

**NATURE OF INDIAN DEMOCRACY: STUDY OF POLITICAL
CHANGE IN THE POST LIBERALISATION PERIOD
A CASE STUDY OF ANDHRA PRADESH**

*Dissertation submitted to the Jawaharlal Nehru University
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of the requirement for the award of the Degree of*

MASTER OF PHILOSOPHY

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CERTIFICATE

Certified that the dissertation titled "NATURE OF INDIAN DEMOCRACY: STUDY OF POLITICAL CHANGE IN THE POST LIBERALISATION PERIOD – A CASE STUDY OF ANDHRA PRADESH", submitted by Ms. RADHIKA KUMAR in partial fulfillment of the requirements for the award of the degree of **MASTER OF PHILOSOPHY**, has not been previously submitted for any degree of this or any other university. This is her own dissertation.

We recommend that this dissertation may be placed before the examiners for evaluation.

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Dedicated to my Father

Who has not only always inspired me to go the extra mile, but also made me walk whenever I have tended to crawl

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INTRODUCTION

Democracy has been defined in various ways. However the core constituents of democracy have generally been regarded as social justice/ rights/ equality and a concept of democracy can either focus on the same, or on the totality, or the experience or both¹. What is essential in these understandings of democracy is the charting out of a relationship between institutionalised power and the people – between state and society.

This relationship then has been variously conceptualised, beginning with the 'Modernisation theory' in the post Second World War era, which believed that the preconditions for democracy in Asia were related to the need for capitalist expansion and thus, modernisation in accordance with an idealised western pattern. Marxists as well as Non Marxists both produced society centred analysis. But while those inspired by conventional Marxism emphasised the socio-economic structure and spoke for the need for a national bourgeoisie, the Non Marxists spoke of modern versus traditional values among groups and individuals and stressed the importance of the middle class as a bearer of those values².

Soon enough, this perspective changed as Non Marxists like Samuel Huntington argued that capitalist expansion and socio-economic

modernisation did not automatically generate so called political development including democracy. Modernisation generated instead new socio-political conflicts. Hence there was need for political order through the building of stable and modern institutions. Similarly East European Marxists noted that modernisation rarely produced a national bourgeoisie and a working class, strong enough to introduce functioning liberal democracy. They thus began to focus on progressive politicians and administrators within the state to build 'non-capitalism' within national democracies. Also to introduce land reforms and industrialisation which in turn could generate popular forces.

Dependency theorists on the other hand are said to have turned the picture upside down. Capitalism and modernisation they said could not generate democracy only dictatorships.

Marxist class analysis soon put nuance into this picture by stressing the balance of forces and the different ways in which organised interests tried to affect and make use of the state. Some of them also spoke about an 'over developed' third world state that had inherited strong colonial apparatuses and become relatively autonomous, as no class was really able to dominate. Finally many scholars held that the lack of democracy was more because of the State and social forces within its institutions than because of the classes in civil society. Neo classical theorists maintained that politicians and bureaucrats were selfish 'rent seekers' benefit from the monopolisation of

huge state apparatuses and regulations. Many neo - institutionalists claimed that developmental states presupposed autonomous, efficient and authoritarian governments. Post Marxists, on their side maintained that third world capitalism often emerged from within the state, through privileged control and usage of its own recourses and regulations, which again required authoritarian rule or at least state corporatism³.

The democratic project launched in India after Independence was one in which the state was not only an agent for political order, but was also responsible for promoting socio – economic development⁴. Those dual responsibilities have led to the establishment of an interventionist state in India. Because that interventionist state is organised as a democracy, politics and political competition tend to permeate much of social life. Thus the nature of India's political structure and the roles played by India's political leaders has been major determinants of political and social changes in India.

Besides, socio-economic modernisation, the growing demands have also been the result of the state having disproportionate control over societal resources, providing the broad context for over politicisation. However, the more, the state internalises the socio economic conflicts of civil society, the more difficult it becomes to establish a coherent political centre, therefore there is a recurring tendency in third world countries to resort to leaders with personal and populist appeal as a short term solution to the problem of political order.

Liberalisation, however has changed the nature of the relation between state and society as it brought to an end the highly interventionist role of the state. India's severe problems of democracy being explained in terms of over politicisation on the one hand, and weak political institutions (concept of 'Centralisation and powerlessness')⁵ to handle demands and implement policies on the other has led to the World Bank sponsored recipe of 'Good Governance' or what has been termed as limited governance⁶. While the state has thus withdrawn, it has produced a wider politics of democratisation in society at large. As a result, there is a palpable tension between the present times as defined by the World Bank and other policy options of the third world and expectations of social and economic democracy, buttressed by the possibilities afforded by political democracy in India.

Liberalisation has also been a necessary condition for the emergence of a federal market economy in India in the 1990s⁷. The term federal market economy draws attention to the fact that the new imagined economy evokes not only decentralization of the market but also shared sovereignty between the states and the centre for the economic and financial decision making. The sufficient condition for the fostering of a federal market economy has been the transformation of India's party and governmental system from a one party dominant majority party system to a regionalised multiparty coalition government system. The states in India's federal system command more economic and political sovereignty than they did under a Nehruvian planned

economy; their voices matter more in economic and political decisions. As a result their responsibility for fiscal discipline has also increased.

The case of Andhra Pradesh is interesting in this context because in Andhra, the chief minister Chandrababu Naidu, the leader of the Telugu Desam Party seems to have found a way to overcome the tension between the reduced role of the state in the era of liberalization and increasing democratisation in society. He has done this by assuming on the one hand the electoral self risky image of an unsentimental corporate executive which has been greatly applauded by the executives of the World Bank and the likes of Bill Gates as also embodied in the much touted 'Vision 2020' for Andhra Pradesh, while on the other hand, he has continued his predecessor's legacy of announcing numerous populist schemes such as 'Prajala Vadaku Pralana' (government at the doorsteps of the people), 'Shramdan' (contributory labour), the 'Janambhoomi' schemes and the most recent 'Adarna' schemes which aim to save the traditional occupations of backward communities which are on the verge of extinction due to privatisation. Chandrababu Naidu is thus set to abide by the framework set by the idea that 'the state should be facilitator and not provider' and yet has proposed the idea of an 'activist facilitator'⁸.

Such an attempt to represent divergent socio-economic interests in society on a single party platform is not unique to the Telugu Desam party, as the Congress had perfected the art much earlier. However, while the Congress was

unable to reconcile the divergent interests after the introduction of economic liberalization in 1991 which led to its defeat in the 1994 assembly elections, the Telugu Desam successfully did so by winning the 1999 state assembly elections on the issue of economic reforms, even defying the anti incumbency factor, thus making the elections unique in two respects.

The central research question then focuses on why Andhra Pradesh delivered such a pole verdict. To find reasons for the same, both economic and political variables are considered. The pace, prospect and impact of liberalization has been looked at also what liberalization has meant in terms of the state abandoning its welfare function. The changing demands being made by the electorate in terms of increasing democratisation and the nature of the response of political parties to these increasing demands has been studied. The study also tries to look at, though in a limited way, the manner in which state institutions and structures have been modified to accommodate competing claims. Finally the issue of substantive democracy has been raised and the way it is being defined, i.e. in terms of a higher growth rate or a conception of empowerment and equity. The questions that remain to be answered are whether the example of Andhra Pradesh would provide a new understanding of the nature of political change in post liberalization India. Also, is it possible to reconcile the retreat of the state from the economic field, while also dealing with the instance of deepening of democracy? Would this entail a redefinition of democracy?

The first chapter on liberalization on Andhra Pradesh explores the circumstances and reasons for adoption of economic liberalization at the national and state level.

Liberalization in Andhra Pradesh was in consonance with the World Bank recommendations involving revamping of the entire system of governance and the economy. The chief minister undertook the same with great zeal since 1995, particularly in the power sector. However, while there has been a consensus among the political parties regarding the inevitability of undertaking economic reforms, the policy and programmes for the same, remain much debated. There has been all round criticism of the reforms as initiated by the Telugu Desam government, specially so, as outlined in the chapter on account of reforms being externally directed by the World Bank while being initiated on account of internal (domestic) imperatives.

The second chapter traces the decline of the Congress party and the rise of the Telugu Desam, a regional party, in Andhra Pradesh. Besides organisational factors, the politics of accommodation and its inherent limitations became one of the main reasons for the decline of the Congress. The rise of the Telugu Desam was because it was able to successfully fill in the political vacuum created by the decline of the Congress. The Telugu Desam party was not offering an alternative developmental agenda but rather the choice of anew

party, a new charismatic leader and perusal of the same Congress policy of 'populism' but much more extensively and vigorously.

The third chapter, which is on the politics of economic reform, looks at the complete reversal in the political programme of the Telugu Desam party effected by Chandrababu Naidu, in the light of the economic reforms undertaken by his government. While a change in economic policy in 1991 caused the Congress to loose the Lok Sabha election in 1999, economic reforms in Andhra Pradesh lead the Telugu Desam party to victory in the 1999 state assembly elections. The chapter looks at the possible reasons for the same. While the pursuit of economic liberalization has meant an end to the largesse of the distributing state, many economic decisions, especially around the time of elections, are taken with the aim of achieving populist goals. Moreover, adoption of liberalization is also seen as an attempt to appease a particular political lobby. Separating the economics and the politics of the reforms thus remains a difficult question.

End Notes

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CHAPTER ONE

LIBERALISATION IN ANDHRA PRADESH

In India, in the economic field, the last decade of the twentieth century is marked by the adoption of the policy of liberalisation. In essence, the shift to liberalisation has led to a reassessment of development goals and strategies. This is also in keeping with the global context, which has seen the emergence of neo liberal political economy and its various exponents such as the New Political economy school and the neo-liberal Statists¹.

Economic liberalisation in India was initiated by the Congress government in the 1980's, but a major departure from the earlier development strategy of planning and state intervention took place under the New Economic Policy of 1991. The country, at that time was said to be facing a deep fiscal crisis juxtaposed with an almost unmanageable balance of payments situation and an acceleration in the rate of inflation. Faced with the prospect of defaulting on its external loan payments, India went in for IMF guided programmes of macroeconomic stabilisation, as also the World Bank programmes of structural adjustment not simply, as some would argue to extricate the economy from the mess but also to catapult it into a golden age.

However liberalisation remains a much-debated issue. While fiscal correctives and enhanced growth rate as also better utilization of scarce resources have been lauded as the legitimate achievements of economic reforms, on the other hand criticisms of liberalisation have been posited in terms of three consequences: 1. Loss of economic sovereignty 2. Greater inequalities in income and wealth in society 3. No sustained pattern of growth that would lead to job creations and employment.

Rather than focusing on the purely economic perspective and taking instead a politico-economic perspective of liberalisation one needs to look at various classes in civil society, the nature and role of state in terms of interplay of the interests of these classes and analyse the dynamics of the development process in terms of contradictions between them. Also one needs to take note that while looking at the dialectics of interaction between civil society and the state, dominant classes do not just use the intervention of the state to promote their own interests; in the process of this intervention, they themselves undergo changes, so that the configuration that demands the intervention and the configuration that comes out as beneficiaries at the end of it are not congruent; this flux in turn gives rise to pressures for shifts in economic policy.

According to this view ² then the change of regime that is now occurring in India is, besides being a result of external factors as was mentioned earlier, is

better explained by enlarging the analysis to take note of the class proliferation and class formation. Proliferation of the bourgeoisie in particular is seen as one of the main reasons for change in regime. It is not as if the optimal regime, that such sections would like to see coincides with what the Fund and the Bank advocate; but what they advocate gathers support from several such sections because each sees in it some component that is favourable to it. Different sections of the bourgeoisie support different parts of the programme, which is what accounts as yet for the absence of any significant bourgeois opposition to the programme as a whole, which might have been expected from a simple 'national bourgeoisie' paradigm. The other factor ensuring a degree of acquiescence to the new measures is that as against the Fund – Bank programme, there is no alternative bourgeois programme for restructuring the economy.

The pace and prospects of reforms has also been a much debated issue. There are broadly three positions on the pace and prospects of reforms³. One view is that dramatic changes in policy have taken place since 1991 and that greater changes could be brought about but for political considerations which tend to slow down reforms. But the reform process is seen as essentially irreversible, a view that most political parties agree to. The other view is said to be more pessimistic; only the easier reforms have been handled so far while many difficult reforms have been stalled, given the lack of consensus in this era of coalitional politics. A third position, as put forth by Rob Jenkins is about

reform by stealth, that a great deal of substantial reforms have been accomplished avoiding major headlines or political confrontations; a process of slow but steady reform has set in according to this view, and is likely to continue. Reform by stealth is one of piecemeal reform, which through a political process of diffusing resistance on the part of vested interests is said to be one of the reasons for lack of serious opposition to the reforms.

