, 1998: 33–4, and Chapter 6). The state's structural role enabled it to play the dominant classes off against each other, so securing the latitude to pursue its own goals (Bardhan, 1998: 75–6). On occasion, the direction of influence was even reversed, so that the state could actually shape 'class realignments in civil society' (33–5)—a strikingly state-centric claim.

This presented empirical difficulties, however; it ran dangerously close to reifying the state as an abstract and monolithic actor against the rigorously individualistic rational-choice tenets of analytical Marxism—after all, what is the state, if not its bureaucrats?⁸ In response, ↪ *PEDI* distinguished between the 'political leadership representing the state', responsible for agenda setting and policy formulation, and 'the white-collar workers in the public bureaucracy', who are 'supposed to implement' those decisions (51n8). While the source of the state elite's autonomy and the bureaucracy's dominance both flowed from the state's control over the economy's 'commanding heights' and the distribution of licences and credit, their interests were often diametrically opposed as principles and agents. In this fashion, as Bardhan clarified elsewhere, the state elite strategically operated 'in a game of mixed conflict and cooperation' with the dominant classes (1988a: 65). *The Political Economy of Development in India's ménage à trois* thus might be reconsidered as containing four crucial actors, although the state elite was not just another class: at times it could and did act in the name of a genuine (and ideological) 'conception of the national interest' (Bardhan, 1998: 34).

Yet, by 1984, societal constraints on the state elite 'became binding' (38–9). Why was the state elite not able to exploit its structural role, when it might have been expected that a deadlock between the three dominant classes would increase its manoeuvrability? State autonomy is notoriously difficult to define or measure, and *PEDI* only loosely sketched its enabling conditions. The public sector's economic weight was not sufficient for the exercise of state autonomy, it argued. Turning the collective action dilemma on its head, we might expect that when the state takes the initiative, the society and its dominant proprietary classes

would be too heterogeneous to coordinate resistance against reform efforts, as Jenkins (1999) contended of the state's successful liberalization agenda after 1991. This threatened the very premise of *PEDI*'s collective action thesis, however, and it remained largely silent on this 'class-balance theory of the state' (to borrow a term from a slightly later analytical Marxist classic [Elster, 1985: 422–8]).

p. 16 Instead, Bardhan's diagnosis focused on institutions. The book unfavourably contrasted India with South Korea's similarly interventionist state to suggest that it was not the extent but the *quality* of state intervention that was determinant.⁹ The two countries' divergent economic performances could be explained by their state elites' varying abilities: first, 'to insulate economic management from political processes of ↘ distributive demands, rent-seeking and patronage disbursement' (72); and second, to exert control over 'the white-collar workers in public bureaucracy' (74). India's state elite had once enjoyed greater autonomy thanks to its prestige and ideological coherence around Independence (38). The enabling conditions for state autonomy could presumably re-emerge, although it was not quite clear how—except that this would depend on *institutional* factors, such as bureaucratic structure and cohesion, as well as the changing balance of power among the three dominant classes. It was left to the later authors such as Adrian Leftwich, Robert Wade, and Alice Amsden to deepen the analysis of case studies such as South Korea and to clarify the concept and political economy of 'the developmental state'. The political prerequisites they discussed—such as a determined developmental elite, relative state autonomy, a powerful, insulated and competent economic bureaucracy, a weak and subordinated civil society, the effective management of non-state economic interests, and a judicious mixture of repression and legitimacy (Leftwich, 1995)—were mostly rigorous formulations of *PEDI*'s loose sketch.

