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Dynamics of Governance and Development in India

A Comparative Study on Andhra Pradesh and Bihar after 1990

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Erstgutachter: Professor Subrata K. Mitra, Ph.D. (Rochester)

Zweitgutachter: Professor Dr. Dietmar Rothermund

vorgelegt von: Seyedhossein Zarhani

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Acronyms and Abbreviations

AIADMK	All India Anna Dravida Munnetra Kazhagam
AP	Andhra Pradesh
BC	Backward Caste
BJP	Bharatiya Janata Party
BJS	Bharatiya Jana Sangh
BLD	Bharatiya Lok Dal
BSP	Bahujan Samaj Party
CPI	Communist Party of India
CPI(ML)	Communist Party of India (Marxist–Leninist) Liberation
CPM	Communist Party of India (Marxist)
DMK	Dravida Munnetra Kazhagam
IMF	International Monetary Fund
INC	Indian National Congress
JMM	Jharkhand Mukti Morcha

JD	Janata Dal
JD(S)	Janata Dal (Secular)
JD(U)	Janata Dal (United)
JP	Janata Party
KCR	Kalvakuntla Chandrashekar Rao
LJP	Lok Janshakti Party
MIM	Majlis-i-Ittihad-al-Muslimeen (Association for Muslim Unity)
MLA	Member of the Legislative Assembly
MP	Member of Parliament
NCO	Indian National Congress (Organisation)
NDA	National Democratic Alliance
NTR	NT Rama Rao
OBC	Other Backward Castes
RJD	Rashtriya Janata Dal

Rs	Rupees
SC	Scheduled Caste
SP	Samta Party
SDP	State Domestic Product
SSP	Sanghata socialist party
TDP	Telugu Desam Party
TRS	Telangana Rashtra Samithi
UPA	United Progressive Alliance
YSR	Yeduguri Sandinti Rajasekhara

1 Introduction

1.1 Casting the Context

“India's massive developmental problems demand the state's attention, but no problem in India is likely to be more serious than is disintegration of the major problem-solving institution, namely, an effective democratic state.” (Kohli 1990, 6)

“India must be the most dramatic case of a failed developmental state.” (Herring 1999, 306)

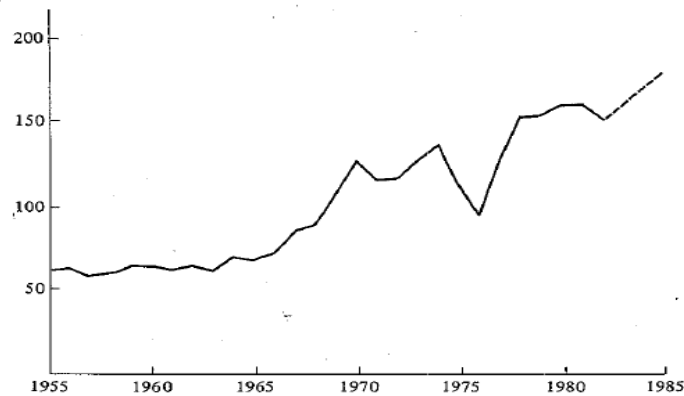
The above statements hint unequivocally at the scholars' pessimistic view on the capability and functions of India's political system to enforce rules and enhance economic development during the 1990s. Kohli in his *Democracy and Discontent: India's Growing Crisis of Governability* (1990) observes India as a functioning democracy; nevertheless, “increasingly it is not well governed.”

Kohli explicates how the decline of *Congress system*¹ contributed to the crisis of governability in India. He explains the crisis of governability as the result of 'organizational vacuum,' which took place after the decline of Congress Party's position without being replaced (Kohli 1990, 6-9).

Following Huntington (1968), Kohli tries to explain how the fraction of Indian elites both in the Center and the regional level caused destabilizing competitions and resulted in the deinstitutionalization of the political system. The increase of political instability was the symptom of the increasing deinstitutionalization. Considering political instability in India, he understood the 1980s as a period of 'deinstitutionalization'; thus, he predicted more government instability, an increase of class and community conflicts, and the growth of violence as symptoms of a crisis of governability in the next decades.

¹ Kohli's definition of *Congress System* is based on Kothari's conceptualization. Kothari (1964, 1162) with a focus on the role and position of Congress Party, depicted Indian system as “a system of one party dominance which, it may be noted, is very different from what is generally known as a one party system.” The Congress system not only dominated the Center for quite some time, but also dominated in all subnational States. As Rothermund (2008, 15) notes, after introducing universal adult suffrage by The Representation of People Act 1951, which reconfirmed the majority election system, the Congress won general election of 1952, 1957 and 1962. In this era, the Congress party was very active in the parliament and there is no strong opposition, who could challenge the Congress.

Figure 1 Political violence in India 1955-1985



Source: Kohli (1990, 8)

In the same way, Herring (1999) claims ‘embedded particularism’ affected the state–society relations in India negatively; subsequently, he labels India as a ‘failed developmental state.’ He concentrates on the economic growth rate of India and success of poverty eradication policies as two significant economic performances. While India was witness to 3.5% annual growth of GDP between 1950 to 1980, branded as ‘Hindu rate of growth,’¹ the average rate of growth of other developing countries was around 4.9% per annum in the same period (Herring 1999, 310). Following Johnson (1987) who worked on the institutional roots of development in East Asian countries, Herring tried to find differences between India and East Asian Tigers. Comparing India and East Asian states, Herring (1999, 306) finds several similarities in the historical context, international position, and developmental aspiration; however, despite these resemblances, the result of India’s state-led development was only ‘license-permit-quota raj.’ He realizes the characteristics of India’s state as the best explanatory variable. Inspired by Johnson’s developmental state theory (1982, 1987) and the neo-statist notion of ‘bringing state back in’ Herring perceived scrutinizing of the Indian state’s characteristics as the best tool to analyze India’s undesirable economic performance. He described Indian state as the soft, pluralist class, overextended, imprisoned or structurally trapped, iron frame, and contested federal state (Herring 1999, 313-315).

¹ For the first time, the famous Indian economist Raj Krishna described India's disappointing trend growth as the ‘Hindu rate of growth.’ As Ganguly and Mukherji (2011, 60) noted, this term was employed with a secular point of view and referred to traditional characteristics of India that were considered to be a barrier to economic growth.

In sum, according to these studies, post-colonial India not only was considered as a failed developmental state that could not achieve its developmental goals but also gradually could not enforce the rules and became more unstable.

In contrast to the pessimistic predictions of the studies above, the political and economic scenario in India has fundamentally changed since the 1990s. In one hand, the level of political instability and violence decreased; on the contrary, the annual rate of GDP growth has increased sharply. The next generation of studies addresses these changes. As Mitra (2006) exposes, despite the consistent crises and persistent violence, post-colonial India has preserved its democratic institutions. Similar to Kohli (1990), Mitra (2006, 8) uses the *incidence of riots* and *murders* as quantitative indicators of the orderly rule as the key manifestation of effective governance. Despite Kohli's prognosis, Mitra (2006) provides evidence, demonstrating the level of the orderly rule has increased since last three decades, and the number of riots and political violence declined.

Figure 2 Riots in India, 1950–98



Source: Mitra (Mitra 2006, 8)

Likewise, after the 1990s, India's transformed Hindu rate of growth to what *The Economist* (2010) called it 'India's surprising economic miracle.' Figure 3 exposes how India's GDP per capita swiftly increased after the 1990s.

Figure 3 India's GDP per capita (Constant US\$) 1960-2015

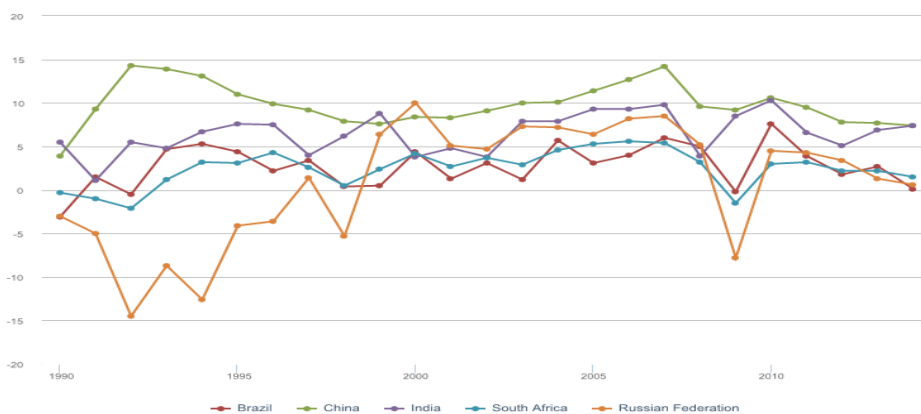


Source: World Development Indicators (2015)

Average of annual growth rate of India's gross national income during the First to Seventh economic development plan was less than 4%. Nevertheless, it increased to 6.5% in the Eighth Plan (1992-97), 5.6% in the Ninth Plan (1997-2002), 7.6% in the Tenth Plan (2002-2007), and 7.8% in the Eleventh Plan (2007-2012). (see Economic Survey 2014-15 2015a)

According to World Development Indicators (2015c), similar to China, India's economic growth rate was 7.4%, and Indian economy grew more rapidly than economies of other members of BRICS such as Brazil, South Africa, and Russia.

Figure 4 GDP growth of BRICS Countries, 1990-2014



Series : GDP growth (annual %)
 Source: World Development Indicators
 Created on: 07/07/2015

Although, India has considerably less GDP Per Capita in comparison to East Asian states such as Japan, South Korea, Taiwan, and Singapore, considered as the successful developmental states; nevertheless, India's economy grows more rapidly than others.

Nevertheless, as Sinha (2005, 30) notes, comparing India with East Asian state (especially four tigers) can lead to simplistic conclusions. This kind of cross-national analysis that have become popular after the rise of 'developmental state theory' essentially neglects the differences between India and Japan, South Korea or four Asian Tigers in term of territorial size, population, political system, and internal heterogeneity. These range of comparative studies are unmindful about the *internal architecture* of state in India.

Most of India's regional states can be compared with other independent nation-states in term of size, GDP, and population. For example, as *the Economist* (2011) depicted, Andhra Pradesh's population is equivalent with Egypt and a little bit more than Iran. Furthermore, AP's GDP can be compared with Slovakia and its GDP per capita with Nicaragua. The result of the comparison between Andhra Pradesh and these nation-states is noticeable.¹ From 1995 to 2014, while of Andhra Pradesh had average 7.05% per annum growth, Iran experienced 3.52% growth, Egypt 4.37%, Slovakia 4.04%, and Nicaragua 4.01%. Likewise, if Gujarat were a nation-state, it would be one of the fastest growing economies in the world with its 7.96% annual growth rate during last two decades.

In the same way, some India's States had a better performance in comparison to other states. For example, the average of Gujarat's Growth Rates (GSDP) at constant prices from 1995 to 2014 is 7.96%, Andhra Pradesh 7.05%, West Bengal 6.62%, and Jammu and Kashmir was 5.22%.

Moreover, different States had a different economic performance in the same period. While Bihar's disappointing rate of growth was -5.15% in the 2003-2004 financial year, Gujarat experienced the fascinating rate of 14.77%. In the same year, Andhra Pradesh with 9.35% growth had a better performance than the average of India (8.2%) and West Bengal was witness to only 6.2% growth (Planning Commission 2014, 167).

¹ This calculation was done based on the data of World Bank development indicators (2015c) and statistics of Government of India's planning commission (2014).

Also, the effects of this economic growth on the ordinary people's life as the manifestation of development should be considered. Using the multidimensional poverty index (MPI)¹, Alkire and Seth (2015) analyzed the change of level of poverty in India between 1999 and 2006. Their results show a considerable reduction in poverty in India as a whole and each of its different dimensions (education, health, and income). Their findings show that there is a considerable reduction in national MPI from 0.300 to 0.251, by 2.6% per annum between 1999 and 2006 (Alkire and Seth 2015, 91). However, the results also illustrate this reduction has not been uniform across different Indian States. For example, Andhra Pradesh had the best performance in an absolute reduction in MPI while Bihar reduced MPI the least.

Accordingly, the key changes in India since the last decade of the 20th century can be summed up in two statements. (a) After a sharp decline of the orderly rule in the 1980s, this decline did not become terminal and was reversed steadily after reaching the pick in 1985, so we can see a higher level of orderly rule after the 1990s. (b) India in the last two and half decades has seen the respectable rate of growth at more than 6.5%² and a significant reduction of mass poverty. Though per capita income in India has remained low in comparison to East Asian developing countries, the size of India's economy has become 4.5 times larger than 1990³. However, the rate of growth and level of poverty reduction was not similar in different subnational States. Despite common formal institutions and operating under a common set of rules, some State had a better performance than India's average, and some had a very low rate of growth.

How can these changes be interpreted? Why some India's regional or sub-national States have performed better in term of economic achievements rather than others? What kinds of theoretical toolbox can offer effective tools to for a better explanation of these diversities? Do neo-liberal approach and its affiliated good governance discourse explain the nature of development? Can this drastic changes and success only be attributed to the policy level and policy-makers' decisions in the Center which adopted and implemented the neo-liberal and pro-market policies? Alternatively, do neo-statist theories⁴ with their emphasis on the role of

¹ As Alkire et al. (2015) defined and constructed, the Multidimensional Poverty Index (MPI) is based on ten indicators grouped into three dimensions: Education, Health, and Standard of Living. The education dimension includes years of schooling and school attendance. The health dimension of the MPI includes nutrition and child mortality. Finally, the standard of living dimension consists of electricity, sanitation, water, flooring material, cooking fuel, and asset ownership.

² According to my calculation based on the World Bank development indicators, India's average GDP growth between 1990 and 2014 is 6.51%.

³ India's GDP (constant Price 2005) in 1990 was 350,241,409,728.75 \$. It increased to 1,600,268,265,249.33 \$ in 2014.

⁴ During the 1980s, scholars ranging from comparative historical sociology to specialists in the economics of development concentrated on the role of the state and its impact on the economy. The widely cited '*Bringing the*

the state in the development depict a clearer image? Are there any significant changes in the institutional arrangements or political process, which caused more autonomy for the States in term of policy making and implementation?

1.2 Ongoing Debate: Role of State in Development in India

Two theoretical perspectives within the political sciences have inspired the contemporary debate on the role of the State in economic development in developing countries and particularly India: (a) neo-liberal perspective, and (b) neo-statist perspective.

Neo-liberal perspective usually understands ‘India’s big bang’ as a result of the changes in the economic policies after 1991. The government of India’s new pro-market policies such as the abolition of License-Permit-Quota Raj, ending trade control, liberalization of financial services and trades, reduction of tariffs, and privatization of public sector enterprises has been seen as the engine of economic growth. This conventional narrative distinguishes mainly between two different phases of India’s economic history. In the first phase, after the independence, Jawaharlal Nehru as India’s first Prime Minister pursued self-resilience strategy through import substitution, centralized planning, and capital-intensive industrialization. After the independence, India pursuit a development strategy with two pillars: inward-looking attitudes and extremely interventionist approaches.¹ As Cerra and Saxena (2002, 3-4) illustrated, the post-independent development strategy consisted of “import protection, complex industrial licensing requirements, financial repression, and substantial public ownership of heavy industry.” The neo-liberal perspective criticized India’s inward-oriented policies and largely state-directed strategy of development. The common conclusion of neo-liberals is that the legacy of this phase was centrally economic planning, an unbelievable quantity of bureaucratic red tapes and limitations, and massive inefficiency. The common negative view on economic planning between 1950 to 1980 and state intervention can be found in the works of scholars such as Bhagwati (1993) and Ahluwalia (1985).

State Back In’ (Evans, Rueschemeyer, and Skocpol 1985) was a turning point in the comparative political economy. The book mainly asserts that the character of political institutions in a society significantly determined economic development of society. This idea had a direct influence on the next generation of researchers. The fundamental assumption of this approach is that institutions matter for political as well as economic outcomes. Moreover, this approach deals with the quality of institutions as a crucial element of governance. The neo-statist scholars assert that market cannot be self-regulating and state should have some interventions. The Theory of Developmental State is the main manifestation of this approach. This theory tries to offer an explanation for the East Asian industrialization and with a focus on the role of capitalist developmental goes beyond the contrast between the liberal-capitalist and centrally planned economies.

¹ The neo-liberal perspective mostly neglects the short-lived liberalization in 1966 and the causes of its emergence and downfall (See Mukherji 2014, 38-59).

According to the neo-liberal perspective, the second phase of India's post-colonial development history begins with neo-liberal economic reforms after 1991. The significant shift in the economic and financial policies was perceived as the consequence of the currency crisis of 1991. The 'BoP crisis'¹ was a turning point in the economic history of India. As *The Telegraph* (2009) reported, in 1991 India's foreign exchange reserves were around \$1.2 billion, barely sufficient for three weeks' imports. Consequently, Government of India needed an emergency financial support from International financial and aid agencies like IMF and the World Bank. So, the government of India implemented the first comprehensive economic policy reform program with the support of the World Bank in the framework of structural adjustment operation (SAL). The World Bank identified two objectives for SAL in India (2012):

- “(1) to help India address its immediate balance of payments crisis, and
- (2) to support a broad set of policy reforms aimed at liberalizing the Indian economy and opening it up to more competition both from within and abroad.”

Based on the neo-liberal perspective, Prime Minister Narasimha Rao and his Finance Minister Manmohan Singh introduced a wide-range of economic reforms such as removing licensing requirements in industries, deregulation of foreign trade, and facilitation of inflow of Foreign Direct Investment (FDI), improvement of tax administration and liberalization of the financial market. The neo-liberal perspective explains the current wave of rapid economic growth as the result of the changes in the Government of India's policies after 1991.

However, these conventional neo-liberal perspectives criticized in the different ways. As statistics illustrates, India's real GDP growth rose from Hindu rate of growth (3.5% per annum in the 1960s and 1970s) to over 5% per annum in the 1980s. Therefore, Kohli traces the roots of economic transformation in India in the 1980s; and writes:

“I thus argue that the acceleration of economic growth in India began around 1980, and not in 1991 and not in 1991, it was a product, not of liberal policies adopted in 1991, but of a growing state-capital alliance for economic growth that was initiated by Indira Gandhi, and that by now matured into central feature of India's political economy.” (Kohli 2009, 13)

¹ The World Bank summarized factors such as years of macroeconomic imbalance, political instability, internal conflicts, and the oil shock resulting from developments in the Persian Gulf in 1990 as the reasons that caused tremendous difficulties in managing India's balance of payments.

In the same way, McCartney (2010, 2) asserts that the period from 1950 to 1980 should not be seen as a whole. He recognized a trend of growth from 1951 to 1964 in which India's economy grew by over 4% per annum. With a neo-statist approach, he consternates on the nature of Indian state from 1950 to 1965 and its impact on the more satisfactory economic performance. McCartney (2010, 9) argues that Indian state shared some features of developmental states in the early 1950s such as developmental elites, the autonomy of state, and more meritocratic and elitist civil services. As McCartney (2010) argues, contrary to much accepted neo-liberal perspective, state's intervention has had a key role in enhancing economic growth in India before what it is called neo-liberal reforms.

However, the majority of academic work, discussing the role of the state in the economic success or failures (for example Bardhan 1984, Rudolph and Rudolph 1987, Herring 1999), deal mainly with the role of 'Central Government' as a unitary actor. For example, when Rudolph and Rudolph (1987) talk about *India's weak-strong state*, they perceive it as a unitary actor. Similarly, when Herring (1999) or Kumar (2008b) spoke about India as a (failed) developmental state, their perception accompanied with a unitary and top-down notion of state.

In sum, the neo-liberal perspective (pro-market approach with a minimum intervention of state), as well as the neo-statist approach (mostly based on East Asian authoritarian developmental state model), recognize 'state' as the key variable that had a positive or adverse impact on India's economic performance. Nevertheless, both of them mostly perceive the state as 'Central Government' or 'union government' This perception accompanies with an aggregate, unitary and top-down notion of state.

1.3 State of Problem and Significance of Study

The study of the development in India is significant for several reasons. First, India has emerged as a fast-growing state during last three decades despite all pessimisms. Second, the rate of economic growth and poverty reduction were not similar in different India's subnational States. Although the Center has introduced and implemented several economic reforms since 1991 to enhance economic development, the results of implantation vary in different subnational States. As it will be more elaborated, some States have had a disappointing economic performance, and some had better performance than average. Why?

Most of the studies above (both the neo-liberal and the neo-statist) explicitly or implicitly consider state (with a focus on the aggregate level) as the core explanatory variable for analyzing development or underdevelopment in India. However, as Sinha (2005, 27) indicates,

both the neo-liberal and the neo-statist approaches understand state as a “*unified actor*, which either succeeds or fails but does so coherently.” The majority of debates on the necessity of state’s intervention in the economy, the impact of state’s institution on development, regime type and growth, and weakness and strength of state are almost based on this unitary and the top-down notion of state. These studies usually consider the Center, ruling party, and elites are the primary sources of reference. These approaches look at Jawaharlal Nehru, Indira Gandhi, Rajiv Gandhi, Narasimha Rao, Vajpayee or Manmohan Singh, as the key players in politics of development; therefore, their ideas, attitudes, and decisions are the crucial determinant of development or under development. Most of the literature on the relations between state and economy in India concentrate predominantly on nature or policies of the Center or the role of leadership in Delhi. Can this image of the state provide us an appropriate and useful theoretical framework to analyze politics of development in India after 1991?

Although these studies improve our understanding of the role of the Center in politics of development, the biggest problem is looking at India’s state as a unified and singular entity. India’s Constitution safeguarded the unity as well as diversity. Although the Center has a major role in the Constitution, the subnational States have a major role in policy making and implementation of them. The Constitution, through forming an unusual federal design make a balance between the national interests in one hand and local and regional interests on the other hand. The interrelations between state and development in India with the diverse political processes in the framework of complicated and multi-layered structure (from the Center to villages) and varied institutions in different social and ethnolinguistic contexts cannot be comprehended in an aggregated perspective. The state in India includes complex layers of institutions, providing ‘room to maneuver¹ for the regional leaders, and empowering them for interactions with the Center and local people based on social and political context (Mitra 2006, Mitra 2008, Sinha 2005). That is why the current study keeps a distance from the traditional notion of government; on the other hand, it employs governance discourse with its focus on complexity, diversity, and dynamics of state-society interrelations (see Kooiman 2003).

Two significant factors can be regarded as a determinant of this diversity and complexity. Socially, India is the most heterogeneous state in the world in terms of ethnicity, language, caste and religion. India’s population as per the 2011 census at 1.2 billion; and it is 1.6 times

¹ Mitra (1991) for the first time used this term to analyze the remarkable political stability in India’s democratic system and its institutional flexibility in the Constitution. According to him (Mitra 1991, 391), “room to maneuver is created when bureaucrats, political decision makers, and the law of the land accept the legitimacy of multiple modes of participation from below.”

more than all Europe. With 22 officially recognized languages, and diverse religions such as Hinduism, Islam (Shia and Sunni), Buddhism, Christianity, and Sikhism, India is a far more diverse and complicated entity than whole Europe.

Politically, India adopted a federal rather than the unitary structure of government. As Mitra (2006, 65) noted, federalization has emerged as one of the ‘fundamental characteristics of governance in India.’ According to Watts (1998), federalism is a normative category, denoting the opposite of unitary rule, involving the advocacy of federal principles. A federal system a descriptive term, referring to the broad types of federal arrangements that give federalism its institutional form. According to its Constitution, India is a Union of States; organized institutionally in the form of a federal political system with a Center and several subnational States¹.

Currently, India consists of twenty-nine (subnational) States and seven Union Territories (UT). The subnational States’ borders initially were drawn based on the linguistic boundaries. The States, Delhi and the UT of Pondicherry have then elected legislatures for their Legislature Assembly, with Chief Ministers in the executive role. The other UTs are governed directly by appointees of the Center. India’s Constitution gives both Central Government (Union Government) and State Governments right for legislation. The Constitution divides State power between the Union Government at the Centre and the governments of the subnational States. It divides the legislative authority between these two levels of administration through three subject lists: First, the union list contains 99 items which the Center can only legislate. Second, the state list which, it has 61 items and only at the state level can be legislated. Third, the concurrent list with 52 items, which the Center, as well as States, can legislate. The Constitution gives the Center exclusive authority to act on matters of national importance; and it has a superior authority in term of defense, foreign policy, currency, banking, and income tax.

However, States have the legal power to legislate in areas such as agriculture, land, education, health, and labor. Due to the fact that subnational States have the vast areas for legislation under state list and concurrent list, they can play a major role in the economic policy making process.

Additionally, State Governments are responsible for implantation of the Center’s economic policies at the regional level. Moreover, they are the administer of the Central Government’s

¹ As Mitra (2011, 87) noted, India’s federal design is an unusual kind and cannot be seen as the same with other federal systems. This federal design mixes the classic characteristics of federal government, with some unique features born out of the Indian context.

sponsored project and schemes; thus, they have a crucial role in the outcomes of these policies (Kennedy 2014, Panagariya, Chakraborti, and Govinda Rao 2014).

India's subnational States had dissimilar economic performances after the independence. This variance becomes more visible after the 1990s reforms than the past. As Gulati (1999), Nachimuthu (2009), Hanumantha Rao (2010), and Paul and Sridhar (2015) report, there is a growing trend of divergence among States.

The most obvious indicator of this regional divergence are Indicators like State Domestic Product (SDP)¹ Net State Domestic Product (NSDP)², Per capita SPD or NSDP, and their rate of growth. In 1980-81 per capita NSDP, (at constant prices, base 1980-81) of Gujarat was Rs. 1950, while that of Bihar was Rs. 917 which was less than half of Gujarat's per capita product. Noticeably, per capita NSDP of Gujarat in 1997-98 was Rs. 3976, while that of Bihar was Rs.1073, which now was around one-fourth of Gujarat's per capita NSDP.

Historically, the range of per capita NSDP among States was wide, and there is a gap between more developed States such as Maharashtra or Gujarat with less developed States such as Bihar and Uttar Pradesh; nevertheless, it has been widened after the 1990s.

Indian policy makers in the Twelfth Five Year Plan³ realize the inter-State inequalities in per capita income as a cause of concern. They recognize two reasons for widening this gap during the previous four Five Years Plans. First of all, while the rates of growth of SDP in many States like Andhra Pradesh, Gujarat, and Karnataka have been relatively high, the other States such as Uttar Pradesh (UP), Bihar and Rajasthan had a considerable lower rate of growth. Second, demographic changes and a higher rate of population growth in some states also played a role in the decrease of per capita SDP. Table 1 indicates the growth rates of the SDPs in several States.

¹ In the Government of India's documents such as five years plans, the State Domestic Product (SDP) is defined as the "aggregate of the economic value of all goods and services produced within the geographical boundaries of the State/UT, counted without duplication during a specified period of time, usually a year."

² In the Government of India's documents such as five years plans The Net State Domestic Product (NSDP) corresponds "the gross domestic product (GDP) minus depreciation on a State's capital goods. NSDP accounts for capital that has been consumed over the year in the form of housing, vehicle, or machinery deterioration. The depreciation accounted for is often referred to as capital consumption allowance and represents the amount of capital that would be needed to replace those depreciated assets."

³ The 12th Five Year Plan of the Government of India (2012–17) is a principal document, which illustrates the developmental goals and policies of government of India.

Table 1 Growth rates in SDP in the different states, averages for plan periods (% per annum)

States	Eighth Plan 1992– 97	Ninth Plan 1997– 2002	Tenth Plan 2002– 07	Eleventh Plan 2007– 12
Andhra Pradesh	5.5	5.4	8.2	8.2
Bihar	3.9	3.7	6.9	9.9
Chhattisgarh.			8.8	7.7
Goa	9.0	5.7	8.5	9.1
Gujarat	12.9	2.8	11.0	9.5
Haryana	5.2	6.1	9.0	9.0
Jharkhand			5.0	9.3
Karnataka	6.2	5.8	7.7	7.2
Kerala	6.5	5.2	8.3	8.2
Madhya Pradesh	6.6	4.5	5.0	9.2
Maharashtra	8.9	4.1	10.1	8.6
Odisha	2.3	5.1	9.2	7.1
Punjab	4.8	4.0	6.0	6.7
Rajasthan	8.0	5.3	7.1	8.5
Tamil Nadu	7.0	4.7	9.7	7.7
Uttar Pradesh	5.0	2.5	5.8	7.1
West Bengal	6.3	6.5	6.2	7.3
All India	6.5	5.7	7.6	8

Source: Twelfth Five Year Plan (2013, 35)

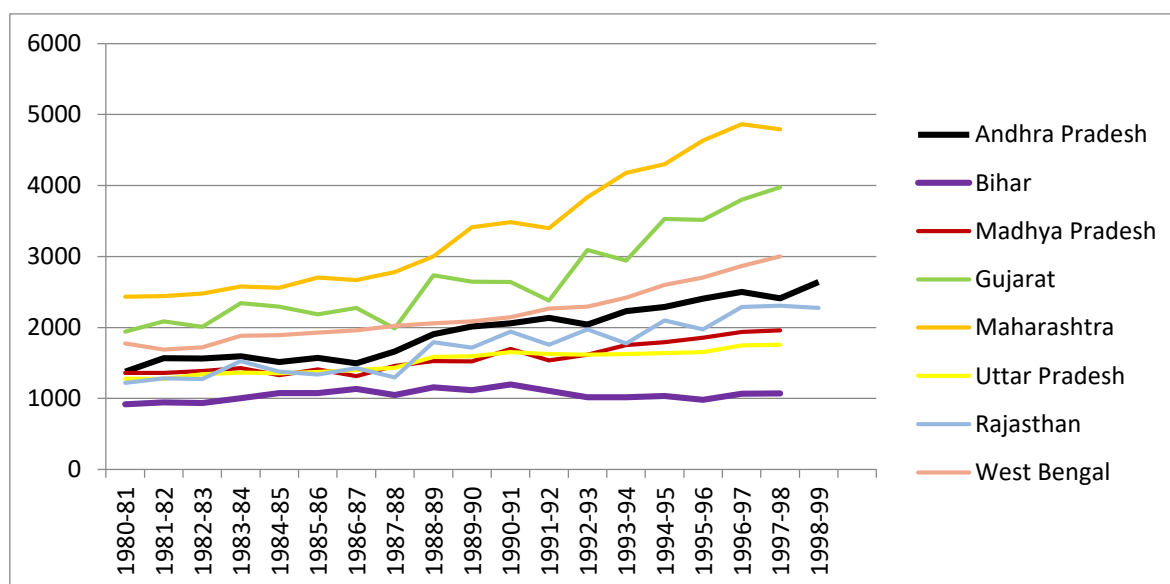
As we can see, the growth performance of India after the 1991 reforms shows a considerable contrast with what has been called the ‘Hindu rate of growth’; nevertheless, this higher rate of growth does not mean all India’s States have grown with the same speed. Some States such as Uttar Pradesh and Punjab grew slower than in India in all these years.