Another view ⁴ as put forth by Pranab Bardhan of the reform process is that the same reforms came not by design, but more as unintended consequences of bankruptcy. This is particularly the case at the state level. Some reforms have generated a chain reaction, creating a demand for pushing the reforms further from what was originally intended.

The focus of reforms has now shifted from the Centre to the states in the second stage. The decline of central public investment and growth of private investment gave the federal states, the immediate sites of private investment, a greatly expanded role in economic liberalisation⁵. Liberalisation in the state of Andhra Pradesh as guided by the World Bank can be traced to the year 1995. In the case of Andhra Pradesh too, similar circumstances of a fiscal crisis seem to have led to adoption of economic liberalisation, though again as at the national level, the extent and the nature of the crises as also the need for liberalisation remains debatable.

Tracing liberalisation in the state to 1995 one needs to take note of certain features of the 1994 State assembly elections which propelled the Telugu Desam party to power in the state, under which subsequently reforms were undertaken. The key planks which led to victory of the TDP under its founder N.T. Rama Rao were the rice subsidy scheme, prohibition and low power charges for irrigation pump sets. The outcome was said to reflect the popular mood to have safety net schemes in the wake of the liberalisation and globalisation programmes undertaken by the Central government. Within a year of his taking over the power, that is in 1995, all these schemes were given up by the new Chief Minister, Chandrababu Naidu.

Thus, while similarities can be drawn between the Centre and the state in terms of economic circumstances in which liberalisation was initiated, one needs to take note of the complete reversal in the economic policy of the Telugu Desam party within a span of two years, thereby focusing attention on the role of the leader of the party and various other political variables⁶. The movement from a command economy to a federal market economy is as much due to changes in the party system as it is to transformations of economic ideology and practice. Independent causal chains may have resulted in economic liberalisation and the transformation of the party system in the 1990's, but once in place, the two phenomenon began to interact in ways that proved mutually reinforcing⁷.

Focusing on the process by which liberalisation was undertaken, it was in early 1995 that Chandrababu Naidu, initiated a dialogue with the World Bank in order to set the reform process in motion. The Hiten Bhayya Committee was set up in 1995 to initiate reforms in the power sector; the same year the K.Subhramanyam Committee was appointed to evolve a plan to restructure the public sector and cooperative enterprises in the state. The government also constituted the Staff Review Committee under the chairmanship of B.C.Gangopadhyaya, to rationalize employment in government.

It is to be noted that there has been an emergence of a federal market economy that has fast replaced the Nehruvian centralized command economy⁸. The Centre is now less able to intervene through its control of public investment, licenses and permits but has rather assumed the role of a regulator concerned with market imperfections and state fiscal disciplines. The Centre has attempted to impose hard budget constraints on the states. So too have market oriented international and domestic credit rating agencies. However besides these two, states which want developmental roles are obliged to observe a third conditionality, namely the discipline that demonstrates to the World Bank and Asian Development Bank and other international lenders that they are credit worthy.

In preparation for the World Bank inspired strategy of development in the state, the government reversed the increase in rice subsidy to the level prior to

December 1994, thus in July 1996 the price of subsidised rice for families holding white cards was increased from Rs. 2 a kg to Rs. 3.50 a Kg. The maximum limit permissible for a family was reduced from 25 Kg to 20 kg. As a result of these measures, the government saved more than Rs. 600 cores annually on food subsidies. The government also abolished total prohibition, resulting in increased revenue from excise duties. Also in 1996, water charges for irrigation were increased threefold; electricity charges were increased for all users. The fixed charge on pump sets of agricultural users was also increased.

The World Bank on its part, as has been argued was now concerned with fiscal deficit at the state level and not just at the national level because it was estimated that the state's deficit accounted for half the problem of overall deficit. The bank had earlier tried to persuade the Planning Commission and the Finance ministry to get the states to fall in line, reduce the fiscal deficit, however several delicate issues arose in the same, most importantly, political implications of the Union Government riding roughshod over the states in pushing the reforms, particularly those involving fiscal correction. However with Andhra Pradesh government itself willing to undertake reforms, the bank has found a state government amenable to doing business the way it wanted⁹. Thus a precedent was set in the case of Andhra Pradesh, allowing the bank to have direct access to states in a federal polity such that exists in India.

Placed in federal context then, Chandrababu Naidu's influence in Delhi has been significant because World Bank loans to state governments are essentially a triangular arrangement involving the Union Government, the State Government and the Bank. The Union government stands guarantee to loans taken by state governments¹⁰.

In September 1996, the Bank prepared a report 'Andhra Pradesh: Agenda for economic reforms'. The report argued that despite the fact that Andhra Pradesh had the resource base required to make it one of the fastest growing states in India, its growth performance had been poor. The report maintained that the state could achieve a growth rate only of 4.6%, compared to the average growth rate of the country which was 5.2%, not to speak of the fastest growing states, which recorded a growth rate of 5.7%. The thrust of the report was that the persistent neglect of infrastructure was the key factor responsible for this poor performance. The cause for this neglect was traced to two sources. First, adequate public expenditure in creating new infrastructure capacities and maintaining existing ones because of a fiscal crunch created by diversion of resources into welfare schemes and subsidies. The ratio of public sector investment to GSDP¹¹ in Andhra Pradesh was 7%, well below the national average of 10%. Secondly, the failure to develop a policy/legal environment conducive to private sector participation in infrastructure development. State policy, then being the main culprit, the report predicted that by the year 2001, while state revenues would stagnate at 14.5%,

expenditure would increase to 18.7%, thus increasing the public debt from the present Rs. 111 Billion to Rs. 416 Billion, bringing the state government close to a debt trap situation.

However if the State Government were to follow the recommendations of the World Bank report, the report projects that the State would achieve a growth in State income from the present 4.6 % to 6.3 % and a series of increases in capital expenditure, education, health and total revenues of the government. The public debt of the government would increase too, to 361 billion but the debt / GDP¹² ratio , a key indicator to keep the government away from the debt trap would remain at a low 25.5 %

Since 1996 then, the government released a number of white papers and policy statements on various aspects of reforms including State finances, the restructuring of public enterprises, the affairs of the APSEB¹³ and irrigation. In a letter to the World Bank president, James. D. Wolfenson (the letter was later tabled in the assembly on March 27th 1997) , the Chief minister made a formal request for the Bank's support for his government's reform agenda. He assured Wolfenson that the government was doing all that was possible to mobilise resources, reorient expenditure priorities and enhance the levels of productivity and efficiency. He also said that the government had undertaken fiscal correction and far reaching institutional reforms.

The World Bank then published and released on May 28, 1998 the Project Appraisal document of the Andhra Pradesh Economic Restructuring Programme (APERP), which is the key to the bank's agenda for the state for the next few years. The World Bank group is lending \$543 million for the Rs. 3320 crore projects. While the International Development Agency, a part of the World Bank group advances Rs.968 crore; the Bank itself lends Rs.1205 crore. The Bank's commitment to the economic reforms in Andhra Pradesh is indicated by the fact that the economic sanctions imposed on India after the Pokharan tests in May 1998 have not affected the flow of funds for these projects.

The APERP has separate components for primary education, primary health, rural roads, restructuring of public sector enterprises, irrigation, nutrition and child health. Also conditionalities form an essential feature of each of the sectoral components. For instance:

- The government agreed to reduce the fiscal deficit from 3% of the GSDP in the fiscal year 1997-98 to 2.5% in the fiscal year 2002-03
- To reduce employment in the state government (excluding primary education) by 1.9% each fiscal year beginning with 1998-99

- To increase the total combined expenditure in primary education and primary health from the estimated 0.9% of GSDP in 1997-98 to at least 1.8% of GSDP in 2002-03.
- To improve targeting of beneficiaries of rice subsidy by eliminating bogus cards by January 1999.
- To increase expenditure on capital outlays (capital expenditure excluding net loans and advances) from 1.1% of GSDP in 1997-98 to at least 2.2% of GSDP in 2000-01 and maintain at that level thereafter; and
- To increase the collection rate of irrigation water charges to at least 90% of the collectable demand.

The stress on fiscal correction according to the bank was to ensure that the impact of the programme extends beyond the sectors funded by APERP. The key aspects of the Bank's ongoing experiment in the state is the shift in the sector specific policies associated with individual projects to comprehensive reforms aimed at structural and macro economic parameters. Thus coverage of welfare schemes is to be cut by targeting them. Public services like those on government hospitals and schools are to be set on a more 'cost-effective' path. The Bank wants this to be achieved by ensuring 'participative management' by users of facilities and services such as schools, health facilities, rural roads, irrigation workers and even anganwadis.

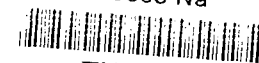
In keeping with these recommendations then, village education committees, water users associations and other such representative bodies have been established in the state through legislation in the last two years. Moreover, tariffs for essential services such as power and water for irrigation are to be determined autonomously by the state electricity regulatory commission and the water charges review committee, as a result of which the political establishment is neither responsible nor answerable for tariff reviews. In a bid to further reduce subsidies, in 1999 there has been another round of increase in electricity charges, apart from an increase in bus fares. Another change was made in electricity charges, this time being hiked by 20% in June 2000. In May 1998, steps were initiated to collect user charges from all users of Government hospitals, while the coverage of the rice subsidy scheme was promised to be reduced to 45% by May 1999, while it had actually been reduced to 72% by 1997. As a result of these measures, the fiscal deficit declined from 3.8% of GSDP in 1994-95 to 3% of GSDP in 1997-98.

Participative management in agriculture was also to be promoted. Agricultural reforms were then initiated by the government in 1996. These reforms were, in fact, considered a crucial factor in restoring the government in power. However the working paper on agriculture released by the government in the year 2000 has come to be criticized for doing away with participatory development and rather promoting private entrepreneurs in agriculture (corporatisation) . Under the new setup, the agriculture department's activities

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would be to give licenses to the private practitioners of extension work. In other words, creating a new 'license Raj' for end seeking. This would aggravate inequalities. Extension services would be privy to well endowed regions and well to do farmers. Thus rather than looking for complementarity between public and private investment in agriculture, the new paradigm adopted by the government is one of more rents and more political mileage¹⁴. In the ports sector, the Kakinada and Gangavaram ports are being privatised: bids have been called. The Krishnapatam port is already in private hands. Many smaller ports will also be offered to the private sector.

In its appraisal document, the bank observed that the Government had taken several difficult decisions; it observed that the Government had reduced rice subsidies and employment in the public sector, privatised two public sector factories (Allwyn and Republic Forge) and closed four unviable units. The government had also enacted the power sector reforms act in 1998. The passage of the act was in fact a key condition stipulated by the Bank for its sanction of the loan for the APERP.

Some of the far-reaching reforms were initiated in the power sector. The reform process had been initiated with the assets of the APSEB being transferred to the two new companies, the Andhra Pradesh Generating Corporation (APGENCO) and the Andhra Pradesh Transmission Corporation (APTRANSCO). A state electricity regulatory commission has also been

constituted (as mentioned earlier) with tariff fixing and regulatory powers. While transparency in economic affairs leading to improved efficiency, were held out as a major argument in favour of restructuring of the power sector, fundamentally the APERC came to be criticised for total lack of transparency in arriving at tariff revision. In the light of the June 2000 hike in power tariffs several issues were brought to the fore. First, only 41% of the power supplied by APTRANSCO was being billed which meant that about two thirds of the consumers were bearing the load of the entire system. Secondly, the transmission and distribution (T&D) losses of APTRANSCO stood at 37% in 1999-2000, compared to the international norm of 10-20%. The APSEB which had not been incurring losses till 1994, that is before the reforms were introduced, had losses in the year 2000, in excess of Rs.3000 crore. Besides, one area where transparency had been found most wanting related to the operation of the Independent Power Producers (IPP) . Besides this fears were expressed regarding gross undervaluation of the assets of the public company. This would mean that a private sector entity which would take a 51% controlling stake in the newly formed private distribution company need bring only a couple of hundred crores as equity.

The most hyped aspect of the liberalisation process in Andhra Pradesh has however, been with respect to the Information technology sector. According to Chandrababu Naidu, in terms of contribution to the state GDP, IT scores heavily over industry. While the IT sector in AP grew by 100% in the year

1998-99, other industries showed a growth of only 3-5%. In keeping with this philosophy, the government successfully managed to get many national and international companies to open their IT units in the state. The greatest success has been with respect to Microsoft, the world's largest software company which is opening a major facility in Andhra Pradesh. One of the main incentives provided to these companies is in the terms of free land provided by the government besides other facilities such as optical fibre network, telecom infrastructure, leisure facilities etc. such as the one offered at HiTech city being planned near Hyderabad.