The ambiguities surrounding the conditions which would nominally enable a transition from the society-driven state capture to state autonomy meant that, for all the book's great influence, 'the state itself remains rather shadowy' in its analysis (Fuller and Harriss, 2001: 7). Many subsequent readers largely chose to disregard its state-centric arguments in favour of a simplified, static vision of interest-group gridlock. Herring thus classified Bardhan's theory as a 'version of Indian pluralism' in which '[p]olicy is the vector sum of bargaining among the three proprietary classes' (1999: 314), while Fuller and Harriss argued that in practice *PEDI*'s state was 'virtually subsumed by the relationships of power among the dominant classes' (2001: 7). But this characterization came at a heavy cost: it erased the dynamic potential of *PEDI*'s state theory—with its resemblance to the emergent idea of the developmental state—just as a number of major transformations were beginning to reshape the country's political economy.

The Book's Chapters

p. 17 Looking back with three decades of hindsight, how much analytical traction do *PEDI*'s main theses still have? The contributors to this volume explore this question from different angles. After the following ↘ chapter, in which Pranab Bardhan revisits his slender book three decades on, Part II assesses *PEDI*'s arguments about the Indian economy. McCartney interrogates its treatment of economic stagnation, while Maitreesh Ghatak and Ritwika Sen test the hypothesis that subsidies retard economic growth.

Part III turns to examine the class configurations that underlie *PEDI*'s political economy framework: how have Bardhan's three dominant proprietary classes fared in the years since *PEDI*'s publication in 1984? Chapters by Rob Jenkins, John Harriss, and Elizabeth Chatterjee consider the fates of industrial capitalists, wealthy farmers, and the urban professionals respectively.

Part IV then offers some significant alternative interpretations of India's political economy and how they might analytically supplement or contradict *PEDI*. Leela Fernandes uses *PEDI* as a lens on the newly fashionable concept of 'the middle class'. Barbara Harriss-White, Muhammad Ali Jan, and Asha Amirali take the very different vantage point of the 'rest of India', the mass of the economy and population which lie

largely outside the reach of formal state control. Finally, Part V concludes with Michael Walton's bold re-examination of *PEDI*'s collective action thesis.

Together the chapters aim to provide a nuanced picture of the continuities and changes that have characterized India's political economy since 1984, indicating both the ongoing relevance of *PEDI*'s analysis and the modifications it requires to capture new economic and political realities. The contributions testify, first, to the value of *PEDI*-style class analysis in explaining India's pattern of growth and the persistence of structural inequalities, even if its contours must be updated with the times; second, to *PEDI*'s emphasis on the state's centrality to Indian political economy and the high cost of seeking access to state subsidies and other rents in the long term; and third, to the appeal of *PEDI*'s stylish combination of concise analysis and judiciously deployed empirical examples. Yet they also highlight areas of contestation that challenge or push beyond *PEDI*'s original analysis.

Explaining Economic Stagnation

p. 18 As noted above, the book sought to explain India's economic stagnation after 1965. The most dramatic change that it thus appeared to miss was the near-doubling of the growth rate from around 1980, even as the original lectures were being delivered. The hitherto closed economy began to become progressively more open to foreign capital, while some sectors of the economy were deregulated, albeit slowly and partially. Accordingly, the first part of this collection interrogates *PEDI*'s economic theses in the light of India's subsequent economic reforms and higher growth trajectory.

Extending *PEDI*'s analysis beyond the stagnation of the mid-1960s, there now exists a substantial economics debate on both how to detect and explain episodes of growth and stagnation. McCartney's chapter probes episodes of relative acceleration and slowdown in India, both before and after *PEDI*'s publication, including analysis of the 1980 upturn that Bardhan (and most other scholars working in the 1980s) overlooked. *The Political Economy of Development in India*'s examination of the stagnation episode from around 1965—an innovative example of the case-study method for researching the causes and sustainability of economic growth—has subsequently been complemented by a veritable subfield of development economics on the measurement and explanation of growth episodes. Drawing on this recent literature, McCartney engages with the apparent paradox that the ostensible arrival of 'big bang' liberalization in 1991 did not bring a break in growth, which instead arrived later, around 2003. This paradox disappears once we return to *PEDI* and consider instead its eclectic list of drivers of growth. Placing *PEDI* back in conversation with competing explanations from the 1980s of India's industrial stagnation, McCartney suggests that some of the book's arguments remain relevant for the 1980 and 2003 growth episodes. However, McCartney contests *PEDI*'s claim that after the mid-1960s the Indian state was largely confined to 'regulatory functions', arguing that its successful developmentalism continued into the era of stagnation—both through Green Revolution agricultural policies and support for sectors such as information technology (IT).