On the other hand, States such as Maharashtra or Gujarat grew faster than India’s average in three plans out of four. West Bengal in the first decade after the reform grew faster than Andhra Pradesh; nevertheless, Andhra Pradesh grew faster in the tenth and eleventh programs.

As Figure 5 depicts, in the 1980-81 financial year, per capita NSDP of already more developed States such as Maharashtra, West Bengal, and Gujarat¹ was more than that of BIMARU² States. The gap between these two kinds of State has been widening since the reforms.

The interesting case is Andhra Pradesh. Although per capita NSDP of this Southern State was at the same level of BIMARU States in 1980-81, Andhra Pradesh had a better performance especially after reforms; then, it has become gradually different with BIMARU. On the contrary, Bihar showed the worse growth performance in these two decades. As we can see, since the end of the 1980s, all other States even other members of BIMARU club have taken off; nevertheless, the trend of economic growth in Bihar remained without any change.

Figure 5 Per capita NSDP at factor cost in selected States (at constant prices, base year 1980-81) from 1980-81 to 1998-9



Source: Handbook of Statistics on Indian Economy 2005-2006 (2006), drawn by the author

As figure 6 depicts, the gap between the States in term of per capita NSDP has increased since the first decade of 21st century. Nevertheless, some significant changes in the pattern of regional development took place.

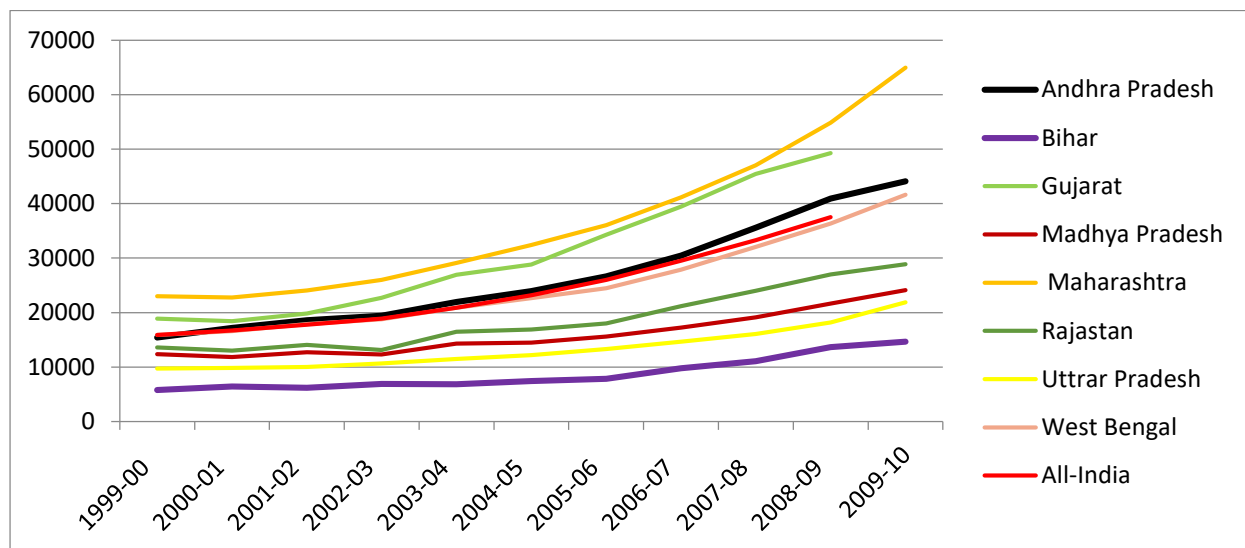
While Maharashtra and Gujarat as two previously more advanced states kept their rate of growth, West Bengal could not grow with the same speed. On the other hand, Andhra Pradesh,

¹ During the colonial rule, Maharashtra (called Bombay state before 1960), West Bengal (Bengal before 1947), Tamil Nadu (Madras before 1969) and Gujarat were economically and industrially the most developed regions in India. Bharadwaj's Study(1982) revealed that during colonial rule only few regions such as Bombay, Bengal and Madras which had import-export based industries developed more than other regions.

²BIMARU is an acronym formed from the first letters of the names of Bihar, Madhya Pradesh, Rajasthan, and Uttar Pradesh. BIMARU refers to a Hindi word 'Bimar' which means sick. The term was used to refer to the poor economic conditions in these backward states.

which had a lower level of infrastructure, development, and income, has performed better than West Bengal; therefore, its per capita NSDP has become more than the national average and States like West Bengal. In addition, Bihar, who was reluctant to growth for more than two decades, has been increasing its rate of growth swiftly since 2005-2006, but the gap still exists.

Figure 6 Per capita NSDP at factor cost in selected States (at constant prices base 1993-94) from 1999-00 to 2009-2010



Source: Handbook of Statistics on Indian Economy 2009-10 (2010a)

At first glance, it can be concluded that economic growth in India is a spatial phenomenon. Thus, when we talk about India's economic performance or the economic miracle of India, we should be aware of these regional variations. These dissimilar economic performances can be considered as the crucial puzzle for the comparative political economy.

How can these variations and divergence of economic performances in a nation-state be interpreted and explained? Why did Bihar remain relatively stagnant; on the other hand, Andhra Pradesh developed faster than the national average? Despite operating under a common set of formal institutions and political structure, these regional differences in economic performances of subnational States suggest us to move away from unitary and top-down notation of the state. While, both neo-liberal and neo-statist approaches perceive the state as a unitary actor or organization, this study based on the neo-institutional model of governance (Mitra 2006) perceives India's state as the multi-layered framework and ensemble of intuitions, allow subnational states and regional elites room to maneuver (Mitra 1991).

Dreze and Sen (1997, 3-4) observe these vast diversities and disparities in regional developments and suggest that scholars should examine the India's development experiences in disaggregated form:

“Given the extremely heterogeneous character of the Indian economy and society, India's achievements and failures cannot be understood in composite terms, and it is essential to examine the experiences in disaggregated form... The internal diversities in India offer a great opportunity to learn from each other.”

Therefore, unlike the majority of comparative political economy models, constructed on a unitary and top-down notion of state, this study argues that analyzing development in India as a federal and multi-level political system is not possible with a mere aggregate notion of state. As Kohli (1987, 3) argues, “the federal nature of the Indian polity allows for a disaggregated and comparative analysis within India.” Following Snyder (2001, 100), this study argues the ‘Center-centered’ perspectives which “treat the national level as an autonomous, separate sphere and obscures the connections between actors in the periphery and the Center” cannot explain disparities, divergences and different trajectories of development within India. Disaggregating state, this study concentrates on the micro institutional variables as well as interactions between the various levels of the political system. This study uses the neo-institutional model of governance based on rational choice theory and elaborates how regional politics, as well as external and exogenous variables, shape the developmental policies of regional leaders. Based on rational choice perspective, these regional political leaders are driven by human rationality, self-interest and tendency to maximize their interests from the games, rather than only influenced by tradition, and their local context. The study will demonstrate that after the decline of the Congress system, and transferring of several economic and financial authorities from the Center to the States after the liberalization, local leaders become key players in developmental politics in the States development.

In sum, most of the previous studies, concentrating on the role, structure, and nature of India’s state in its economic performance mostly neglected its federal characteristics and its developmental implications. This study argues that using good governance approach, as well as the implementation of the conventional developmental state models, cannot address the dynamics and process of development in India. Unlike the majority of both neo-liberal and neo-statist approaches, considering state as a unitary actor, this study tries to open up the black box of state and concentrates on the micro-institutional variables and the role of regional elites. This study opens up the black box of the multi-layered state of India and interactions among the Central Government, States, regional leaders and other stakeholders based on a neo-intuitional model of governance.

1.4 Gaps in Existing Literature

Needless to say, employing the prominent theoretical toolkits such as modernization theory or developmental authoritarian state theory to analyze the interrelations between governance and development in India cannot provide a satisfactory explanation about politics of development in India and political roots of the developmental variation among States.

For example, the famous claim of modernization theory is that “democratic development is an evolutionary phenomenon;” therefore, democracy is the result of “socioeconomic development, not a condition of it” (Leftwich 1996, 7). As Lipset (1959) points out, “economic development involving industrialization, urbanization, high educational standards, and a steady increase in the overall wealth of the society, is a fundamental condition sustaining democracy, and it is a mark of the efficiency of the total system (Lipset 1959, 76-79). Despite the modernization theory’s assumptions, India has been the most populous democratic country in the world since the 1950s; however, a considerable percentage of Indian citizens still are living in rural areas, and level of poverty even with of all efforts is relatively high. Interestingly, the rapid economic growth emerged several decades after the establishment of democratic institutions in India; therefore, the democratic political structure cannot be seen as a product of industrialization and urbanization. Oppositely, some scholars observe a strong correlation between an orderly rule, imposed by authoritarian regimes, and development. From the mid-1980s onwards, a new body of literature has emerged, arguing the economic performance of the ‘late industrializers’ in East Asia was largely attributable to government intervention and the synergistic relationship between the state and the private sector (Johnson 1987). Following Johnson’s argument, authoritarian developmental states are defined as the strong state regimes, engaging in facilitating fast capitalist growth. Authoritarian developmental states have characteristics such as centralized power structure and a strong drive to eliminate or subordinate all potential centers of countervailing power. Although authoritarian developmental paradigm can be implemented to scrutinize development in countries such as Singapore or Japan, except a short period of Emergency (1975-1977), there is no example of explicit centralization of power in India.

Therefore, not only Indian democracy and her political institutions after the independence had been not created and evolved by the historical context of urbanization and industrialization but also social and structural changes after the independence did not cause a major political disorder, threatening the democratic political system. Additionally, economic development in India is not the product of centralized authoritarian political structure that imposed rules on

society. That is why, India has been perceived as an outlier in theories of democracy and development; thus, this ‘exception’ requires a special explanation. Consequently, the idea of ‘Indian exceptionalism’ became popular which has been interpreted as the uniqueness of India; therefore, some scholars conclude that India as an ‘exception’ cannot be compared (Tillin 2013).

Remarkably, the notion of exceptionalism is criticized by scholars, concentrating on the State level studies. Defining ‘false’ universalism as the opposite of ‘false’ exceptionalism, Tillin (2013, 236) states that looking beyond single country or region case studies can help to prevent ‘false’ exceptionalism as well as universalism. By solving the problem of many variables and small N problem (Snyder 2001), the subnational comparative method provides an opportunity to identify similarities and differences with pinpointing the significant explanatory variables in a given case. Referring to political studies on India, Tillin (2013, 235) suggests that there are four primary reasons why (cross states and within state) comparisons are significant:

“(a) it helps to challenge false exceptionalism; (b) it helps to challenge false universalism; (c) it can contribute to theory development better than single case studies; and (d) it helps to disaggregate the all-India picture in order to generate theories that are better able to capture the variation that exists within India without getting too lost in the detail of individual subnational cases.”

More significantly, by comparing States within India’s federal system, there are ‘control variables’ that are constant for all India’s subnational States. The fact that the country has several States with completely different politics, but they operate within the framework of one nation state which creates conditions for controlled experiments (Harriss 1999). All of these States are under the set of common condition, including Central Government’s foreign and economic policy and structural and institutional design of subnational States. That is why Kohli (1987) indicates that India constitutes a ‘laboratory for comparative politics.’ As Jenkins (2004, 3) notes, political scientists are not able to control institutional characteristic or the external environment when they conduct the cross-national comparison. Consequently, he realizes India’s federal environment as the best framework for assessing the cause of changes; thus, he asserts that India’s federal system, which provides “a laboratory of democracy.” In the same way, India’s federal system provides a “laboratory of development studies and comparative political economy” (Jenkins 2004, 3), with clear control variables, which enable us to conduct

the controlled comparisons that rise the possibility of finding the valid causal relations in Small-N research.

Diverse economic performances of India's subnational States especially after the 'Big Bang' present an opportunity for scholars of comparative politics to compare these diversities in the framework of one nation-state. Surprisingly, much of research on the role of India's state in economic performance has been conducted based on aggregated notion of state.

There are two types of literature looking at the economic development at the State level in India. At first glance, statistical and econometric comparisons do exist; nevertheless, there are few in-depth regional comparative political economy studies, testing, comparing, and analyzing the relationships between political and institutional variables and economic outcomes.

In the first type of literature, two trends can be recognized. In the first trend, scholars with the lenses of development economics look mainly at economic disparities in India. Some of them are mostly descriptive, including detailed economic statistics and data such as Khan and Vivek (2007) and Panagariya, Chakraborti, and Govinda Rao (2014). The second trend can be named, 'divergence/convergence literature,' is the major trend in academic works on development in India's States. In the works such as Paul and Sridhar (2015), Gulati (1999), Nachimuthu (2009), Hanumantha Rao (2010), Misra (2000), Banerjee and Kuri (2015) and Gangadharan (2007), the big question mark is about economic variables, affecting the divergence or convergence in the economic performances of States.

Despite the existence of such laboratory setting to conduct the comparative political economy studies, it is surprising how a few inter-States comparative studies on the trajectory of development exist. While there are many edited volumes on politics of development in the Indian States, concentrated on case studies, there are few examples of real comparative works. For example, the volume on 'Globalization, Governance Reforms And Development in India' edited by Kameshwar Choudhary (2007) provided valuable information and analysis on State-level reforms and development; nevertheless, each chapter dealt with an only single case study. Similarly, in the recent 'The making of Miracle in Indian States' edited by Panagariya and Govinda Rao (2015), which provided the enlightening explanations on the trajectories of development in Andhra Pradesh, Gujarat, and Bihar, each chapter exclusively dealt with one State as a case study. While the editorial introduction to this volume provided valuable reflection on the need for State-level analysis, and the final chapter offered a lesson from each

State, the comparative perspective missed in the whole work. In this pattern, the single-State chapters in the volume try to discuss the specific issues, reflected in the introduction, but they seldom talk to each other (Kailash 2011). In this pattern, the detailed case studies with an introduction have become a norm in the study of India's political economy at the State-level.

Kohli's work (1987) was the pioneer of the comparative subnational political economy in India. Following Kohli, Harriss (1999, 2005), Sinha (2003, 2005), Jenkins (2003, 2004, 1999), and Kennedy (2004, 2014) are the main exceptions to the aforementioned pattern and they conduct the subnational inter-States comparative studies, focusing on the role of political variables on economic performances.

For example Sinha in her most cited work 'The regional roots of developmental politics in India: a divided leviathan'(2005) based on the multi-level hierarchy model focuses on regional elite strategies and subnational institution variation and their impact on flow and inflow of investment in three historically more developed States: Gujarat, Tamil Nadu, and West Bengal. For her, the puzzle of divergence between East and West after independence can be addressed via analysis of the vertical and horizontal strategies of the regional elites and the regional institutional and political context.

Along with Kohli (1987), Kennedy (2004), Sinha (2005) and Mitra (2006), this study argues that India's subnational States can be seen as an ideal environment to conduct comparative analysis in the context of a complicated and multilayered political system. The present work supports Subrata Mitra, Assema Sinha and Rob Jenkins's intellectual effort to conduct subnational comparative analysis and concentrate on the local context and regional elite's agency.

However, the current work instead of studying of more advanced States such as Gujarat, Maharashtra or Tamil Nadu, selected it cases from historically less developed regions: Bihar in the north and Andhra Pradesh in the south. In addition, while the current study does not neglect the historical context of both states, it seeks to shed light on recent developments especially after the 1990s reforms.

1.5 Selection of Cases

First of all, a key question that should be addressed is about the choice of the selected States; why Andhra Pradesh and Bihar?

First, 'sub-national comparisons' provide better conditions for the assessment of causal inferences through more controlled experiments (Snyder 2001); and India's subnational States offer a advantageous environment for examining the different trajectory of development under a common set of the formal institutions and foreign environment.

Given the scarce resources and objective of the study, current research rather than a limited comparison of all Indian subnational states tries to present a detailed analysis on the interplays of governance and economic performance and trajectory of development in a small number of states.

As Mitra (2006, 43) notes, for a subnational comparison, the random selection of cases is unsuitable in view of the limited number of States (twenty-nine at the final stage of this study). So, as Mitra (2006) and Sinha (2005) suggest, for such subnational comparative studies the strategy of 'purposive selection' is a more efficient option.

Next, this study prefers to deal with relatively larger States. On account the fact that any conclusion, derived from a comparative study on smaller States can confront with the problem of generalization, the current study decides to concentrate on larger States to be more relevant to the bulk of India.

Hence, the sample should be narrowed down to the most populous and vast subnational States: Uttar Pradesh, Maharashtra, Andhra Pradesh, Madhya Pradesh, West Bengal, Tamil Nadu, Rajasthan, Karnataka, Gujarat, and Bihar.

Moreover, the selected cases must have clear different economic performances after the reforms. One State should represent sustaining of low economic growth and dysfunctional economic development, and the next one should represent the change. Although most of BIMARU States can be seen a suitable sample for weak economic performance, Case of Bihar is the extreme example of the divergence between national averages and State performance. According to most of the statistical data sources, Bihar had a feeble economic performance after the reforms until 2005, but it became one the fastest States in term of the rate of economic growth after 2005. On the other hand, subnational States such as Gujarat, Maharashtra, Tamil Nadu and Andhra Pradesh had better economic performance than national average.

Furthermore, economically and politically, selected States should have a relatively similar initial condition before the 1990s. Due to the fact that the focus of this study is analyzing of the divergence in the trajectory of development and politics, the comparison between the

historically more advanced States with the traditionally backward or less developed States cannot lead to a satisfying result. Therefore, the comparison between Gujarat or and Bihar with the historically different level of development cannot create a framework for testing of relations of variables. Therefore, the current study mainly deals with less historically developed States.

This study tries to analyze how the selected cases displayed a remarkable divergence in a political and economic trajectory over the time. In the previous major subnational comparative political economy study, Aseema Sinha (2005) highlighted a sharp contrast between eastern India, southern India, and western India. She selected three major India's subnational States, namely West Bengal, Tamil Nadu, and Gujarat, which were relatively more developed states after independence. For her, the major changes in the level of the investment were the point of focus and the contrasts in performance over the time was the chief puzzle for inquiry.

Noticeably, in the Rao's research on regional economic disparities in India (1973) based on six indicators, he classified West Bengal, Gujarat, and Maharashtra as the 'most developed' and Tamil Nadu as 'not so developed.' The rest of subnational States such as Andhra Pradesh, Bihar, Uttar Pradesh, Assam, and Orissa were classified as 'least developed' states. The current study does not concentrate on the development path of already more developed states like Gujarat; rather it focuses on the least developed States and the divergence in economic development level over the time. Therefore, again, our cases are narrowed down, and Gujarat, Maharashtra, and Tamil Nadu are removed from the list.

Although, there are noticeable different between Andhra Pradesh and Bihar in term of population, language, colonial experience and social structure, there are some features that make the comparison between them very attractive. While Andhra Pradesh had slightly better economic performance than Bihar in pre-1991 reforms, they share several socio-economic aspects. Unlike West Bengal, Tamil Nadu or Maharashtra with the trade centers such as Calcutta, Madras, and Bombay, which had been under direct control of colonial rule, contemporary Andhra Pradesh, and Bihar experienced different historical background. Bihar had been a part of Bengal Presidency of the British Raj until 1912; however, Bihar was not in the heartland of the Presidency. After 1912, the province of Bihar and Orissa was created as a separate province. Coastal Andhra region in Andhra Pradesh (United from 1956 to 2014) had been part of Madras presidency; on the other hand, Telangana region was part of 'Princely State of Hyderabad' under the rule of Nizam. Consequently, although both States were partially a part of the colonial Presidencies, comparing with Maharashtra, West Bengal, and Tamil

Nadu, they did not experience the same level of industrialization and urbanization. In addition, for a long time after independence, two States were the stronghold of the Congress Party and part of 'Congress System.'

Moreover, the dominant castes dominated the Congress as a new political institution after the independence in both States. Andhra Pradesh had been witness to the rise of political power of 'Reddy community' as the dominant agricultural caste, creating 'Reddy-Raj' more than three decades after the independence (Bernstorff 1973, Reddi and Ram 1994). In a similar pattern, Bhumihars and Rajputs as two significant upper castes organized themselves as the major and dominant actors in the Congress in Bihar (Roy 1966).

Interestingly, in both States, the power of Congress Party declined in the late 1970s, and early 1980s; then, the regional parties with the support of sub-national movements challenged the authority of the Congress. In Bihar, for the first time, Janata Party (JP) defeated the Congress in 1977 Assembly Election. Although the Congress came back to the power for one more decades in the 1980s, Janata Dal party (JD) and later Rashtriya Janata Dal (RJD) with the leadership of Lalu Prasad Yadav ended the dominance of the Congress in Bihar in the 1990s in the context of caste-based politics. In a comparable pattern, Telugu Desam Party (TDP) with the leadership of charismatic N.T. Rama Rao emerged in 1983 as the manifestation of Telugu subnational movement. TDP challenged the power of the Congress in Andhra Pradesh in Legislative Assembly as well as Lok Sabha elections. Despite all efforts for implementation of President's Rule by Indira Gandhi, N.T. Rama Rao ruled Andhra Pradesh from 1984 to 1989. TDP came back to the power again in 1994 election and kept the Congress as an opposition party in Legislative Assembly for ten years.

Furthermore, both States were witness to separatist movements based on the regional identity. Not only Jharkhand region of Bihar was carved out as a separate State in 2000, but also regional identity movement in Andhra Pradesh finally creates the new separate State of Telangana in 2014. Economically, both State's rates of growth before the reforms are a crucial factor to justify the current comparison. As planning commission reported (2002, p.36), while the average rates of growth in NSDP of India were 3.0% from 1961 to 1969, Andhra Pradesh, and Bihar had a lower rate of growth, respectively 1.7% and 0.7% in the same period. In the 1970s, this rate accelerated in both States (Andhra Pradesh 3.2% and Bihar 2.8%); however, it remained lower than the national average of 3.6%. In the 1980s, India with 5.6% grew faster than Andhra Pradesh and Bihar respectively with 4.7% and 4.3%. Similarly, Per Capita NSDP

of Andhra Pradesh in 1980-81 was Rs.1358, and that of Bihar was Rs.917 lower than most of Indian States (Thakur 2014).

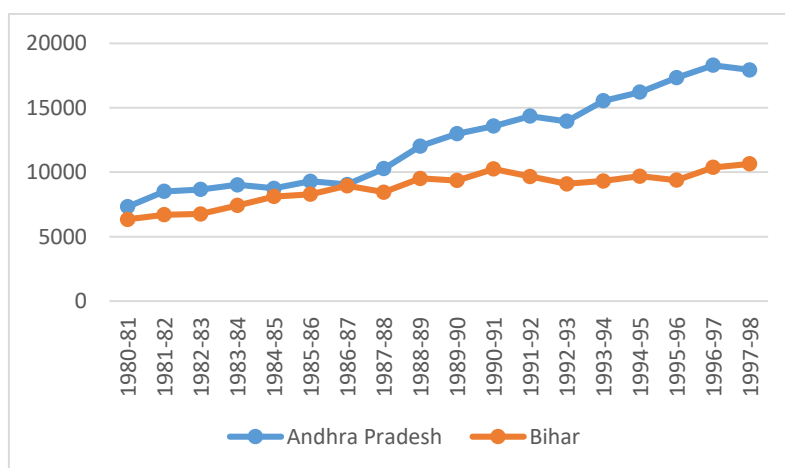
Likewise, the constituents of human development index as a symbol of the ability of States to deliver services shows resemblance before the 1990s. For example, Literacy Rates of Andhra Pradesh in 1961, 1971, 1981 and 1991 was 13.20 % 24.60%, 24.60%, 29.90%, and 44.10%. This rate in the same periods in Bihar was 12.20 % , 21.80%, 19.90%, 26.20%, and 38.50%.

Therefore, both States had comparable initial situations; however, both States represent two completely different development trajectory after the 1990s that make them the interesting cases for comparison.

1.6 Locating Puzzle

Although these two States have the similar formal political structure, comparable formal institutions, constant foreign environment, and relatively similar political and economic trajectories before the 1990s, they had an absolutely dissimilar economic performance after the reforms, led to more regional economic disparities. For example, as Figure 7 illustrates, the net state domestic product at a constant price in Andhra Pradesh and Bihar in the first of the 1980s were relatively at the same level. Conversely, after the reforms and since the 1990s, a considerable regional divergence emerged, and the economy of Andhra Pradesh grew faster than Bihar.

Figure 7 NSDP of Andhra Pradesh and Bihar in crore Rupees (at constant prices, base year 1980-81)

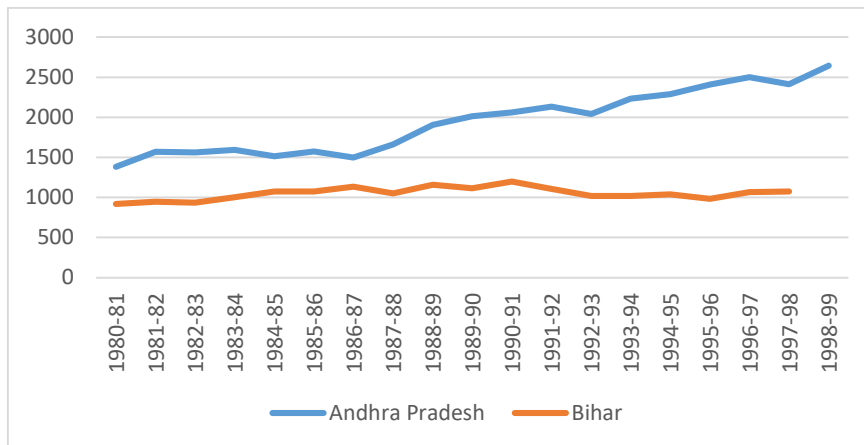


Source: Handbook of Statistics on Indian Economy 2005-06 (2006), drawn by the author

This research does not assume NSDP of subnational States merely as the primary indicator of the regional divergence in economic performance. This indicator should be translated into an everyday life of ordinary people.

In the first step, Per Capita Net State Domestic Product at the constant price can be seen as another indicator, which illustrates changes in income level. As Figure 8 depicts, although both Andhra Pradesh and Bihar had a Per Capita NSDP lower than the national average at the beginning of the 1980s, Andhra Pradesh grew faster, and Bihar remained relatively stagnant during the 1990s.

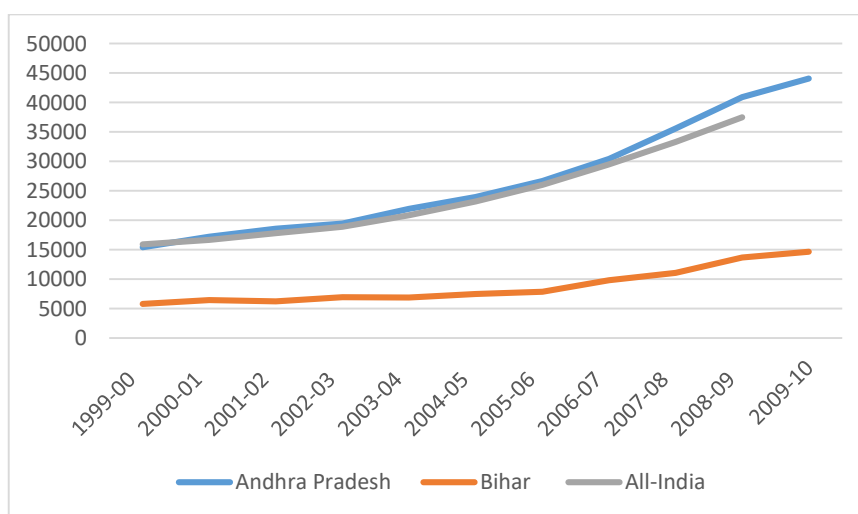
Figure 8 Per capita NSDP of Andhra Pradesh and Bihar (at constant prices, base year 1980-81) from 1980-81 to 1998-99



Source: Handbook of Statistics on Indian Economy 2005-06 (2006), drawn by the author

Figure 9 illustrates a quickening trend of per capita NSDP growth in Andhra Pradesh in the first decade of the 21st century; thus per capita NSDP in Andhra Pradesh became more than the national average. Oppositely, Bihar continued its low rate of growth, but after 2005, the trend has become more positive. Therefore, as we can see, the gap between Bihar and the national average has widened since India’s Economic Big Bang.