Besides promotion of I.T. in business, the three other areas identified by the government to prepare itself for the information age are, adoption of IT in governance-what is known as e-governance¹⁵, emphasis on I.T. education to promote employment opportunities and improving public awareness about the role of I.T.

The latest offering by the Andhra Pradesh government has been in the form of a document titled 'Vision 2020' released by the Governor C Rangarajan on January 26, 1999, which focuses on multidisciplinary development with people's participation.

Co-authored by international consultants the McKinsey Company and the state government, the blue print attempts to redefine the role of the government

from that of operator and supervisor to that of an enabler and facilitator. It emphasises a threefold approach: building capacities, focusing on high potential sectors as engines of growth and transforming governance. Nineteen primary growth agencies (six in the agricultural sector, six in industry and seven in services) having high growth opportunities have been discussed. Each growth engine would satisfy at least one of the following criteria – it can build on the state's strength, it has the potential to create a significant economic impact and it captures opportunities created by global trends and also has potential to create low end and semi skilled jobs¹⁶.

In the context of economic liberalisation in the country at large, the state of Andhra Pradesh has due reason to harp on its being a 'model state' in terms of having encouraged private investment in all key sectors. However while the actual implementation of reforms has been variously criticized, the policy of incurring huge World Bank loans for liberalisation as also the nature of economic reforms and the long term impact of the liberalisation policy have invoked a great deal of debate not only amongst political parties, but also sections of the intelligentsia¹⁷.

One of the main criticisms of the liberalisation policy has been that the government did not explore various policy options available to deal with the acute fiscal crisis that the state faced. It is alleged that in effect the government by rushing to the bank, presented the people with a fait accompli. Besides this

the World Bank report on Andhra Pradesh has also been criticized for willfully manipulating figures to depict a dismal fiscal scenario in the absence of economic liberalisation. The policy's most important criticism has, however, been in terms of its impact on the poorer sections of the society. The implementation of these strategies places heavy burden on the people in the form of higher prices, reduced subsidies, and curtailment in employment¹⁸. On the other hand the promise of two new independent power producer fast track project and several other in the public sector, a few World Bank funded primary health Centres and primary schools, a high tech park in the capital city and the choice of Hyderabad as the location for a glitzy new management school offer little solace.

It is also argued that while new IT companies may offer increased employment opportunities, it is unlikely that they will be able to offset the huge unemployment created by the decline in agricultural and industrial production, the former having manifested itself in many starvation deaths and suicides among artisans and cultivators¹⁹. Besides this investors are being wooed assiduously by other states necessitating huge concessions to corporations which could be seen as another form of subsidy, this time to richer sections rather than the poor.

Regional economic disparities is another issue which needs to be highlighted, for instance the hike in power charges for agricultural users will imply that

farmers in Rayalseema and Telengana, which account for 90% of the pump sets in the state, will find their cost of production going up sharply. It is therefore argued that rationalization of tariffs must take into account the regional disparities and the inequality in land holding or otherwise areas which are already backward will slide back further²⁰, Chandrababu Naidu is thus accused of choosing soft options. Not wanting to pick quarrels with the rich and powerful, he chose the easier way of going to the World Bank such that half the money lent by the bank would go to the same people against whom he is unwilling to act. Also while the World Bank has made growth the fundamental objective, it was made clear that additional tax revenues garnered through higher rates were to be avoided. Concentration should be on simplification, administrative improvements and base broadening to improve buoyancy rather than rate increases. Thus, the thrust was not on revenue generation but expenditure restructuring and reduction.

The liberalisation policy and the concomitant World Bank loan has also been criticized for being economically unviable, leading the state into a debt trap situation. Also, according to B.P.R Vittal, the member of the tenth finance Commission, under the APERP scheme the state government is expected to mobilize Rs.1000 crore, but there was no evidence of how the state government would do so. Vittal reckoned that the mobilization of resources would mainly come from enhanced water charges, higher fees in educational

institutions, higher costs paid by people availing health services and higher power tariffs²².

While Andhra's debt servicing ratios, i.e. interest payments as a proportion of revenue receipts in 1999-2000 is 17.3% , compared to the national average of 20% , unless the state's economic growth accelerates beyond the 90's average of 5% per year and if revenue growth is not sustained , the state may be in for trouble.

The promotion of various participatory programmes, such as Janmabhoomi and other self help groups are also being criticized as they have alienated the representatives of local level bodies as the state bureaucracy is directly responsible for implementation of these schemes²¹.

The impact of economic liberalisation in terms of growth indicators in Andhra Pradesh has been varied. An important growth indicator is the GSDP, looking at changes in the GSDP, one finds that from being 5.7% in the year 1995-96, it has marginally declined to 5.3% in the year 1999-2000. also, on a comparative scale with respect to other states, while the southern states as group has done well in terms of increase in the state domestic product, Andhra Pradesh is conspicuous by its absence amongst the top six performing states in the country which showed an acceleration in growth of SDP in the 1990s²².

In terms of sectoral growth, both agriculture and industry showed negative growth rates of -3% each. While this is in sharp contrast to the positive growth rate of agriculture and industry in the year 1995-96 which was 6.2% and 4.2% respectively, a positive trend in sectoral growth is also to be witnessed in 1998-99, which was as high as 23.7% for agriculture, and 4.7% for industry.

These sharp variations in agricultural growth rate in particular have been explained in terms of recurring drought in the year 1997-98 and 1999-2000 thereby leading to negative growth rates of -15.7% and -3% respectively.

However, this official explanation highlights the continued dependence of agriculture on rainfall. This also points to the rather limited success of the AP Farmers Management of Irrigations systems act passed by the government as part of its reform strategy, creating Water Users Associations to increase the irrigated area²³. While increase in area irrigated was widely claimed, the continued fluctuations in agricultural productions on account of drought and lack of documents on extent of area that can be properly irrigated point to the limited nature of the success so claimed by the TDPO government.

Change in growth performance is also important for the implications that it has on poverty reduction. However, as the growth in SDP in Andhra between 1993-94 and 1997-98 was not fast enough, there was only a marginal decline

in poverty from 28.91% in 1983 to 22.19% of the population being below the poverty line 1993-94. Again, on a comparative scale, while there were eight states whose per capita SDP grew by 3% or more in this period, according to the NSS studies; poverty had not declined in the 1990s, thus raising questions about the nature of the growth process witnessed during this period. Critics of the economic reforms have argued that the nature of growth in the 1990s may have been less distributionally benign than earlier.

Thus mere reliance on enhanced growth rate may not be the answer to reductions in levels of poverty. The Andhra Pradesh government therefore needs to focus on alternative policies to bring about a reduction in poverty.

Another important growth determinant is levels of investment. While both public and private investments are important, the efficiency of resource use is at least as important as the level of investment. Efficiency in turn depends on many other factors such as the level of human resource development, the quality of infrastructure, the economic policy environment and the quality of governance. While there has been a decline in plan expenditure as a percentage of SDP from 5.70 in 1980 to 1990 to 4.28 in 1987 to 1997, this is not considered a significant indicator of the total volume of investment in the state. A more significant indicator is private investment. However in a recent survey commissioned by the CII to rank states according to their attractiveness as an investment destination, Andhra Pradesh was ranked eighth amongst

sixteen states. While investments in the information technology sector were much publicized by the government, those in manufacturing and infrastructure have been neglected.

The quality of human resource development is another determinant of growth. In terms of the human development index, Andhra Pradesh's rank is tenth; its gender development index rank is nine out of sixteen states. The literacy rate in Andhra Pradesh increased from 34% in 1981 to 54% in 1997. However 54% is much lower than the All India percentage of 68%. It is higher only to that of Bihar and Orissa. Even the literacy rates of Madhya Pradesh and Rajasthan are higher than that of Andhra Pradesh.

While development is favorably affected by improvements in education and skill levels, there is no statistically significant correlation between growth of GDP and the level of literacy. But improvement in literacy is important for empowering women. Rural Female Literacy increased from 14% in 1981 to 35% in 1997 in Andhra Pradesh. In other words, 65% of rural women were illiterate in Andhra Pradesh even in 1997. This shows that Andhra Pradesh has a long way to go to become a fully literate state²⁴.

Child labor is another human development problem. Andhra Pradesh has the highest incidence of child labor in the country. Besides poverty, other supply side factors for the same include quality of schooling.

According to certain estimates, Andhra Pradesh has to spend 3.32% of the state domestic product every year for universal schooling of children in the age group 6-11. In other words, Andhra Pradesh has to make additional resource requirements of 2.4% of the SDP for basic education.

State governments have a major role to play in developing infrastructure needed for accelerating growth. This includes investments in the social sectors i.e. schools and health facilities and also investments in critical economic infrastructure such as the power sector including rural electrification, the development of irrigation and water management systems, land development, state highways and district and rural roads. Larger investments are needed in all these areas to achieve higher rates of growth. Revenues of the state governments remain stagnant relative to SDP and continues resort to borrowing has lead to steadily rising interest burden which is squeezing the abilities to finance development expenditure and pushing the states in to an ever increasing dependence on borrowed funds. However in Andhra Pradesh, the interest payments as a percent of total revenue was 16.2% in 1996-97, which was lower than the average of fourteen states at 17.56%.

The overall policy environment and the quality of governance remain important factors determining the growth potential of the state. While efforts have been made by the government to combat corruption and evolve investor

friendly policies and strengthen organizational set up to expedite decision making, it did not lead to an acceleration in growth in Andhra Pradesh as it did in Gujarat, Maharashtra and Tamil Nadu where in spite of decline in plan expenditure in the 1990s there was an acceleration in growth. However this does not explain the dramatic growth of Kerala in the 1990s which presently has the highest per capita income, thus again a direct correlation between policy environment, governance and growth performance cannot be made.

As individual indicators fail to provide a clear picture of growth performance, one can take into consideration a study conducted by Dr Bibek Debroy in which 14 categories were used to rank states on their performance in the post reforms period²⁵. On a comparative scale which included 18 states, Andhra Pradesh ranked 12th. The state's performance was thus below average.

While the hype about economic reforms in Andhra Pradesh has been immense, the performance belies the promise of rapid socioeconomic development made by the government.

Conclusively, one can say that while the Andhra Pradesh governments' attempts to achieve Swarna Andhra Pradesh or a golden state are indeed laudable, the economic liberalisation policy itself leaves a lot to be desired, especially since it seems to leave half the population out of the new developmental vision for the state.

End Notes

1. Reference to these two schools has been made in terms of structural adjustment policies and the role of the state bureaucracy . Vieux S. and J. Petras (1996), 'Selling Structural Adjustment - Intellectuals in Uniform', *Economic and Political Weekly*, vol. 31, no. 2 (27 January), pp PE-23 to PE - 28.
2. Proliferation of the bourgeoisie according to this view implies shift in relative balance away from established big capitalists in favour of smaller but sizeable capitalist groups or even in favour of altogether new entrants into business. For a variety of reasons different bourgeois and proto bourgeois groups occupied different spaces, not all spaces at any given time being accessible to all. For a study of the reasons for an economy where spaces are partitioned. See Patnaik P., C.P. Chandrashekhara and Abhijeet Sen (1994), 'The Proliferation of the Bourgeoisie and Economic Policy', in T.V. Sathyamurthy (ed), *Class Formation and Political Transformation*, OUP, N.Delhi, pp 55-79.
3. Pranab Bardhan has referred to the two positions. I have taken the intermediate position that he refers to as the third position. See Bardhan, Pranab (1984), 'The Political Economy of Reform' in P. Bardhan, *The Political Economy of development*, OUP, N.Delhi, pp 119-137.
4. Ibid.; pp123

5. Rudolph L. and S. Rudolph (2001), 'Iconisation of Chandrababu Naidu - Sharing sovereignty in India's Federal Market Economy', *Economic and Political Weekly*, vol. 36, no. 18 (5 May), pp 1541 - 1552.
6. For instance Sanjay Baru argues that recent trends in private investment since the implementation of the new economic policy show an increased level of activity by regional business houses. These houses rising from agrarian ranks such as rich Kamma peasantry invested in regional political parties to gain political support at the state level and entered into collaborations with foreign investors to gain leverage over big business. It is therefore not an accident that political dynamics of the state have produced a first generation businessman, Chandrababu Naidu as the new political leader. See Baru, Sanjoy (2000), 'Economic policy and the development of Capitalism in India: the role of regional capitalists and political parties', in Z. Hasan, R. Bhargava, B. Arora and F. Frankel (eds), *Transforming India: the social and political dimensions of democracy*, OUP, N. Delhi, pp 207-253..
7. Rudolf, Lloyd and Susanne Rudolf (2001), 'Iconization of Chandrababu Naidu -sharing sovereignty in India's federal market economy'.
8. Ibid.
9. It would be wrong to believe that state government's see fiscal discipline entirely as a burden. It is also a way to establish and defend

the state government's autonomy from local political pressures. States often blame central interference and control which is responsible for the oppressive demands made on the people.