p. 19 Ghatak and Sen interrogate the 'Bardhan subsidy hypothesis' of a negative and one-way relationship between 'the subsidy Raj' and economic growth. *The Political Economy of Development in India* suggested that interest-group gridlock leads to escalating populist subsidies, draining resources for long-term public investment in infrastructure and other developmental goods. It thereby argued that subsidies were the most important binding constraint on economic growth in the 1980s. Ghatak and Sen use data on central budgetary subsidies to challenge this thesis. They show that the subsidy hypothesis is not supported beyond the 1980s. Except for the cutbacks of the early to mid-1990s, subsidies have grown alongside economic growth, suggesting that other factors may be better explanations for stagnation. Instead, they suggest that the relationship between subsidies and growth is two-way: while subsidies may hamper growth, growth also provides additional resources for subsidies until it is choked off or undermined by some other factor.

They, therefore, posit a modification of *PEDI*'s subsidy hypothesis that might incorporate some of its findings for the 1980s: growth and government spending on subsidies may be cyclically related, although they leave the nature of these cycles to be analysed by other political economists.

The importance of thinking carefully about the underlying political economy determinants of subsidies has enduring value. Pritchett (2009) used the failure of public service delivery in contemporary India as evidence for state weakness—what he called a 'flailing state'. Mooij (1999) deployed similar evidence, more in the spirit of *PEDI*, to depict a state embedded in social relationships but utilizing subsidies to secure in part its own interests. The apparent failure of the public distribution system of subsidized foodgrains is more than a matter of incompetence, she argues. Politicians are utilizing the scheme to support their own interests, in this case by allocating licenses to run fair-price shops—with concomitant opportunities for profit by diverting subsidized foodgrains onto the open market—to supporters. Such positions are often traded in return for known fees, the revenue from which is re-allocated upwards through the bureaucracy and political hierarchy. The importance of 'political middlemen', who feature in *PEDI*'s analysis only in passing, opens up a rich seam of analysis that contemporary anthropologists and others have only just begun to explore (Piliavsky, 2014; Vaishnav, 2017). Walton's closing chapter suggests that updated conceptualizations of rent-sharing in contemporary India must accord a substantial role for politicians as more than mere intermediaries, graphically illustrated for the case of Andhra Pradesh.

p. 20 The peripheral role that *PEDI* accorded to political middlemen was mirrored by a comparative silence on party politics. Focusing on a specific aspect of the contemporary subsidy regime, James Manor's ↪ chapter exposes this lacuna, pushing against Bardhan's implicit suggestion that political regimes do not matter. Instead, he provocatively argues that there was a major difference between the Congress-led United Progressive Alliance (UPA) administration and the Bharatiya Janata Party (BJP)-led administration that took power under Narendra Modi in May 2014. The leadership of the former was ideologically committed to a social-democratic programme and so introduced substantive welfare projects, some of the largest the world has ever seen. Their beneficiaries largely lay well outside the original dominant classes, a point to which several chapters return as they interrogate the resilience of the older elites' dominance.