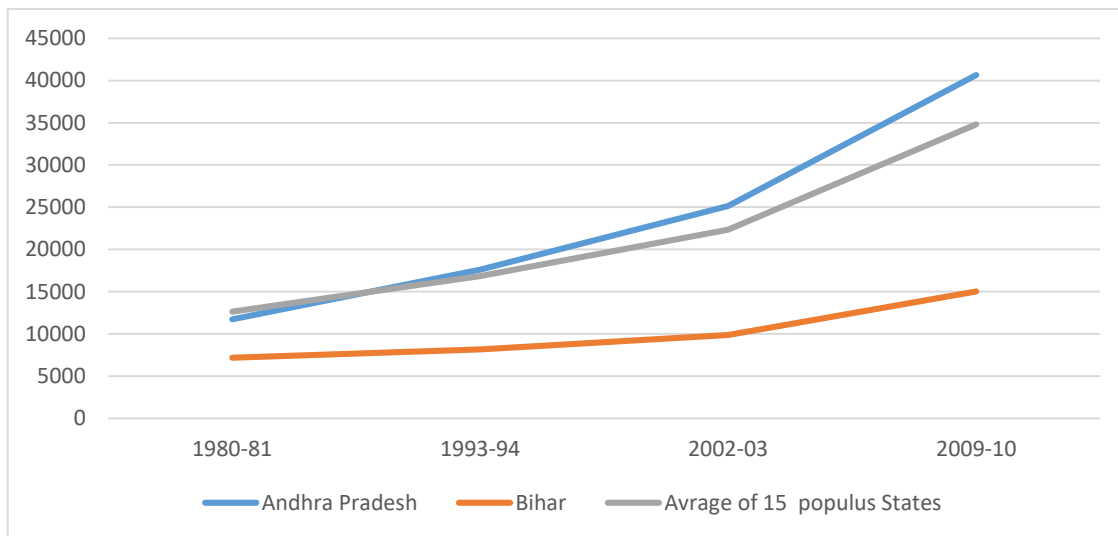
Figure 9 Per capita NSDP of Andhra Pradesh and Bihar (at constant prices, base year 1999-2000) from 1999-2000 to 2009-2010



Source: Handbook of Statistics on Indian Economy 2009-10 (2010a), drawn by author

Moreover, Panagariya, Chakraborti, and Govinda Rao (2014) also calculated the real per capita GSDP in constant price (2004/2005 rupees) based on sector-wise GDPS data from the CSO. Their data also portrays the same image. Nevertheless, they used an average of 15 more populous States instead of the national average. Figure 10 shows how both Bihar and Andhra Pradesh had a lower level real per capita GSDP than 15 Indian States at the beginning of the 1980s, but Andhra Pradesh had a higher rate of growth than the average.

Figure 10 Real per capita GSDP of Andhra Pradesh, Bihar, and average of 15 major States



Source of data Panagariya, Chakraborti, and Govinda Rao (2014, 28), Drawn by the author

Not only the trends of common economic indicators prove this divergence, but also indicators that are made based on the ‘capability approach’ verifies the meaningful divergence. Using Multidimensional poverty index, Alkire and Seth (2015, 91) illustrates that reduction of poverty has not been uniform across the different Indian States, and Andhra Pradesh had the best performance in an absolute reduction in MPI while Bihar reduced MPI the least.

How can this divergence be interpreted? As such, the current study assumes, along with Sinha (2005, 9), it is relatively difficult to establish the cause of regional growth rate of India's state decisively. In the account the fact that many independent variables may cause growth in the subnational states, it would be tough to consider all of them and test the causality. Rather, this study attempts to investigate and explain the variables that had impacts on this regional divergence. Unlike when economic performance of national states is being compared, many factors which play a role in making development possible, such as the laws of property, fundamental rights, structure of formal institutions, and foreign environment, can be held

constant. These kinds of control variables make it easier to analyze the impact of the experimental variables that form the core of this research.

1.7 Objectives and Main Questions of the Study

This study represents an example of implementation of the subnational comparative method (Snyder 2001), comparing two Indian subnational States, Andhra Pradesh, and Bihar. The goal of this study is to contribute to filling the gap, recognized in the earlier sections by drawing from cross-States and comparisons in India. This research examines and elaborates the interrelations of governance and development in India with focusing on the State level (Andhra Pradesh and Bihar as the cases for study), considering their interrelations and their dynamism based on neo-institutionalism theory and polycentric hierarchy theory. This research will show that neo-institutional rational choice model of governance can provide a more precise understanding of interrelations of governance and development in India than the broad normative discourses of good governance that has formed the discourse of good governance as a prerequisite for development.

The main question of this study is why Andhra Pradesh and Bihar with relatively similar initial institutional and economic conditions after independence, and with experience of strong subnational movement that ended the hegemony of the Congress party in both States, showed a significant divergence in political and development trajectory after the 1990s.

Subrata Mitra (2006, 2008) with his neo-institutional rational choices model of governance already explained how despite the decline of the hegemony of Congress party and organizational vacuum, the legal and constitutional safeguards have created the rooms to maneuver (Mitra, 1991) for the elites agency; hence, this institutional setting turned rebels to stakeholders. The availability of this room to maneuver, sustaining the orderly democratic rule in India after independence, distinguishes India's experience from other post-colonial societies. Accordingly, Mitra (2011, 6) concentrates on the "elite agency and responses of the decision-making elites to crises through law and order management, strategic reform and redistributive policies, and constitutional change" that contributed to the resilience of the democratic political system.

This explanation only hints at the possibility of divergent developmental policy in the States based on the priorities of rational regional or national elites; nevertheless, the current study tries to explain *why* the regional leaders pursued divergent economic strategies. Most of

existing literature neglects and marginalizes the impact and influence of those who make strategic policy choices at the State level, which affected the economic performance.

This research, using analytical narrative research method and the subnational comparative research method and based on the neo-institutional rational choices model of governance, wants to answer these question:

Why have these two States experienced two distinct development trajectories?

Why did regional leaders in Bihar and Andhra Pradesh adopt the divergent strategies toward the Center and the reception of central reform policies in both States was entirely different?

1.8 Arguments and Hypotheses

This study will illustrate that why are the mono-causal explanation of development such as causality between democratic regime and development, or political stability and development too simple for analyzing the dynamics of development within Indian subnational States? This study will elaborate that despite the similarities in initial institutional arrangement and economic conditions between two cases, the regional institutional variations and strategic choices of regional leaders created the different development trajectories with varying results.

The current study tries to shed light on the roots of divergence in economic trajectories of both States. Using analytic narrative approach, this study examines the interrelations between governance and development through the lens of systematic sub-national comparative analysis (Snyder, 2011).

In the context of comparative political economy, governance refers to ‘how institutions for economic policy-making and implementation are set up, and what their consequences are’ (Kjær 2004, 194). Mitra’s study (2006), the foundation of the current study, examines how democratic governance and orderly rule sustained as the result of ‘neo-institutional rational choice model of governance.’ Mitra demonstrates that while India was witness to substantial movements and the Congress system became dysfunctional, the mixture of federal and consociational institutional arrangements which created a balance between self-rule and shared rule, sustained democratic governance in India.

While most of the scholars of India’s political economy explain the divergence in economic performance of India’s State through lenses of neo-liberal policy reforms, good governance discourse or the intuitionist ‘weak and strong state’ debate, the current study suggest if we move beyond these approaches and concentrate on the institutional design and the rooms to

maneuver and incentives, the puzzle will be addressed more fruitfully. Following Snyder (2001) Mitra (2006), the current study conducts a subnational neo-institutional analysis based on rational choice theory.

As it was discussed, economic governance is defined as the “institutions and actors who shape the economic and process that coordinate the economic activities (Kennedy 2014, 138). Mitra and Singh (1999) discusses the shift in the India’s party system and divide it two ‘one dominant party system’ period (1952-1977) and multi-party system (1977-now). Deep changes not only influenced the political scene in the Center but also paved the road for the emergence of regional parties in the States. Similarly, although in the one dominant party period, the developmental policy was articulated in the Center by the Congress leadership and should be implemented by regional leaders of the Congress party as the ruling elites, in the era of multi-party system, regional ruling elites has not necessarily obeyed the policies of the Center; thus, several patterns of interactions can be engendered such as modification, resistance, and confrontation, coexistence, or enhancing. Focusing on the institutional design that explains how subnational movement has been accommodated, Mitra and Singh (2009, 33) refer to the flexible and multi-layer political structure of India and state:

“The state structure in India has institutionalized these ideological and social changes from below in the form of institutional innovations. Federalism, consociationalism, and elite policy initiatives, linking social power to political and economic change, have created in the hands of national, regional and local elites a useful room to maneuver in the middle.”

Consequently, the national elites possess the rooms to maneuver, enabling them to adopt strategies such as “law and order management, reform, and constitutional incorporation of values” to the reduce the perceived inequality and accommodate the normative issues such as group identity (See Mitra, 1991, 2006). Similar to the national elites, local elites in the neo-institutional model of governance as the rational actors have an important position. Mitra (2006,180) recognizes the role of local elites as intermediates of traditional society and modern state and writes:

“The perceptions and attitudes of these regional elites are important links in the national chain of governance, joining the modern state and traditional society. Their symbiosis holds the key to the variance of governance across India’s regions.”

Although Mitra highlighted the political role of regional elites in his model, he rarely discussed the economic implications of his proposed model. While Mitra in his ‘Power, Protest and

Participation' (1992) discusses the role of *gaon ka netas* or local elites in the rural setting in India in the process of development and protest against economic policies, the role of more potent elites and regional leaders at the State level, possessing the room to maneuver, had been less discussed.

Neither leaders and elites at the Center nor the rural and local level are the main focus of this study. The present study argues the rooms to maneuver for regional leaders at the *State level*, are the main factor for an explanation of different responses to the economic reforms in India. After the rise of subnational political parties, representing a subnational or caste identity and the consequent transformation of rebels to stakeholders (Mitra and Singh 2009), the regional leaders as the rational actors have found an eminent position in economic policy making in the State and implementation of the Center's economic policies.

Furthermore, as Kennedy (2004, 29), Mitra (2011) and Rudolph and Rudolph (2013) assert, one of the results of economic liberalization in India after the 1990s, was enhancing of the autonomy of the subnational States towards the Central Government, particularly in term of economic policy-making. This significant change also contributed to the increase in the role of regional leaders in the economic policy-making. As Rudolph and Rudolph (2013) maintain, in the 1990s, India moved away from 'Command and control economy' towards a 'federal market economy.' In the new circumstances, States possess more economic autonomy and sovereignty than they did earlier in the previous institutional arrangements, called 'centrally planned economy.' Along with Rudolph and Rudolph (2013), this thesis considers the strategic choices of rational political elites at the State level, possessing room to maneuver, as the main explanatory variable in order to explain the divergence in the post-reform economic performance of states. Rudolph and Rudolph (2013, 315-316) describe the Chief Ministers as the 'marquee players' in 'India's federal market economy' and write:

"Whether they [States] do well or badly economically depends more on what they do for themselves. States can act in ways that transform their initial economic situation; the agency can modify the structure."

This study argues that the divergence in economic performance in Andhra Pradesh and Bihar can be interpreted through analyzing of the strategic choices of regional elites in both States. This study postulates that the regional elites are rational actors; nevertheless, their rationality bounded by local context and embedded values (See Mitra, 2006, 10-12). Following rational choice perspective, this study assumes that regional leaders in the games model interactions

stick with rules when they perceive that obeying the rules yield more than they could expect to gain by breaking the rules. This study analyzes the strategic choices of regional elites based on their *vertical* and *horizontal* choices. As Sinha (2005, 15-16) explains, India's regional leader as rational actors faced with two-level games choices in the vertical and horizontal games and 'trade-off between central transfer and regional reelection chance.'

This framework consists of two vertical and horizontal games. Regional leaders as the rational player and expected-utility maximizers should have strategic choices toward the central rules and vertical institutions as well as regional rules and horizontal institutions. These two-level games engender various kinds of choices for the empowered regional leaders. In the vertical game, they can adopt the anti-Center strategy, resist the reforms, cooperate with the Center, or even enhancing the economic reforms in their State. As this study will elaborate, selection of these strategic choices is based on the anticipated *rewards* from the regional level in the form of reelection or from the central level in the form of more shares of power in the Center.

In sum, in the context of end one dominant party system, the rise of regional parties, the increase in the level of orderly rule, and increase in the role of subnational States after the liberalization, the strategic choices of the empowered regional leader based on the vertical and horizontal games can be seen as the main explanatory variable for different trajectories of development in Indian subnational States.

Unlike the majority of political science or development studies' theories, perceiving economic policy and its implantation as the output of a unified state, this study underlines the role of state-society, Center- States, agency-structure relations, and intergovernmental interactions on the dissimilar implementation of post-reforms developmental policies in two States.

Therefore, this study does not understand the accelerated economic growth after the reforms as the result of the simple top-down implementation of the reforms or result of the application of normative good governance principles; conversely, the study argues the spatial as well as central-local dynamics affects the regional developmental patterns. Accordingly, the post-reform divergence in regional development does not attribute merely to the historical and colonial context or initial economic condition; on the other hand, this thesis argues the difference between Bihar and Andhra Pradesh are associated with elite strategic choices in the face of the vertical and horizontal games. This study argues that after the liberalization, the State Governments gained more autonomy; as a result, their response to reform (based on the neo-liberal liberalization) varies. This study will illustrate that how the divergence in the post-

reform economic outcome in both States is associated with the strategic choices of democratically elected leaders in both States.

Using analytic narrative approach, and in the framework of the subnational comparative method, this study concentrates on two kinds of strategic choices State leaders and their relations: their choices in the Center-State interactions (vertical analysis) and their interactions with regional institutions and other players (horizontal analysis). An analysis of political factor in each State, mostly the nature of competitive politics and social mobilization as well as the role of ruling elites, suggests hypotheses to explain the variations observed in these two states. Accordingly, this study suggests four hypotheses:

H1: If the political power of the dominant political party at the Center declines, the new room to maneuver of regional political elites makes their strategic choices (in order to gain reelection) are the core determinants of economic policies in the states.

< Political power of dominant party at Centre → > importance of strategic choices of regional political elites

H2: If regional political elites expect the most gain (re-election) from confrontational rhetoric and behavior against the Central Government, they will opt for populist economic policies (handouts)-rather than implementing the reform agenda of the Central Government.

If expectation of reelection based on confrontation with the Center → populist economic policies & confrontation with (reform-oriented) Center

H3: If regional political elites do not expect to gain reelection through confrontational behavior against the Center but expect to be rewarded by the voter if their economic performance is convincing, they will opt for gaining access to funds from the Center and international agents and adopt reform-oriented policies.

If expectation of Reelection based on economic growth → economic reform policies & cooperation with (reform-oriented) Center

H4: If regional political leaders opt confrontational rhetoric and behavior against the Central Government, the share of State in financial transfers from the Center (such as approved plan outlay) will decrease. On the other hand, if regional political leaders opt cooperationist rhetoric and behavior toward the Central Government and implement the reform agenda of the Central

Government, the share of State in financial transfers from the Center (such as approved plan outlay) will increase.

1.9 Methodological Approaches and Their Implications

The goal of this thesis is not to develop a new theory of either comparative political economy or governance. Rather, elements of existing theories are integrated and applied in a new context of governance and development in India after the liberalization. To address this goal, a multi-method approach, combining two qualitative research methods, are employed.

Since the main research focus of this thesis is the Indian States, this study uses the subnational comparative method and provides an in-depth comparison as opposed to cross national comparisons. Moreover, this study concentrates on the strategic choices of the regional leaders and its interactions with the institutional setup. Therefore, the analytic narrative approach is used as the proper research methodology.

1.9.1 Analytic Narrative Approach

The current research employs analytic narrative approach. This methodological approach attempts to combine rational choice and particular case studies. This method tries to bring together the use of comparative and historical research with rational choice models (See Bates et al. 1998, 2000, Levi 2004).

Bates et al. (1998) name their approach as analytic narrative because this approach mixes analytic tools, used in economics and political science with the narrative, used in history. Noticeably, the term narrative is not employed “in the post-modern sense of a master- or meta-narrative; rather it refers to research grounded in traditional historical methods (Levi 2004).”

As Bates et al. (1998, 10) assert, their approach is narrative, because it pays close attention to ‘stories, accounts, and context’; in addition, it is analytic, because analytic narrative extracts ‘explicit and formal lines of reasoning’. Levi (2004, 204) introduces the various stages of analytic narrative respectively and states:

“Analytic narratives involve choosing a problem or puzzle, then building a model to explicate the logic of the explanation and to elucidate the key decision points and possibilities, and finally evaluatingⁱ the model through comparative statics and the testable implications the model generates.”

Since the current study highlights the role of institutions as well as the agency; the analytic narrative approach can shed light on the silent aspects of the games. For analytic narrative,

analyzing of games are significant, because it is a useful tool in order to create and evaluate explanations of particular outcomes. Analytic narrative identifies agents such as elites, nations, electorates, or legislatures. This approach tries to understand actors' perceptions, information they possess, preferences, alternative options, and the way of evaluation of alternatives (Bates et al. 1998). The analytic narrative approach uses methods such as reading documents, interviewing, surveying the secondary literature, and laboring archives seeks to grasp more data about the agents.

In the current study, the method of analytic narrative, based on an analysis of the regional leaders' interviews, their public statements, published documents including regional economic plans, policy or visions, Legislative Assembly debates, and official reports, helps to highlight the strategic choices of leaders with regard to the Center's policies and regional political and economic context. As such, rather than mechanically applying the framework of good governance or weak and strong state, it presents the dynamics and diversities in a multi-layer political system with different nodes of decision-making.

In the next two chapters, two narratives about the trajectory of development in Andhra Pradesh and Bihar will be presented; in addition, the impacts of interrelations of state-society and Center-region on the economic performance of the States will be explored. Like a drama, in the current study, the narratives consist mainly of a background or setting, a beginning, a sequence of scenes, and an ending. Nonetheless, the narratives are not mere historical narrative but analytic one. This study by modeling the processes that shaped the outcomes, tries to depict the 'essence of stories.' Following Bates et al. (1998, 12), if the current study possesses a valid representation of the story, then "the equilibrium of the model should imply the outcome we describe and seek to explain." Additionally, the current study employs rational choice and game theory, which converts the historical narratives into analytic narratives.

1.9.2 The Subnational Comparative Method

More than a decade ago, Snyder (2001) defined the subnational comparative method as systematic and comparative analysis of a small number of territorially defined subnational cases, such as states, provinces, cities, and regions. The subnational comparative method provides an effective tool for comparative politics scholars, dealing with ethnic conflict, economic policy reform, and democratization at the subnational level. This method creates an analytical framework, broking "whole nation bias" in the field of comparative politics and comparative political economy; therefore, it has opened a new horizon in the field of

comparative politics. The subnational comparative method similar to the cross-national comparative method tests the causal hypotheses; nevertheless, the emphasis is on regional variation within one state instead of national variation across states.

As Snyder (2001, 94) emphasizes, the subnational comparative method provides numerous advantages in comparative politics. Not only it can help to manage some of the typical limitations of a Small-N research design¹, but also, employing subnational units is an useful tool “for increasing the number of observations and thus mitigating the problem of many variables, small N.” Furthermore, a concentration on the subnational level can make it easier to construct controlled comparisons, increasing the possibility of finding ‘valid causal relations in small-N research.’

According to Snyder (2001, 103), “subnational comparisons provide a firm foundation for building theories that explain spatially uneven processes of political and economic transformation. In addition to these methodological benefits, the subnational comparative analysis offers an indispensable tool for understanding the decentralizing political and economic trends of the contemporary era.”

In the same way, Mitra (2006) compared India’s subnational state in term of governance and stability. As he (Mitra 2006, 43) indicates, The ‘one nation, many units’ sampling frame has a major advantage over comparing nations. Unlike when national states are being compared,

1.9.3 Source of Data

The questions about the role regional leaders and the impact of their strategic choices on economic performances are hard to address in any political system.

This study is mostly based on secondary sources. Although conducting interviews with these leaders was desirable, it was however not possible to meet and conduct an interview with them. Two of them passed away (N.T. Rama Rao and Y.S. Reddy) and two of them are serving Chief Ministers (Chandrababu Naidu and Nitish Kumar) now. Therefore, this study uses several public statements, election manifestos, government documents, vision papers, interviews, legislative assembly proceedings, biographies, and speeches as the main source of data for analyzing the elite strategies. However, some biographies and autobiographies can be seen as the main sources of data.

¹ Small-N studies examine a small number of cases in depth.

Also, the shortage of reliable subnational economic data in India is another problem. Most of the subnational economic data have different methods and cannot be compared both by time and by space. Despite all these problems and limitations, the current study used data and statistics which were published in 'Handbook of Statistics on Indian Economy' and 'State Finances: A Study of Budgets,' provided by Reserve Bank of India. Moreover, this study used the 'Crime in India series,' published by National Crime Records Bureau (NCRB) as the main source for crime statistics. Finally, the current thesis used 'Statistical Report on General Elections, and The Legislative Assembly Elections' series, published by the Election Commission of India as the main source for the election results.

1.10 Structure of Current Study

The structure of the current thesis will hence be as follows:

The First Chapter is an introduction to the current study. The chapter introduces the ongoing debate on the role of state in development in India and presents the neo-liberal and neo-statist approaches. Accordingly, the chapter highlights the gap in the sub-national comparative political economy particularly in India. The chapter introduces the case studies and the reasons for their selection. The chapter states the main questions, objectives and research hypothesis.

The Second Chapter deals with state of the art. The chapter provides a detailed discussion on definitions and various perspectives on governance and elaborates two main areas that governance theory, dealing with development studies. The chapter underlines the 'good governance' approaches and 'governance in comparative politics' as two areas, discussing interrelations between governance and the development. The chapter introduces the works, written on development in India based on the two approaches. Furthermore, the chapter elucidates why the current study does not employ good governance approach.

The Third Chapter reveals the theoretical foundations of the present study. After introducing the alternative approaches in governance theory, the chapter presents the neo-institutional rational choice model of governance (Mitra, 2006), polycentric hierarchy theory (Sinha, 2005) and as the theoretical foundations of the thesis.

Employing the analytical narrative approach, the present thesis in The Fourth and Fifth Chapters investigates the strategic economic choices of the regional leaders in two selected cases after the liberalization. Both Chapters begin with a State profile, including geography,

population, demography, and economy. In the next step, both chapters deal with pre-1990s politics in Andhra Pradesh and Bihar.

The Fourth Chapter, after a detailed discussion on the pre-1990s politics in Andhra Pradesh, the role of Congress, Reddy and Kamma caste group rivalries and its political implications and the rise of the TRS and charismatic leadership of N.T. Rama Rao in the 1980s concentrates on the strategic choices of two significant Chief Ministers toward economic reforms and economic liberalization. The chapter analyzes the strategic choices of Chandrababu Naidu from the TRS and Y.S. Reddy from the Congress.

The Fifth Chapter provides a detailed background of politics in Bihar. The role of the Congress in pre-1990s politics, rivalries among upper castes, the emergence of lower caste politics are the main themes of the first part of this chapter. Then the chapter compares the strategic choices of two Chief Ministers, Lalu Prasad Yadav, and Nitish Kumar, toward economic reforms and their impact on the trajectory of development in the State.

The Sixth Chapter will be a combination of comparison, analysis, and a conclusion. The chapter elaborates how despite formal institutional arrangement and similar political structure in a democratic system, regional institutional variations and strategic choices of regional leaders who have room to maneuver, caused the different response to economic reforms introduced by the Center.

2 State of Art: Governance and Comparative Political Economy

2.1 An Overview

This chapter deals with various usages of governance as an emerging term in political science. After an introduction to the concept, this chapter differentiates different usages of the term in different subfields of political science. Then, the chapter focuses on two relevant conceptualizations of this term for the current study.

The first conceptualization is 'Good Governance.' Although this study will not use the good governance models and indicators as its theoretical toolbox, the term several times is employed by the regional leaders whose strategic choices are important for the current study. Under the influence of neo-liberal notion of good governance, Chandrababu Naidu introduced SMART governance agenda; similarly, Nitish Kumar concentrated on the implementation of principles of Sushasan (Good Governance) in Bihar. Therefore, while this study will not employ the good governance as the theoretical foundation, it will elaborate it to understand regional elites' strategies in both States.

The second conceptualization of governance related to the comparative political economy that provides our operational definition of the term for the current study.

2.2 From Government to Governance: a Paradigm Shift

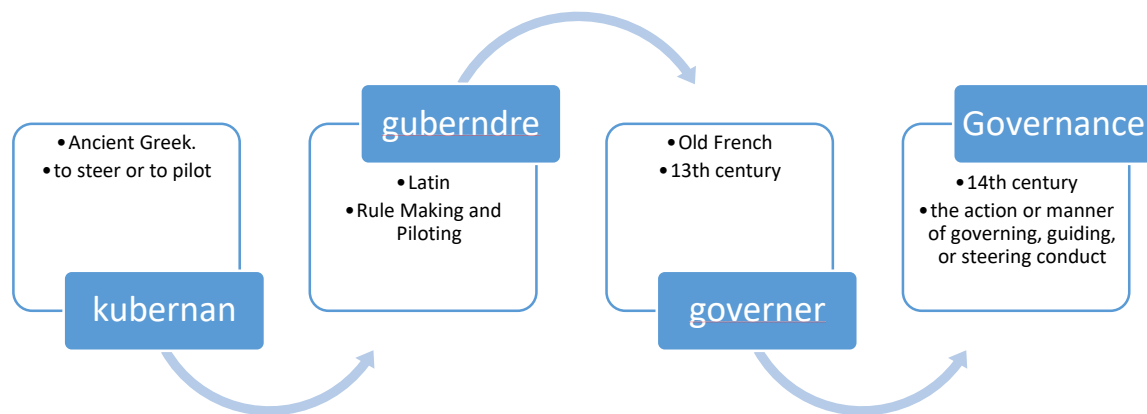
Scholars trace the etymology of the term 'governance' to the ancient Greek.¹ This term is derived from the Greek verb *kubernan* that means to steer or to pilot. (Plattner 2013, 1312) Some sources traced back this term to a metaphor in *The Republic* that Plato compared the governing of a polis to the piloting of a ship. (Plattner 2013, 18) Remarkably, governance and cybernetics have the same roots. Greek verb of *kubernan*, was the root of *kubernētikos*, as an adjective form that means skilled in steering. This term is the root of the modern cybernetics, the science of vast computers and 'mechanical brains'. (Partridge 1966, 1312) Latin word of *gubernare*, with the same meaning, is the root of old French *gouverner* during late 13th century. Remarkably, *government* is originated from the French *gouvernement*. The root of *gouvernement* is medieval French word of *gouvernance* that means the art of governing (Torfing et al. 2012, 12),

¹ Scholars like Kaufmann and Kraay (2008, 3) assert that governance as concept is not a new and early discussions about it can be traced in Arthashastra, the great work of Kautilya (c. 350–283 BCE) who was the advisor of Emperor of India. They even translated Arthashastra as 'art of governance'.

As we can see, the root of the word governance as well as of government is a word, meaning to steer a boat. Peters (2012, 64) describes ‘steering metaphor’ as a right way to approach governance in contemporary societies. As Jessop (1995, 308) states, the first recorded uses of governance happen in the 14th century and refer mostly to the action or manner of guiding, governing, or steering conduct.

In the medieval English literature, the medieval poet Geoffrey Chaucer (1343-1400 AD) used governance as a pattern of rules or as an activity of ruling. For instance, he wrote, “*the gouernance of hous and lond.*” (the governance of house and land) (Bevir 2009, 4) According to Bell and Hindmoor, (2009, p. 1) during Elizabethan Age in England ‘governance of the family’ was used by people.

Figure 11 Etymology of governance



Drawn by Author, Adapted from (Partridge, 1966)

The contemporary terms of *government* and *governance* are related to this essential idea (Schneider and Hyner 2006, 155). Traditionally, governance was defined as a synonym for government. The old dictionaries entries are the example of this trend (Stoker 1998, 17). During next centuries, it was not easy to find a clear distinction between these two terms. Therefore, government became relatively more widespread, and governance was marginalized. (Plattner 2013, 18) According to Lynn (2012, 49) for a long time governance has been used as a ‘generic descriptive term.’

In the emerging political science after Second World War, scholars extensively did not use governance as a scientific term. That is why there is no entry on governance in the *International Encyclopedia of the Social Sciences* (Sills 1968). According to Levi-Faur, (2012, 5) one of the

rare examples of usage of this term is related to studies in higher education or urban governance. Moreover, as Fredrickson (2007) illustrates, he was Herlan Cleveland (1972) who for the first time used governance as an alternative to public administration. According to Fredrickson (2007, 283), in the mid-1970s, the man Cleveland's idea is "What the people want are less government and more governance." (1972) However, these rare examples never transformed the mainstream of the discipline. The real shift and rise of governance in the academic literature happened after the 1980s.

Based on Thomas Kuhn's post-empiricist book '*The Structure of Scientific Revolutions*' (1970), Marinetto (2003) distinguishes a paradigm shift from government - as "dominant intellectual paradigm during the formative development of politics as a distinct academic discipline in Britain"-to governance (Marinetto 2003, 593). After introducing two paradigms of 'government as an autonomous institution' in first half of 20th century and 'overloaded state' during 1960s to 1980s, he (Marinetto 2003, 605) argues that because of external pressures (globalization) and internal pressures (market-style reforms), British government entered a new phase of intuitional configuration, in which it was "less reliant on bureaucratic hierarchies and more dependent on the networks of agencies beyond the central state." In a similar view, Tollefson, Zito, and Gale (2012, 4) suggest that emergence and popularity of governance as an academic concept was the result of works international relations and public administration scholars in the late 1980s and 1990s. Therefore, Rosenau (1995) and his concept of 'global governance' and Rhodes (1996) and his 'network governance' can be seen as pioneers of this paradigm shift.

Likewise, Sørensen (2002, 693) considers several reasons for the popularity of governance as an academic keyword such as the "increased significance of international political institutions, new administrative techniques, promoting institutional self-regulation within the political systems and intensified cooperation between public authorities and private actors like market actors or actors within civil society." This development can be seen as the primary cause of the paradigm shift to governance.

Therefore, during last decades of the 20th century, differentiating among *government*, *governing*, and *governance* became more visible than past, and for the first time, the new understanding of governance entered into the academic literature. For example, Boyer (1990, 51) defines governance as "action of government plus its interaction with its nongovernmental partners in the process of governing in their collective relationship with the economy and public

policy.” Likewise, Kooiman after differentiating between governing and governance, (1993, 2) defines governing as “all those activities of social, political and administrative actors that can be seen as purposeful efforts to guide, steer, control or manage (sectors or facet of) societies” and governance as “the patterns that emerge from governing activities of social, political and administrative actors.”

According to Mayntz, (1993, 11) in German political science, German term of *Steuerung* (steering, guidance) for the first time was used to talk about “political authorities ability to mold their social environment.” However, it gradually was used as translated synonym of governance. Nevertheless, ‘Steuerung’ loses its “analytical sharpness,” because it sometimes was used for describing the process and sometimes for labeling patterns. Then he concludes (Mayntz 1993, 11), in contrast with English language, German could not differentiate between governing as the action and governance.

2.3 Defining Governance: Complexities and Diversities

Scholars like McCarney (2000) or Kjær (2014a) differentiate broadly between two streams of the definition of governance, one a policy-oriented one that is mainly used by International organizations and second, a more academic one. This section briefly introduces both streams and presents noteworthy definitions.