10. In terms of loans, the normal practice is for the central government to withhold about 15% of the loan. This appears to have been waived for the APERP. Significantly, the Bank too has shown a keen political sense in its dealings with the state governments as the time table for the reforms in the power sectors such as 'rationalizing' tariffs for agricultural users were deferred till the year 2000, well after the elections. In retrospect the decision seems to have politically paid off, taking into consideration the victory of the TDP in the 1999 state elections as also the strong opposition and two month long strike by opposition parties since June 2000 in the wake of the power hike.
11. Gross State Domestic Product
12. State Domestic Product
13. Andhra Pradesh State Electricity Board
14. V.Ratna Reddy in *Hindu*(2000)
15. For more details on e-governance see Krishna, Srivastava (2000), 'E-governance', *Yojna*.
16. For example, in the agricultural sector, growth agencies selected are rice growing, dairy farming, poultry, horticulture, fisheries and agro industry.

17. For a discussion on this see Ghosh, Jayati (1997), 'Development Strategy in India: A Political Economy perspective', in Bose and Jalal (eds), *Nationalism, Democracy, Development: State and Politics in India*, OUP, pp 165-183. While for a critique see Patnaik P., C.P. Chandrashekhar and Abhijeet Sen (1994), 'The Proliferation of the Bourgeoisie and Economic Policy', in T.V. Sathyamurthy (ed), *Class Formation and Political Transformation*, OUP, N.Delhi, pp 55-79.
18. For instance, the APERP includes components for primary health sector. The bank through the funding of the ongoing Andhra Pradesh First Referral Health system project focuses on cost recovery linked to community participation. The bank aims to increase cost recovery for medical care from government hospitals from 2.7% to about 30% in the next few years.
19. More than 400 peasants have died in the state in the state in the last 3 years
20. The CPI(M) alleges that the government has failed to mobilize resources from the rich. No resources have been raised from private educational institutions and from private and corporate hospitals. Agricultural landlords pay no taxes while 60% of the agricultural land is leased out in the Krishna-Godavari delta.
21. For instance, Jayati Ghosh argues that contrary to the standard, representation of the process of economic liberalisation, the recent transformations in economic strategy do not really represent a

'withdrawal of the state' in the economic arena in India, but rather a transformation of the character of the association. Interestingly the greater degree of centralization and reduced devolution of power to people at more local levels is part of an overall process in which the state is simultaneously weaker institutionally and the civil society is even more cynical even about the state's basic functions regarding law and order and protecting the minimum rights of the citizens. In such a setting, the proclivity of the state is essentially to see forms of external legitimation, whether through the approbation of foreign financiers or the perceived discipline of international markets. See Ghosh, Jayati (1997), 'Development Strategy In India: A Political-Economy Perspective'.

22. Ahluwalia, M.S. (2000), 'Economic performance of states in post-reforms period', *Economic and political weekly*, vol.35, no.19 (6 May). pp 1637-1648.
23. Jairath, Jasveen (1999), 'Participatory Irrigation Management in A.P.', *Economic and Political Weekly*, vol. 34, no. 40 (2 October), pp 2834.
24. Venu M.K and Nilanjan Banik (2000), 'Nothing to be proud of', *The Hindustan Times* (31 August)
25. Debroy, Bibek (2000), 'How are the States doing?', Rajiv Gandhi Institute for Contemporary Studies (September) (<http://www.ciionline.org>)

CHAPTER TWO

STATE CONTROLLED ECONOMY AND THE POLITICS OF ACCCMODATION

Initiation of liberalisation in the economic sphere at the national level was also to have its impact in the political arena, both at the Centre and at the State level. At the National level, economic reforms in terms of rolling back of the state was cited as one of the main reasons for the defeat of the Congress party in the 1996 Lok Sabha elections. At the state level too, in Andhra Pradesh, the defeat of the Congress party in the 1994 Assembly elections was in part attributed to the same reason, i.e., persual of economic reforms.

It is argued that economic liberalisation programmes have tended to involve macro economic stabilization and promotion of competitiveness aimed at micro economic reform ¹. Now while, stabilization measures are expected to have a relatively immediate impact on the economy, improvements in efficiency are expected to take somewhat longer. If stabilization tends to be recessionary, expectations of society, flush with democratic victories run in nearly the opposite direction: most citizens expect the new era to deliver material improvements. Immediately, the gaps between expectations and the reform induced reality exacerbates the problems of managing democracies.

Faced with this dilemma, democracies have the option of going fast or slow with the reforms.

However the most common resolution of the conundrum unleashed by simultaneous democratization and economic liberalisation is a third and rather disturbing trend. This is the trend to move towards creating two track polities, i.e., polities with the democratic and not so democratic track ². Many new democracies are likely to want to restrict democratic practices to the political arena, whereby periodic elections restore legitimacy upon new rulers. After that, however, once in power, these new rulers would want government decision making to be as free from popular pressures as possible. This decision-making autonomy would be deemed essential for pursuing the not so popular economic reform programmes. If institutionalised this two track polity - democracy in politics but not in government - would offer the new rulers the best chance of reconciling the contradictory goals of democracy and strong executives capable of sustaining economic rationality. However the prospects for institutionalisation are not good. There is always some gap between what citizens vote for and what elected governments do. However this gap cannot be simultaneously large, permanent and stable. Well established western democracies manage to maintain popular support for their not so popular pro efficiency economic policies during some phases because there exists in society the hope and the reality that sooner or later a more distributive coalition will come to power. Without an institutional memory that generates

such expectations, and without any institutions in place that would encourage a belief in the future shifts in a state's priorities, the high hopes generated by democratization are bound to collide with the realities of austerity. Severe tests of the two track arrangements will come whenever elections approach. Elections will be the critical moment when the not so democratic state must account for itself in the more democratic political arena. This won't be easy. Rapid turnover in incumbents is likely. Incumbents with their newly acquired pragmatism will prefer to keep economic policy issues, especially redistributive issues, off the electoral agenda. Depending, on whether the opposition obliges or not, one of the two outcomes is possible, neither of which is highly desirable. If the opposition chooses to champion distributive issues, incumbents will also feel the pressure to join in with competitive populism as the most likely outcome. Conversely, if thanks to its own understanding of 'constraints', the opposition cooperates with incumbents to keep distributive claims off the political agenda; attention may shift to non economic appeals as mobilizational tools. Religion, ethnicity and other forms of sub national tensions provide prime candidates. As is widely recognized, these can prove to be as destabilizing as class issues. Corruption and personality issues, by contrast, provide safer political subject. It is quite likely, therefore, many an election will be waged around such safe issues. However, corruption and personality issue, though they may raise some short term passions, do not generate mandates to demand sacrifices from society. In sum, it will not be easy to create and reproduce two track polities that are both

stable and efficacious. Meanwhile it is important to recognize the attempts to create such polities- often implicitly rather than explicitly as an important new political trend³.

While the concept of two track polities has been put forward in the context of pursuing the twin goals of democracy and economic liberalisation, it can be used to explain the policies followed by the Congress government (in the field of political economy) , during the period of state controlled economy. The not so democratic track can be referred to in terms of the politics of accommodation while the democratic track refers to the policies of populism, as brought into use by Indira Gandhi in the 1971 state and national election.

As has been argued ⁴, the politics of accommodation displayed the greatest potential to ensure the continuity of the dominant groups and to prevent a breakdown in the social system. This was achieved despite sharp economic differentiation within the forward castes and the increasing politicization of the backward castes and classes.

The possession of state power afforded the dominant castes ample scope for enlisting the support of aspiring backward castes. This was achieved by increasing the number of positions and the amount of resources available to their leaders. In the Indian social context the attention paid to the demands of local leaders of backward caste groups could be assumed to accommodate the

group they represented through a process of vicarious participation in the symbolic prestige thereby conferred on the whole community.

Moreover, the distribution of patronage and rewards was carried out in ways that encourage competition among the leaders of the disadvantaged groups which prevented them from combining to establish a new political formation of all the disadvantaged. In its actual functioning, the practice of political accommodation took on an ad-hoc and expedient character in response to the various claims raised by competing social groups. Radical policies were thereby avoided and ameliorative measures pursued.

In Andhra, the politics of accommodation was facilitated by the heterogeneous composition of the region ⁵, a feature that had established itself even in the pre-independent era. The Modernisation period: the merger of the three regions into one state in 1956 gave a boost to modernisation process in agriculture in Andhra Pradesh. But like elsewhere in India, this development is uneven in Andhra to the extent of there being disparities between various regions and again within a region between different districts, as for instance between the coastal Andhra districts and eastern Andhra districts or between the region on either side of river Godavari in Telangana continue if not magnified. Patronage politics enabled the large land owners and middlemen among the dominant castes to successfully preserve their overarching power until the 1980's. However as larger number of persons from the lower castes

and classes became politicized, the creation of new positions to buy off aspiring elites and avert large scale social discontent grew so inflated that the strategy was transformed from one of patronage to populism. The strategy seemed (and seems) to work best when used by a charismatic leader, as a symbol of hope for the broad masses whose real gains were (and are) minimal. Nevertheless, the inability of such policies to alter the structural arrangements responsible for the impoverished condition of agricultural labourers - a class that outnumbered cultivators by the 1980's suggested serious potential limitations to this approach. Thus there existed a dialectical relation between the politics of accommodation as pursued by the Congress and the changing caste - class configurations that it wished to appease.

Class formation and differentiation in Andhra Pradesh can be traced to the construction of the Krishna-Godavari anicut in the Andhra region by the British, which qualitatively influenced the dynamics of Andhra's economy and politics⁶. The advance of commercial agriculture set in motion the process of economic differentiation in the agrarian sector which gave rise to a new middle class between the small class of the immensely rich and the great mass of the population which was in a state of great poverty. Another important outcome was increasing urbanization and occupational changes. The peasant caste which rose to the position of middle classes in the agrarian sector and the Brahmins who occupied the middle rungs of the social ladder in the town,

together contributed to changes in the traditional hierarchy by injecting the element of economic mobility in the social ranking system.

The Congress party's politics of accommodation during the first 15 years of the inception of the state of Andhra Pradesh was based on building a dominant caste combination. The advancement in agriculture reflected in the development and growth of organised lobbies in state politics that virtually controlled the state assembly and cabinet. In terms of caste, this reflected in a gradual relegation to the background of the Brahmin lobby and the emergence of Kamma and Reddy as the all too powerful controllers of power at the state level⁷.

Besides this, politics of accommodation as initiated by the Congress had a varied impact, in the political sphere too. The weakening of the once powerful left forces, in particular the Communists, can be broadly traced to the way in which the Congress mediated the diverse demands of important sections in society⁸. Also, the communist movement came to be dominated by the rich peasant sections by the 1950s. The process of modernisation of agriculture strengthened this. Identification of the communists with the rural elite contributed to their alienation from the mass of the rural poor. The dalits and artisan castes, who rallied under the communist leadership in the late 1940's and whose base and strength the communists became significant in Andhra slowly shifted away from them⁹. Andhra Pradesh thus, came to be

characterized as a one party state as the Congress was ruling since independence.

The 1972 state assembly election was then critical as it led to reordering of political loyalties. In the 1972 elections, a large number of tickets were given to backward classes and minorities. Along with this came other developments, one land legislation, far more radical than any undertaken in the past and two, moves to supersede the Panchayati Raj institutions was mooted. The argument was that, dominated by landed castes, these institutions were proving to be an obstacle to the implementation of radical policies by the Congress.

Thus, during this period Mrs. Gandhi brought about a perceptible change in the political process. She initiated a number of socio-economic programmes intended to consolidate her power by destabilizing the dominant castes who posed a potential threat to the Centre's control. Narasimha Rao, then Chief minister, increasingly recruited the elite of the backward classes and weaker sections into the Congress hierarchy. His attempts to win over these groups set in motion a process of polarisation along caste and class lines. In pursuit of his survival in the political context, dominated by the Reddy, Kamma and Velama castes(three major land owning castes), Rao sought to forge a social block consisting of backward castes, scheduled castes, scheduled tribes and minorities by giving them political berths in the cabinet, greater representation and reducing the Reddy preponderance in the 1972 assembly election. Thus as

argued by Dagmar Berstorff, the 1972 assembly election led to the eclipse of the Reddy Raj¹⁰.