The Pro-business Tilt

The acceleration of India's economic growth from the time of *PEDI*'s publication coincided with a widely perceived shift in state attitudes and policies to become more favourable to the private sector. This shift, alongside the even more rapid rise in billionaire wealth and a series of high-profile corruption scandals, have led many commentators to speculate on the belated victory of industrial capitalists in India. Accordingly, perhaps the most dominant reinterpretation of India's political economy—and one which Bardhan himself has tentatively endorsed—is that the Indian state has undergone a 'pro-business tilt'. As Atul Kohli put it, in an interpretation gripping in its parsimony and whiff of conspiracy: 'India's economy has grown briskly because the Indian state has prioritised growth since about 1980, and slowly but surely embraced Indian capital as its main ruling ally' (2006a: 1251).¹⁰ This close alliance between big business (mainly domestic, much less so foreign) and the state both unleashed economic dynamism in India and has been responsible for limiting the gains of that growth (Kohli, 2012).

p. 21 The pro-business interpretation is hotly contested across this collection. Several authors endorse it, albeit with important caveats. Michael Walton agrees that the private sector in India has become ↪ increasingly dominant, both politically and economically, in a fashion that appears to render irrelevant *PEDI*'s theory of interest-group gridlock. However, he emphasizes that the business class is not unitary but has 'two faces': one entrepreneurial, the other more like Bardhan's old rentier capitalists with their heavy reliance on close links with the state (see also Gandhi and Walton, 2012; Sen and Kar, 2014). More than this, he concludes that India's collective action problems have not ended so much as altered. Business, the first dominant class, has

consolidated its position—but the state’s relationship with interest groups still remains one of *PEDI*-style ‘particularist compromises’, even as the old classes of farmers and bureaucrats have been joined by other formations such as caste alliances.

In contrast, Rob Jenkins contests the emergent pro-business orthodoxy. Instead, he argues that the state elite retains greater autonomy than is typically appreciated, in terms of its overall control over economic levers, the space opened up by continued competition between the three dominant classes, and the persistence of the ‘anti-market streak’ in Indian public life that Bardhan documented 15 years earlier (Bardhan, 1998: 136). Following Bardhan’s analysis of the potentially autonomous state, he thus attributes the initiation of economic liberalization not to business capture of the state but to the state elite’s revised conception of the ‘national interest’. Like Manor, then, Jenkins disputes the notion that dominant classes can shape a policy agenda that consistently favours their own interests, instead arguing that economic liberalization has *increased* state autonomy.

Where Walton and Jenkins agree, though, is on the importance of federalism in conditioning liberalization. Both note that the rise of business coincided with the increasing regionalization of Indian politics, as in the 1990s ascendant new regional business classes, originating in the agrarian economy and other low-technology sectors, were quick to promote and embrace liberalization through the funding of regional political parties (Basu, 2000). State–business relations, the influence of wealthy farmers, and preferred policy strategies vary considerably from state to state (Sinha, 2005). If *PEDI* acknowledged India’s federal system largely in passing, many of the contributions here highlight the importance of recognizing regional variation, both in institutional and socio-economic terms.

p. 22 **The Resilience of the Original Dominant Classes**

In terms of Bardhan’s original *ménage à trois*, we might expect the ascendancy of industrial capitalists to have seen a parallel diminution of the influence of Bardhan’s other two classes: wealthy farmers and urban professionals. The reality is not quite so clear-cut.

The Political Economy of Development in India had suggested that India’s large farmers were relatively weak in comparison with the ‘urban lobbies’, because of the money power of the latter. Yet John Harriss shows that, even as Bardhan’s book was published, rich farmers had begun exercising the power of their numbers in striking public demonstrations through disruption and massive political rallies. Nonetheless, this movement dissipated; by the 1990s big farmers were clearly no longer playing such a prominent role in Indian politics, and discussion of an agrarian crisis has subsequently become widespread. Providing a synoptic overview of recent scholarship, Harriss treads a careful line through this debate. Noting the simultaneous fragmentation of small landholdings and the rise in inequality, he concludes that a small minority of rich farmers, especially in certain western and southern states, continue to capture a disproportionate share of state subsidies—but at the cost of a crisis of public investment in agriculture as a whole. While endorsing Kohli’s claim that a narrower state–business alliance now ‘determines the pattern of Indian development’, Harriss points out that ‘the dominant partners have still had to make compromises with rural interests for electoral reasons’, for all the current administration’s pro-business promises.