As it was elaborated, much of current scholarship on governance in political science, international relations, public administration, public policy and development studies is the result of the transformation of nature of states during last decades of the 20th century. That is why Daly (2003) see governance as a concept that is fundamentally ‘about the change.’ Following the quotation from Rhodes (2012, 34) clarifies the association of governance and the changes:

“Governance signifies a change in the meaning of government, referring to a new process of governing, or changed the condition of ordered rule; or new method by which society is governed.”

In the same way, Levi-Faur (2012, 7) calls the emerging scholarship on governance as the ‘the science of shiftology.’ Comparably, Richards and Smith (2002, 14) describe governance as a term that “tries to make sense the changing nature of state in the last thirty years.”

In addition, Jose (2004) attempts to depict the genealogy of discourse of governance. His study on the dominance of governance approach in Australian political discourse is based on this idea that the domination of a ‘neo-liberal economic paradigm’ and its ‘associated politics’ created substantial changes in political culture and language. He shows that how governance as a term has become widespread in everyday life and academic literature by domination neoliberalism as the political discourse.

Similarly, as Chakrabarty and Bhattacharaya (2008, 2) discussed the neo-liberal views as the dominant approach in last decades of 20th century overvalued market and devalued the role of the state. These changes created a trend to decenter state from its monopoly status in steering and social control. Neo-liberals frequently recommend that state should focus on policy making rather than delivering services (Bevir 2009, 5). These developments led to the prominence of governance approach as a substitute for government. In this recent observable shift from a government-centric notion of steering to a more plural approach to governance, some major domains of social action become more highlighted: the state as well as the market and the civil society.

In the other hand, after the ‘institutional turn’ in political science, and also the prominence of ‘neo-institutional economics’ in development studies, scholars mainly focused on the institutional arrangements, quality of public policy and their effect on the economic performance of state (Ahrens 2002, 118). Therefore, governance can be considered as a keyword, developed by comparative political economist as a theoretical tool, for analyzing the impacts of politico-institutional structure on the economic performance of state.

These two theoretical foundations of current governance approach in political science had different manifestations in the definitions of governance. Sometimes, in some of the theories of governance comparative politics state and its institutions became the central point of focus (see Bell and Hindmoor 2009, Fukuyama 2014). On the contrary, sometimes scholars talk about ‘the hollowing out of the state’(Rhodes 1994).

Before the ‘shift’ or ‘theoretical turn’ or ‘discourse change’ and for a long time, governance were defined by dictionaries like *Concise Oxford Dictionary* as “the act or manner of governing; the office or function of governing”(Kjær 2004, 3). However, after the shifts during last decades of the 20th century, not only in the political science but also in the other fields of

social sciences and economics, there is a growing tendency to use ‘governance’ as a new keyword with different conceptualizations and far from the dictionary definition.

Despite the diffusion of the concept, there is no shared understanding of governance as a concept and its definition, implications, and characterizations. As Torfing et al. (2012, 9) point out “the lack of a precise definition of governance has made it easy for people to attach all kinds of positive meanings and expectations to governance.” In the comparative politics, political economy, international relations and public policy as the subfields of political science as well as public administration, economics, sociology or management, scholars used governance with different meanings and implications. Because of diverse interpretations of this concept by the scholars, governance becomes a ‘contested concept’ in the political science. (Richards and Smith 2002, 14, Peters 2011, 78)

One of the key reasons for this impreciseness and diverse uses of the term is its newness. That is why Kooiman (2003, 5) points out that “we are still in a period of creative disorder concerning governance.”

Consequently, political science and its subfields were witnesses to a profound debate on governance and its definitions and characteristics (for an overview see Bevir 2012, Chhotray and Stoker 2009, Hirst 2000, Kjær 2004, Peters 2000, Robichau 2011, Van Kersbergen and Van Waarden 2004). However, the current literature on governance covers a broad range of meaning and connotations ranging from the institutional structure to different kinds of process or policies. Table 2 offers various definitions of governance and displays the diversities, complexities, divergences, agreements and disagreements in the conceptualization of governance.

Table 2 Definitions of governance

Author(s)	Definition
Boyer (1990, 51)	“We may define governance as action of government plus its interaction with its nongovernmental partners in the process of governing in their collective relationship with the economy and public policy.”
Chazan (1992)¹	“Governance is capacity to establish and sustain workable relations between individual and institutional actors in order to promote collective goals.”
Kooiman (1993, 1)	“By governance, we mean the patterns that emerge from governing activities of social, political and administrative actors. These patterns form the

¹ Quoted in Ahrens (2002, 121)

	emerging outcome as well as a more abstract (higher level) framework for day-to-day efforts at governing.”
Frischtak (1994, vii)	“Governance capacity is defined as the ability to coordinate the aggregation of diverging interests and thus promote policy that can be credibly taken to represent the public interest.”
March & Olsen (1995, 6)	“Governance involves affecting the frameworks within which citizens and officials act, and politics occurs, and which shape the identities and institutions of civil society.”
Rhodes (1997, 15)	“Governance refers to self-organizing, inter-organizational networks characterized by interdependence, resource-exchange, rules of the game, and significant autonomy from the state.”
Huther and Shah (1998, 2)	“Governance is a multifaceted concept encompassing all aspects of the exercise of authority through formal and informal institutions in the management of the resource endowment of a state. The quality of governance is thus determined by the impact of this exercise of power on the quality of life enjoyed by its citizens.”
Hyden (1999, 185, Hyden, Mease, and Court 2004, 16)	“Governance is the stewardship of formal and informal political rules of the game. Governance refers to those measures that involve setting the rules for the exercise of power and settling conflicts over such rules.”
Kohler-Koch (1999, 13)	“In essence, ‘governance’ is about the ways and means in which the divergent preferences of citizens are translated into effective policy choices, about how the pluralities of societal interests are transformed into unitary action and the compliance of social actors is achieved.”
Lynn, Heinrich, and Hill (2000, 235)	“Governance generally refers to the means for achieving direction, control, and coordination of wholly or partially autonomous individuals or organizations on behalf of interests to which they jointly contribute... in the empirical analysis of public policies and their implementation, the term governance may be defined as regimes of laws, administrative rules, judicial rulings, and practices that constrain, prescribe, and enable government activity, where such activity is broadly defined as the production and delivery of publicly supported goods and services.”
Keohane and Nye Jr (2002, 202)	“By governance, we mean the processes and institutions, both formal and informal that guide and restrain the collective activities of a group.”
Héritier (2002, 185)	“The concept of governance is used in two different ways: one broad, the other more restricted. In the encompassing sense, it implies every mode of political steering involving public and private actors, including the traditional modes of government and different types of steering from hierarchical imposition to sheer information measures. In the restricted sense, it only comprises types of political steering in which non-hierarchical modes of

	guidance, such as persuasion and negotiation, are employed, and/or public and private actors are engaged in policy formulation.”
Richards and Smith (2002, 15)	“Governance is a descriptive label that is used to highlight the changing nature of the policy process in recent decades. In particular, it sensitizes us to the ever-increasing variety of terrains and actors involved in making public policy. Thus, governance demands that we consider all actors and locations beyond core executive involved in policy making”.
Ahrens (2002, 129)	“Governance is the capacity of country’s institutional matrix (in which individual actors, firms, social groups, civic organizations and policy makers interacts with each other) to implement and enforce public policies and to improve private-sector coordination.”
Bang (2003, 7)	“I simply localize governance within the terrain of political authority as a communicative relationship, which is not merely or primarily hierarchical, and which can take effect in society only through the practical knowledge abilities and capabilities of ordinary individuals.”
Graham, Amos, and Plumptre (2003, 1-2)	““The process whereby societies or organizations make important decisions, determine whom they involve and how they render account... Governance is about the more strategic aspects of steering: the larger decisions about direction and roles. That is, governance is not only about where to go, but also about who should be involved in deciding, and in what capacity.”
Mayntz (2004)	“Governance ... is not simple further development of [German notion] of ‘ <i>Steuerung</i> ,’ but it draws attention to other aspects of political reality. While the <i>Steuerung</i> theory follows an actor-centered approach, the emerging governance theory is institutionalist and asks about the nature of regulation structures in which public and private, hierarchical and network-like forms of regulation interact.”
Kjær (2004, 12)	“We have defined governance as the setting, application, and enforcement of the rules of the game.”
Brinkerhoff and Goldsmith (2005, 200)	“Governance can be defined as the processes through which individuals and state officials interact to express their interests, exercise their rights and obligations, work out their differences, and cooperate to produce public goods and services.”
Gamble (2006, 110)	“Governance denotes the steering capacity of the political system, the ways in which governing is carried out, without making any assumption as to which institutions or agents do the steering.”
Peters and Pierre (2006, 29)	“By governance, we refer to the process of defining collective goals, making political priorities, and bringing together resources from a large number of different actors necessary to attain those objectives. Governance, therefore, is a perspective that accords the state a steering and coordinating role without assuming <i>a priori</i> that it is the state, and the state alone, that governs society.

	What the state does have, <i>de facto</i> or <i>de jure</i> , is the responsibility for steering the society and economy – no other institution in society has the capacity to establish overall goals nor to resolve fundamental differences in preferences among the relevant actors.”
Mitra (2006, 21) Mitra (2008, 1)	“Governance conceptualized as the overlap of the thin norms of the state and the thick perceptions of social groups is the interface of societies and institutions.” “...Governance understood as orderly political transactions, consistent with the highest law of land.”
Treib, Bähr, and Falkner (2007, 3)	“In general, the term governance is associated with a change in the nature of the state. In this sense, governance denotes a process of governing which departs from the traditional model where collectively binding decisions are taken by elected representatives within parliaments and implemented by bureaucrats within public administrations. Governance takes into account a change in the actor constellation, both during the formulation and the implementation of policies and in the method of political steering.”
Brinkerhoff (2007, 3)	“Governance ... extends beyond the role and actions of public sector institutions, structures, and processes to refer to broad conceptions of how societies organize to pursue collective goals and interests.”
Williamson (2008, 43)	“The means by which to infuse order, thereby to mitigate conflict and realize mutual gain.”
Stivers (2008, 1)	“Governance used to be a synonym for statecraft. It implied authoritative action for the common good, with the state as primary policy actor.”
Ebner (2009, 218)	“Governance denotes the process of designing, formulating and implementing policy goals and instruments in line with the diverse institutional carriers of these policies, involving agents from the private and public sectors.”
Elsner and Schoenig (2009, 205)	“Governance can be defined as the set of principles and rules that determine the interaction processes (i.e., exchange, collective learning) among individual agents in specific allocation mechanisms (i.e., hierarchy, network, market, and hybrids), with specific structures, in order to obtain high and increasing levels of performance (i.e., production, innovation).”
Chotray and Stoker (2009, 3)	“Governance is about the rules of collective decision-making in settings where there is a plurality of actors or organizations and where no formal control system can dictate the terms of the relationship between these actors and organizations.”
Börzel and Risse (2010, 114)	“We define governance as the various institutionalized modes of social coordination to produce and implement collectively binding rules, or to provide collective goods.”

Hughes (2010, 88)	“Governance is about running organizations, about steering as in the original derivation, how to organize, and how to set procedures for an organization to be run” (p. 88).
Ahrens (2011, 7)	“Governance is not synonym for government. Rather, it relates to institutions associated with governability and accounts for institutional variety as well as its importance for state capacity in conducting policy reform. In this context, governance clearly focuses on the quality of public policy and its impact on economic performance. Thus a countries governance structure consists of institutional arrangements and political process of formulating and implementing policy goals and applying appropriate instruments, thereby relying on coordination of diverse actors in public as well as the private sector.”
Lynn (2012, 49)	“Governance is the action or manner of governing, that is, of directing, guiding, or regulating individuals, organizations, nations, or multinational associations-public, private, or both in conduct or actions.”
Bevir (2012, 1)	“Governance refers, therefore, to all processes of governing, whether undertaken by a government, market, or network, whether over a family, tribe, formal or informal organization, or territory, and whether through laws, norms, power, or language. Governance differs from government in that it focuses less on the state and its institutions and more on social practices and activities”.
Stockemer (2012, 120)	“Governance is the process through which political authority is exercised, and political decisions are made and implemented. The concept includes many facets that combine the public with the private sector – from public institutions, which set the legal framework of all actions, to public servants, who determine the allocation of resources, to bureaucracies that ensure the provision of public goods and services.”
Fukuyama (2013, 350)	“Governance is a government’s ability to make and enforce rules, and to deliver services, regardless of whether that government is democratic or not.”
Wachhaus (2014, 588)	“Governance is shifting our notions of government: Moving outside governmental walls; shifting the flow of resources, power, and accountability much closer to the citizenry; altering that flow from a top-down to a two-way flow; and de-centering the locus of power, resources, and accountability.”

As we can see, different scholars propose wide ranges of meanings for the concept. Therefore, as Jordan, Wurzel, and Zito (2005, 478) indicate, “There is no universally accepted definition of governance.” The various connotations and implications of the term even led to some uncertainties about the position of the notion in the contemporary political science. As Chhotray and Stoker (2009, 26) point out “there is no one theory of governance in political

science and public administration.” That is why Jose (2009, 2) in his exploration of governance as a concept, talks about the ambiguity that emerged “between concept and practice, idea and reality, and ambiguity that raises questions about the ontological commitments arising from the use of the concept.” These ambiguities were a primary motivation for some scholars to present the multidimensional and comprehensive works on governance as a theory.

However, for more clarification at least we can define what government is *not*. The *acontrario* definition identifies what the concept is not and does not denote. This definition is reflected in the following quotation from Levi-Faur (2012, 9):

“Governance is not a unified, homogeneous and hierarchal approach to the study of politics, economics, and society. Indeed the very notion of homogeneity stands in contrast to the basic underlying belief of a large group of governance scholars who tend to see themselves as (neo) pluralists and pragmatists. Second, governance, so far, is not a theory of causal relations. There is no need to explain governance structures, processes, mechanism, or strategies with new theories. Still, governance and governancing can force and revitalize some explanatory strategies at the expense of others.”

As we can see here, there are entirely dissimilar definitions of governance in political science literature. This diversity has led to different connotations and conceptualizations in a different context. Needless to say, these dissimilar and vast interpretations can lead to the misunderstandings. These kinds of theoretical imprecision can hamper the researchers, using governance theory as their theoretical framework. Therefore, the following sections of this chapter try to explore diverse definitions and uses of governance to constructing an appropriate theoretical framework for the current study.

2.4 Different Conceptualizations of Governance

As Van Kersbergen and Van Waarden (2004, 165) indicate “there is no consensus on which set of phenomena can properly be grouped under the title governance.” Likewise, as Kooiman (1999) asserts, governance has dissimilar types of usages in social sciences. This lack of terminological clarity and broad scope of its applications is a motivation for conceptualization and categorization of its various applications by different scholars.

One of the first significant and urgent needs in defining governance is finding and classification of the meanings and their implications in the different disciplines and their subfields. Therefore,

various scholars have tried to classify the usages of the term since the mid-1990s. For example, Rhodes in his well-known and influential article *The New Governance: Governing without Government* (1996, 652) introduces the “minimal state, corporate governance, the new public management, good governance, socio-cybernetic systems, and self-organizing networks” as six definitions and uses of governance. Four years later, Rhodes (2000) proposed seven kinds of definitions of governance. He summarizes different definitions to following categories:

- 1- “Governance as corporate governance
- 2- Governance as the New Public Management
- 3- Governance as ‘Good Governance.’
- 4- Governance as International Interdependence
- 5- Governance as socio-cybernetic system
- 6- Governance as new political economy
- 7- Governance as networks”

In another endeavor for the conceptualization of governance, Peters (2000, 36-53) detects two dissimilar views of governance and call them the ‘old governance’ and ‘new governance.’ The first approach or old governance deals with the steering and rulemaking. This view discusses how the state steers the society and economy (Pierre and Peters 2000). In the old governance approach, the traditional concept of steering is the focus of analysis, and it is top to down. In particular, old governance deals identifying “the capacity of the center of government to exert control over the rest of government, and over the economy and society” (Peters 2000, 38).

According to Pierre (2000, 3), in the old governance approach, the important key issue is “to what extent the state has the political and institutional capacity to steer, and how the role of the state relates to the interests of other influential actors.” In contrast, new governance refers to state-society interactions and focuses on self-organizing networks for steering. The main issues here are the role of networks, public and private interactions and self-governance. New governance tries to answer this question “how the center of government interacts with society to reach mutually acceptable decisions, or whether society actually does more self-steering rather than depending upon guidance from government, especially Central Government”(Peters 2000, 36).

Based on the old and new governance conceptualizations, Kjaer (2014a) combines this conceptualization with other conceptual distinctions in governance debate. After distinguishing between governance as ‘research agenda’ and governance as ‘development program,’ she

combines it with the new and old governance approaches as a matrix. She clarified the columns and rows and its elements in the following table.

Table 3 Elements of the governance debate

	Old governance conceptualization	New Governance Conceptualization
Governance as development program	Anti-corruptions programs Public sector reforms Support for public accounts committees, ombudsmen, the auditor general, etc.	Civil Society support Public-private partnerships Support of media
Governance as a research agenda	State autonomy Steering capacity Neo-patrimonialism, rent-seeking Organizational and Policy Reforms	Empowerment Societal autonomy Blurring of state-society boundaries through networks Informal institutions as obstacles to reform A search for democratic accountability

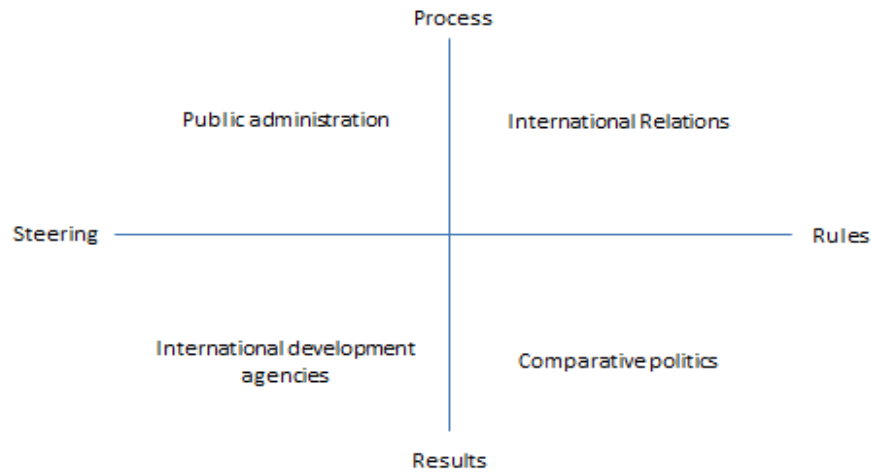
Source: Kjær (2014, p. 21)

Kjær (2014a, 22-24) in her study on the debate on governance in Africa, refers to World Bank's emphasis on Institutional reform, fighting against corruption, better financial management, and ombudsman institutions as development program approach. In contrast, governance as a research agenda criticizes the good governance approach because it represents an attempt to transfer neo-liberal economic system and liberal democratic Western system to developing countries without considering the local context. Therefore, governance as research agenda mainly concentrate on issues like 'state autonomy, steering capacity or blurring of state-society boundaries through networks.'

Likewise, Hyden, Mease, and Court (2004) in their *Making sense of governance: empirical evidence from sixteen developing countries* tried to present the different meaning of governance at the practical level, as well as the theoretical level. They identify diverse uses of the governance concept in public administration, international relations, international development agencies and comparative politics (Hyden, Mease, and Court 2004, 12). As they observe, most of public administration scholars like practitioners in international development organizations understand the notion of governance in the context of *steering and control*. Oppositely, in the international relations and comparative politics, scholars consider governance as a concept that is related to the *rules of the game*. Nevertheless, international relations treat governance as a *process*. Public administration also sees governance as a concept that is defined by the process. In contrast, international development agencies share with specialists of comparative politics

that governance is about *results* and *performance*. Figure 12 illustrates four major positions on how governance has been defined and used.

Figure 12 Different uses of the governance concept



Source: Hyden, Mease, and Court (2004, 13)

According to this categorization, the comparative politics scholars look at governance as a “voluntarist act that can make a positive difference in social and economic development.”.

In another categorization, Kjaer (2004) offers the best summary of different perspectives on governance in the subfields of political science. Although, she wrote her influential book *Governance: Key Concepts* (Kjær 2004) more than years ago, her endeavor to summarizing much of the governance literature into a comprehensible, brief, and coherent work is still relevant and beneficial. She differentiates diverse uses of governance in public administration and public policy, International relations, European governance, comparative politics and the World Bank.

In the second chapter of the book (Kjær 2004, 19-58), she mostly investigates the debate on governance in public administration and public policy. She asserts that governance in this area was introduced as the consequence of changes in the public sector during the 1980s in UK and US. As it was discussed, after public sector reforms in the 1980s especially in U.K, some social science scholars claim that the political systems in the Western societies are experiencing the process of transformation. These reforms had been characterized by New Public Management (NPM). The result of these reforms was the rise of the policy networks. The works of Rhodes (1996, 1997) play an significant role in the development of governance theory as network governance in public administration and public policy. According to this approach, after the

neo-liberal reforms in the U.K. and emergence of networks, government is not the single active actor of service delivery to citizens. Thus, networks as the efficient service deliverer should be managed by governments in an indirect way. The main assumption in this approach are the importance of the inter-organizational and self-organizing network, a plurality of actors, and blurring the traditional boundaries between public and the private.

Kjaer in her third chapter of the book (2004, 59-98) concentrates on the debate on governance in international relations. After underlining 'globalization' with its economic, political, sociocultural, environmental, and military dimensions and increase of global interactions, she indicates the necessity of regulation at the global level. Her primary focus is global governance and work of Rosenau (1995) who describe global governance as a system of the rule at all levels of human activity aimed at decision-making of the transnational nature. The important point of focus of IR scholars especially liberalists is the effectiveness of international organizations. They believe that more international rules should be constructed in order to create effective global policy making. For this reason, the need for strengthening of effective global institutions is the main concern of this approach.

Similar to Hyden, Mease, and Court (2004), Kjaer in chapter five and six of her book (2004) outlines governance in relation to the ongoing debates in the comparative politics explicitly. She divides the debates on governance in comparative politics to the role of the state in development and democratization. She in the chapter titled *Governance in comparative politics I: The state and economic development*, introduces considers governance as "how institutions for economic policy making- and implementation are set up, and what their consequences are" (Kjær 2004, 194). She defined this area of study as *comparative political economy*, and she states that this approach overlaps with the area which discusses governance in public policy and administration. This approach rejects the neo-liberal's assumption who claim that the state should not have the role in development and market itself is the central factor. This approach rooted in the idea of *Bringing the state back in* (Skocpol 1985) and neo-statist approach of the 1980s and 1990s. They do not believe in self-regulation of the market, and asserts that there is the need for some interventions. However, the first manifestation of this approach can be seen in the developmental state theory, conceptualized by Johnson (1982, 1987). While neo-liberal scholars deduced remarkable economic growth of four East Asian countries (Hong Kong, Taiwan, Singapore and South Korea) during the 1960s and 1970s as the result of the unguided market, developmental state theory highlighted the synergetic interactions between state, ruling

elite, and political institutions and economic agents. Also, this approach criticizes good governance approach for its normative preferences and imposing its neo-liberal values on the developing countries. The current literature on governance in comparative political economy become seriously engaged in the state-market interactions.

Therefore, any research on governance can encounter with the vast but contradictory available literature on governance. Concerning this dissimilar uses of governance, Rhodes states, “to be frank, the several uses have little or nothing in common.”(Rhodes 2007, 1246)

Hence, this study needs to define the most relevant literature on governance according to the research questions. Consequently, the *capability of analysis of the interactions of governance and development* is the most critical criteria for selecting a proper analytical tool for the current research.

It is so obvious that some of these categories have the clear implications for the current research whereas others indirectly touch upon the important issues or even absolutely are irrelevant to the current study.

Needless to say, governance in the context of international relations and notion of global governance cannot be regarded as a proper theoretical foundation for the current research, dealing with variables at the national or subnational levels. Likewise, corporate governance theory cannot provide a suitable theoretical toolkit for the current study because it principally concerns transparency and accountability in the only private sector. As a result, these two theories (corporate governance and global governance) have not been considered as the influential analytical foundation of this research and hence the literature discussed below will not reflect on governance research within the academic ground of the governance in private corporations or international relations.

Conversely, discussion of the possibility of use of network governance approach as a theoretical framework for the current research needs more clarification. As it was discussed, developments such as reforms in the public sector during last decades of the 20th century, increasing Europeanization, and globalization have changed the structure and functions of state in the context of western societies and governance paradigm (see Marinetto 2003) was a result of changes in the Western states. Consequently, the new governance research predominantly has concentrated on Western nation-states. Theories like network governance theory can be seen as the direct outcome of these changes, and they attempt to describe, explain and analyze

these transformations. For instance, Rhodes (1996, 655) asserts that “the transformation of public sector involves ‘less government’ (or less rowing) but ‘more governance’(or more steering).” Governance in the context of public administration and public policy is mostly influenced by what is known as Anglo-governance school or works of scholars.

For that reason, the basic problem and question are about applicability and relevance of this theory for examining and analyzing the developing states in the non-European or North American contexts. Have we been witness to the same process of changes and developments in the structure and function of state in non-western countries? Have the networks as the main element of analysis of Anglo-governance school emerged in South Asian states like India and if yes have the same extent and influence that they have in U.K or Western Europe? The next major problem about the applicability of this approach for the current study is that the network governance’s main point of concentration is not development. The current study requires and theoretical toolkit that can analyze the interactions of governance and development.

Although, governance theory in the field of public administration tries to investigate and explain and changes and the shifts in the structure and function of both state and government in the context of western nation-states, and there are some serious doubts and uncertainties about its merits and applicability for studying developing non-Western nation states; nevertheless, it can have two indirect implications for the current study. First, its theoretical assumptions like plurality of actors, blurring the borders between the public and private sector and state and civil society, and a clear differentiation between government and governance, also ratified by the current study. Second, scholars at Max-Planck-Institut für Gesellschaftsforschung like Scharpf (1997) joined rational choice with neo-institutionalism to produce actor-centered institutionalism. Similar to this approach, the current study will work within the framework of rational choice institutionalism.

Hence, only two last categories of definitions of governance visibly deal with the interactions of governance and development as their main purposes. Not only international aid organization and development agencies with the notion of good governance created a framework for analyzing the interactions of governance and development, but also in the framework of comparative politics and comparative political economy, based on neo-institutionalism there is a growing literature on governance that concentrates on interplays of governance and economic performance of developing countries.

The next section will reveal why good governance approach cannot be seen as a suitable theoretical foundation for the current study and what are the merits and advantages of governance in comparative politics approach for this research. Finally, in the framework of the literature of governance in comparative politics, this chapter will introduce the relevant approach and theoretical toolkit for the current study.

2.5 Neo-liberalism and Good Governance

In development studies, there are different theories and approaches, discussing appropriate economic development and transition strategies in less developed countries, post-colonial countries, and post-socialist countries. One of the most significant and current approaches in this field is ‘good governance’ approach, mostly used by international development and aid agencies like the World Bank (WB) and United Nations Development Program (UNDP) since the 1990s. That is why Grindle (2012, 261) describes Good Governance as ‘the new kid in development discourse.’ International aid agencies not only consider promoting of good governance in developing countries as an *objective* for development assistance but also as a *condition* for it (Santiso 2001, 2).

2.5.1 Roots and Context of Good Governance

The fundamental question is how good governance has become a major factor in the contemporary development discourse. For answering this question, the roots of the emergence of the neo-liberal economy and its impacts on the development discourse should be investigated. As Chang (2002) indicates, because of the practical failure of *laissez-faire* doctrine between First and Second World War, this doctrine had been marginalized and rejected. Hence, as he exposes (Chang 2002, 540), a range of interventionist theories like Keynesianism, welfare economics, and the early development economics emerged after the Second World War. Market failure was the fundamental issue that these interventionist theories dealt with it, and they prescribed an active state involvement to solve this problem.

Conversely, neo-liberalism has emerged as the main challenger of the Keynesian welfare state since the 1970s. Gamble (2001, 127) describes neo-liberalism as the extraordinary “revival of doctrines of the free market.” Neo-liberals saw state inefficient when compared it with the market. Moreover, they argued that post-war Keynesian welfare state in crisis and cannot be continued (Bevir 2009, 4). Neo-liberal economists like Milton Friedman, Friedrich von Hayek were the pioneers of this significant shift. These scholars were perceived as neo-liberal because

their works are the modern adoption of liberal or laissez-faire doctrine. Consequently, as McGuigan (2005, 230) mentions, neo-liberalism can be seen as a return to the 19th-century liberalism in political economy, advocating “laissez-faire economics for free trade in an international division of labor and minimal state intervention within the nation.” Liberal economists mainly assume that the capitalist economy can do its best performance when left to its device and unconstrained by government regulation (Manzetti 2009, 7). For this reason, neo-liberal economists also have a negative attitude toward the role of the state in the economy. As Chang (2002, 540) specifies, they considered state as “an organization run by self-seeking politicians and bureaucrats.” These politicians and bureaucrats are under influences of interest groups as well as limited in collecting information and executing policies. They elucidated those government failures and their symptoms such as corruption and rent seeking was the result of ‘imperfect nature of the state.’ Neo-liberal economists assumed that the state should mostly be involved in policy making rather than service delivery. Thus, they tried to ‘role state back’ and put emphasis on ‘bringing civil society back in.’ Therefore, as Leftwich (1993, 608) remarks, neoliberalism simply cannot be seen as an economic theory. On the other hand, it has strong political dimensions. These political dimensions include normative as well as functionalist theories that are related to politics and the state.