The policy of land reforms was used to protect a large number of small and marginal peasants in the agrarian structure, and to secure their support for the political system. However the role played by the government with respect to land reform policy remained doubtful. The reason was that the party seemed to champion the cause of the poor and at the same time tried to protect the interests of the rich. Moreover, the direct impact of the programme played an important role in bringing about an attitudinal change in the land owning classes, rather than benefiting the rural poor. Thinking in terms of cost – benefit analysis, the rural landlords, taking into consideration all pointers – political, social and economic moved towards the same goal, i.e. of urban property building. Land deconcentration, as a result slowly started taking place in different forms in rural areas.

While on the other hand, anti poverty programmes, which are easiest to target such as distribution of house sites or of government lands as well as the abolition of bonded labour, were disproportionately addressed to ameliorating the problems of Harijans. Agricultural labourers from the backward class, who constituted slightly more than 65% of this class, resented such an exclusive approach, and in several instances openly expressed their dissatisfaction. The increasing cleavage among the rural poor gave rise to a growing division on

caste lines which cut across class divisions. Moreover in carrying out these policies initiated from Delhi, Rao alienated the dominant castes, especially in the most developed coastal districts. Hailing from Telangana, he was made to appear pro Telangana on an issue affecting employment of Andhras in Hyderabad. He could not retain popular support in the Andhra region once a violent agitation was mounted for a separate Andhra state. As a result, while the Harijans and backward castes came to identify with Mrs. Gandhi ¹¹, the rich and middle peasantry among the upper castes resented the increasing importance being given to Harijans. Moreover the poor peasants belonging to the backward classes also began to feel alienated and disillusioned with Mrs. Gandhi. Their condition in many parts of the rural areas were found to be worse than that of the agricultural labourers. Thus the breakdown of patron-client relation at the local level, resulted in the failure of political communication and created a void which went unfilled in the absence of any new grassroots party organisation. Thus these policies played catalytic role in furthering the social polarisation within the Congress : while on the one hand it led to closing up of ranks among the landed gentry, it contributed in a significant way to the rise in awareness among the backward communities on the other.

The 1977 Lok Sabha and the 1978 assembly elections in Andhra Pradesh were not deviating or critical as proved to be in large parts of the country. In a sense, the 1978 election was a maintaining election with one significant

exception. The landed gentry and the educated middle classes which had earlier decided to be with the Congress, but because of their experience during emergency shifted their loyalty to the newly formed Janata Party¹³. This support came basically from three sectors of the public and for altogether different reasons. One was the educated urban middle class sector, concerned with basic issues, pithily summed up in the question: 'Slavery or democracy'. The second was the group of agriculturalists who were irked by the land reforms and particularly by the corruption which accompanied its implementation. They were equally annoyed at the abolition of bonded labour. The third group which flocked to the Janata was that of disgruntled party workers. It was a large group of pre-independent Congress workers who could not adjust to the new type of politics.

From the late 1970s and early 1980s, as a result of state sponsored developmental processes, the green revolution strategy, the commercialisation of the countryside and the availability of education in rural society that the emergence of rural propertied middle class and an educated employed middle class from the backward castes is witnessed¹⁴. With changes in their position they could enter the rural credit system, cooperatives and small businesses. Thanks to reservations in education and employment, their youth could also enter higher educational institutions and subaltern positions of the state bureaucracy. This change in the socio – economic scenario can be said to have

infused confidence in these communities: as a result they started staking their claims to office in representative institutions.

The collapse of the Congress system alarmed emerging business elites who believed that Mrs. Gandhi's brand of 'populist accommodation' was threatening their basic interest in political stability. The tremendous industrial growth brought about a new regional economic process which was reflected in the political process. Of the two dominant castes in the state, the Kammas and Reddys, the former proved to be more enterprising. While the social composition of the elite largely remained the same, their economic base and interests underwent a change. The business classes desired not only an effective and efficient state but also a government, which could protect their interests. The Congress was no longer able to present a dynamic image; its house at the state level was hopelessly divided and faction ridden. While decision making was centralised in Delhi, the party at the state level lacked stability and direction. The youth, the educated middle classes, the backward castes and the industrial classes were in search of an alternative to the Congress. The limits of political accommodation also became evident in the case of the minorities. The emergence of the Majlis was actually an indication of the growing isolation of the minorities. This political economy of change, in which the nouveau riche, the rich peasant, the backward caste middle peasant and the educated middle class starting asserting themselves forms the

background of the TDP. The TDP could appeal to these politically ambitious segments and the latter readily rallied around the TDP against the Congress¹⁵.

It was at this opportune juncture that the Telugu Desam Party(TDP) came into existence. N.T. Rama Rao (NTR), its architect - was known throughout the state as a film actor, one who had played a number of mythological roles, in addition to those as a determined fighter for social justice. N.T. Rama Rao's victory was virtually a replacement of one charismatic leader by another.

The Telugu Desam focused its attention on several issues such as providing clean and efficient government, ensuring security and equal status for women, restoring the dignity and self respect and past glory of the Telugu people, controlling smuggling and black marketing, bringing down the prices of essential commodities, distributing inputs to agriculturists, generating employment for youth, village development, rural electrification, basic changes in education system etc¹⁶. None of these measures aimed singly or together at bringing about structural changes in the system. The policies broadly covered a diversity of groups and a variety of pressing problems; the populism in some of these measures is quite evident. The attempt to accommodate youth, women and backward classes indicated the continuity in political style.

The rise of regional party and its leader illuminates the socio-economic dynamics that contribute to the process of political change. The Congress party, which succeeded in consolidating its power base through the politics of accommodation ultimately saw its social base eroded, partly on account of inherent limitations of accommodative politics, that once pushed too far, displaced influential leaders of the dominant castes and middle classes. Since no new party organisation could be built to substitute horizontal mobilisation of the poor for the vertical patron-client networks, the whole process contributed to excessive dependence on a single charismatic leader and increasing centralisation of power. Under such conditions elected legislators did not evince any interest in nursing their constituencies, since the patronage and charismatic leadership of Mrs. Gandhi were crucial both to securing the seat and winning the election. This trend initiated the process of 'depoliticisation' of party workers, which ended in loss of credibility of Congress politicians. Thus N.T. Rama Rao who was a newcomer to politics, enjoyed greater credibility than most men long associated with public life.

However, soon enough N.T.R's imperial style of leadership caused erosion of support among legislators making N.T.R. vulnerable to destabilisation from Delhi. The electoral process and the outcome of the 1985 election ¹⁷, both to the Lok Sabha and the Assembly are significant as the electoral behaviour of the Andhra voter was distinct from most parts of the country. This raised a vital question: Why was the response of the Andhra electorate not in

consonance with the main stream? Such behavior may be traced to the following factors: 1. The 'dethronement' of N.T.R. created political resentment. 2. The electoral alliance that he struck with non-Congress political parties went a long way in consolidating the vote base, which normally becomes diffused in multi-cornered contests. 3. The Congress could not project a single credible leader in the face of considerable in fighting for the leadership position. 4. The policies implemented by N.T.R. were far more concrete than what the Congress could offer. 5. The split in the Telugu Desam party also helped the leadership to project an image of the party as cleansed of undesirable elements. Nor was the split culture a new phenomenon in Indian politics. 6. The riots in Delhi, subsequent to Mrs. Gandhi's assassination, which had a profound impact on the electoral psychology in several states, did not make such a deep mark in the South, particularly in Andhra Pradesh. Finally, the Congress's reliance on 'Sympathy Wave' in the general elections did not take into account the positive attraction of N.T.R. Not only did the Congress lose miserably but all the sitting Central ministers from Andhra Pradesh were also defeated at the polls.

Besides these factors N.T.R. undertook certain controversial measures which had definite impact on the subsequent Assembly elections. In a bid to strike at the political power of the dominant castes in the villages - he abolished the hereditary posts of village headmen. His promise to create about 1200 Mandals in place of 321 Panchayat Samities, secured for him considerable

electoral support. Mandals, compared to Panchayat Samities were to have a smaller sphere of jurisdiction and be closer to the people. They would also be able to accommodate a larger number of political aspirants than the Samities at the local levels. In addition, political reservations to Panchayati Raj institutions further facilitated the power shift to the subaltern elite¹⁸.

The TDP under N.T.R. paved the way for a regime, distinct from the Congress. Thus N.T.R. symbolised an anti- Centre, anti - Congress, anti - bureaucratic populist stance with its concomitant sense of accountability and responsiveness to the people's aspirations and movements of civil society¹⁹. N.T.R.'s style of politics, though marked a decisive break within the dominant political discourse, defies precise characterization in terms of its impact and therefore can neither be equated with the populism of the Congress (I) variety nor can be reduced to the constituency he represented.

The interrelations between land and politics, which transit through the medium of caste in the Indian context, have taken different forms in different regions in India. In Andhra Pradesh too, such interrelations did have the caste factor underneath all conflicts and movements. Yet, neither at the level of power politics nor at the level of mass movements did they evolve on distinct caste lines. In this context, one can note the absence of the kind of caste wars that some states have witnessed in recent times. Secondly, and deriving from the same, has been a curious development where the leading social group has to

ally with one or other of the fringe groups in order to gain power. Thus in the last decade, at one time or other every group has joined hands with every other group²⁰.

The Telugu Desam party repeated its 1983 performance in the 1985 assembly elections by winning 202 seats in the 294 member state assembly. It secured 47% of the votes polled against 46.6% in 1983. It also managed to raise its ratio of seats won to seats contested. 81.12% of the contestants won in the 80 assembly constituencies against only 68.71% in 1983. In stark contrast, the Congress, which had won 60 seats with 33.64% of the votes in 1983, could manage only 49 seats, though it registered a 4% increase in its share of votes.

A study of the politics of accommodation reveals how policies pursued by the governing parties have led to the shift in the social composition of political and bureaucratic elite. A study of the social background of the members of the legislature in the seven assemblies, i.e., 1952 - 1984²¹, gives us a broad representation of the castes. While the upper castes such as the Brahmin, Reddy and Kamma have throughout maintained a dominant position in the assembly. Among the upper castes, the representation of the Brahmins has been going down: of the two dominant non-Brahmin castes, the Reddys have more or less improved their position. The strength of the Kammas in the assembly has also improved. In addition Rajus, Vaishyas, Velamas, Balijas, Naidus and Kapus all regarded as upper castes also maintained their position

at around 16 to 17%. At the same time the backward classes whose share remained relatively stable at 13 to 14% until 1967 thereafter managed to increase and maintain their proportion at about 20%. Since there are statutory reservations for the scheduled castes and the scheduled tribes, great fluctuations in the percentage of seats won by them are not apparent.

At the level of the Panchayat Samities, there has been a gradual increase in the representation of the backward castes in local government bodies, and the sudden entry of scheduled castes and scheduled tribes following the introduction of reservations. This is another example of how the politics of accommodation seeks to co-opt the elite from these disadvantaged groups into the political system through protective discrimination.

In conclusion, one can say that leaders in Andhra Pradesh were quite successful in managing the political system through various populist policies. While the parties in power changed, the stability in the polity continued. The success of a party seemed to lie in building a strong and charismatic personality on the one hand and carrying out populist policies on the other, capable of appealing to a broad spectrum of disadvantaged groups. As the politics of accommodation appeared to break down because of its own social contradictions, another party emerged with a new charismatic leader and more expansive populist policies that reached still further down the social and economic ladder. Nevertheless, in a society where problems of unemployment,

poverty and regional disparities have deep structural foundations, the politics of accommodation, populism and charismatic leadership has limits beyond which they cannot be successfully operated.

Besides other things, it is to deal with these limitations that the era of economic reforms was inaugurated by the Congress in 1991, which had its impact on state assembly elections in Andhra Pradesh in 1994.

Endnotes

1. Kohli, Atul (1993), 'Democracy amid economic orthodoxy: trends in developing countries', *Third World Quarterly*, vol.14, no.4
2. Ibid.; pp 682
3. Ibid.; pp 683
4. Reddy, G Ram (1989), 'The politics of accommodation: Caste, Class and Dominance in Andhra Pradesh', in Francine R. Frankel and M.S.A. Rao, *Dominance and State Power in Modern India*, OUP, N.Delhi.
5. The Andhra Districts which were internally differentiated between the Circars or the fertile coastal belt and the dry uplands of Rayalseema were administered during the colonial period as part of the Madras Presidency. By contrast, the backward Telangana remained under the direct rule of the Nizam of Hyderabad until 1948 . Combination of all the Telugu speaking districts into Andhra Pradesh in 1956 left the state divided into three regions(the Circars , Rayalseema and Telangana) , charaterised by cultural discontinuities, economic imbalances and political rivalries. In addition, the high incidence of poverty and the skewed distribution of land provided ample scope for the politics of manipulation and/or accommodation.
6. Reddy, G. Ram (1989), 'The politics of accommodation: Caste, Class and Dominance in Andhra Pradesh.'