Surveying the fate of the bureaucrats who form the rentier core of Bardhan’s white-collar professional class, Elizabeth Chatterjee suggests that their fate in the liberalization era has been a similarly ambivalent one. Given their ability to extract rents from their privileged location within the state apparatus, superficially they were the class with most to lose from the rollback of the state that economic reformers repeatedly promised. Chatterjee shows that in practice state rollback has been exaggerated: although their relative size has diminished, senior bureaucrats still receive healthy emoluments and are able to extract both old and new forms of rents. This does not mean that the third dominant class is intact. As part of the

p. 23 broader class of urban professionals, bureaucrats also had a second source of rent derived from ↪ the scarcity value of their human capital (education and networks). This has helped to fragment the class between specialist technocrats best able to leverage their scarce skills, who have welcomed at least some elements of reform, and generalists more inclined to provide the resistance predicted by conventional political economy. In this resistance, the latter have been joined, especially at the state level, by junior bureaucrats who stymie policy *implementation*—but who do not form a competing class, being both internally heterogeneous and owing their position to political patronage.

Class Homogenization or Fragmentation?

Even as it was published, *PEDI* predicted a number of socio-economic and political changes that threatened to undermine the cohesion or influence of the original three dominant classes. Bardhan (1989a) noted that the boundaries between the three classes appeared increasingly blurred thanks to economic diversification and social interpenetration. This threatened to undercut the antagonism between the classes, and to weaken their internal coherence. Across this volume, scholars differ on whether these changes to India's class structure are more accurately characterized as a process of *homogenization* or *fragmentation*.

Echoing Bardhan's earlier predictions, both Harriss and Chatterjee provide some evidence that dominant class boundaries are weakening: rich farmers are diversifying into trading, agro-industry, moneylending, education, and real-estate speculation, while educated professionals seek to exploit a host of new opportunities in the private sector, blunting older conflicts with the business class. Reflecting this homogenization, over recent years both popular and scholarly interest in the nebulous idea of an Indian 'middle class' has grown. Fernandes's chapter interrogates this concept through the lens of *PEDI*'s framework. She contests the popular view that frames the middle class in terms of support for economic liberalization, consumer goods imports, and private sector employment and shows that a reliance on the state—upon which *PEDI*'s analysis centred—is a pillar both of these classes' economic standing and their political demands, even though it stands at odds with market ideology. Like McCartney, Manor, Jenkins, and Chatterjee, then, she challenges the conventional drawing of 'easy dichotomies between state-led development and the age of neoliberal economics'.

p. 24 Nonetheless, Fernandes argues that the notion of a homogenous 'middle class' is more ideological claim than social reality. The middle classes are structurally stratified by caste, language, religion, and more. Building on *PEDI*'s class analysis, Fernandes singles out socio-economic heterogeneity in particular. To conflate the prosperous upper middle classes, who resemble Bardhan's third dominant proprietary class, with the growing, aspirational, yet economically precarious 'neo-middle class' is to obscure structural inequalities. At the same time, the ubiquity of the 'middle classes' as a concept and an ideal emphasizes the importance of ideational as well as structural understandings of class. Like Fernandes, several other contributors nod to the fraught link between identity politics and socio-economic hierarchy, in contrast to *PEDI*'s comparative silence, while in the final analysis resisting the unproductive temptation to collapse class into just another category of identity.