This ‘neoliberal counter-revolution’ or ‘neo-classical counter-revolution’ played a key role in the shift in development programs in the developing countries. During the 1980s, international financial organizations faced with the threat of widespread default or partial payment of debts by developing countries especially in the Latin America. So, they tried to find a strategy by which their assets would be preserved. This strategy came to be called the ‘Washington Consensus’ (Weeks and Stein 2006, 676). Williamson (1990) introduces the set of policy reforms that most of the officials in Washington believed would be beneficial to Latin American states:

- “Fiscal discipline
- A redirection of public expenditure priorities toward fields offering both high economic returns and the potential to improve income distribution, such as primary health care, primary education, and infrastructure
- Tax reform (to lower marginal rates and broaden the tax base)
- Interest rate liberalization
- A competitive exchange rate
- Trade liberalization

- Liberalization of inflows of foreign direct investment
- Privatization
- Deregulation (to abolish barriers to entry and exit)
- Secure property rights.”

The neo-liberal agenda of the World Bank and IMF for the developing countries ascended in the context of Washington consensus. Accordingly, the foremost emphasize of them was rolling the state back and market-oriented policies (Bevir 2009, 94). Therefore, the World Bank and IMF have implemented new conditions for loans to developing countries and ask them to apply new policies to revise the role of the state in the economy.

As Bhattacharya (2008, 90) clarifies, the World Bank and IMF recommended two policies of ‘privatization’ and ‘deregulation’ in order to make markets more efficient and restrict the role of state in economic regulation and intervention. Therefore, during the 1980s development assistance shifted fundamentally from financing investments in infrastructures to promoting policy reform in the framework of Structural Adjustment Program (SAP). This strategy advocates the ‘adjustment trinity,’ including stabilization, liberalization, and privatization that enhance growth and development (Stein 2006, 597). As Rodrik (1990, 933) elaborates, structural adjustment includes several macroeconomic and institutional reforms like trade liberalization, price deregulation, financial liberalization, and privatization.

According to Stein (2006, 597-598), stabilization involves decreasing of trade deficits, limiting monetary growth, and cutting government spending. The objective of stabilization was control of inflation and decrease of imbalances in the current account and government budgets. Liberalization mostly includes policies like reducing government regulations and freeing up’ prices by removing government controls or subsidies on prices. Finally, based on the neo-liberal perspective, assuming private property ownership would increase the levels of efficiency and enhance investment and growth, privatization contains policies like selling state properties (like banks or companies) to the private sector and limiting state intervention in the market activities.

Therefore, the SAP can be seen as the manifestation of this neo-liberal turn of development literature in the policy context. The foremost aim of SAP is eliminating inefficiencies and guarantee adequate growth rates.

As it was discussed, the good governance concept for the first time became predominant in the debates on development in the Sub-Saharan African countries throughout the 1990s (see Leftwich 1993, Kjær 2014b). At the beginning of the 1980s, International Monetary Fund (IMF) and the World Bank tried to implement SAP in the Sub-Saharan African countries in order to enhance economic growth. Despite all optimism, the SAP had not led to expected results. According to Stein (2006, 597), thirty-seven Sub-Saharan African countries had received SAP loans until 1995; nonetheless, by 2001, the GNP per capita of the region had decreased by 43% since 1980 when the first programs were initiated. Therefore, World Bank tried to solve this crucial dilemma: Why neo-liberal policy packages such as structural adjustment did not enhance economic growth in Africa? In *Sub-Saharan Africa: From crisis to sustainable growth* (1989, 60-61) the World Bank indicated that “a crisis of governance’ underlay ‘the litany of Africa’s development problems.” The report recognized factors such as self-serving public officials and corruption as the main causes of bad governance. In this report, the World Bank defined governance as “the exercise of political power to manage a nation's affairs.” In this framework, the report introduced corruption, bad policies, and nepotism as the negative factors that hampered development in African countries. In contrast, the report (World Bank 1989, xii) postulated that although private sector initiative and market mechanisms as the neo-classic and neo-liberal economic assumptions are significant for development; nonetheless, they “must go hand-in-hand with good governance.” In This sense, good governance was understood in term of “public service that is efficient, a judicial system that is reliable, and administration that is accountable to its public.” So, the first use of “good governance” was initially articulated in this World Bank’s publication. From this time, the key postulation of the World Bank and IMF was that only loans and the SAP do not enhance economic growth. So, they should be accompanied by good governance. As Epstein and Gang (2009, 12) indicate, international financial and aid organizations postulated that the aids and loan would be effective if there is an ‘appropriate policy environment.’ On the other hand, corrupt bureaucrats and self-interested politicians divert aids and loan. Therefore, the World Bank has considered good governance as the main criteria for its lending to developing countries since 1992. The World Bank in *Governance and Development* (1992, 1) defined good governance as “sound management of a country’s economic and social resources for development policy” and introduced it as “central to creating and sustaining an enabling environment for development” (World Bank 1992, 47).

In addition, as Leftwich (1993, 609) specifies, it seems that other factors more than a reassessment of implementation of the SAP in Sub-Saharan African countries played a role in the popularity of good governance. The collapse of the Berlin Wall, disintegration of the Soviet Union, and the decay of the communist countries and political and economic alliances with the Eastern bloc, provided a freedom for the liberal Western states and international financial and aid institutions to attach political conditionalities to aids and loan without anxiety of losing “its Third World allies or clients to communism in a competitive bipolar world.”

Similarly, as Doornbos (2001) specifies, after the collapse of Soviet unions and end of the cold war, there is no serious strategic need for the Western states to get the support from, or give support to authoritarian regimes in developing countries. So “A new chapter of conditionalities, that is, of *internally* directed political conditionalities concerned with the structuring and operation of recipient countries' institutions, was being opened” (Doornbos 2001, 97). Mitra (2006, 236) also highlights the influence of 9/11 terrorist attacks on the good governance approach and states “from its earlier emphasis on process, governance, particularly in the wake of 9/11, has moved on to the more loaded concept of *good governance* with a focus on electoral democracy, promoted by armed liberal governments.”

Therefore, as Nanda (2006, 270) remarks, international financial organizations, and Western countries give the debt relief, debt forgiveness and increases in aid only to countries, implementing governance reform to guarantee transparency, rule of law, human rights and accountability. After emergence of good governance during the 1990s, Western donor community not only insisted on economic conditionalities such as to keep inflation below 7% per year, or cut subsidies on fertilizers, but also added a new variety of political conditionalities such as to establish a democratic political system, supporting multi-party system and safeguarding freedom of the press and expression (Chhotray and Hulme 2009, 37). The foremost aim of these institutional and policy reforms was enhancing the economic growth. Another noteworthy example of attachment of good governance conditionality to aid is US MCC or Millennium Challenge Corporation (earlier Millennium Challenge Account). During George W. Bush administration, the MCC as an innovative development assistance program was initiated, and the U.S. Congress created it with a strong bipartisan support in January 2004. Georg Bush in his ‘National Security Strategy of the United States of America’ introduced the main goal of new Millennium Challenge Account and said:

“These billions of new dollars will form a new Millennium Challenge Account for projects in countries whose governments rule justly, invest in their people, and encourage economic freedom. Governments must fight corruption, respect basic human rights, embrace the rule of law, invest in health care and education, follow responsible economic policies, and enable entrepreneurship. The Millennium Challenge Account will reward countries that have demonstrated real policy change and challenge those that have not to implement reforms.” (Sørensen 2002)

The MCC allocates aids to developing countries based on a mechanism, assessing the developing countries’ governance performances. The MCC took good governance idea seriously (Chhotray and Hulme 2009, 38) and saw it as the key criteria for payment of loan and aids to less developed countries. The MCC mainly assume that rate of growth has a positive correlation with good policies and democratic institutions. Similarly, the effectiveness of aids is dependent on the quality of institutions and policy (Knoll and Zloczynski 2012).

Bevir (2009) and Bhattacharya (2008) see roots of good governance in neo-liberalism. According to Bevir (2009, 93) notion of good governance mostly associated with the neo-liberal reforms in the public sector like marketization, privatization and the New Public Management. McCarney (2000, 2) construes good governance as “another element of a global hegemonic neo-liberal discourse.” Similarly, Kjær (2004, 139) suggests that good governance model that was recommended by international financial and development organizations was constructed based on the ‘Anglo-American liberal-democratic model.’

However, good governance was not merely constructed based on neo-liberalism. It seems that some elements of neo-institutional economics (NIE) gradually influenced the emerging concept (Pomerantz 2011, 163). As it was elaborated, after the publication of *Institutions, institutional change and economic performance* (North 1990) and popularity of NIE, institutions were understood as the “underlying determinant of long-term performance of economies” (North 1990, 107). The NIE highlights the role of institutions in the creation of variant economic performance throughout history and across the world. Moreover, as it was discussed, the efforts of scholars like March and Olsen (1983), (1989) and Skocpol (1985) that led to the rise of neo-institutionalism in political science and more concentration on the role of state as a very significant institution. Hence, we can see the influence of NIE and the idea of ‘bringing state back in’ in *World Development Report - The State in a Changing World* (World Bank 1997b) acknowledges the decisive role of the state as central to economic development.

The World Bank, with a particular focus on the role of state in development, pointed out that “An effective state is vital for the provision of the goods and services and the rules and institutions that allow markets to flourish and people to lead healthier, happier lives” (World Bank 1997b, 1). With this institutionalist perspective, the World Bank has published several studies on good governance since 1997. In a very explicit statement, the World Bank in *World Development Report - Building Institutions for Markets* (2002, 99) defined good governance as “the ability of the state to provide institutions that support markets such as property rights and regulatory regime that support competition.” Thus, according to this report, good governance matters for economic growth and poverty reduction. Eventually, this institutional trend was bolded by Kaufmann, Kraay, and Mastruzzi (2011), defining governance as “the traditions and institutions by which authority in a country is exercised. This includes (a) the process by which governments are selected, monitored and replaced; (b) the capacity of the government to effectively formulate and implement sound policies; and (c) the respect of citizens and the state for the institutions that govern economic and social interactions among them.”

2.5.2 Defining Good Governance

As it was discussed, good governance as a fundamental concept has emerged as a keyword in the agenda of development and aid agencies since last twenty-five years, and it has become an indispensable part of development discourse. While ‘governance’ as a key concept rarely was used in the context of development before the 1990s, the good governance concept has become predominant in development debates since last two decades. So Grindle (2007, 553) describes good governance as a ‘Mantra’ for current development organizations and professionals.

Nevertheless, good governance like governance has not an agreed or single definition. As Holmberg, Rothstein, and Nasiritousi (2008) indicate, “because good governance is such a broad concept and encompasses a range of issues, empirical analyses hinge on the definition of the term.” Furthermore, as Börzel, Pamuk, and Stahn (2008, 5) specifies, some development studies scholars or international organizations have a tendency to define good governance as a synonym of governance without providing a clear definition of either term. Ten years after the popularity of the term, Doornbos (2001, 94) describe good governance as a ‘policy metaphor’ and asserted that a consensus on the core meaning of the term hardly could be achieved. Some definitions concentrate on performance and results others emphasize on the process. Some of them deal with the institutional structure and some with the elite agency. Some of them

consider governance as a synonym of government and some focus on the roles of civil society and NGOs. Some of the definitions see good governance as the capacity of state to implement policies, and some consider it as policy (Pomerantz 2011, 164). That is why Bevir (2009, 92), describes good governance definitions critically as “wish-list of reforms, practices, and outcomes, usually with a particular eye on developing states.” Therefore, Table 4 presents several definitions and conceptualizations of good governance, provided by the international organization since the 1990s.

Table 4 Different definitions of good governance by international organizations

Name of Organization	Definition of good governance
UN	
United Nations	<p>“Good governance promotes equity, participation, pluralism, transparency, accountability and the rule of law, in a manner that is effective, efficient and enduring. In translating these principles into practice, we see the holding of free, fair and frequent elections, representative legislatures that make laws and provides oversight, and an independent judiciary to interpret those laws.”</p> <p>“In the community of nations, governance is considered good and democratic to the degree in which a country’s institutions and processes are transparent. Its institutions refer to such bodies as parliament and its various ministries. Its processes include such key activities as elections and legal procedures, which must be seen to be free of corruption and accountable to the people. A country’s success in achieving this standard has become a key measure of its credibility and respect in the world” (United Nations 2009).</p>
United Nation Development Program (UNDP)	<p>Characterized as “participatory, transparent ... accountable ... effective and equitable ... promotes the rule of law ... ensures that political, social and economic priorities are based on broad consensus in society and that the voices of the poorest and the most vulnerable are heard in decision-making over the allocation of development resources.” (UNDP 1997, 12)</p> <p>“Good governance refers to governing systems which are capable, responsive, inclusive, and transparent. All countries, developed and developing, need to work continuously towards better governance. Good, or democratic governance as we call it at UNDP, entails meaningful and inclusive political participation. Improving governance should include more people having more of a say in the decisions which shape their lives.”(UNDP 2011)</p>
International financial and development organization	
World Bank	<p>“Good governance, for the World Bank, is synonymous with sound development management.”(World Bank 1992, 1)</p>

	<p>“Good governance is epitomized by predictable; open, and enlightened policymaking (that is, transparent processes); a bureaucracy imbued with a professional ethos; an executive arm of government accountable for its actions, and a strong civil society participating in public affairs; and all behaving under the rule of law.”(World Bank 1994, vii)</p> <p>“Good governance includes the creation, protection, and enforcement of property rights, without which the scope for market transactions is limited. It includes the provision of a regulatory regime that works with the market to promote competition. And it includes the provision of sound macroeconomic policies that create a stable environment for market activity. Good governance also means the absence of corruption, which can subvert the goals of policy and undermine the legitimacy of the public institutions that support markets.”(World Bank 1997b, 99)</p>
International Monetary Fund (IMF)	“Ensuring the rule of law, improving the efficiency and accountability of the public sector, and tackling corruption.” (International Monetary Fund 1997)
European Institutions	
European Commission	<p>“Five principles underpin good governance and the changes proposed in this White Paper: openness, participation, accountability, effectiveness and coherence. Each principle is important for establishing more democratic governance. They underpin democracy and the rule of law in the Member States, but they apply to all levels of government – global, European, national, regional and local.” (European Commission 2001)</p> <p>“As the concepts of human rights, democratization and democracy, the rule of law, civil society, decentralized power sharing, and sound public administration gain importance and relevance as a society develops into a more sophisticated political system, governance evolves into good governance.”(European Commission 2003, 4)</p>
Western countries’ aid and development agencies	
U.S. Millennium Challenge Corporation(MCC)	“Good governance is a critical component of promoting economic growth. Policies that respect the rule of law protect civil liberties and fight corruption help lay the foundation for a society to thrive.”(Millennium Challenge Corporation 2013, 9)
U.K. Department for International Development (DFID)	“Good governance requires capability – the extent to which government has the money, people, will and legitimacy to get things done; responsiveness – the degree to which government listens to what people want and acts on it; and accountability – the process by which people are able to hold government to account.”(DFID 2006, ix)
Canadian International Development Agency (CIDA)	“By governance, we mean the manner in which power is exercised by governments in the management of a country’s social and economic resources. Good governance is the exercise of power by various levels of government that is effective, honest, equitable, transparent and accountable.”(quoted in Johnson 1997, 1)

As Table 4 displays, good governance definitions, have deep normative implications than governance definitions. Despite the different definitions and understandings, most of the good governance conceptualizations recognize it as the prerequisite for the economic development.

2.5.3 Good Governance as a Theoretical Tool: Assessments and Critiques

2.5.3.1 *Question about the Causality Assumption*

Good governance approach hypothesizes that there is a linear causality between good governance and economic development. Nevertheless, several scholars have raised questions about the linear causality between the quality of governance and economic outcomes, particularly economic growth.

For instance, Kurtz and Schrank (2007) remind that the empirical foundations of correlation between quality of governance and growth are weaker than it has been claimed. As they (Kurtz and Schrank 2007, 541) specify, although a clean and effective governance is desirable; nevertheless, it is not so clear whether it is a crucial or even significant originator of economic growth or not. Looking at corruption and unstable political system in post-World War Italy, rapid economic growth for them is a clear evidence of the independence of economic performance.

Also, as Holmberg, Rothstein, and Nasiritousi (2008, 4) point out, in the studies, aiming to prove a correlation between good governance and economic growth, scholars sometimes use definitions that serve to confirm their hypothesis. For instance, some scholars emphasize on regulatory quality over other aspects of quality of governance.

Likewise, as Baird (2012, 265) indicates, the World Bank, as well as some scholars “include elements of democracy among measures of governance and elements of governance among measures of democracy, respectively.” Therefore, it would be problematic– if not impossible– to find out which institutions matter for development, how and when they matter, or if they matter at all.

2.5.3.2 *Normative Roots of Good Governance*

One of most influential critics of good governance approach is its normative nature. This deep normative foundation keeps scholars uncertain about its ability to serve as a proper academic theory in development studies.

For Instance as Gregory (2014, 16) points out, “good governance and bad governance are rhetorical categories rather than scientific ones.” Grindle (2004, 527) describes good

governance as “an outcome of ‘advocacy’ by dedicated supporters of the democratic government, universal human rights, sustainable development, empowerment of the poor, free trade, participatory development, and other desirable conditions.”

Zanotti (2005, 468) identifies neo-liberalism as the main normative foundation of and states “good governance doctrines originated within the Anglo-American neoliberal critique of the interventionist welfare state.” Similarly, Mitra (2006, 52) distinguishes between three perspectives on governance: (i) realist-rational perspective (governance as *order*), (ii) the liberal (governance as a *process*) and (iii) the normative (*good* governance) perspectives. He concludes that governance with its great analytical power has been changed to a political slogan. According to him (Mitra 2006, 236) “as a concept, good governance, loaded with liberal values, privileges those who have the ontological control over the definition of these categories. In real-life situations, this method privileges the specialist and the observer of governance as compared to the actors who are part of the context.”

Khan (2012) observes this normative basis as an obstacle for more objective analysis on governance and development and describe this approach as part of a much wider tradition within modern liberal economics. According to him, this liberal tradition “develops economic models from a minimal set of ‘plausible’ first principles and then looks to cross-country or historical evidence using regression analysis on relatively large data sets to see if particular hypotheses are rejected or supported” (Khan 2012, 52).

Bevir (2009, 93) compares the normative origins of good governance definitions by the World Bank and UNDP. In the World Bank’s liberal perspective, the notion of good governance as a strategy for development associated with democratic political institutions as well as the market economy, free trade, and reduced public sector. On the other hand, in the definition of good governance by UNDP the principal focus is on the social and political condition because economic liberalism has fewer influences on this international organization.

Not only definitions of good governance were perceived as mostly normative, but also the good governance indicators are characterized as normative. For example, Rotberg (2014, 513) criticizing World Governance Indicators, developed by the World Bank experts (See Kaufmann, Kraay, and Mastruzzi 2011) and states, “The indicators are largely normative, encompassing policy preferences rather than measuring the satisfaction of citizen-request priorities.”

2.5.3.3 *Neglecting Different Contexts*

Western donor community and international financial organizations attempt to provide a universal definition of good governance and indicators for measuring its quality. These standard universal conceptualizations have neoliberal roots. As Doornbos (2001, 100) indicates, “If donor-conceptualized standards of 'good governance' were to be more fully elaborated and insisted upon, it would thus almost certainly imply an insistence on Western-derived standards of conduct to be adopted in nonwestern politico-cultural contexts.”

According to Zanotti (2005, 472), it was assumed that the principles and proposed way for good governance are effective across borders and in all circumstances. Thus, institutional and public management reforms can find suitable implementation in all states, regardless of their local contexts. Therefore, good governance approach proposes the standardized solutions to the wide range of contexts with different problems. That is why Mitra (2006, 236) concludes that “being exogenous to their life world, the categories of good governance lack legitimacy for the same reason that an earlier generation of scholars became skeptical of modernization theories.”

Considering diverse institutional contexts, Andrews (2010, 28) observes that countries with satisfactory economic performance and outcomes can have very different governance structures. As he concludes, “Countries that come out reflecting ‘good government’ according to the influential good governance indicators look very different, varying on the very dimensions that indicators imply are central to good government.” So, this evidence challenges the current predominance for a one-best-way model of good or effective governance. Khan (2012) similarly concentrates on dissimilar historical contexts of development in different countries. As he asserts, sustaining growth and development need to “major transformation of pre-capitalist and largely agrarian societies into modern productive ones. These processes involve interlinked strategies of accumulation, technology acquisition, and the management of deeply conflictual processes of social and class transformation. Given that society starts with different political, social and economic histories, it is hardly surprising that there is no blueprint of transformation that we can discern in actual history” (Khan 2012, 55).

2.5.4 *Good Governance and Study of Interrelations of Governance and development in India*

Most researchers, discussing and examining the interrelations between governance and development in India have been mostly influenced by ‘good governance’ discourse. For

example, R. N. Ghosh, Rony Gabbay and Abu Siddique (1999) edited a book, consisted by articles presented at an international seminar held in 1996 that emphasized on Good governance and sustainable development in the Indian Ocean region. The book, its introduction and each paper are highly influenced by good governance discourse.

Another example is R.B. Jain(2003), presenting a detailed view on the quality of governance, and he focused on control of corruption as an indicator of good governance.

In the same way, E. Vayunandan and Dolly Mathew (2004) focused the issues and strategies of good governance in India. Their study deals with issues such as accountability, transparency, equity, efficiency, effectiveness, participation responsiveness, decentralization.

Not only academic works on governance and development in India have been influenced by good governance models, but also even the significant economic planning documents such as ‘Eleventh Five Year Plan’(2008) considers improving the quality of governance as the precondition for inclusive growth:

“The Eleventh Plan vision of inclusive growth, reducing poverty and bridging the various divides that continue to fragment our society can only be achieved if there is a significant improvement in the quality of governance. There are many different definitions of good governance, but it is agreed that good governance must be broadly defined to cover all aspects of the interface between individuals and businesses on the one hand and government on the other.”

2.6 Neo-Institutionalism, Governance and Comparative Political Economy

As it was mentioned, international organizations and aid agencies, influenced by neo-liberal economics have mainstreamed good governance in their development agenda for developing countries since the collapse of the Soviet Union and end of Cold War. This idea was mainly based on the neo-liberal notion of hollowing state out and adoption of market-oriented policies. However, good governance is not the single approach that deals with interconnections of governance and development. As McCarney (2000) indicates, two flows of definition have been emerging, ‘one a policy-oriented’ one like good governance and second, ‘a more academic one.’

The key development in political science that had a direct effect on the spread of governance as a scientific keyword was the rise of ‘Neo-statism’ in the social sciences. Although in pre-

second world war, the key focus of political science was studying the legal aspects of state, and it concentrate on the formal institutions of state (Kjær 2004, 124), Barkey and Parikh (1991, 523) illustrate how in the post second world war political science, approaches like structural functionalism, Marxism, and pluralism had become significance. Accordingly, scholars ranging from comparative historical sociology to specialists in the economics of development concentrated on the role of the state in the 1980s. The widely cited work and influential book '*Bringing the State Back In*' (Evans, Rueschemeyer, and Skocpol 1985) was a turning point. In the introduction to the book, Theda Skocpol (1985, 4) describes approaches like structure-functionalist or pluralist that were predominant in political science and sociology in the U.S. during the 1950s and 1960s as the 'Society-Centered Theories' and realizes the rising tendency in the political science during 1980s that represents a shift from society centered theories to the reconsidering and concentrating on the role of states in relation to economy and society. Focusing on bringing the state back in the analysis of politics and policy formation, she (Skocpol 1985, 4-5) believes that Marxism as society-based, class-based approach and Keynesianism approach as economic explanations of political behavior are inadequate. Thus, Skocpol argues for "a fundamental rethinking of the role of states in relation to economies and societies."(1985, 7) The central idea of the book that had a direct influence on the next generation of researchers was the character of political institutions in a society significantly determined economic development of society.

According to Rothstein and Teorell, (2012, 16) approaches like Pluralism, Elitism and Marxism claim, "variables like economic power configurations, systems of social stratifications or the structure of class divisions were central in explaining political and thereby social and economic outcomes." In contrast, the institutionalists argue that political institutions are the fundamental factor in analyzing the social and economic outcomes. Accordingly, institutional analysis not only in political science but also in economics and sociology has become popular since the 1980s. In these disciplines, in order to distinguish between new approaches and pre-world war approach with its concentration on the formal institutions of the state, scholars like March and Olsen (1983) Peters (1999), Mitra (2006) Powell and DiMaggio (2012) refer to this revived approach as 'new institutionalism'.

Around 1990, two major institutionalist works were published, playing a significant role in the second approaches for understanding interrelations between governance and development. Not only March and Olsen with a concentration on the institution in the political science in their

work *'Rediscovering Institutions'* (1989) represented the 'institutional turn' in political science, but also North as a leading figure in the institutional economics in his *'Institutions, Institutional Change, and Economic Performance'* (North 1990) concentrated on the governance and institutions (both formal and informal) in the state and its impact on economic performance. He described institutions as the "the rules of the game in society, or more formally, the humanly devised constraints that shape human interaction." (North 1990, 3) Moreover, as he points out, institutions are "underlying determinant of long-run performance of economies" (North 1990, 107).

Consequently, a growing literature appeared that dealt with the governance as the traditions and institutions that form the pattern of the exercise of power in society and its impact on the economic development. Therefore, scholars like Goodin and Klingemann (1996, 25) call this new institutional approach as "the next revolution in the discipline of social science."

The fundamental assumption of this new institutional approach is that institutions matter for political as well as economic outcomes. Moreover, this approach deals with the quality of institutions as a crucial element of governance. Correspondingly, we are witness to growing interest in governance in political science as a reflection of the institutional debate on capacity or incapacity to govern. Therefore, we can see how increasing interest in governance in political science and particularly in comparative politics, represents a return to interest in organizations and institutions, in contrast to the methodological individualism of behavioralism or marginalization of state by the society centered theories. Since the 1990s, governance theory has become an integrated part of research in most subfields of comparative politics. Whether cross-national or cross-sectorial, it is obvious that research areas like comparative political economy, institutional analysis as well as public sector reform analysis have been influenced vastly by the growing governance theory. (see Peters 2000, Kjær 2004)

2.6.1 Developmental State Theory

As it was discussed, Kjær (2004, 194) defines governance as "how institutions for economic policy making- and implementation are set up, and what their consequences are." She defined this area of study as the *comparative political economy*, and she states that this approach overlaps with the area, discussing governance in public policy and administration. This approach rejects the neoliberal assumption who claim that the state should not have the role in development and market itself is the central factor. This approach rooted in the idea of *Bringing the state back in* (Skocpol 1985) and neo-statist approach of the 1980s and 1990s. They do not

believe in self-regulation of the market and asserts that there is the need for some interventions. Kjær (2004) considers ‘developmental state theory’ as one of the significant theories of governance in comparative politics. In the 1980s, the concept of the ‘developmental state’ (DS) emerged to explain East Asian states’ growth, concentrating on synergetic interactions between state and economic agents and their role in economic growth. Developmental state theory seeks to conceptualize the role of state in economic development where governments’ economic strategies (for example industrial policies) have been associated with political motives (for example the strengthening of legitimacy). The first manifestation of this approach can be seen in the developmental state theory that was conceptualized by Johnson (1982, 1987). While neo-liberal scholars considered the remarkable economic growth of four East Asian countries (Hong Kong, Taiwan, Singapore and South Korea) during the 1960s and 1970s as the result of the unguided market, developmental state theory highlighted the synergetic interactions between state, ruling elite and political institutions and economic agents. Whereas the neo-liberal theories advocate the minimum intervention of state in the economy and try to explain economic success or failure by success or failure of the market, developmental state theory with its institutional approach argues that, the state of development of a nation or society hinges on its political purpose and institutional structures. Also, developmental state theory criticizes good governance approach for its normative preferences and imposing its neo-liberal values on the developing countries.

Adrain Leftwich (1995, 401), eminent political scientist, defines developmental state and elaborates its characteristics as follows:

“The developmental states may be defined as states whose politics have concentrated sufficient power, autonomy and capacity at the Centre to shape, pursue and encourage the achievement of explicit developmental objectives, whether by establishing and promoting the conditions and direction of economic growth, or by organizing it directly, or a varying combination of both”

Leftwich (1995, 405) defined six major components of developmental state model:

- A determined developmental elite;
- Relative autonomy;
- A powerful, competent and insulated economic bureaucracy;
- A weak and subordinated civil society;
- The effective management of non-state economic interests; and
- Repression, legitimacy and performance.

2.6.2 Neo-statism, Governance and Study of Development in India

The majority of scholarly work with the statist approach look at state as an actor or as an organization with an aggregated image. Neo-statists have mostly seen the state as a unitary and top-down actor. This neo-statists approach (mostly based on East Asian authoritarian developmental state model) understand 'state' as the key variable that had a positive or adverse impact on India's economic performance. This theory focuses on the key role of the state and chiefly 'central state' or 'union government' and its policies in the economic growth.

This perception accompanies with an aggregate, unitary and top-down notion of state. This understanding reflected in the majority of works that analyze the role of state in the economic performance. In the Indian context, these works look at Jawaharlal Nehru, Indira Gandhi, Rajiv Gandhi, Narasimha Rao, Vajpayee or Manmohan Singh, as the key players in politics of development; therefore, their ideas, attitudes, and decisions are crucial determinant for development or under development.

As Table 5 depicts, the majority of existing literature on the relations between state and economy in India concentrates principally on the role of leadership in Delhi.

Table 5 Examples of existing literature on the relations between state and economy in India

Rudolph and Rudolph (1987)	Kumar (2008b)	Mukherji (2008)
1952-1953 to 1963: Democratic Regime and Command Politics	1955 to 1965: The Phase of Indian Socialism	1947 to 1969: Moderate state intervention
1964-65 to 1974-75: Democratic Regime and Demand Politics	1966-1980: The Phase of Indian Populism	1969-1974: Radical state intervention and moderation
1975-1976 to 1976-77: Authoritarian Regime Command Politics	Post-1990: The Phase of Neo-liberal Economic Reforms	1984-1989: The Gradual Evolution of the Liberal Momentum:
1977-78 to 1984-5: Democratic Regime and Command Politics		1991-now: The big bang reforms and liberalization

Moreover, other examples of academic work, discussing the role of state in the economic success or failures (for example Bardhan 1984, Rudolph and Rudolph 1987, Herring 1999), deal mainly with the role of 'Central Government.' When Rudolph and Rudolph (1987) talk about *India's weak-strong state*, it was perceived as a unitary actor. Similarly, when Herring (1999) or Kumar (2008b) spoke about India as a (failed) developmental state, their perception accompanied with a unitary and top-down notion of state.