7. Rao, C.V.H. (1982), 'Land, Caste and Politics in Andhra Pradesh', in Gail Omvedt (ed), *Land, Caste and Politics in Indian States*, Authors Guild Publications, N.Delhi, pp 156 - 163.
8. The decline of the Communist Party and the rise of the Congress resulted from a combination of events, calculated and fortuitous, during the period 1952 – 7. The central event in 1956 was the formation of Andhra Pradesh uniting the Telugu speaking areas of Andhra and Hyderabad.. This demand had been conceded by the Congress party after a lot of pressure. The communist party which also supported the demand for 'Vishal Andhra', could no longer capitalize on the issue. The second reason for the consolidation of Congress power was the Cooperation achieved by the party leadership with the splinter groups that had earlier defected from the United Party. And the time of the 1955 mid term election Congress struck an alliance with the defected groups to form a united front that faced a communist party ; once again an accommodative approach by Congress paid rich dividends. A third factor which undercut communists nationwide was support by the Soviet Union, after 1955, for the national leadership of the Congress, whose formal commitment to the creation of 'Socialistic Pattern of Society' contributed to a progressive image. Finally and among the foremost reasons was the support gain from the cultivating peasant caste for Congress after the abolition of intermediary tenures in

the Andhra region and then in Hyderabad State – reforms for which the Communists had struggled and built up public opinion.

9. In the post independence period, the issues taken up by the communists in both the Delta region and Telangana were essentially those of Zamindari abolition. Such issues were characteristically rich peasant. Thus the communist led agrarian movement could not go beyond the interests of the upper echelons of peasant proprietor castes. See Rao, C.V.H. (1982), 'Land, Caste and politics in Andhra Pradesh'.
10. Reddy's as a peasant caste had occupied a commanding position in state politics since the formation of Andhra Pradesh. But modernisation, increasing education and spreading benefits of commercialisation were adding to the strength and demands of other castes. In the new coalition of political forces, various non - Reddy dominant castes like Kamma, Velama and Kapus were given more prominence than before, while inadequate representation was given particularly to the Reddys of Andhra and Rayalseema regions in the Vengal Rao ministry. See Sharma B.A.V. and G. Ram Reddy (1979), 'Electoral Politics and Voting behaviour', in Sharma and Reddy (eds), *State Government and Politics : Andhra Pradesh*, Sterling Publishers, N.Delhi, pp 473 - 489.
11. Although the Congress under Mrs. Gandhi was defeated nationwide in 1977, in Andhra Pradesh ,the Janta Party could not make a dent into her hold over the poorer sections. See Reddy, G. Ram (1989), 'The

politics of accommodation: Caste, Class and Dominance in Andhra Pradesh.’

12. K. Srinivasulu and M. Kistaiah (1993), ‘Ceilings on agricultural land holdings in A.P’, in K. Srinivasulu and M. Kistaiah (eds), *Agrarian question in India: Some perspectives*, Sterling Publishers, New Delhi.
13. Sharma, B.A.V. and K. Madhusudan Reddy (1979), ‘Electoral politics and voting behaviour’.
14. For instance, the peasant caste of Munnur Kapu, the weaver caste of Padmashali, the toddy tapper caste of Gouda and the sheep rearing caste of Golla.
15. K Srinivasulu (1999), ‘Regime change and Shifting Social Bases: The Telugu Desam Party in the 12th General election’, in Ramashray Roy and Paul Wallace (eds), *Indian Politics and the 1998 Election: Regionalism, Hindutva and State Politics*, Sage, N.Delhi.
16. See Appendix 3 , Election manifesto of TDP in S. Venkat Narayan
17. A split in the Telugu Desam Party in 1984 led by Andendla Bhaskar Rao (N.B.R) led the Governor to install N.B.R. as Chief Minister. The Governor’s decision which was not verified in a vote of no confidence on the floor of the Assembly, seemed undemocratic and provoked a public outcry against N.T.R’s ouster. In response to mounting public criticism, the Centre restored N.T.R. as Chief Minister. N.T.R. , in a bid to consolidate his power recommended dissolution of the assembly and sought a fresh mandate

18. K Srinivasulu (1996), 'Contested Legacy', *Frontline*, vol. 13, (20 April), pp 31-33. See C.V.Subba Rao in Gail Omvedt (ed)
19. K.Srinivasulu (1994), 'BSP and caste politics', *Economic and Political Weekly*, (1 October) pp 2583 - 2587.
20. Rao, C.V.H. (1982), 'Land, Caste and politics in Andhra Pradesh'.
21. Caste Background of M.L.A s of Andhra Pradesh, 1957 – 1985, Table 12, pp. 305. See Reddy, G. Ram (1989), 'The politics of accommodation: Caste, Class and Dominance in Andhra Pradesh.'

CHAPTER THREE

POLITICS OF ECONOMIC REFORM IN ANDHRA PRADESH

The Congress party which, under the system of state controlled economy, followed the politics of appeasement of ever increasing sections of society in the name of social justice could no longer justify such a claim in the light of economic liberalization. Subsequently, the Telugu Desam Party too, which had once come to power on a populist agenda had to face a similar credibility crisis when its leader, Chandrababu Naidu, initiated economic liberalization in Andhra Pradesh.

The political consequences of economic reform in Andhra Pradesh were to be clearly seen in the assembly elections of 1994, 1995 and 1999. What was witnessed in the assembly elections of 1994 was the first of the two possible outcomes of following a two-track arrangement ¹ (as referred to in the earlier chapter).

The issues which played an important role in the 1994 and 1995 state assembly elections, namely Hindutva ², misuse of TADA, maintenance of law and order, criminalization of politics, Mandal, corruption and poor governance were not the determining issues. Rather, two issues related to the ongoing fiscal reforms occupied Centre stage: the price of essential commodities such

as food grains and more fundamentally, the distributional aspect of reforms. The scheme of Rs. 2 per Kg of rice revealed the dissatisfaction with a programme of reform that impact the poor³.

Thus, as economic issue predominated, the Congress which was in power both at the Centre and in the State, under the leadership of PV Narasimha Rao initially projected the electoral outcome as a referendum on the policy of economic reform and liberalisation as initiated by the Centre in 1991⁴. However, the opposition Telugu Desam Party played up the economic reforms by both being able to create and take advantage of the grievance that the Congress under the New Economic Policy was no longer interested in welfare measures for the poor, its attention had shifted to the middle classes, industrial investment and foreign capital. NT Rama Rao also effectively argued that while welfare programmes for the poor had been reduced due to the reforms, the Congress government was still providing a large range of agricultural subsidies to the rich farmers. Hence providing cheap food for the poor was not a difficult task for the government⁵.

Prior to the elections, the Congress was divided over the strategy to be adopted, which is seen in the shifts during the electoral campaigns. While the Prime Minister PV Narasimha Rao and the Finance Minister, Manmohan Singh were keen to contain expenditure and thereby curb the rising deficit and inflation, they were under intense pressure from a large section of the party to

undertake welfare and populist measures before the elections. The PM argued that a different approach towards better utilization of the country's resources was needed and this had to be explained to the people during the campaign⁶. As a result, initially the Congress was critical of the populist campaigns of the TDP. It argued that the RS. 650 crore spent on subsidizing rice by the TDP government in the 1980s could have been spent on developmental tasks which would have been more beneficial in the long run. It tried to portray populist schemes as a major obstacle to fiscal reforms.

The central manifesto issued by the central leadership for the 4 assembly elections due in 1994 was a report on the Structural Adjustment Programme and not a statement of intent⁷. The manifesto's preoccupation with economic reforms was at variance with the existing realities in Andhra Pradesh⁸.

Thus two contradictory pulls were experienced by the Congress leadership after mid 1993; on the one hand to reduce the fiscal deficit and government expenditure and on the other to undertake welfare schemes and populist measures in order to win the elections in the state where the challenge from opposition parties was emerging in a multi-party federal system. The poor electoral performance by the party in the Rajasthan and UP assembly elections in 1993 increased the pressure upon the central leadership to announce such measures prior to the Andhra Pradesh election in order to regain its pro-poor image⁹.

Faced with the growing popularity of the promises made by the two main opposition parties-the TDP in AP and the Janata Dal in Karnataka, the Congress began to imitate them and as a result 'competitive populism' became a central feature of the 1994 elections.

The Congress State government had passed a law in March 1994 under which temporary employees were not to be made permanent due to the 'near bankruptcy' situation in the state. Without repealing it, the government filled up 50,000 vacancies including 20,000 school teachers. The 'state manifesto' issued much closer to the elections made a series of populist promises aimed at the poor such as every family which sent a child to school would receive 5 Kg rice subject to a ceiling of 10 Kg, free education, cheap saris, dhotis etc.

It is interesting to note that the Congress did not need to indulge in 'populism'. In Andhra Pradesh, the Congress had performed reasonably well during its term of office. The index of industrial production was 372.29 in 1989-90 but rose to 398.40 in 1990-91 and 405.10 in 1991-92. The latter half of 1993 was industrially better, with the index rising sharply from 399.4 in January to 573.7 in September. The Congress government's performance in the agricultural and infrastructural sectors had also been fairly good. The various employment generating programmes had increased employment and income. AP also faced a critical financial situation with the deficit on the revenue

account rising since 1990-91 and reaching Rs. 234.88 crore during the year 1993-94 which was almost the same as in the year 1989 when the TDP was replaced by the Congress¹⁰. In fact, the situation had reached a point where unless far-reaching reforms on the revenue and expenditure side were undertaken, it was not possible to provide for additional welfare schemes.

In short, the party failed to explain reforms to the electorate in a positive light. Infighting and factionalism which had decayed the party machinery in the state made this impossible¹¹. The lack of proper communication between the Central leadership and the state leaders and the rank and file contributed to the defeat of the Congress in Andhra Pradesh.

Yet another instance of the Congress' populism, this time in a bid to appease the backward castes, was to include the 'Kapus', a politically influential group in the coastal areas and the Muslims in the list of Backward classes. This decision was indeed controversial as the inclusion was made before the Puttuswamy Commission on Backward classes (to which the Kapu demand, among others, was referred) could submit its report. While the Telugu Desam Party welcomed the decision, other backward class groups opposed it.

The Telugu Desam's election manifesto, as already stated, was replete with populist policies, the most important being the Rs. 2 per Kg rice. The Telugu Desam had first started the scheme in 1983. An important reason for the

continuing popularity of the scheme was the fact that after assuming office, the TDP implemented the subsidy as promised and extended it in the rural and urban areas. Ration cards as well as shops actually reached the most remote areas of Andhra Pradesh and every eligible household in these villages, unlike many other developmental schemes¹². In contrast, the record of the Congress in implementing the rice scheme was perceived by the public as poor. In 1989, the Congress Chief Minister, Channa Reddy declared that the scheme was too expensive and had created a large deficit. He tried to cut costs by weeding out 'bogus' ration cards, a move which made him unpopular. His successor Janardhan Reddy raised the price of ration rice to Rs.3.50. Moreover, during the late 1980s; food stocks in the Public Distribution system were low, leading to discontent. This scheme then used by N.T. Rama Rao came to symbolize an alternative economic cum political system to that of the Congress for a large section of the voters. NTR used the issue of 'Telugu Welfare' against the Congress slogan of 'development democracy' in 1994, just as he had used the slogan 'Telugu Self Respect' in the 1983 elections.

Apart from measures to help the 'really poor', the TDP manifesto released on October 12, 1994 at a 'people's conference' made a number of promises aimed at small farmers and the educated unemployed in the urban areas. A major subsidy for farmers using a 5 horsepower motor was expected to benefit more than 14 lakh farmers. The public employment regulation act of December 1993-which had sought to rationalize and restructure employment

in the State government departments as part of the reforms - was to be reviewed and scrapped if necessary in order to create around 60,000 jobs. NTR also promised to withdraw cases against women arrested during the 'ban arrack' agitation as also impose total prohibition.

Another significant factor visible in the elections in Andhra Pradesh and elsewhere in the state assembly elections in 1994 and 1995 was the increased level of political consciousness and awareness of the voters. This is seen in the increased turnout in AP which was 71.1% for the general seats and 72.9% for the Scheduled Caste and Tribes seats. This increased turnout-particularly of the poorer sections- was translated into support for the policies of the TDP. The 1994 Andhra Pradesh assembly election was then a classic economic election.