If Fernandes challenges the notion that India's political economy today is best understood with reference to a homogenous middle class, other chapters present a picture of the dominant classes themselves as increasingly fragmented, undermining their ability to act collectively. Wealthy farmers may be split between those export-oriented farmers for whom some aspects of liberalization appeal and more protectionist elements. Chatterjee depicts a fragmentation of the bureaucracy into more generalist and specialist elements, and into the upper and lower bureaucracy, in ways that undermine the group's sense of itself as a class. Big business, already fractured by competition, emerges from these analyses with a host of fissures. While Walton emphasizes the need to distinguish between innovative and rent-seeking capitalists, Harriss-White, Jan, and Amirali go beyond this to critique the notion of class cohesion not just today, but

even in 1984. Surveying petty capitalism outside the formally regulated arena of corporate capital's operations, they cast doubt upon the solidity of Bardhan's original categories, even while calling for greater attention to bottom-up field studies and the vast informal economy. How can we draw conclusions from data mainly drawn from the formal sector when perhaps 60 per cent of the economy lies in the informal sector? Political economists and policymakers alike, they contend, must grapple more seriously with the characteristics and demands of the 'rest of India' outside the dominant classes.

p. 25 While the authors here broadly agree that class fragmentation and not homogenization is the dominant trend, they differ on its implications. If for Jenkins inter- and intra-class competition opens up room for state autonomy in directing apex-level policy change, for Harriss-White and her co-authors class fragmentation frequently sabotages the state's operations at the street level. In his contribution, Bardhan endorses this more pessimistic interpretation: thanks to demographic growth, regionalization, democratic assertion, and rising economic (if not social) inequality, '[t]he polity is more fragmented'. Notwithstanding the present administration's attempts to centralize power, then, 'by and large the consequent problems for collective action may have become more severe'.

Democratic Deepening and the Anti-business Backlash

As this ferment suggests, over the last three decades the state elite's tilt to favour big business has gone far from unchallenged. There is little hint in *PEDI* that the sharing of the spoils by the three dominant proprietary classes, though leading to economic stagnation, was anything other than *politically* sustainable. The book depicted non-elite groups as, at most, an occasional irritant to the dominant proprietary classes: 'from time to time a significant number of crumbs have to be thrown at these clamouring groups banging at the gates just outside the periphery of the dominant coalition', and 'equally expensive is the process of manning and securing those gates' (Bardhan 1998: 67). Was this a reasonable conclusion, given the highly politicized nature of Indian society?

Even as state policy shifted in several sectors to become more supportive to private capital, it has faced counter-mobilizations. On the one hand, the dominance of the three narrow proprietary elites has been challenged by 'the intermediate groups banging at the gates', as *PEDI* predicted (67). Scholars have documented a shift away from the concentration of political power in the hands of Bardhan's narrow set of dominant classes in the face of a 'second democratic upsurge' (Yadav, 1999; Jaffrelot, 2003). Insurgent lower groups have entered the fray, demanding their own share of the public sector's spoils. Such groups began to compete increasingly vociferously for state favours such as the extension of reservations for government jobs and public education, especially in the face of persistent 'jobless growth'. These groups do not necessarily recognize themselves as sharing class interests, however: there has instead been a political shift away from overt class politics to foreground identity, whether in the form of caste or religious nationalism.

p. 26

On the other hand, the exclusionary growth path of the 2000s and the highly visible rents earned by political and economic elites have prompted a surge of popular discontent and a backlash from state agencies themselves (Sen and Kar, 2014). Marginalized groups have emerged to contest land and resource dispossession, mobilizing against the extra-legal coercion used to acquire land for big business. As Jenkins argues, this has sometimes forced central and state governments into compromises that attempt to mitigate the most egregious excesses of the pro-business tilt.

A reaction has also emerged from increasingly powerful regulatory institutions such as the Comptroller and Auditor General (CAG) and the Supreme Court, and from middle-class citizens irritated by persistent corruption (most famously, the electoral victories of the Aam Admi Party in Delhi). These 'accountability institutions' both identified and investigated corruption and in some cases deprived the corrupt of their