2.6.3 Subnational Analysis of Governance in India

The recent democratization in Latin America presented a rich context for subnational comparative studies in comparative politics. As Tillin (2013) indicates, "as yet reflecting the possibility of conducting reasonably controlled comparisons within a federal setting and the importance of capturing within-country variation, the subnational comparative method has been steadily embraced by researchers in a number of federal countries over the last few decades."

This trend also finds its way in the study of political economy India. Kohli's work (1987) was the pioneer of the comparative subnational political economy in India. Following Kohli, Harriss (1999, 2005), Sinha (2003, 2005), Jenkins (2003, 2004, 1999), and Kennedy (2004, 2014) are the main examples of subnational inter-States comparative studies, focusing on the role of political variables on economic performances.

For example Sinha in her most cited work '*The regional roots of developmental politics in India: a divided leviathan*'(2005) -based on theory of multi-level hierarchy- focuses on regional elite strategies and sub-national institutional variations and their impact on flow and inflow of investment in three historically more developed States: Gujarat, Tamil Nadu, and West Bengal. For her, the puzzle divergence between East and West after the independence can be addressed via analysis of the vertical and horizontal strategies of the regional elites and the regional institutional and political context.

3 Theoretical Framework

This chapter builds the theoretical foundations of the current research and discusses their methodological implications.

The theoretical assumptions of this study have two roots. First, based on rational choice institutionalism, this study assumes rationality of actors and their game model behavior at and between different levels. Moreover, it postulates that “institutions matter.” The rational choice institutionalism discusses how institutions shape the behavior of the rational actors. As Weyland (2002, 60) remarks, Rational choice institutionalism is methodologically an individualist analysis, discussing “(1) the creation, preservation, and modification of the sets of rules governing behavior, which are conceptualized as products of utility-maximizing individual action and strategic interaction, and of (2) the impact of those rules on utility-maximizing individual action and strategic interaction. Thus, investigations of institutions and their effects that explicitly start from interest calculations by individual actors.”

Second, based on governance theory the present research assumes the diversity of actors (Central Government, subnational state actors private sector, civil society) and diversity, complexity, and dynamism of interactions. Moreover, this study considers the arrangement of political institution (formal as well as informal) and the agency of rational actors at the different levels of the game as a crucial factor in adopting and implementing of economic policy.

In this study as it has been discussed, *governance* has multiple usages; respectively ‘institutional design for development’ (not to be confused with governance in IR or public administration, as argued in the previous chapter) and ‘good governance (as what was perceived by the regional leaders in their economic reform agenda) and are two main usages of the term.

Although scholars like Mitra (2006) perceives governance as an orderly rule which depends on whether or not people choose to follow or rebel against the *transaction rules*; thus, Governance is ‘high’ when people follow the transaction rules; However, this study transcends the borders of Mitra’s neo-institutional model of governance as an institutional arrangement. In the context of comparative political economy, “governance refers to study of different institutional models and processes that are relevant to economic development and discusses how institutions for economic policy-making and implementation are set up, and what their consequences are” (Kjaer, 2004, 194).

In the context of India, the neo-institutional rational choice model of governance (Mitra 2006, 2008) and theory of polycentric hierarchy (Sinha, 2005), are the best examples of implementations of aforementioned theoretical lenses.

This study examines the role of state (as multi-layered institutions with complex and dynamic interaction between different layers) in the development and opens up the black box of state through analyzing of determinants of policy choices of regional leaders. This study employs the subnational comparative method (Snyder 2001) and regional institutional analysis method (Sinha 2005, Mitra 2006) to depict a more clear image of interrelations of governance and development India.

3.1 Neo-institutional Rational Choice Model of Governance

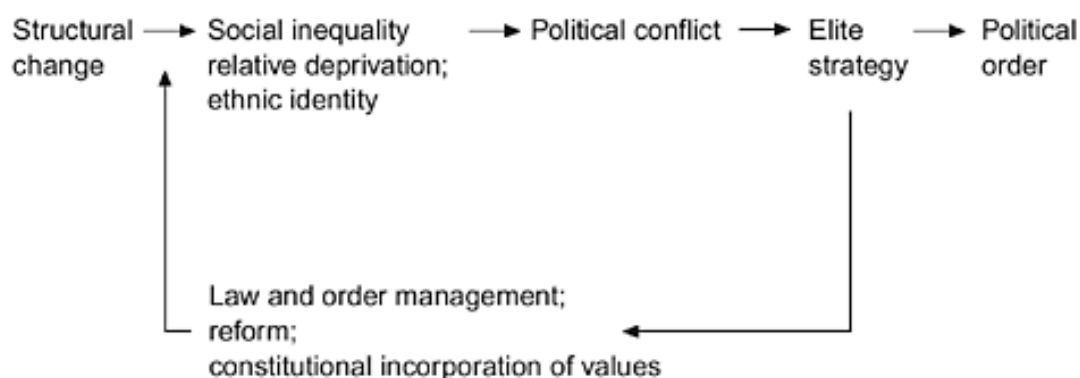
As Mitra points out (2006, 1) “ India belongs to a minority of changing societies that have achieved the distinction of having durability, adaptability, and innovativeness as characteristics of their institutions.” He argued that the elasticity and durability of India’s institutions are the results of strategic thinking of her elites, reflected in the constitution. Accordingly, the main explanatory variable, explaining the durability of India’s democracy is ‘room to maneuver’ (See Mitra, 1991), provided by constitutional and institutional arrangements for the political elites. In his model, elite agency plays a significant role in the law and order management. Mitra (2008) considers ‘the room to maneuver’ as a crucial factor for the neo-institutionalist model. The room to maneuver allows the political elite to involve in meaningful political and social intervention in order to sustain orderly rule.

As Mitra explains, “crucial to the neo-institutional model is the room to maneuver that the constitution permits the political elite (a democratic regime, as opposed to military rule, offers more scope for negotiation and bargaining) and the political accountability of the elites, which makes it necessary for them to engage in purposeful social intervention” (Mitra, 2006; 16).

Another significant aspect of governance conceptualization in Mitra’s model is its parameters. Mitra (2006, 19) proposed security, welfare, and trust as hypothetical parameters of governance.

Based on the neo-institutional model of governance, Mitra (2006, 2008) argues that the strategic mixture of policing and reform, which simultaneously raises the stakes for rule violators and removes the incentives to riot and rebel by improving the level of welfare and accommodating identity, enhance the governance (orderly rule).

Figure 13 Dynamic neo-institutional model of governance based on elite strategies



Source: Mitra (2006, 16)

As Mitra in Figure 13 exposes, the room to maneuver enables political elites to sustain orderly rule via being accountable to their local and regional context and initiating reform and interventions. These agencies aim at the improvement in the level of welfare and accommodating identity. This reforms can enhance political order and hence resilience of the system.

As we can see, Mitra constructed his model based on the central role of the political elites in India’s political system. As Mitra states, “the response of the decision-making elites to crises through law and order management, strategic reform and redistributive policy and constitutional change in order to give legitimacy to contested, embedded values, acts as a feedback loop that affects the perceptions of crucial variables...by people at the local and regional level” (Mitra, 2006, 16).

According to Mitra, (1991, 2006), in the complex nodes of governance in India, the political elites perform as ‘nodal points of political actions.’ These political elites connect the Central Government and national level institutions to the regional and local actors and institutions.

In the framework of rational choice institutionalism, the rationality of actors plays a major role in the strategic choices of players. That is why Mitra (2006, 16) remarks, “in a case of successful transaction, competing elites choose their options in a manner that maximizes benefits and minimizes transaction costs, and negotiate on the basis of a complex repertoire that combines instruments of rational protests with elements of participation such as contacts with high-level decision-makers, lobbying, voting and sending petitions.”

Mitra's neo-institutional model of governance has more capabilities and merits for objective analysis of governance in India than good governance perspective. However, the significant question is what will be implications of the dynamic neo-institutional model of governance for the understanding nature of development in India? This research will show finally that 'rational-choice neo-institutionalism can depict a more clear image, exposing the interrelations of governance and development in India, than the broad normative discourses of good a prerequisite for development.

3.2 Polycentric Hierarchy Theory

Sinha (2005) criticized the conventional idea, interpreting the Hindu rate of growth before the liberalization as the result of centralized control and policies of the Central Government. Her study (2005) proved that there were different patterns of interactions between the Center and States before the liberalization, led to various levels of inflows of private investments to States and consequently a divergence in their development trajectory.

Sinha introduces the polycentric hierarchy model as the substitute for the top-down unitary of state, providing an analytical for disaggregation of the interactions between various nodes at different levels in a seemingly aggregate system.

The polycentric hierarchy model does not concentrate on the Central Governments; on the contrary, it focuses on both national and subnational level. As this theory suggests, the subnational States in India are not totally autonomous and thus cannot be considered like nation-states; however, they located within a polycentric hierarchy, and they respond to and evolve strategies toward the Central Government in diverse ways.

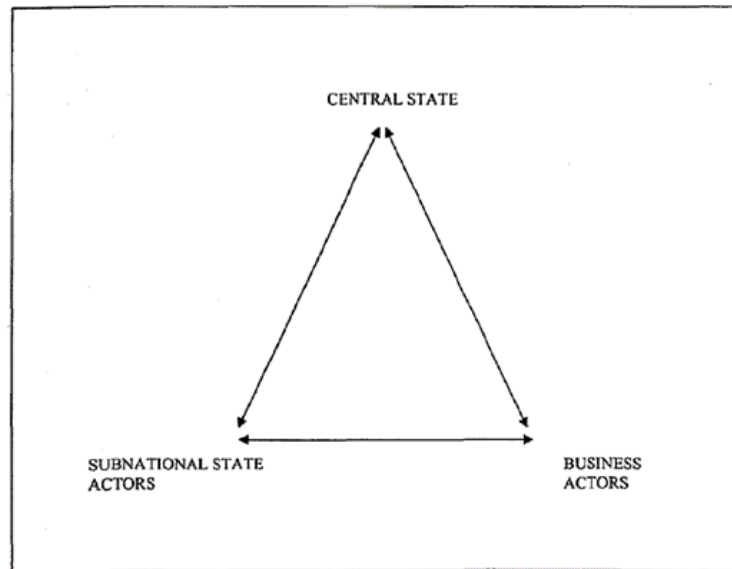
As Sinha (2005, 27) proposes, the model of polycentric hierarchy postulates that the policy framework of growth in most countries "may not be centrally guided but is a joint product of central rules, provincial strategic choice, and sub-national institutional variation."

Sinha (2005, 27) considers the interaction between different levels of government as a significant factor for the ways in which central policy is received and implemented. She identifies 'the interaction between the various levels of government as consequential factor which had influences on political conflict or central-local relations as well as the ways in which central policy is implemented, and developmental states are created and sustained

In her model, the Central Government is not a single actor which impose the rules of the game in a top-down way; on the contrary, there are several interactions between the central states,

provincial actors, and private market. These complex, diverse and dynamic interactions at different levels cannot be analyzed with ordinary institutionalist or neo-statist theories.

Figure 14 The Developmental Triad



Sinha (2005, 43)

Sinha (2005) introduces the capability to disaggregate the multi-level political system as a distinctive element of polycentric hierarchy theory that lets us realize how diverse actors located at spatially separable levels of the system evolve and react to economic policies.

Sinha (2005) does not consider states (nation-states) as hierarchies with a unitary decision maker. She perceives the states as polyarchies, identified by multileveled actors and institutions. For her polyarchy is a concept to understand ‘the territorial character of and internal heterogeneity in large states.’ Therefore, she recognizes a combination of horizontal (within subnational units) and vertical (across levels of governments) interactions within polyarchies. As Sinha (2005, 34) indicates, the key idea behind such interconnected games is crucial:

“Political actors act and live in two different arenas simultaneously. While actors face different pressures and constraints from these different domains, the goals, choices, and actions of these political actors are shaped by the interconnectedness of these various arenas.”

The horizontal interactions, which include interactions with the social, political factors in the regional environment and vertical strategies toward the Central Government which includes

strategies such as bargaining and confrontation. She (2005, 35) highlights the importance of regional leaders in the game model interactions:

“In the case of India, while economic games are played by regional states with the Central Government in the hope of obtaining central resources, political games primarily reside in the regional arena where regional elites must be elected and reelected. Regional rulers hold the key to both games as they are the intermediate hinge points responding to regional constituents as well as evolving vertical political strategies toward the Center in the hope of greater resources. The nested game depends on three variables: strategic political choices of regional elites, regional political institutions, and central institutions. In this framework, the strategic political choices of the elites are themselves a function of their policy preferences and regional electoral incentives.”

3.1 Regional Elite Strategy analysis

This study assumes that not only national level institutions and national elites matter, but also the regional institutions and regional elites matter. The thesis takes its shape in the style and substance of the attitudes and political discourse of regional leaders in the Indian States. These regional elites, operating as the intermediaries between the society at the regional level and the Central Government, are the catalysts of social and economic change. The process of their strategic choices in the nested two-level games are the substantial variables in the creation and implementation of economic policies in India’s States.

Following Mitra (2006) and Sinha (2005), the current study focuses on the role of regional institutions in the strategic choices of regional leaders. Sinha (2005, 14) defines regional institutions as “decision-making structure, bureaucratic agencies, formal and informal rules that are responsible for translating national policies.” In a multi-layer political system such as India, the regional institution can play a significant role in the implementation of both regional and the Center’s policies in different ways. Not only the current study considers the role of modern institutions such as bureaucracy, but also analyzes the impacts of the traditional institutions like caste and its variations.

Using rational choice-neo institutionalism, this study highlights the role of rational actors, maximizing their interest in the model game behavior. Following Sinha (2005) and Mitra (2006), this study focuses on the role of regional leaders at the State level. The study deals primarily with the elite strategies, adopted by regional elites in the face of rules of the game. As it was mentioned, Mitra’s framework (2006, 10) is “rational choice neo-institutionalism

whereby all interactions between social actors ultimately be represented as two-player games that are hierarchically ordered and with outcomes that depend on the information available to the actors.”

Figure 16 depicts stakeholder’s dilemma: payoff matrix for a two-person game on the rules of the game. Mitra (2006, 10-11) depicted in the payoff matrix shown in a situation where two *rational* players (egoistic, expected-utility maximizers, such as the competitors in a single-member electoral constituency under plurality voting rules) who do not have any means of communicating with one another are considering their options.

Figure 15 The stakeholder’s dilemma: payoff matrix for a two-person game on the rules of the game

		Player 2		(Minimum that player 1 can expect from the alternative)
		Obey the rule	Do not obey	
Player 1	Obey the rules	K_1, K_2	$K_1 - e_2, K_2 + e_2$	$K_1 - e_2$
	Do not obey	$K_1 + e_1, K_2 - e_1$	$K_1 + e_1, K_2 + e_2$	$K_1 + e_1$
(Minimum gain for player 2)		$K_2 - e_1$	$K_2 + e_2$	
<p>K Pay-off when the player obeys the rules e Additional gain to players from breaking the rules</p>				

Source Mitra (2006, 10)

This study assumes these players as the self-interest actors; however, the contents of this self-interest are driven by the incentives and constraints set by two levels game with the Central actors and institutions as well as local and regional actors and institutions. Based on the rational choice institutionalism assumptions about the actor interests, this study observed variations in the political behavior of regional leaders in Andhra Pradesh and Bihar by emphasizing the variations of incentives and constraints, created by the specific institutional rules.

Regional leaders’ economic choices and developmental strategies are bounded with two types of constraints: first, central rules and second, regional context. The regional leaders stick with rules from the Center when they perceive that orderly transactions yield more than they could expect to gain by breaking the rules. Their social and political background, political visions,

the composition and position of their vote bank are important factors for a detailed analysis. The goals, interests and visions of regional elites and leaders and national ruling elites may vary.

Moreover, regional leaders' strategic choices also have been influenced by the intensives. In the context of India's democratic federal system, regional political actors at the State level are driven mostly by the self-interest in improving their political positions, particularly by winning elections at the State level or finding a higher political career at the Central level.

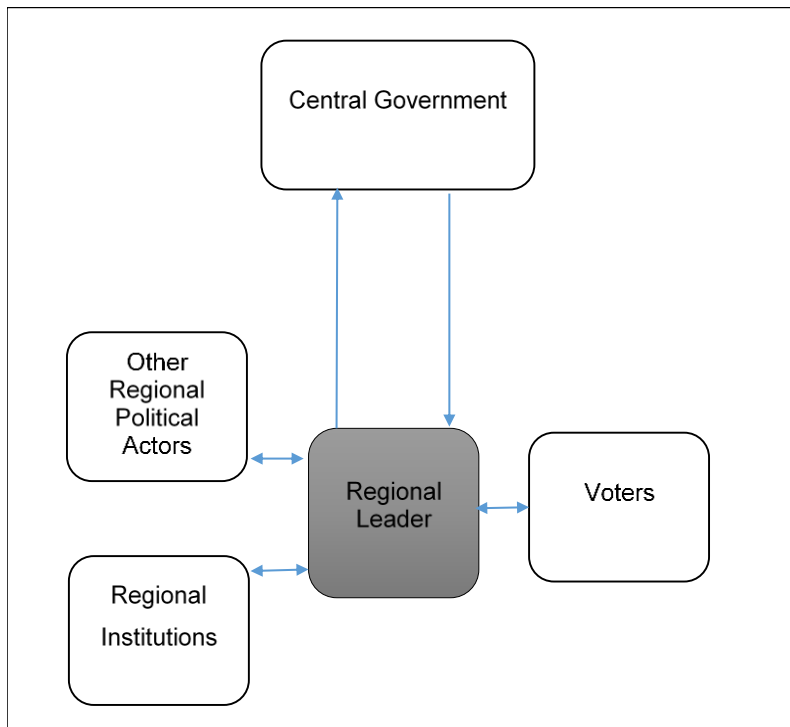
Based on the rational choices institutionalism. In the context of India's States politics, the reelection in regional, as well as national elections, is the main intensive for the regional elites' behavior, also bounded by regional and central constraints. Accordingly, the variations in term of strategic choices of economic policies, as well as the relations with the Center, should be addressed with reference to these to these incentives and constraints.

Based on this model and in the framework of India's democratic and federal system, the Chief Ministers' strategic choices are the result of a trade-off between interests at two distinct levels: the regional level and the central level. Therefore, the strategic decisions of Chief Ministers for implementation or rejection of the national policies (like economic liberalization) is based on a rational calculation of Chief Ministers, looking at the incentives created by central and by regional institutions.

As a result, following Mitra (2006) and Sinha (2005), this study uses two-level game model for analyzing strategic choices of regional leaders (the Chief Ministers) toward the economic reforms.

Regional leaders are involved in a two-levels game. In the horizontal game, they interact with other regional political actors (political parties, interest groups, and other actors), regional institutions, and voters. In the vertical game, regional leaders interact with the Central Government in Delhi. Figure 16 depicts the two-level interactive model, exposing the interactions between a regional leader at the State level and Central Government as well as regional political actors, regional institutions, and voters.

Figure 16 Two-levels game of regional elites before the 1991 reforms



Drawn by the author

This two-level interactive model is constructed based on the notion of ‘room to maneuver,’ elaborating how regional elites involve in meaningful political and social intervention and connect a traditional society to the modern state, and ‘polycentric hierarchy,’ opening up the black box of state in India. This multilevel interactive model provides a framework, delineating the State-Center relations (the vertical interactions) along with interactions within subnational States (horizontal interactions).

This study delineates how these variations in the strategic choices of regional leaders had a different impact on the economy of the selected cases. According to this multilevel interactive model, Chief Ministers are not rulers of a nation-state; therefore, they are not totally free in their choices of policies. They are bounded by the regional institutions, regional constituents, and central rules.

In this model, regional leaders could adopt strategies such as confrontation, cooperation or mixed strategy toward the Center. As this study will elaborate, these choices were made based on the rewards of constituents in the horizontal game, regional institutional variations and the incentives in the vertical interactions. The Center also rewarded or punished the State Governments by different level political support and allocation of the financial resources.

Figure 17 depicts the various hypothetical relations between strategic choices of Chief Minister in the vertical and horizontal games.

Figure 17 Hypothetical relations between strategic choices of Chief Minister in the vertical and horizontal games

		Leaders' strategic choices at the horizontal level	
		Populist economic policies (Handout)	Economic Reform Agenda Reform
Leaders' strategic choices at the vertical level interactions	Confrontation with the Center	?	?
	Cooperation with the Center	?	?

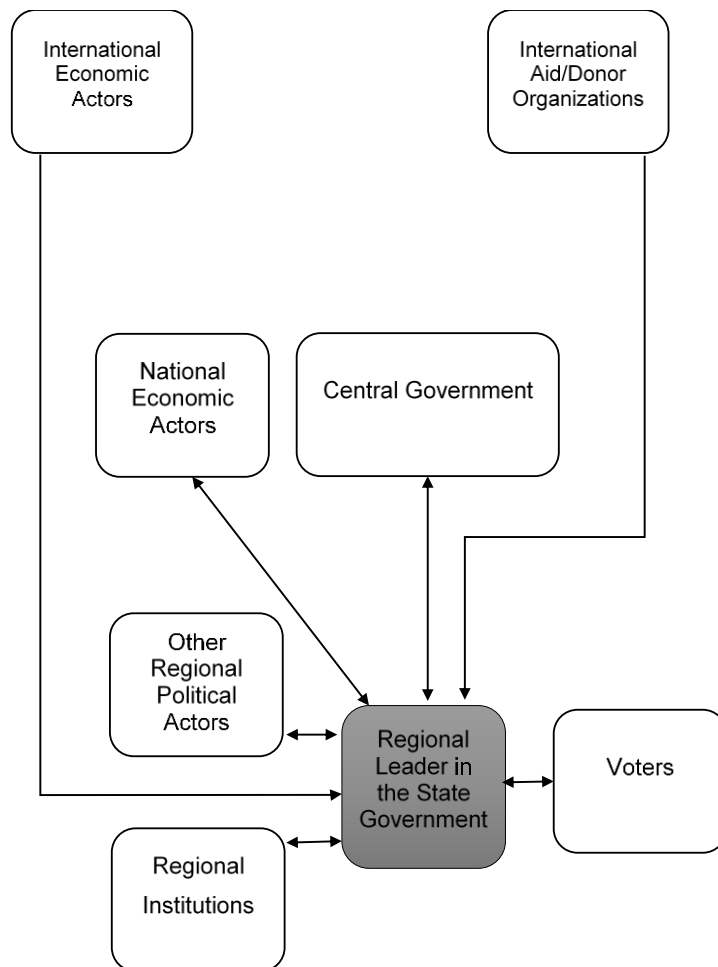
After the independence, Chief Ministers interacted merely with the Central Government in the vertical interactions. However, after 1991 economic reform, the new pattern of relations emerged, and other actors entered in the game model interactions.

As Rudolph and Rudolph (2013) elucidate, with the emergence of 'federal market economy' and decline of 'the command economy' the Chief Ministers became actively involved in the economic policy making, and they attained more autonomy than previous decades. While, in the 1950s and 1960s, the Center with the crucial role of the Prime Minister, five-year plans, the Planning Commission and the Five Years Plans pursued economic modernization and development, after the liberalization the State Chief Ministers play primary roles in India's emergent federal market economy.

Furthermore, after the dismantling of the 'Permit License Quota Raj,' the domestic private sector companies, as well as international companies, emerged as the new source of investment in the State. In addition, international financial organizations and aid agencies such the World Bank could allocate financial supports, aid, and loan to the State. These developments could decrease the level dependency of the States to the Center in term of financials resources. In the new institutional arrangements, the new actors in the vertical game emerged and made it more complicated.

Figure 18 portrays the multilevel game of regional elites after the 1991 reforms.

Figure 18 Multilevel game of regional elites after the 1991 reforms



Drawn by the author

As a result, the multilevel interactive model has become more complex and the nested nature of a multilevel and complex game shaped the incentives and constraints of the game.

4 Elite Agency and Development in Andhra Pradesh: From Tollywood

Superstar to CEO of AP

4.1 An Overview

The South Indian State of Andhra Pradesh (AP) is a remarkable example for scholars who want to study the politics of economic reforms in India. The trajectory of interactions between politics and development in the State makes Andhra Pradesh as an attractive case for comparative political economy scholars. Although Andhra Pradesh was one of the less developed States in India in three decades ago, it has experienced very fast economic growth after the liberalization. Andhra Pradesh as a less developed States in India could be compared with the BIMARU at the beginning of the 1980s. Moreover, Andhra Pradesh was famous for its populist politics and economic policies. The rise of N.T. Rama Rao (also known as NTR), a popular Tollywood¹ film star, the founder and charismatic leader of Telugu Desam Party² or the TDP, terminated the long-standing predominance of Congress party in the State. Moreover, he introduced several populist schemes such as Rs. 2 a Kilo rice. However, in the next decade, Chandrababu Naidu, his successor, and son in law, as the Chief Minister of AP (1995-2004) adopted entirely opposing policies and implemented the pro-liberalization reforms in the State. These reforms were mostly based on the World Bank neoliberal policy recommendations. In the framework of *Andhra 2020 vision* and by the implementation of a set of policies such as privatization, liberalization, and deregulation, Naidu tried to improve the business environment, attract the foreign direct investments, and create more jobs and enhance economic development. He played a major role in the considerable flow of foreign direct investment into State especially its capital city Hyderabad. These policies targeted the development of the IT sector in the State. Consequently, economic growth speeds up, and Naidu as CEO of Andhra Pradesh became the role model of chief ministers of other Indian states.

Despite all optimism, Andhra 2020 dream did not come true, and the Congress (I)-led coalition (2004), defeated the reformist government of Naidu. However, it was not the end of story. Gradually, ethnic sentiments based on the regional identity became the dominant feature of politics in the state. The old demand for the creation of separate State of Telangana after

¹ Tollywood refers to the Telugu cinema. Tollywood is a part of Indian cinema producing films in the Telugu language. The main film production companies of Tollywood are centered in the Indian states of Andhra Pradesh and Telangana. The Telugu film industry is the second largest in India; nevertheless, there are not lot of information about it outside of Andhra Pradesh (Srinivas 2009, xviii).

²Party of Telugu people

decades again attracted the attentions; therefore, it led to an enormous political mobilization. Finally, after a long political movement in Telangana region of Andhra Pradesh, Government of India decided that the new State of Telangana come in into existence on 2 June 2014.

The main goal of this chapter is to investigate the political roots of the policy shift in the State that created what Panagariya and Govinda Rao (2015) call it the 'economic miracle of Andhra Pradesh.' This chapter focuses on the shifts in the strategic choice of regional leaders in a relatively underdeveloped State and wants to answer this question: Why did the ruling elites in Andhra Pradesh especially in the TDP despite a long historical background of political and economic populism decide to adopt the economic reforms in AP, that have accelerated economic development? Also, what was the political outcome of these shifts?

4.2 State Profile

The current study deals with Andhra Pradesh in its pre-bifurcation form; hence, when this study discusses Andhra Pradesh, it refers to the State, as it existed before the formation of Telangana as a new state in 2014. However, this study has some implications for post-bifurcation States of Andhra Pradesh and Telangana.

Before its bifurcation, Andhra Pradesh *was* one of highly populated States in India. Andhra Pradesh was India's fifth largest State by population (estimated at 84 million in 2011) and fourth largest by area.

4.2.1 Geography

Andhra Pradesh can be seen as the major geographical and cultural link between the north India and south India. Located in the southern region of India, the State had shared borders with Tamil Nadu, Karnataka, Orissa, Chattisgarh, and Maharashtra. The State also was bounded by the Bay of Bengal. Andhra Pradesh was formed in 1956 by merging Telugu-speaking regions of the Madras Presidency and Telugu-speaking regions of Princely State of Hyderabad.¹The united Andhra Pradesh was divided into three main regions, namely, Telangana², coastal Andhra³ and Rayalaseema⁴ (Suri, 2002).

¹ The current bifurcation of Andhra Pradesh and formation of Telangana State is based on historical borders between these two regions before formation of united Andhra Pradesh in 1956. Since July 2014, the Telugu-speaking region of the previous Princely State of Hyderabad has been named Telangana state and Telugu regions of Madras Presidency has been called Andhra Pradesh state.

² Telangana includes ten districts with 40.5% of the population (Census of India, 2011).

³ The coastal Andhra region includes nine districts and compromises 41.7% of the State population.

⁴ Rayalaseema consists of four districts with 18% of the population.

On account the fact that the coastal districts under British administration benefited from a higher level of industrialization and the large-scale irrigation works for agriculture, Andhra region developed more than Telangana region, suffered by Nizam rule and the *jagirdar* system of landholding (Forrester 1970, 8). The capital city of AP is the vibrant city of Hyderabad, established by Qutb Shahi dynasty in the 16th century. From 1724 until 1948, Hyderabad had been under the rule of Nizams, the descendants of Nizam-ul-Mulk Asif Jah, viceroy of Deccan and vizier of Moghul Emperor, who left Delhi and established a quasi-independent state at Hyderabad (Kulke and Rothermund 2004, 380).

4.2.2 Population and Demography

According to 2011 Census, the total population of Andhra Pradesh was 84,580,777. The population of Andhra Pradesh as per the census 2001 was 76,210,007 while it was 66,508,008 as per the census 1991. The population contributed 6.99% of total India's population. The language spoken by the majority of people are Telugu followed by Urdu, Hindi, and Tamil. Literacy rate in Andhra Pradesh increased from 44.1% in 1991 to 67.7% in 2011; nevertheless, it was lower than the all-India average of 74.04%. As Census of India (2011) elaborates, there is a significant gap in literacy rate between males and female, rural and urban people, tribal and non-tribal population, and socially backward castes and the upper castes. With 33.49% of the population living in urban areas in 2011, the level of urbanization in AP is almost similar to the national average (31.16%).

According to the census of India (2011), the Hindus, including the Scheduled Castes (SCs), constitute 89.01% of the total population. Muslims have the second rank with 9.16%, of the state population. The majority of AP's Muslim are Sunnis; nevertheless, because of the historical background of a Shia dynasty in the region (Qutb Shahi dynasty), there is a considerable number of Shias in Hyderabad city. Hyderabad has approximately 26% Muslims, mostly living in the 'old city.' Christians constitute about 1.8% in the State.