Price rise and 'no development' were the two major issues identified by the voters as the failings of the Congress government in the state. It also showed that elections and electoral politics can have an impact upon the content and pace of fiscal reforms in a democratic polity. The electoral verdict in Andhra Pradesh forced attention upon the distributional costs of the reforms. It showed that the reforms have to be sensitive to the needs and conditions of the poor if they are to succeed in a democratic system.

A dramatic turn of events in August 1995 led to the replacement of NTR by Naidu as the leader of the legislature party of the TDP which NTR had brought to power with an overwhelming majority of 214 seats out of 292 seats in the 1994 elections. Contesting for NTR's legacy, in the elections to the Lok Sabha in 1996, while the TDP (Parvathi) group highlighted Naidu's 'betrayal', the Naidu group, bearing in mind NTR's 'Praja sodassu' (people's convention) conducted towards the end of his tenure, invented a new device of a Praja Vaddaku Palana (government at the doorstep of the people) campaign. Besides this, in comparison to the Congress leadership, Chandrababu Naidu displayed the skills of a master strategist with a sensitivity to the changing situation on the ground. If the organizational structure and the cadre base of the TDP were used to sustain links with the grassroots, a consistent attack on the Congress and its government at the Centre was made to consolidate the non-congress vote. When all the other parties showed a preference for the dominant peasant castes of Reddy, Kamma and Velamma in the selection of candidates, Chandrababu Naidu fielded candidates mostly from backward communities. This strategy was quite in tune with the political economy of the state in the post-Emergency period, an important aspect of which is the perceptible change in the caste-class configuration¹³. While the Congress-I won 22 seats in Andhra Pradesh, the much under-estimated Telugu Desam, headed by N. Chandrababu Naidu won an impressive 16 seats. The surprise was that the NTR Telugu Desam led by Laxmi Parvathi drew a blank, although she attracted massive crowds during her campaign. The expected

division in the Telugu Desam vote also did not take place. The ruling group was able to garner 80% of the original Telugu Desam vote, which helped it win a sizeable number of seats¹⁴. In the general and scheduled tribe constituencies both the groups, the Congress and the TDP (N) and its allies were evenly placed in terms of both votes and seats. But in scheduled caste constituencies the Congress had a distinct edge while the TDP fared better with respect to the backwards, as out of the seven backward class MPs, six belonged to the TDP (N) and its allies. Thus no political group was dominated by an exclusive caste category. However, higher proportions of Reddys and scheduled castes are found in the Congress and those of Kammas, Backward castes and scheduled tribes in TDP (N) and its allies. In the absence of any large group of people who identify themselves with any political party, it remained difficult to conclude whether any of these traditional support bases were going to be stable. This doubt got reinforced when one examined the 1998 electoral outcome.

After the 1996 elections, major changes were initiated in the policy domain. It is here that the increasing distance of Naidu's government from NTR's regime has to be seen. Emerging confident from its performance (vis a vis that of the TDP led by Laxmi Parvathi) in the 1996 elections, legitimized by the support of the left and further propelled by its new found place in national politics, the TDP(N) government initiated a public dialogue as some of the quintessentially

NTR schemes and policies like the Rs. 2 a kilo rice scheme and the prohibition policy as a preparation for policy changes.

In the 1998 election, regional issues centered on the governance of the TDP (N) and its policy reversals constituted a significant dimension of the electoral campaign. Thus the BJP focused on the TDP's failures. There were the suicides among cotton farmers in the northern Telangana districts during 1997-98 due to the successive failure of cotton crop on account of the failure of governmental agencies to provide extension services, to supervise quality control of seeds, fertilizers, pesticides and other inputs. Though the Congress made the policy reversals by the Naidu Government, the central issue, its lack of conviction and lack of policy, alternative was quite conspicuous. In the social background of the candidates fielded by both the TDP (N) and Congress (I), there was no significant change from 1996.

Though in 1996, the Congress (I) and TDP (N) could largely retain the support of the constituents of their respective social coalitions, in 1998, in contrast, there could be witnessed a marked departure. The seat changes and swings in the vote margins of these parties across regions and constituencies could be read as indicative of significant shifts in the social support of the Congress (I) and the TDP (N)¹⁵. The process of increasing articulation of aspirations and interests by different social groups, especially those in subaltern ranks, through both issue based movements and leader centered mobilization can be

said to have contributed to the volatility of their electoral support. This has rendered the social coalition of support of both the parties critical.

IN this process the political parties which, dictated by the exigencies of their electoral calculus, have directly or otherwise encouraged specific caste articulation could find themselves at the receiving end. The case of the Madigas illustrates this. If the support of the Madigas could be rallied successfully by the TDP (N) in the 1998 elections, its failure to do so in the meantime turned the Madigas against it subsequently. In such a situation even denial of party ticket to a particular community could become a sufficient reason for the withdrawal of its support. The case of the Kapus in coastal Andhra is an instance of this¹⁶.

It is also important to note that while Chandrababu Naidu focused on the strides made in the field of development by his government in the 1998 election, he gave in to populist means too. He reverted on his earlier stand regarding increasing power tariffs for farmers in Andhra Pradesh.

In 1999 Lok Sabha and state assembly elections were unique in two respects. IN terms of electoral outcome it was the first time since the inception of the TDP that an incumbent government won power in Andhra Pradesh. Secondly, it was the first time that the party was facing simultaneous Lok Sabha and Assembly elections under the stewardship of Chandrababu Naidu.

Naidu who moved away from NTR's populist legacy in the 1998 Lok Sabha elections, adopted a five-pronged electoral strategy for the 1999 elections. These included personal image, careful selection of candidates, populism, the promise that economic reforms would usher in a 'Swarna' (golden) Andhra Pradesh and most importantly careful alliance arithmetic.

In terms of personal image, Naidu is said to have earned the sobriquet of being the Hi-Tech Chief Minister. However, having been accused of neglecting the rural voters, he played down his hi-tech image in the election to placate the latter. He instead focused on developmental issues and his role of an 'activist facilitator'. In building a personal image, the rhetoric that Naidu used was distinctly evangelical¹⁷. In putting personal example at the forefront, Naidu tried to offset any anti-incumbency feelings on the ground. Having projected himself in various guises – a player on the national stage, the true heir of N.T. Rama Rao and the upright upholder of women's empowerment – Naidu made the assembly election in Andhra a parallel presidential contest. His brand of administrative activism too, concentrated the image of governance in one person: himself. He did this by contrasting his own seeming dynamism in hopping from village to village and town-to-town inspecting the administrative machinery, with the proverbial inertia of the civil servants. The gambit made him unpopular with the civil servants but quite popular with the people.

With respect to careful selection of candidates, TDP (N) fielded 118 new faces and 33 women for the state polls. As a result 73 of the new timers got elected while 21 of the women candidates won.

Competitive populism too, was a distinct feature of the 1999 elections. The TDP (N) manifesto promised a special poverty eradication mission in order to bring 45 lakh families above the poverty line; clean, efficient, transparent and responsive governance; an addition of 10,000 Mega Watt to the power generation capacity; one million more hectares of land under irrigation; safe water, creation of 35 lakh house sites in the next 5 years, roads for villagers, one primary school for every kilometer of habitation, subsidized rice to those below the poverty line, L.P.G. connections to the poor and a nutrition programme for 3 million school children.

A feature of the Congress (I) manifesto on the other hand was the party's resolve to make the state 'Aadarsandhra Pradesh' as a counterpoint to the Chief Minister's dream of 'Swarnandhra Pradesh'. The highlights were promise of free power and the waiver of power bill arrears for farmers, power for 4 lakh pump sets in 100 days, cooking gas connections for the rural poor, payment of Rs. 2500 an year to unemployed youth, allotment of telephone booths for one lakh women and supply of 'white cards' to all eligible families besides construction of 40 lakh houses in the next 5 years. 'Gram Swaraj', another programme of rural development, would replace the 'Janmabhoomi'

programme¹⁸. The manifesto also planned to revive the legislative Council, abolished in mid 1980's by the TDP government.

However the Congress (I) was also said to have incorporated many of the TDP's programmes in a different form which it had earlier ridiculed such as Deepam, Janmabhoomi and poverty eradication. This was, in fact, cited as one of the reasons for the defeat of the Congress in the election. The Congress was said to lack innovativeness and the electorate preferred the original schemes of the TDP (N) to the copy.

Focusing on economic reforms, the Telugu Desam went all out with a positive message of its 'excellent record' in the past four years. It cited its initiatives in the use of information technology and youth empowerment, agricultural development and power generation. Unlike P.V. Narasimha Rao, who ushered in reforms but failed to sell them politically, Naidu retained his political touch. Beginning from the community oriented Janmabhoomi programme to the Deepam scheme for giving gas connections to women below the poverty line, Naidu's packages combine development with political mobilization. As said by D. SathyaNarayana, a political scientist at Osmania University, "The dramatic manner in which he presents programmes raises hopes in those who have not received benefits". He singled out the watershed development scheme in dry land areas and the creation of 10,292 Water Users Association of farmers as an example of efficient development, empowerment and good

politics. Gram Sabhas identified 1.5 lakh community works under Janmabhoomi. So far nearly one-lakh projects had either been initiated or completed, with the government spending Rs1500 crore and the community raising Rs.400 crore. Further, having risked unpopularity with women voters by scraping prohibition – a central plank of NTR's 1994 election victory – he inveigled his way back into their affection with the DWCRA (development of women and child in rural areas) scheme. There are 1.5 lakh self help groups in the state with 30 lakh members. Apart from generating employment, these groups have become parallel Centres of mobilization to the point of taking on their local MLA.

To lend credence to the claims of economic reform and development, Naidu used statistics. He claimed to have raised the annual growth rate of the state from 2.55% in 1994-95, the year that he took over to 9.53% in 1998-99.

The irony however remained that the Congress targeted Naidu's strengths rather than weaknesses. Charges of personal corruption that the opposition leveled against the Chief minister were never an issue: the mess in the state's finances was. The state government also remains heavily indebted. Borrowings from international financial institutions have raised the debt from Rs.12500 crore in 1994 to Rs. 22,000 crore.

Alliance arithmetic played an important role in the victory of the TDP (N)¹⁹. The victory, thus, becomes less dramatic when seen in terms of vote share. The vote share of the TDP-BJP combine was only 7% points more than the Congress (I)'s vote share in the entire state. The Congress (I)'s vote share, in fact, went up by over 4% points as compared to the 1998 parliamentary elections in which it fared rather well.

This is what made the alliance with the BJP, a key factor in the TDP's success. This alliance enabled the TDP to more than make up for the losses from the severing of its ties with the left parties. It also gave the TDP an edge over the Congress (I). The TDP-BJP's vote share (nearly 50%) matches the combined vote share of the TDP and the BJP in 1998. If the BJP had not contested as an ally of the TDP and had fared even half as well as it did in 1998, the TDP might well have faced defeat.

The TDP – BJP combine won comprehensively in all the three regions. Even in Rayalseema, the last remaining bastion of the Congress (I), the TDP-BJP combine took 4 seats from the Congress (I) and improved on its vote share over 1998. In Telangana, considered the region where the BJP is the strongest, the TDP-BJP's combined vote share fell by 3% points, but it managed to finish well ahead of the Congress (I). This is the region where the left parties secured a reasonably good share of the popular vote. This was also the first election, since 1984 that the left parties did not contest as part of a broader

alliance, and their performance this time was not good. In the coastal region, the TDP-BJP alliance won all but 2 seats.

In all, the TDP retained 141 of the seats it had won in 1994, passed on 8 seats to the BJP, and won back 15 from the left parties, its former allies. The Congress retained only 10 of the 26 seats it had won in 1994, but took 65 from the TDP and 15 from the left parties.

A carefully crafted alliance and a successful transfer of votes were thus, crucial to the TDP's victory. The CSDS survey data show just how successful the vote transfer from the BJP and the TDP to the new combine was, notwithstanding the dissatisfaction in the state unit of the BJP over the terms of the alliance.

Underlying the TDP-BJP's successful coalition was the forging of a new social coalition of the upper and middle castes. The addition of the BJP's votes strengthened the TDP's position among the upper castes and the peasant OBC's besides consolidating its traditional Kamma votes. These gains more than compensated for the loss of the votes of the scheduled castes and tribes owing to the break with the left parties and of Muslims, who shifted their allegiance to the Congress (I). Even so, the TDP-BJP combine enjoyed more support than the Congress (I) did among the adivasis; the TDP's share of votes of Muslims is one of the highest for any ally of the BJP.