gains; the Supreme Court cancelled coal block licenses, for example. Observing these developments, Walton's concluding chapter points out that this might suggest that 'Polanyi's sequential double movement is happening simultaneously in India': the new dominance of the market in the liberalization era has prompted a parallel counter-movement for social protection. Opening this volume, Bardhan warned of 'a brewing "legitimization crisis" of capitalism in India', and raised doubts about the institutional capacity of regulatory bodies, political parties, or social movements to negotiate constructive political solutions to head this off. In closing, Walton provides instead a source of cautious hope. He develops not just an increasingly common comparison between India's contemporary billionaires and the Rockefellers and Carnegies of the so-called 'Gilded Age' of the United States of America, but draws more optimistic lessons that might be gleaned from the regulatory and welfare developments of the Progressive Era. '[I]n a democracy as competitive and vigorous as India's there is always hope' that a similarly transformative political coalition might eventually coalesce, Walton concludes, even if 'the paths to such a transition remain unclear'.

p. 27 When Bardhan delivered his original lectures in the spring of 1983, independent India was 35 years old. As we write today, it is about to celebrate its 72nd anniversary. Half of India's history as an independent nation thus lies outside the book's purview. Yet *PEDI* is far more than a historical curiosity, a mere snapshot of a country in the midst of a midlife crisis. Innumerable weighty tomes have been composed in the past seven decades on the improbable if imperfect survival of Indian democracy, but very few continue to provoke as many questions and fruitful new lines of inquiry. As the Indian polity becomes perhaps more heterogeneous, fractious, and noisy than ever, Bardhan's nimble little book feels as relevant as it did three decades ago.

Notes

- 1 For a sense of this striking terseness, compare its rivals: writing at the close of the twentieth century, John Harriss depicted *PEDI* as one of only two 'standard works on the political economy of India' (1999: 3371); the other, Francine Frankel's magisterial *India's Political Economy, 1947–1977: The Gradual Revolution* (1978, updated 2005), came in at over six times *PEDI*'s length.
- 2 Alongside Bardhan, its fairly stable membership was a veritable who's who of leftist scholars on both sides of the Atlantic: Samuel Bowles, Robert Brenner, G.A. Cohen, Joshua Cohen, Jon Elster, Erik Olin Wright, Adam Przeworski, John Roemer, Hillel Steiner, Philippe van Parijs, and Robert van der Veen. For a sense of the group's range of interests, see the collection edited by Roemer (1986).
- 3 Bardhan has also published a Bengali-language memoir, *Smriti-Kanduyan* ('Memory-Scratching', Ananda Publishers, 2013).
- 4 By 'bullshit' the group meant pretentiously obscure and intellectually sloppy academic writing, singling out French, and especially Althusserian, Marxism in particular; see Cohen (2002).
- 5 It was at G.A. Cohen's home institution, All Souls College, Oxford, that Bardhan delivered the 1983 Radhakrishnan Lectures that were published as *PEDI* the following year.
- 6 *The Political Economy of Development in India*'s depiction of a distinct class of rent-seeking bureaucrats (see Chapter 8) also resembles Krueger (1974), though Bardhan himself preferred to credit Marx's critique of Hegel's *Philosophy of Right* for the emphasis on bureaucrats as a class which held 'the essence of the State' as its private property (Bardhan, 1989a: 156).
- 7 Olson's influence was felt in broad theoretical terms; Bardhan ignored his ahistoric claim that India's economic stagnation was caused by the caste system (Olson, 1982: 152–61).
- 8 Rudra (1985) thus complained that Bardhan's state had a dual existence, as both an abstract actor enacting policy in the interstices of societal forces and a concrete agglomeration of interest groups.
- 9 This is made explicit in Bardhan (1990: 4). Nor was the problem regime type (Korea was then an autocracy): democratic Japan and Sweden also possessed comparatively insulated bureaucracies (Bardhan, 1988a: 66).
- 10 For similar arguments, which give a sense of this thesis's popularity, see Corbridge and Harriss (2000); Chatterjee (2008); Evans and Heller (2015); Gupta and Sivaramakrishnan (2011); and Jaffrelot, Kohli, and Murali (2019).

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