4.2.3 Economy

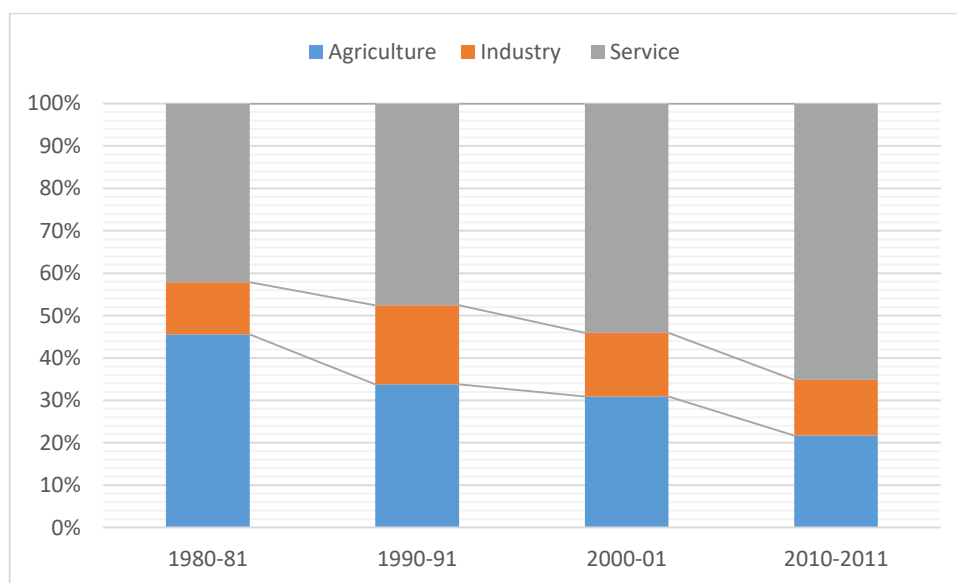
Similar to most States in India, AP has a multi-structured economy. AP's economy includes a broad range of activities, from traditional agriculture in the rural areas to IT industries in Hyderabad city.

Andhra Pradesh had traditionally been an important agricultural state; nevertheless, the state's service sector is the major contributor to NSDP over the years. Although the share of agriculture in the NSDP was about 60% at the time of State formation (Suri 2002, 7), according

to Handbook of Statistics on Indian Economy 2005-2006 (2006), it fell to about 45% in 1980-81.

However, the major changes took place after the reforms. As figure 19 illustrates, while the share of agriculture in NSDP decreased from 45.59% in 1980-81 to 21.68% in 2010-11, services has become the main contributor in NSDP over last three decades. The share of the service sector as a whole has increased from 42.12% in 1980-81 to 47.57% in 1990-91, 54.07% in 2000-01, and 65.20% in 2010-11.

Figure 19 Percentage of components of AP's NSDP at factor cost by industry of origin (at constant prices)



Drawn by the author, Source of data: Handbook of Statistics on Indian Economy 2005-2006 (2006), and 2014-15(2015b)

Moreover, as we can see in figure 19, Andhra Pradesh has not transformed to an industrial State. The share of manufacturing sector in the NSDP has increased from 12.29% in 1980-81 to 18.66% in 1990-91; nevertheless, this proportion has decreased to 15.03% and 13.12% in 2000-01 and 2010-11 respectively.

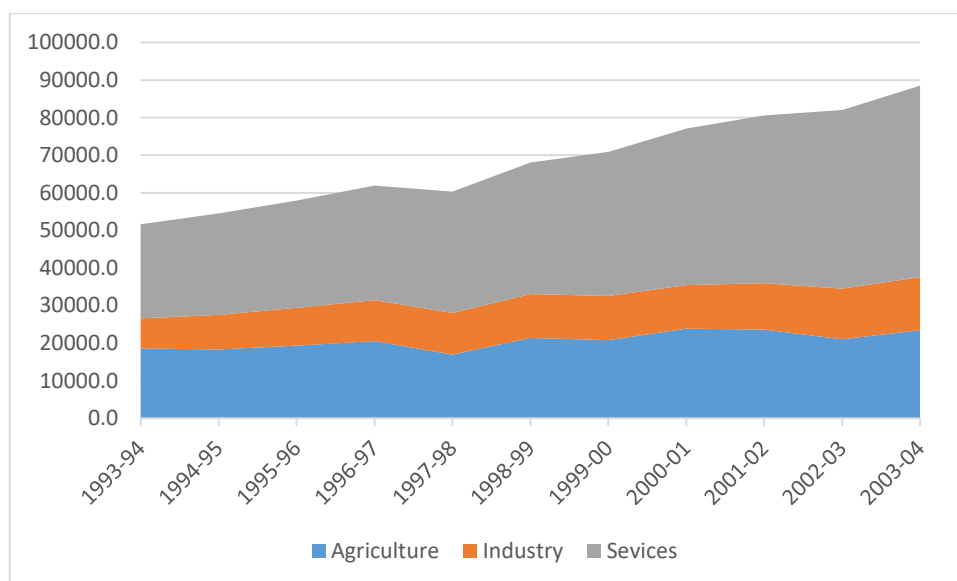
AP has reported a total NSDP of 4054.82 crores, which work out to be Rs. 46788 per capita for the year 2013-2014 at constant prices. Although AP's per capita income was below the national average at the beginning of the 1990s, Andhra Pradesh has transformed into the fourth largest State of in term of NSDP per capita. When Chandrababu Naidu started his tenure as the Chief Minister of Andhra Pradesh (1994-1995 Financial year) per capita NSDP at a constant price¹ was Rs. 7711 in Andhra Pradesh. It was below the average of Rs. 8070. At the end of his tenure (2004-2005 Financial year), this amount increased to Rs. 19963, which was more

¹ Base year 1993-94

than the national average of Rs.19330. This trend of growth continued until the bifurcation of the State.

The next important issue is the pattern of economic growth in the State. As figure 20 depicts, the post-reform growth in the NDSF is mainly based on the growth in the service sector. As it will be more elaborated, Naidu’s development strategy concentrated on the service sector. Chandrababu Naidu’s focus on IT and telecommunication sector can be one the most significant explanatory variables for explaining this trend.

Figure 20 Components of AP’s NSDP at factor cost by industry of origin (at constant prices, base year 1993.94) in Andhra Pradesh



Source of data: Handbook of Statistics on Indian Economy 2005-06 (2006), drawn by the author

Table 6 presents detailed information about Andhra Pradesh’s society and economy.

Table 6 Andhra Pradesh factsheet

Name	Andhra Pradesh
Capital City	Hyderabad
Established	1 November 1956 2000 Telangana region was recognized as a separate State
Population	1991: 66,508,008 2001:76,210,007 2011: 84,580,777
Rank	Fifth (2011)
Total Area	275,045 km ²
Rank	Fourth (2011)
Districts	23 total

Religions	Hinduism: 89.01%, Islam: 9.16%, Christianity: 1.7%, other: less than 1% (2011)
Official Languages	Hindi and Urdu
Urbanization	1981:23.32% 1991: 26.89% 2001:27.30% 2011:33.49%
Literacy Rate	1981:29.9% 1991:44.1% 2001:61.1% 2011:67.7%
HDI Rank	15 th (2011)

Drawn by author, source: Census of India (2011), Paul and Sridhar (2015)

4.3 Pre the1990s Politics in Andhra Pradesh

4.3.1 Historical Backgrounds: From State Formation to First Telangana Movement

The state of Andhra Pradesh (prior its re-bifurcation in 2014) came into being on November 1st, 1956. As it was mentioned, the formation of Andhra Pradesh was the outcome of combining two different Telugu-speaking regions with two distinct colonial backgrounds. Before the independence, the Telugu-speaking people were lived under the Madras State (Costal Andhra and Rayalaseema regions) and the Princely State of Hyderabad (Telangana region).

After the independence, Telugu-speaking elites of Madras Presidency demanded the Center to create a separate linguistic state. As a result, the Telugu-speaking regions of the Madras Presidency were separated on October 1st, 1953 and formed the 'Andhra State.'. Andhra State was the first state, created based on linguistic basis after the independence. The capital city of the new state was Kurnool (see Suri, 2002).

Telangana region had a different story and was part of Nizam State of Hyderabad. The Princely State of Hyderabad became part of the Indian Union following an armed action, known as Police Action by the Government of India in September 1948. It remained under military governor until 1949. After the recommendations of 'States Reorganization Commission,' Marathi-speaking districts of the Hyderabad State were included in the then Bombay state and the Kannada-speaking districts were merged with the then Mysore state. Nevertheless, the Commission were careful about the situation in Telugu speaking regions and their social and economic differences.

Therefore, the members of Commission recommended that “the unification of Telangana with Andhra, though desirable, should be based on a voluntary and willing association of the people and that it is primarily for the people of Telangana to take a decision about their future” (Forrester 1970, 12). While some of the Congress leaders in Telangana like K.V. Ranga Reddy or Dr. M. Channa Reddy opposed to a unified state of Andhra Pradesh and demanded a separate state of Telangana (Seshadri 1970), there was a tendency among both region political leaders especially MPs of some Telangana districts to create a united state based on the linguistic border.

Finally, after a discussion among the Congress leaders of both regions in Delhi, they signed a comprehensive agreement on the ‘Safeguards for Telangana’ or ‘Gentlemen’s Agreement’ in February 1956. This agreement paved the road to form a new state. The main objective of these safeguards was to provide some privileges for Telangana as weaker and less developed region of the state in term of jobs, education, the spending of revenues and power-sharing.

Finally, Telangana was merged with the Andhra State on November 1st, 1956 under the State Reorganization Act to create the *Visalandhra* (greater Andhra), called Andhra Pradesh (see Suri, 2002 and Rothermund, 2008).

After formation of united Andhra Pradesh, this State became one of the strongholds of the Congress; therefore, other political parties could not challenge the supremacy of this party for near three decades. Even after Indira Gandhi’s defeat in 1977 Lok Sabha election, people of Andhra Pradesh voted for a Congress government in 1978 (Rothermund 2013, 86). That is why Ram Reddy (1976) describes Andhra Pradesh as a ‘loyal Congress state.’

However, the political climate did not remain calm in the newly formed state, and the separatist tendencies arose in the form of a demand for a separate Telangana state in 1969. Although in the later stages, Telangana movement has acquired more identity-oriented elements, it was initially an interest-oriented movement. After a combination of the bureaucratic system of two regions, the problem of jobs allocation between two regions arose. As Forrester (1970, 13) explains, bureaucrats at all levels in Andhra had a better quality than their equivalents in the then Hyderabad state; therefore, the key positions in Telangana were occupied by *none-Mulkis*¹ or outsiders from Andhra region. The State Government argued due to the fact that the

¹ Since the early 1930s, the Princely State of Hyderabad had implemented a new employment policy, called Mulki rule. According to Mulki rule, all applicants for government jobs required Mulki certificates from. It was an answer to the negative sense among the native residences of Hyderabad State who felt the majority of top governmental jobs had been allocated to non-native Muslims.

education system in Telangana is relatively backward, filling of posts with the well-qualified *none-Mulkis* is inevitable. Students of Osmania University (the key educational institute of Nizam State) perceived this decision as an example of a violation of Gentlemen's Agreement and begun an agitation for the continuation of the agreement. The main objective of movement transformed gradually to a separate state. Whereas the bulk of literature highlighted the role of students and unsatisfied government officers in the movement, as Mitra (2012) specifies, the separatist Telangana agitations were directed by dissident factions of Congress, not from opposition parties. For instance, M. Chenna Reddy, ex-member of the Congress founded the *Telangana Praja Samithi* political party in 1969.

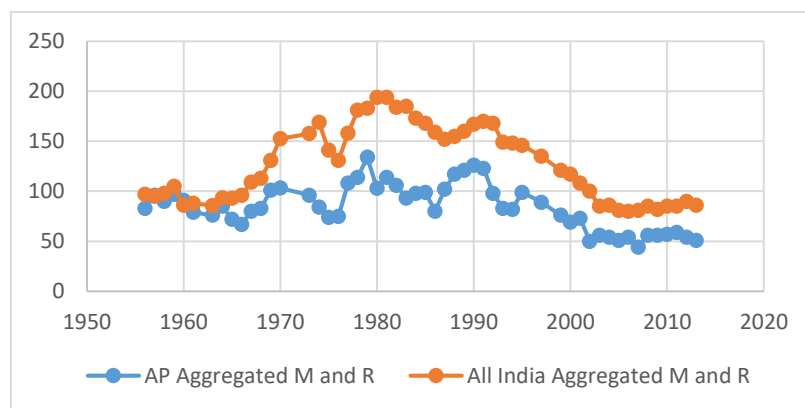
A neo-institutional model of governance can explain the rise and decline of first Telangana movement. As Huntington (1968) elucidates, in the post-colonial states, the structural changes not only did not lead to more political stability but also enhance ethnic identity movements, relative deprivation, and social inequality; therefore, political mobilization and even collective violence can be the outcomes of these structural changes. In the South India, the merger of Andhra state and Hyderabad state can be seen as a key post-colonial structural change with several institutional transformations. These transformations, particularly in the state bureaucracy, created the sense of relative deprivation, led to the political mobilization in the form of student agitations to demand a separate state of Telangana. This feeling of deprivation and inequality has been even echoed in the contemporary works of pro-Telangana scholars such as M. Kodanda Ram (2007), writing:

“Telangana has thus been converted into an internal colony as a result of the economic development process pursued by successive governments. Its resources have been diverted and utilized for the development of other regions. The movement for separate statehood seeks to articulate the demand for a fair share in the resources. It is an outcome of injustice meted out to the region by the successive governments in Andhra Pradesh. Separation is seen as the only answer to these grievances.”

However, as Mitra (2006) clarifies, based on the neo-institutional model of governance, the elite agency at the Center can play a significant role in the durability of the orderly rule in the state. Strategic choices of elites both at the Central level and the state level are the main explanatory variables for an explanation of the decline of political instability in the state. Not only the Center had implemented law and order management by calling army and closing Osmania University, the affiliated colleges, and schools for an indefinite time, but also created

a framework for a political settlement through a Six-Point Formula, amended in India's constitution (the 32nd amendment). Additionally, the regional leader of a dissident faction of the Congress, M. Chenna Reddy, were appointed as the governor of Uttar Pradesh (1974-1978) and later as the Chief Minister of Andhra Pradesh (1978-1980). As a result of these elite interventions, the sub-regionalism in Andhra Pradesh in the form of the agitation for a separate Telangana did not engender a high level of deinstitutionalization and collective violence and further political instability.

Figure 21 Combined index: murder and riots in Andhra Pradesh and India: (number of riots and murders per million population)



Drawn by author, Source: *Crime in India (Government of India 1951-2013)*

Following Mitra (2006), this study employs the aggregated indicator of incidents of murder and riots per million to measure orderly rule and ability of the state to govern. As figure 21 elaborates, Andhra Pradesh had a lower level of political violence than average India in post-colonial time. However, the first wave of increase of violence took place in the late 1960s, and early 1970s. This wave can be attributed to the results of Jai Telangana and Jai Andhra's political movements. Interestingly, the first increase of orderly rule in the mid-1970s synchronized with the implementation of Six-Point Formula. Nevertheless, like other parts of India, Andhra Pradesh experienced a lower level of the orderly rule in the late 1970s because of the after effects of the emergency rules and the consequent decline of the Congress system in AP. Remarkably, with the beginning of the rule of the TDP as the first regional party, the trend reversed and showed a slight fall. However, with the return of the weak Congress governments between 1989 until 1994 the index increased meaningfully. Since the mid-1990s, and stable governments of the TDP, the level of the orderly rule has increased gradually.

4.3.2 Caste and Politics in Andhra Pradesh

Most of the scholars maintain that the post-colonial politics in Andhra Pradesh has been influenced mainly by the caste politics and the confrontations between traditionally dominant castes in the state (Forrester 1970, Srinivasulu 2002, Ram Reddy 1989, Keiko 2008).

According to Kohli (1988), during the 1970s, around half of AP's population consisted of backward classes. In addition, Harijans was an additional 15%. On the other hand, Reddy caste constituted 10-12% of AP's population, and they were spread in the whole state¹. The Kamma with 5% of AP's population concentrated in coastal Andhra region. Brahmins also constituted about two to 3% of AP's population.

While backward classes and Harijans constituted the majority of AP's population, the political power remained in the hand of Reddy and Kamma castes after the independence. One of the popular approaches for explaining AP's politics is concentration on the rivalry between these two traditional dominant peasant castes. Harriss (1999, 3369) compares the dominance of Reddies Kammass in Andhra politics with Maratha dominance in Maharashtra. Ram Reddy (1976, 4) introduces Kamma and Reddy caste as the most significant castes in Andhra Pradesh, politically and economically and writes:

“Politically, the most important castes in the state are the Reddis and Kammass. These can be regarded as the dominant castes for they are numerically the strongest in the village or local area, and economically and politically exercise a preordering influence. The most significant source of their power is their control over land. As the major landholders and occupants of important positions in the villages, they control the village political life. More often than not, in many respects, political power is derived from positions of dominance in other areas of the village.”

Although it was expected that Brahmins as the top of the pyramid of caste system² have more opportunity to organize themselves in the form of new political institutions after the independence, Reddies as the dominant peasant caste has become dominant in the Congress. As Forrester (1970, 9) delineates, while Telangana people become politicized later and did not participate in setting up a Telugu state, Telugu Brahmins in Madras Presidency who were upset by the supremacy of Tamil Brahmins, led the first wave of demand for a separate state for

¹ Bernstorff (1998b, 82) describes Reddys as peasant proprietors who often hold hereditary village offices. While Reddys speaking *sat-shudras*, they claim *Kshatriya* status, because they have been warriors in *Kakatiya* court.

² According to Suri (2002, 10), The Brahmins were the first social strata that had access to English education. Moreover, they occupied key positions in administrative set-up of Madras Presidency.

Telugus. Also, the leadership of the Congress in Andhra region during the freedom movement was in the hand of Brahmins. These Brahmins kept their dominance in the Congress in the first years after independence; nevertheless, their position had been challenged gradually by the rise of Kammas and Reddies after formation of new Andhra Pradesh (Reddi 1994).

Remarkably, unlike Brahmins in Bihar and Uttar Pradesh, there was a clear cut between Brahmins' ritual status and economic position in Telangana region. While Brahmins in Bihar enjoyed both ritual and property privileges, Brahmins in Telangana had only ritual status and did not possess the significant landed properties (Satyanarayana 2007, 15-16). On the other hand, they should lease the lands from other agriculture upper castes such as Reddy/Kamma. Therefore, Reddy and Kamma castes, possessing land and dealing with lower castes, had a more potential objective source of power.

While Brahmin community lived in the cities in both regions, both Kamma and Reddy castes had rural origins. Sharma and Reddy (1979, 469) underline this significant shift in the Congress era and write "The party's leadership gradually shifted in the late fifties and early sixties from the urban centers to the rural periphery, from the educated middle class in the cities to the rural elite, from the higher urban-based castes to middle peasant castes."

After the merger of Andhra state with Telugu-speaking regions of Hyderabad State, Reddies became more dominant than Brahmins and Kammas in the Congress. As Von Fürer-Haimendorf (1963, 62) delineates, "the inclusion of the Telangana districts of the dismembered Hyderabad State in the greater Andhra Pradesh has definitely tilted the scales in favor of the Reddies, who in those districts are far stronger than the Kammas."

According to Satyanarayana (2007, 10-12), in Telangana region, the political dominance of Reddy caste was manifested in term of control landed property and other economic resources in the villages. Moreover, they possessed the significant positions such as villager's officer post, which provided for them the access to more economic resources and the support of lower castes. These socio-political backgrounds paved the path to the power for Reddy proprietors as the more-organized rural elites after the collapse of Hyderabad State and decline in the role of Muslim or Brahmin elites.

Consequently, the most prominent political elites came from the big landholding Reddies (Thirumali 2013, 94) and Brahmins, Kammas, and backward castes had been mostly excluded from the Congress politics.

The well-known example of transition in power from Brahmins to Reddies can be found in the first days of the formation of Andhra Pradesh. Ramakrishna Rao, the Brahmin Chief Minister of Hyderabad state before formation of Andhra Pradesh, has a pro separate Telangana state attitude; nevertheless, he realized that the rising power of Reddy caste in Telangana with the leadership of K.V. Ranga Reddy would end his tenure in the separate state. Hence, he changed his mind in favor of a unified state of Andhra Pradesh; however, a more powerful Reddy politician from Andhra region, Sanjeeva Reddy¹, who served as Deputy Chief Minister in Andhra state became Chief Minister of the new state (Seshadri 1970, 66).

As Tables 7 illustrates, the absolute majority of Congress's Chief Ministers in AP had Reddy caste background. While three Reddy twice and five Reddy once have been appointed as the Congress's Chief Minister of Andhra Pradesh since the independence, only one Kamma, one Dalit, one Brahmin and one Velama secured this position in the framework of the Congress.

Table 7 List of the Congress's Chief Ministers in AP

Name	Term of office		Caste Background	Region of Origin	Political Party
Neelam Sanjiva Reddy	1 November 1956	11 January 1960	Reddy	Rayalaseema	Congress
Damodaram Sanjivayya	11 January 1960	12 March 1962	Dalit	Rayalaseema	Congress
Neelam Sanjiva Reddy [2]	12 March 1962	20 February 1964	Reddy	Rayalaseema	Congress
Kasu Brahmananda Reddy	21 February 1964	30 September 1971	Reddy	Coastal Andhra	Congress
P. V. Narasimha Rao	30 September 1971	10 January 1973	Brahmin	Telangana	Congress
Jalagam Vengala Rao	10 December 1973	6 March 1978	Kamma	Telangana	Congress
Marri Chenna Reddy	6 March 1978	11 October 1980	Reddy	Telangana	Congress

¹ Sanjeeva Reddy was the chief minister of between 1956 and 1960 and 1962 and 1964. He later was elected as the president of India.

Tanguturi Anjaiah	11 October 1980	24 February 1982	Velama	Telangana	Congress
Bhavanam Venkatarami Reddy	24 February 1982	20 September 1982	Reddy	Coastal Andhra	Congress
Kotla Vijaya Bhaskara Reddy	20 September 1982	9 January 1983	Reddy	Rayalaseema	Congress
Marri Chenna Reddy [2]	3 December 1989	17 December 1990	Reddy	Telangana	Congress
Nedurumalli Janardhana Reddy	17 December 1990	9 October 1992	Reddy	Coastal Andhra	Congress
Kotla Vijaya Bhaskara Reddy [2]	9 October 1992	12 December 1994	Reddy	Rayalaseema	Congress
Y. S. Rajasekhara Reddy	14 May 2004	2 September 2009	Reddy	Rayalaseema	Congress
K. Rosaiah	3 September 2009	24 November 2010	Vaishya	Coastal Andhra	Congress
N. Kiran Kumar Reddy	25 November 2010	1 March 2014	Reddy	Coastal Andhra	Congress

This domination of Reddy caste in the Congress has been called as ‘Reddy Raj.’ Reddi (1994, 201) in his work on politics in AP specifies that since 1956 until 1983 non-Reddy chief ministers like Sanjivayya or P. V. Narasimha Rao¹ found it tough to continue their tenure in AP. For instance, P. V. Narasimha Rao as the Chief Minister with the support of the Center introduced several progressive land reforms. The upper caste peasant caste in the state opposed this agrarian reform. Moreover, Brahmananda Reddy the ex-Chief Minister of AP and his faction in the Congress directed the Jai Andhra agitation, lead to political instability. Finally, Rao could not finish his tenure, and President Rule was imposed in 1973.

As Seshadri (1970, 67) points out while elites of Reddy caste organized themselves in the framework of the Congress party in the state and secured high political positions, Kamas

¹ He served as the tenth Prime Minister of India (1991–1996).

consecrated to other professions like business, farming, and the growing film industry. Fascinatingly, in the majority of political opposition movements against the Congress, Kammas played a significant role. Forrester (1970, 10) highlights the role of some Kamma groups, who supported the first Telangana movement in order to reduce the political dominance of the Reddy caste in Andhra politics. According to him, the pro-Telangana position of Swatantra Party, led in Andhra Pradesh by a Kamma, N. G. Range, can be interpreted in the same way.

Kohli (1987, 996) elaborates the transformation in the nature of Reddy-Kamma rivalries and of their relative power positions in the 1970s. Distancing from politics, the Kammas become more enterpriser than then the Reddies, and they initiated several commercial activities such as “rice milling, sugar production, hotels, tobacco processing, newspapers and the film industry.” Therefore, as Kohli clarifies (1987), their economic basis transformed from a rural dominant agriculture caste to a more modern commercial urban force. These growing local businesses also needed political support, especially from State Government and bureaucracy. Consequently, Kammas became again more politicized to get more political power. The emergence of N.T. Rama Rao in Andhra’s politics was accompanied by the support of the Kammas. As Sarangi (2004, 109) points out, N.T. Rama Rao as a Kamma provided an opportunity for this caste to realize their political capabilities and ambitions. Nevertheless, NTR did not remain in a narrow frame of his caste; on the other hand, he made a mindful attempt to ally with several backward castes who were unhappy with the long-term Congress dominance.

4.3.3 From the One Dominant Party System to a Two Parties System

While the emergence of the alternative political parties, challenging the one dominant party system, began in several subnational states in 1967, 1971 or 1977, Andhra Pradesh remained in the dominance of the Congress until 1983¹. Andhra Pradesh had not followed the way of Tamil Nadu, which were witness to the rise of regional parties and anti-Center tendencies after 1976. Andhra Pradesh remain the stronghold of the Congress until the rise of the TDP in the 1980s.

¹ The first opposition party that won in an assembly election at the State level was the Communist Party of India. The party won the election in Kerala in 1957; however, the Communist party was a national party, which was successful at subnational level. Dravida Munnetra Kazhagam (DMK) was the first example of a successful regional party at State level. The DMK won the assembly election in then Madras State in 1967 (Rothermund 2008, 17-18).

Although there is a tendency in the literature to perceive the Congress era (1956-1983) as a whole, Ram Reddy (1989, 281-283) distinguishes three distinct political phases. In the first phase (1956-1964) or Nehru era, the party leadership at the state level enjoyed a relative autonomy under a stable political system. In the second stage (1964-1971), while the central leadership was significantly weakened, State Chief Ministers and regional leaders became more autonomous and even played a role in the decision-making at the Center. In the second era, factionalism becomes common in the Congress, and the discontent Congress leaders had led both Telangana and Andhra movement. Unlike the second phase, the third stage (1971-1982) was witness to the increase in the role of the Center in the State's affair. Therefore, the State lost its autonomy; thus, the Center became the main determinant in the State's politics. As Luther (2006, 366) observes,

“The office of Chief Minister became an object of mockery and held no sanctity. Chief Ministers were being manufactured in Delhi and like defective pieces were cast away one after another. Nominated by the high command of the party in rapid succession, these appointments brazenly disregarded the local sentiment. They were not leaders of their legislature party. They were the followers of the all powerful leaders in Delhi.”

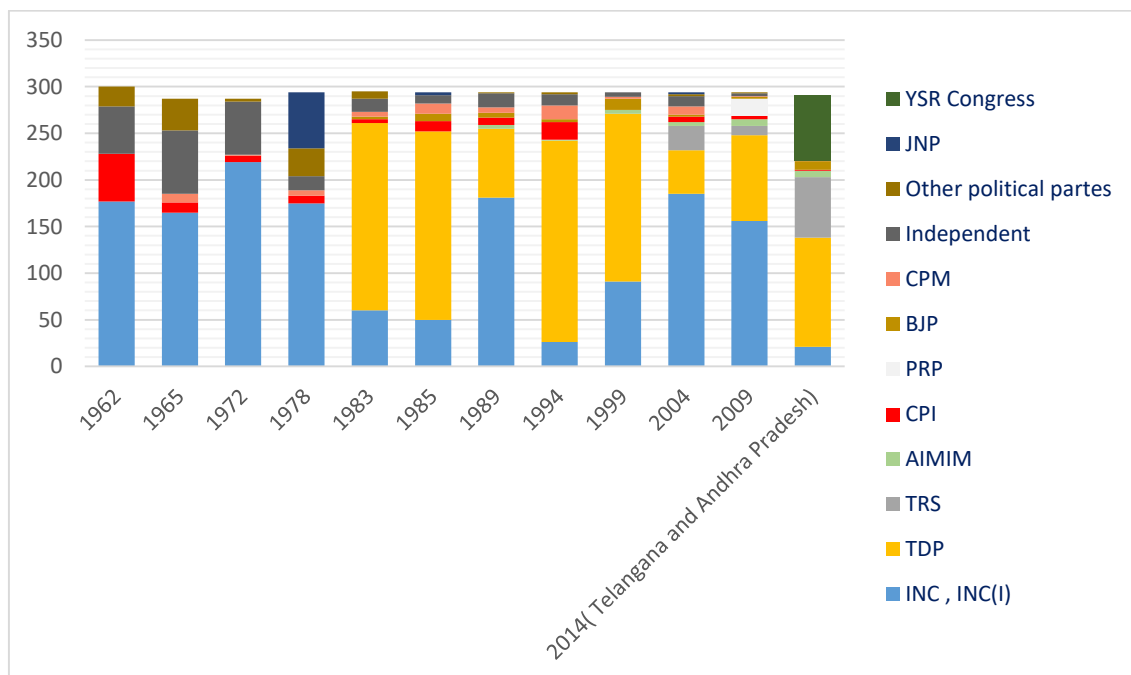
Also, Indira Gandhi's policies in the 1970s in the State weakened the position of the rich peasantry castes over the vote banks. In the previous decades, the Congress needed the local elites particularly from the dominant agricultural castes (mainly Reddies) to secure vote banks of landless peasants, backward castes, and Harijans. As it was discussed, a non-Reddy Chief Minister directed the land reforms in favor of landless peasants in the State. Although the dominant castes particularly in the coastal region and their leaders in the Congress directed the Andhra agitation and forced the Center to remove P. V. Narasimha Rao from his post, the reforms with a slower speed continued. Furthermore, Indira Gandhi initiated several anti-poverty schemes and socio-economic programs, enabling her to a more direct contact with minor farmers, the Scheduled Castes, the scheduled tribes, backward classes, and women. While these policies created more support from weaker segments of society such as backward castes and Harijans, the traditional allies of the Congress become more and more far from Indira Gandhi. That is why the majority of dominant agricultural castes in all regions supported Janata Party in 1977 election.