The class profile of the TDP-BJP alliance shows an uneasy coming together of the upper classes (who predominantly supported the BJP) and the lower classes (who support the TDP). The Congress (I) fared well among the middle classes but was squeezed from the upper end by the BJP and the lower end by the TDP.

To conclude, the political process in Andhra Pradesh has witnessed an interesting pattern of development since the birth of the TDP in the early 80's as far as party configurations are concerned. The emerging pattern has provided a site for struggle between the erstwhile dominant party, the Congress and its prominent challenger, the TDP. To a great extent, the party system in Andhra Pradesh can be termed as bipolar²⁰. The verdict of the electorate, since the advent of the TDP has displayed two distinct patterns. The first pattern has invariably led to a majority of either of the two dominant parties in the assembly and other elections. More often the anti-incumbency factor has also swung the votes and pulled down the Congress or TDP regimes in the past. However, the emphatic victory of the TDP in the general elections of 1999 does offer an exception to this rule.

The second trend can be perceived in terms of an acute on going tussle between the two dominant antagonists to capture votes and thereby seats. At times, the contest between the two is so keen that the leading party has only acquired a marginal edge or a slim majority.

It is indeed ironical that while economic reforms and rolling back of the states led to the defeat of the Congress Party in the 1994 state assembly election, the same developmental policy when pursued by the Telugu Desam party led to its victory in the 1999 assembly and Lok Sabha elections, even defying the trend of anti-incumbency which has been a feature of state elections since 1983. Besides the 1999 election, another feature of the two Lok Sabha elections held in 1996 and 1998 had been consistent good performance by the Telugu Desam party. While the many factors that might have led to the same have already been analyzed, the leadership factor, as also that of the manner of its functioning needs to be noted.

In its electoral campaign, the TDP has more often espoused a populist but apparently modern agenda of emancipating the poor. Competitive politics in India in general, and Andhra Pradesh in particular, under multi-party conditions is driving political parties to siphon off vote-banks by fragmenting realities in particularistic terms. In the process identities from caste and gender related ones, to region and language based ones are being exploited to garner votes.

The new style of politics of Naidu, is changing the terms of the discourse and the vocabulary of politics. Before him, very rarely did any party bring the developmental agenda to the foreground. The people of Andhra Pradesh are

said to be engaged in harangues over the merits, achievements or failures of the TDP sponsored programmes.

Naidu's objective of bringing professionalism into politics is fundamentally different from the approach of those who chose in the yesteryear to pursue politics as a lucrative profession. In view of this new style of politics, if opposition parties mean to engage in debates with the TDP, they will be constrained to offer an alternative developmental agenda. After all, one type of developmental politics can only be countered by another form of developmental politics.

Endnotes

1. The two possible electoral outcomes of following two track arrangements are : firstly if the opposition chooses to champion distributive issues, incumbents will also feel the need to join in, with competitive populism as the most likely outcome. Conversely, if thanks to its own understanding of 'constraints, the opposition cooperates with incumbents to keep distributive claims off the political agenda, attention may shift to non-economic appeals as mobilisational tools. See Kohli, Atul (1993), "Democracy amid economic orthodoxy: trends in developing countries', *Third World Quarterly*, vol.14, no.4.
2. According to a CMS- Frontline opinion poll conducted in 16 constituencies in Andhra Pradesh during the assembly election in 1994, the communal card had, had little effect among Andhra Pradesh voters. Frontline - CMS (1994), 'Opinion Poll', *Frontline*, vol. 11, no. 24 (19 November)
3. Pai, Sudha (1996), 'Elections and fiscal reforms', *Economic and Political Weekly*, vol. 31, nos. 2 and 3 (13 January), pp 142-148.
4. P.V. Narasimha Rao was then Prime minister and belonging to Andhra Pradesh, hr personally supervised the electoral campaign in the state Assembly elections.

5. As N.T.R argued, “Is not everything under the Congress Subsidized? Is not the Congress Government subsidized by the World Bank and the M.N.Cs? Is not power for the rich city dweller subsidized? Is not irrigation for rich farmers subsidized?” . He thus held that the argument that provision of cheap food will necessarily mean fiscal indiscipline was debatable.
6. Pai, Sudha (1996), ‘Elections and Fiscal reforms’.
7. More than half of the fourteen page document recapitulated the ‘achievements’ of the P.V. Narasimha Rao government at the Centre on economic policy, GATT, the public sector, raising employment, empowerment of weaker sections etc.
8. It has been argued that perhaps Andhra Pradesh is the only state where the impact of reforms has been disastrous for the poor, particularly the traditional occupational groups dependent on farming, weaving, fishing and so on. As a result it displayed a relatively higher level of political awareness as was evident in the movement against Arrack, struggles against aqua farming in the coastal areas and the handloom weavers’ and beedi workers’ struggle against the new economic policies. See K. Srinivasulu (1996), ‘Strategic Victory’, *Frontline*, vol.13, (15 June), pp 83-84.
9. Pai, Sudha (1996), ‘ Elections and Fiscal Reforms’.
10. Ibid.; pp146

11. Party factionalism which was rampant in the Congress also inflicted the Telugu Desam party. This was seen in the exit of Rajya Sabha member Renuka Chowdhry from the party, six months prior to the election. Besides this, Rama Rao also distanced his sons in law, D.Venkateshwara Rao and N. Chandrababu Naidu. As rival Centres of power, they wielded considerable sway over the party, next only to the President. However in terms of rebels, TDP was better placed as the rebels were not that important, on the other hand, the heavy weights in the Congress, like Rajshekhar Reddy commanded a solid following in Rayalseema and other parts.
12. During the 1985 TDP regime, every green card holding family had received rice at Rs.2 per Kg. and other benefits. Hence the poorer sections were confident that the TDP would actually fulfill its promises. Andhra Pradesh has the largest number of landless agricultural labourers among the states who stood to gain directly from N.T.R.'s cheap rice scheme.
13. K. Srinivasulu. (1996), 'Strategic victory'.
14. The TDP and its allies won 37.9% of the vote share while the Laxmi Parvathi group won 10.6%. What the undivided TDP and its allies won in the 1994 election was 50.3% of the vote share. See election analysis, K. Srinivasulu. (1996), 'Strategic Victory'.

15. See CSDS data unit, K. Srinivasulu and Prakash Sarangi (1999), 'Political Realignment in Post NTR Andhra Pradesh', *Economic and Political Weekly*, vol. 34, nos. 34 and 35 (21 August)
16. Mudragada Padmanabham, a dissident Congress(I) leader belonging to the Kapu community with a considerable influence in the two Godavari districts, not only among the kapus but also among the other communities, joining the BJP on the eve of the elections, considerably shifted the support base of the Congress(I) to the BJP.
17. As Naidu often said, "For the past four years, I have worked 18 hours a day. For Andhra's health, I have sacrificed my health, my family lifeIf I can work hard, why can't you?"
18. Janmabhoomi is one of the community participation programmes initiated by Chandrababu Naidu. Launched in January 1997, the programme aimed at achieving overall growth in the state and improving the quality of life through direct people's participation in the development process. The basic idea is that instead of paying construction companies to carry out developmental projects (such as dams, Schools or health Centres) the government uses local people instead. At the same time part of the financial cost of each project (typically 30%) is borne by the people who will benefit by the scheme. This may be in the form of financial donations or free labour.

19. See CSDS data on Andhra Pradesh, region wise analysis and Lok Sabha elections. Frontline (1999)
20. Harshe R. and C.Srinivas (1999), 'Vote for development, how sustainable', *Economic and Political Weekly*, vol. 34, (30 October).

CONCLUSION

The second phase of economic reforms in India has focused attention on the reforms in the states. The emergence of regional parties on the national scene in the 1990s, has aided this process leading to what the Rudolphs term as emergence of a 'federal market economy'. However the political experiences of national and state level governments in undertaking reforms has been quite different. In the Andhra Pradesh State assembly elections, while the Congress lost in 1994 after initiation of economic reforms at the national level, the Telugu Desam Party won in the 1999 elections after initiating reforms at the state level in 1995. In both cases, the three top four year experience of reforms had not led to an accelerated growth rate or provided any tangible benefits to the socially and economically deprived. While at the national level, no comparative scale was available to evaluate the performance of the central government in the post reform period, at the level of the states, Andhra Pradesh lags far behind other states which achieved far more in the same period. In fact, among the southern states, only Tamil Nadu is included among the six fastest growing states in India.

Thus, as liberalization, per se, has not brought about any discernible economic benefits, it is the political aspect of development strategies which plays an important role in electoral politics. While the political

strategy termed as the 'politics of accommodation' by G Ram Reddy and later that of 'populism' served the Congress well, the same strategy when placed within the broader context of assertion of 'Telugu pride' as articulated by NT Rama Rao provided a winning formula to the Telugu Desam Party in the 1983 State Assembly elections. Thus while both the parties defined development in terms of social justice and pursued the politics of populism, it was the regional party that won the election. The popularity of a regional party may also be explained with respect to the factor of proximity. The Congress being a national party is not associated with one particular region and is thus unable to project an image of being exclusively concerned with the interests of any one state. Moreover, national concerns often tend to override regional concerns. This feature was favourable to the Congress in the 1977 Lok Sabha elections when it had won a decisive victory in Andhra Pradesh in particular and the southern states in general.

Though this trend does not hold true for subsequent elections, such as the 1989 assembly elections when the Congress was victorious, the factor of proximity gets accentuated in the context of the quasi-federal system of government that came to be established in India. While a degree of decentralization in the political sphere was achieved by the passage on the 73rd amendment act, leading to the establishment of Panchayati Raj institutions, greater political autonomy has been achieved at the level of

the states on account of successful coalition governments coming to power at the Centre which increasingly consist of regional parties.

While in the economic sphere, those states now have greater discretion and powers to attract private investment and negotiate directly with international funding agencies, they continue to remain dependant on the Central government for devolution of resources and grants in aid to fulfill their expenditure requirements. This feature has often been used by state governments which cite the lack of funds from the Central government as the main reason for their economic bankruptcy.

The most recent instance of this was the agitation launched by the states against the recommendations of the Eleventh Finance Commission , which has channeled a relatively larger amount of funds to the poorer states. This agitation was infact led by Chandrababu Naidu who argued that the state was being discriminated against for doing well. Besides the issue of discriminatory treatment by the Centre, the Andhra Pradesh government's White paper on fiscal reforms strategy, argues that the declining share of the central transfers from 40.46% in 1997-98 to around 35% in 2000-2001 has put pressure on the state's own resources to meet the needs of development and anti poverty programmes. Thus, while the state government is projected as pursuing the goal of modernization, the

responsibility to achieve social justice and the consequent failure to do so is attributed to the Centre.

To go a step further, as argued by K Balagopal, while Chandrababu Naidu has a long-term vision for the state based on high growth rate and modernization, there is also an underlying impatience with claims of social disadvantage or structural disabilities.

Also, an interesting trend in Indian society is the way this viewpoint has risen to ascendance in the last decade or two. In Andhra Pradesh however, this ascendance is attributed in part to the rise of the Telugu Desam party. Impatience with emphasis on welfare and concern for the disadvantaged that early on characterized the Indian polity shaped by the expectations of the social and political churning that we call the freedom struggle is an attitude that has been hardening over the years in Indian society. While the Congress party also provided space for this impatience, inertia in an organization as old as the Congress as also there being many within the party who had made a career out of representing the disadvantaged, made it unfit to take on the new vision.

However, the paradoxical situation of this section of society which has come to support full fledged corporate capitalism was that, they needed a charismatic leader to put their interests in power, but wanted the leader to

eschew the 'populism', wasteful and inefficient, that gave him the charisma, and be a hardheaded businessman chief minister of the type that Chandrababu now proudly declares himself to be. NT Ramarao fulfilled the requirement of the charismatic leader. What resolved the paradox was the bold decision of Chandrababu to step in as the replacement, to be the Man of the Times.

Further, the argument that the schemes meant for the welfare of a few have rendered the economy bankrupt wins by playing upon common human feelings of guilt and has been used with considerable success by dint of tireless insistence by governmental spokesmen as well as editorial writers in newspapers: and in any case there is a tendency among people to see welfare, not as a rightful due of those who are rendered disadvantaged by unequal social and economic conditions, but as munificence, transient as all charity.

One can thus say that while the victory of the Telugu Desam party in the 1999 assembly election was seen as an endorsement of its economic liberalisation programme, the victory cannot be sustained if it caters to only a few sections of society. The defeat of the Telugu Desam Party in the recently held Panchayat elections which the party deferred for almost a year, may well be the beginning of the declining popularity of the party.

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