As Kohli (1988) specifies, not only the Congress in the Center faced with the challenges arose from strategic choices of Indira Gandhi in the 1970s (centralization of power, state of

emergency), but also her interventions in AP's politics led to the public dissatisfaction especially among dominant castes. Between 1978 and 1983, Indira Gandhi appointed four different Chief Ministers in AP. These Chief Ministers did not possess a strong personal political support in the region; on the contrary, their appointment was mainly based on their loyalty to Indira Gandhi. Ironically, two of these Chief Ministers lost in the legislative assembly elections and just installed because of their loyalty to the central leadership. After the appointment of these weak Chief Ministers without the strong political basis in the state, the way was paved for the competing elites and rebels in the party who did not accept the authority of these leaders. Thus, the position of the Congress became weaker and 'power/authority vacuum' was created in AP.

This political and institutional erosion of the Congress in the State, factionalism in the Congress and the regional leadership vacuum paved the path for emerging of the second political force in AP. Ram Reddy (1989, 286) describes this situation as an 'opportune juncture' for the TDP to come into existence. The 1983 assembly election ends the one dominant party system in Andhra Pradesh. While several interventions by the Center and factionalism had weakened the Congress, the TDP as an anti-Center party emerged and became the second political actor in AP.

Figure 22 Andhra Pradesh Assembly election results (1962-2014)



Drawn by the author, Source: statistical report on general legislative assembly of Andhra Pradesh series (Election Commission of India 1951-2014)

As figure 22 depicts, the party system in Andhra Pradesh had transformed from the one dominant party system to a two-party system from the 1983 election until 2014 election. Two main political parties in the State, the Congress, and the TDP have competed for assembly election as well as general parliamentary elections. Neither the leftist parties such as CPI and CPM nor right-wing BJP did not play a significant role in the State's politics; however, the TDP participated in the NDA governments.

As Kennedy (2014, 48) points out, after the emergence of TDP in the 1980s as the primary challenger of the Congress in Andhra Pradesh, two main parties were substituted each other in relatively stable balance. Therefore, this relative stability allowed TDP especially during Naidu Government to “adopt an aggressive policy stance on economic reforms without taking too much of political risk.”

The TDP was not the only regional party in the State in the post-Congress era. All India Majlis-e-Ittehadul Muslimeen (AIMIM) represents the Muslim minority especially in the Old City of Hyderabad in national as well as State politics. Kalvakuntla Chandrashekar Rao (KCR) established Telangana Rashtra Samithi (TRS) as a sub-regional party in 2001 to pursue the demand for a separate Telangana state.

Finally, the party system in the State has transformed from the two party system to a Multi-party system since 2014 election. After the formation of Telangana, the TRS became the majority party in the new State's Assembly and formed the first government of Telangana State. On the other hand, the TDP in Andhra Pradesh formed a new government, and the YSR Congress Party¹ became the main opposition party. Remarkably, in both states, the Congress's share of votes and seats decreased drastically in the 2014 election.

4.3.4 Fall of the Congress, Rise of the TDP and Telugu Subnational Movement

Although Janata Party won 60 seats in 1978 Assembly election in Andhra Pradesh, implying on the decline of Congress's power, it was nevertheless not sufficient to challenge the supremacy of the Congress in the State. Nevertheless, Indira Gandhi's several interventions in the State politics after 1978 accelerated the decline of the Congress in AP. Appointing weak chief ministers for a short time polarized the political scene in AP. As Kohli (1988) notes, the decline of the Congress in AP not only attributed to the Center's intervention but also was the

¹ YSR Congress Party is a new regional political party in Andhra Pradesh and Telangana. The leader of this political party is Y. S. Jagan, the son of former Andhra Pradesh Chief Minister Y. S. Rajasekhara Reddy (known as YSR). After death of his father and political developments in AP Congress, he decided to run his political party.

result of the crisis in the regional leadership in AP. During the 1970s, the majority of the Congress leaders, MPs or MLAs did not win the election based on their own popularity; on the contrary, they secured the seats because of the wave of Indira's popularity.

Finally, the dominance of the Congress was ended by the Telugu Desam Party (or TDP, Party of Telugu country/land), formed by N.T. Rama Rao, the famous film star in Telugu cinema. According to Thirumali (2013, 104), NTR formed the TDP, when he became disappointed about the possibility of nomination for Raja Sabha. The Andhra's Congress was against his candidacy, and he realized that there is no room for him in the Congress politics. Only nine months after its formation, the new Party defeated the Congress and won two-third of seats in the legislative assembly. The outstanding victory of the TDP accompanied with the rise of Telugu subnational movement.

Mitra and Enskat (2004, 15) describe the TDP as "one of the finest examples of the trend towards regionalization of India's party system" who also plays a major role in the coalition politics at the national level.

As Suri (2013, 168-169) explains, the Telugu nationalism, propagated by the TDP had the substantial differences with other subnational movements in India. While NTR expressed slogans such as 'restoration of self-respect of Telugu peoples,' and criticized the local Congress leaders who surrounded 'self-esteem' of Telugu people to the Congress high command, unlike initial years of DMK in Tamil Nadu or National Conference in Jammu and Kashmir, the TDP did not possess the secessionist tendencies. As Rao (1994, 107) reports, NTR's key slogan in his speeches was '*Jai Telugu Nadu, Jai Hind.*' Also, the Telugu subnational movement had not any hostility toward the outsiders or particular group (religious community, specific caste or ethnic group) in the society. Moreover, a particular caste, religious community or class had not supported the TDP as the manifestation of Telugu subnational movement. Although Kamma caste controlled the leadership of the TDP, they only constitute around 4 or 5 percent of AP's population. Therefore, the widespread support to the TDP cannot be seen as the support of only Kamma community.

Mukherji (2014, 151) recognizes the Telugu pride, anti-Congressism, and populism as the key basis for consolidation of the TDP. The focus of the TDP party was the dignity and respect to the Telugu people, which was missed by the Congress in the Center and their 'yes-men' in the State. NTR's message was clear: The Central Government neglected and humiliated Telugu people for 35 years; therefore, Telugu people should revive their glory and dignity (Bernstorff

1998a, 12). NTR and the TDP constructed the Telugu identity based on the unity of all Telugus, regardless of their caste, class, region or religion against external interventions (mostly the Center and their allies in the state) in order to the revival of the glory of Telugus. While, there are several social and political cleavages in Andhra Pradesh such as Hindu-Muslim, higher caste-lower caste, Andhra-Telangana and Kamma-Reddy cleavages, a tendency to the unification of all Telugus was the key characteristic of the Telugu subnational movement. Consequently, N.T. Rama Rao preferred the term of 'Telugu Nadu' (the land of Telugus) to Andhra Pradesh. To show his emphasis on Telugu identity, he affixed the word 'Telugu' before most government programs and schemes. For example, an irrigation project was called 'Telugu Ganga Project' (Nag 2011, 72). These tendencies has been reflected at the beginning of the first manifesto of Telugu Desam Party:

"The emergence of 'Telugu Desam' is the harbinger of the renaissance of the glory of Telugus. Telugu Desam transcending the loyalties of caste, religion and region has shaped itself with the goal of seeing the Telugu brightness, freed from the eclipse of evil forces. It is the hope of the Telugu Desam that all the Telugus should be prosperous and that the Telugu Nadu (Andhra Pradesh) should forge ahead in all spheres. It is its aspiration and life force. 'Telugu Desam' is the march against the rulers, who work against the greatness of the nation."(quoted in Rao 1994, 75)

One of the major outcomes of the rise of Telugu sub-nationalism was the decline of Telangana movement as a sub-regional movement. NTR with his slogan of 'self-respect for Telugu people' could unify several castes and classes in which all inhabitants of each three regions consider themselves as a Telugu. As Haragopal (2010) observes:

"The Telugu regional identity was so articulated that the Telangana identity got submerged in the larger Telugu identity. The self-respect of Telugus, which TDP raised as an important issue obviated the Telangana identity for the time being. It is not that what happened through the rhetoric of Telugu identity was the integration of the regions but subjugation."

4.3.5 Charismatic Leadership of NTR

Mitra and Enskat (2004, 15) describes the 'NTR Phenomenon' as a classic example of party building based on the 'charismatic power of an individual leader.' The emergence of N.T. Rama Rao (28 May 1923- 18 January 1996), the superstar of Telugu cinema as a political leader was a turning point in the history of Andhra Pradesh. Born in Krishna district and studied in Vijayawada and Guntur (both in Andhra region), he was a film actor and worked in over 320

movies (Rothermund 2013, 86). As Kohli (1988, 998) notes, before NTR's political career, on account the fact that he acted in several Telugu movies, he became very well-known in Andhra Pradesh. He played the role of gods of Hindu mythology or savior and liberator of the poor. Srinivas (2009, xvi) highlights the role of cinema as a public institution in the South India and writes:

“The cinema is a public institution facilitates a range of transactions, which, in parts of India—Tamil Nadu, Andhra Pradesh, and, to a certain extent, Karnataka—have extended into electoral mobilization.”

Srinivas (2009) in his study elaborates that how Telugu Cinema is capable of producing star-politicians. Analyzing the role of fan clubs¹ and the linkage between politics and Telugu cinema, he suggests Telugu cinema is ‘fundamentally populist’ and can create political superstars.

Srinivasulu and Prasad (1987, 151) stress on the role of Indian cinema in the construction of hero and myths and its political implication:

“Cinema, more so commercial Telugu cinema creates powerful myths about individual and society... Cinematic myth of a hero as a savior operating outside the terrain of social barriers like caste, class, and religion is more powerful than the political charisma, which is limited to periodic electoral politics- nothing more... Telugu cinema (like Madras or Bombay cinema) projects a voluntaristic image of the hero. The hero is seen to be, autonomous of the situations, and determines its development and not vice-versa. In a volatile political situation, it has a serious implication. Using it as an imagery one can suggest- as NTR himself did in his election speeches- that all the Telugus were victims of 'Congress I- misrule' and NTR uncontaminated by it is there to rescue them.”

Therefore, NTR acquired a considerable popularity, especially among illiterate rural folks and women. He employed this popularity to found the Telugu Desam Party in on March 29, 1982, and emerged as a charismatic political leader in Andhra Pradesh.

In the era of factionalism in the Congress in which the first generation of powerful Chief Ministers was replaced with the more dependent leaders to the Center, NTR emerged as a popular regional leader who can attract the masses. He was a mythological hero in the Telugu cinema, which transformed into a real-life hero of the masses. That is why Ram Reddy (1989,

¹ NTR had 600 fan clubs all over Andhra Pradesh, mainly in Coastal Andhra region (Bernstorff 1998a, 12).

286) describes his image as ‘incarnation of God’ for most of the rural poor in Andhra region. Because of this extraordinary level of popularity, he had popularly been called *Anna* or elder brother (Neuss 1998). Suri (2004b, 1483) describes the charismatic appeal of NTR as the crucial factor in TDP's success and writes:

“People reposed great faith in him, as someone who could deliver the state from the Congress misrule. He also worked with great zeal and conviction. His idealism, determination, cine popularity, and hard work mesmerized many. He was looked upon with admiration and awe, as a leader with superhuman capacities. He was a great public speaker. He knew that people hardly care for what the speaker says, but are only interested to see how the leader speaks. He spoke in chaste Telugu. The histrionics were perfect. The delivery was excellent. His exhortations fell on receptive ears. NTR, the cine-idol for millions of people, known more for his excellent performances in mythological films, especially in the divine roles of Rama and Krishna, used his celluloid image most effectively to carry his political message.”

NTR in his electoral campaign traveled to every city and most of the villages in the State by his van. For the first time, people of Andhra Pradesh saw personally their cine-super star who played several times the role of the Hindu Gods and legendary heroes. In his electoral meeting, the videotapes including his electoral speeches as well as important scenes of his movies were displayed (Bernstorff 1998a, 12). Kohli (1988, 998) underlines the political symbols and the idiom that NTR used to transmit his message and writes:

“Clad in his saffron robe-the traditional garb of India's holy men and riding around in a convertible transformed to look like a chariot, NTR might have been a figure from the Mahabharata, reincarnated to protect the dispossessed from worldly evils.”

This successful electoral campaign created a massive support for NTR and his TDP. As Rajendra Prasad (2004, 43) reports, at one electoral meeting in Nandyal town in Kurnool district, when a candidate from the Reddy caste asked the crowd “whether they wanted a tried and trusted friend of the weaker sections like Indira Gandhi or a film personality that playing gimmicks to get publicity”, the crowd responded “we want NTR!” In a similar case at Tirupati, while Indira Gandhi was addressing her last electoral public meeting, NTR arrived in the city, so people started leaving Indira Gandhi’s speech to meet NTR. In 1983 Legislative Assembly election, the TDP won a landslide victory and came to power in January 1983; hence, he ended the Congress’s dominance in AP for the first time. He and his party enjoyed a massive support in the first years of the 1980s. The TDP secured 202 seats out of 294, and the Congress

could secure only 60 seats. Despite a sympathy wave at the national level in favor of the Congress following the assassination of Indira Gandhi in 1984 Lok Sabha elections, the TDP again secured a majority of Andhra Pradesh seats in Lok Sabha.

As a populist leader, he emphasized mainly on the regional Telugu identity against the Center and its Hindi character; nonetheless, the TDP never was a separatist party and remained loyal to India's federalism. The main slogan of NTR was the need for self-respect for Telugu people (*Telugu Atma Gowrawam*) and highlighted the regional themes of Telugu identity (Yadagiri 1994, 301).

As Suri (2004b, 1481) indicates, whereas other regional political parties such as National Conference, Dravida Munnetra Kazhagam (DMK), or Shiv Sena emerged as an outcome of a long-term struggle or sustained social movement, the TDP mostly was the result of the personal decision of NTR. For that reason, at the beginning of the TDP, this party has neither the leaders trained in politics nor any ideology. According to Thirumali (2013, 104), the TDP was the first example of political parties that set up as a business concern with "one's own money, resources, and men." Although the TDP has any ideological orientation in the first steps, NTR's political agenda was constructed based on conflicting with the Congress. The focus of NTR in his speeches was the Congress's corrupt political culture. Moreover, he several times criticized the Congress leaders at the Center, because of their frequent interventions in the State politics that 'destroyed capacity for and pride in self-government' (Kohli 1988, 54). Not only the TDP with its emphasizing on the regional pride won 1983 election, but also attracted some of Congress politicians such as Chandrababu Naidu.

4.3.6 Economic Populism and Identity Politics in TDP (I) Regime: Seeking the Horizontal Rewards

Mitra and Enskat (2004, 15) attribute the successful emergence of the TDP to effective blending the politics of personality, identity, and popular welfare policy. While the strategic choice of NTR as a charismatic leader was a confrontation with the Center based on identity politics in the vertical game, he chose the popular welfare policies in the in the horizontal level.

The Congress in Andhra Pradesh sought to create a pro-poor and minorities image by the implementation of the land reforms programs and anti-poverty schemes, particularly after the victory of Indira Gandhi with slogan '*Gharibi Hatao.*' Traditionally, Scheduled Castes (SCs), Scheduled Tribes (STs) and Muslims Supported the Congress in Andhra Pradesh. In the first years of the Congress politics in AP the Congress's access to the lower section of society was

provided by traditional dominant castes in the region; nevertheless, Indira Gandhi's policies marginalized the role of the dominant agricultural castes and created a direct contact with the potential vote banks in the State.

The main strategic choice of NTR was to sustain and to enhance the populist economic measures in the state. If Indira Gandhi had defeated her rivals (both in the party and outside of the party) with the slogan '*Gharibi Hatao*', the TDP could use the same weapon against the Congress in AP with the motto 'basic needs to the poor.' Particularly, when the main strategic choice of NTR in the vertical game was the confrontation with the Center (which symbolized in Andhra's collective memory as Amma (Indira Gandhi) versus Anna (NTR)), he needs more support from the State. With the implementation of several welfare schemes and an increase in the subsidies, NTR tried to prove that his government could deliver services better than the Congress, especially to the poor and backward caste and classes. In NTR's rhetoric, the Congress in the State was equal with corrupt and greedy politicians, following Delhi's rule and forgetting the interest of poor Telugu people. Accordingly, NTR as a superstar wants to save Telugu people, revive their dignity and fight with the poverty. Therefore, he needed short-term policies with clear outcomes.

Indira Gandhi had enunciated the 20-Point Program for implementation in the country; similarly, NTR began a 15 Point '*Pragati Patham*' (the path of progress). These ambitious popular welfare policies is as following (Rao 1994, 85-86):

- i) Water for every village
- ii) Midday meals for schoolchildren and construction of school buildings for schools
- iii) Rice at Rs 2 per kg
- iv) Welfare of SCs
- v) Welfare of STs
- vi) Welfare of Backward Classes
- vii) Women's welfare
- viii) Houses for the weaker sections
- ix) Helping the farmers
- x) Improvement of roads

xi) Integrated rural development

xii) Encouraging the youth

The most significant NTR's populist policy, indicated in both the manifesto of TDP and '*Pragati Patham*' was to sell rice at Rs. 2 per kg; as a result, NTR has become synonymous with the Rs 2 per kg rice scheme for the poor. As Rajendra Prasad (2004, 39) reports, after announcing the scheme in March 1983, the government must pay the subsidy approximately Rs 33 crores a year. Although with an extraordinary ambitious tone, the manifesto promised such rice for all, NTR Government limited it for those with an annual income was less than Rs 6,000 per annum; as a result, the scheme covered 60 lakh families.

In a similar scheme, Telugu Desam Government decided to offer the subsidized Handloom *Sarees* and *Dhotis* at half price to people with an annual income of less than Rs. 6000. As Rao (1994, 86) remarks, 31 lakhs benefited from the *Janata cloth* scheme by the end of 1984-85. However, TDP tried by the implementation of populist policies such as Rs. 2 a Kilo rice scheme, Janata cloth scheme or subsidized housing for the poor, not only engender new supporters from Other Backward Classes (OBCs) women or youth but also attract the supports from the Congress's traditional vote banks.

4.3.7 The Vertical Game: TDP in the State and Congress in the Center

After three decades of harmony between State Government in Andhra Pradesh and the Central Government in New Delhi, the Center-State relations became a key issue after the emergence of a first non-Congress government in AP.

Particularly, the TDP with its anti-Congress orientation that criticized the Congress in both the Center and State as the responsible of backwardness of Telugu people sought to prove that this party would be more independent in the decision-making. Suri (2013, 173) describes NTR's rhetoric against the Congress as 'aggressive and vituperative.' Emphasized on Telugu dignity, he criticized the Center frequently and stated:

"Our Telugu self-respect is being daily butchered on the streets of Delhi. We will be nobody's branch office. They go to Delhi to seek permission to transfer a clerk in Tehsildar's office. The Congress (I) of today has nothing to do with the Congress of Mahatma Gandhi. It split into as many letters as there are in the alphabet. Indira Congress! Quit Andhra Pradesh"(quoted in Rajendra Prasad 2004, 34)

NTR's anti-Congress and anti-Center slogans had been supported and rewarded by the public, disenchantment with Congress politics. The Center did not remain silent toward the TDP's rhetoric against the Congress. Indira Gandhi perceived NTR as an emerging threat to the Congress both in State and in national level; as a result, she used the old instrument of President's rule for removing N.T. Rama Rao. While Indira Gandhi appointed Bhaskara Rao, a dissident TDP leader, as the chief minister, NTR moved the court and won this case. Furthermore, NTR launched a 'Save Democracy Movement' with support of other non-Congress parties and called it '*dharma yuddham*.' With the rise of anti-Center and anti-Congress sentiments in the State, the Congress gave up its effort to dismiss NTR; therefore, he came back to power and completed his term (Rothermund 2013, 87, Suri 2013, 103).

The TDP tried to introduce the Center's reactions toward NTR to public opinion as an insult to six crores Telugus. Consequently, NTR attained more supports for his anti-Center and anti-Congress attitude. Not only, NTR several times blamed Indira Gandhi for her policies at both the national level and state level, but also he continued the confrontation with the Center throughout the tenure of Rajiv Gandhi as prime minister of India.

On the other hand, the Center also had not the positive attitudes toward the Telugu Desam government. When Indira and Rajiv Gandhi visited Hyderabad, both prime ministers criticized the State Government for its insufficiency or delay in submitting proposals or accounts.

The confrontation between the State Government and the Central Governments not only had the political outcomes but also influenced the State's economy. According to Prasad (1994, 146), during the tenure of NTR, Andhra Pradesh faced with both drought and cyclones; as a result, the State Government needed massive aids from the Center. Although the Chief Minister asked the considerable amount of aids after the central mission has delayed visit, the Center sanctioned measly sums for relief works.

Also, the demand for allocation of more revenues to AP was another root for a confrontation between State and the Center. Telugu Desam government argued that distribution of revenues to states should not be based on the criteria of the population; on the contrary, it should be based on the contribution to the central revenue pool. The Center rejected TDP government's requests for allocation of financial resources for the NTR's popular welfare policies. As Gopal (1994, 156-157) elaborates, NTR asked the Planning Commission for more allocation of resources to meet developmental goals of the State. He declared furiously "We are not beggars to ask for charity or alms. We are entitled for a legitimate and due share from the Center." NTR

asserted these views several times in various fora such as the planning commission; however, the Center did not accept his demands.

The State's plan outlay was another example of the confrontation between the State and the Center. According to Gopal (1994, 157-158), NTR discontented with the annual plan outlays; in other words, he felt that the approval of Plan outlays by the Planning Commission was unfair and based mostly on political considerations.

Table 8 depicts an extensive gap between the State's proposals and the amounts approved by the Planning Commission:

Table 8 AP's Annual plan outlays between 1983 and 1989

Year	Plan Outlays proposed by the AP government (Rs in crore)	Plan Outlays fixed by the Planning Commission (Rs in crore)
1983-84	909	825
1984-85		981.31
1985-86	1,170	810
1986-87	1,218.98	1,090
1987-88	1,363	1,200
1988-89	1,550.40	1,250

Source: Gopal (1994, 157)

In the same way, while AP Government demanded Rs. 7500 crore for the Seventh Plan outlays (1985-1990), the Planning Commission approved 5200 crores. Therefore, NTR almost criticized the Center and charged it with 'step motherly attitude.'

Therefore, NTR felt that there is no possibility to work with the Congress at the Center; hence, he tried to find an alternative to the Congress in the Center. NTR considered the TDP as a strong anti-Congress platform. He was eager to cooperate with other regional parties against the domination of the Congress. NTR advocated the idea of strong states and called the Centre a 'conceptual myths.' He asserted:

"It is as though the people of the country who elect the State Governments had persuaded to delegate their authority in subjects such as defense and foreign policy to the Centre so that there is no overlapping in the discharge of powers by the Centre and State Governments" (quoted in Prasad 1994, 146)

NTR assembled the non-Congress leaders from 13 parties¹ to Hyderabad to form a political platform against Rajiv Gandhi in 1986. Non-Congress politicians not only complained about the unbalanced economic policies of the Centre and what they called 'the Centre's discriminatory attitude towards non-Congress Governments,' but also they criticized the elitist approach of the seventh five-year plan (Rajendra Prasad 2004, 69-70).

Finally, the TDP and other political parties such as DMK, JP, LD and Congress(S) formed the 'National Front' in 1988. NTR was the elected Chairman, and V.P. Singh became the Convenor. NTR played a significant role in the formation of the 'National Front Government' (2 December 1989 – 10 November 1990) at the Center, unified all non-Congress opposition parties in India. For the first time, a regional party such as the TDP involved actively in the formation of government at the national level. However, the TDP could not benefit from the 'National Front' government in Delhi, because the TDP had already defeated in the 1989 Assembly election.

To sum up, Yadagiri (1994, 305) notes the confrontation strategy with the Center did not benefit NTR in longer term and indicated:

“Deliberate confrontation with the Centre and the antagonistic posture snapped all ties and rapport between the Centre and the State. The State suffered isolation from the mainstream of national life.”

Moreover, the policy of confrontation with the Center, adopted by NTR, led to the limited amount of central transfers such the approved annual plan layout. Consequently, the available funds for development and investment in infrastructures were not sufficient to engender a sustainable growth. NTR needed more financial resources for implementation of his welfare policies, and the Center did not provide adequate central transfers; thus, he increased the rate of taxes particularly in the cities. For instance, he increased house and professional taxes, house taxes, entry tax on textiles, and sale tax.

4.4 The Coup in TDP and Rise of Chandrababu Naidu

The Congress in the 1989 assembly election defeated the TDP. Yadagiri (1994) sums up factors such as improper selection of candidates, family rule, the unhappiness of bureaucracy,

¹ For example two other chief ministers, Ramakrishna Hegde of Karnataka and Surjit Singh Barnala of Punjab, and K.P.Unnikrishnan of Congress (S), Dinesh Goswami of Asom Gana parishad, Abdul Rashid Kabuli of National Conference, C.T.Dandapani of DMK, Ram Naresh Yadav of Samata Party, B.B.Lyngdoh of Meghalalaat

alienation of dominant sections, populist measures, and confrontation with the Center, hollow election promises, and ineffective campaign as the primary causes of the decline of the TDP.

While there is a widespread idea that Chandrababu Naidu has introduced the reforms in Andhra Pradesh since 1995, as Suri (2005, 136) indicates, the new Congress government of Andhra Pradesh took the initial steps for economic reforms. In the same line with the new industrial policy, announced by the Center, the Congress government in AP declared “its commitment to creating a condition conducive for industrial development.” Under the guidance of P. V. Narasimha Rao, the AP’s Congress government introduced a scheme to attract foreign direct investments (FDI) from non-residence Indians (NRIs). The Congress government not only paved the path for the establishment of one software park in Hyderabad but also took loans from the World Bank for the road and agrarian projects.

In the framework of the liberalization, the Congress government increased the price of subsidized rice from Rs. 2 to Rs.3.5. Moreover, the foreign fund component in annual budget increased from Rs. 480,000,000 in 1990-91 to Rs. 8,500,000,000 in 1994-1995 (Suri 2005, 136)

The TDP as the main opposition party in Andhra Pradesh along with its allies (CPI and CPM) launched attacks against the liberalization policies, introduced by P. V. Narasimha Rao and the Congress. In the Assembly, the TDP along with CPI and CPM criticized the liberalization as anti-people and anti-poor policy.

Whereas it was supposed that NTR as the leader of the opposition party plays a significant role in the assembly sessions, his son in law, Chandrababu Naidu emerged as the key actor of the opposition party. NTR was not a professional politician and could not lead the opposition in the Assembly successfully. Instead of reading of Assembly procedures, NTR played several roles in the movies such as *Samrat Ashok* and *Major Chandrakant*. Consequently, professional politicians like Chandrababu Naidu supported him in the leadership; as a result, the influence and power of Naidu increased among the TDP’s MLAs (Narisetti 2002, 201).

As Sarangi (2004, 111) elucidates, despite hopes of the voters and the Congress’s efforts for economic reforms, this party continued its political mistakes in AP. The Congress entangled with internal bickering and factional conflicts; as a result, AP was witness to the frequent change of Chief Ministers. Marri Chenna Reddy, the Congress leader from Telangana for the second time was appointed as the Chief Minister of AP in 1989; however, because of factionalism in the Congress, Nedurumalli Janardhana Reddy became the Chief Minister only

after one year. He had also remained in power only until 1992, when P. V. Narasimha Rao, the prime minister of India, appointed K. Vijaya Bhaskara Reddy for the second time as the Chief Minister of AP. While Narasimha Rao took the first steps of the economic reforms in the Center, the Congress government in AP persisted in the old pattern caste politics, regionalism, factionalism and internal conflicts.

The 1994 election was a decisive moment for both parties. The Prime Minister P. V. Narasimha Rao campaigned personally in his home State in favor of the liberalization. As Suri (2013, 171) points out, the Prime Minister “counterposed development and welfare,” arguing the development would suffer by NTR’s populist schemes. While the Prime Minister sought to explain the significance of liberalization and pro-business approaches, NTR stressed on the role of government in providing the basic needs of all people: food, clothes, and shelter.

The TDP entered again in the election stage with the motto of ‘basic needs to the poor’ and promised the subsidized rice, cloth, and providing a house for the poor. Finally, although Narasimha Rao campaigned in his home state for the re-election of the Congress, the causes above significantly contributed to the return of the TDP to power in the 1994 assembly with capturing a massive 217 seats out of 292 seats.

However, the new TDP government did not oppose the reforms practically after the election. While the TDP government restored the populist welfare schemes officially, it initiated measures to reform the power sector. Chandrababu Naidu, the new finance and revenue minister and the new key player in the party, tried to convince his father in law to initiate new measures to reforms and ban new recruitments in the public services (Suri 2005, 139). Although Naidu attained considerable power and influence in the TDP, he was not the only emerging star in the party.

As Rothermund (2013, 87) notes, when NTR was out of power, he married with Lakshmi Parvathi. NTR’s young wife, who was the author of his biography, gained more political influence on NTR than other TDP leaders. NTR trusted her young wife enthusiastically; hence, she became the key figure in the Telugu Desam Party. The high ranked members of the party and some members of NTR’s family worried about increasing the role of Lakshmi Parvathi; therefore, they decided to remove NTR from his position. His son in law, Chandrababu Naidu, led the rebellion against NTR and overthrew the old charismatic leader in “a kind of palace revolution.” He could unify NTR’s family members, the TDP’s MLAs against the NTR and his beloved Lakshmi Parvathi. In fact, the family members and the high ranked members of

the TDP knew that NTR had several health problems; as a result, the second wife of NTR could emerge as the successor of NTR.

After Naidu's claim that he had the support of the majority of TDP's MLAs, the Governor asked NTR to prove his majority in the assembly. As Rajendra Prasad (2004, 117-118) reports, because of the pain in his chest, NTR could not meet the governor and admitted to a hospital. After a meeting between the Chief Minister and the Governor in the hospital, NTR wrote the letter of resignation.

On September 1, 1995, Chandrababu Naidu was sworn in as the new Chief Minister of Andhra Pradesh. In the first move, he promised to sustain NTR's populist schemes such as rice at Rs. 2 kg, total liquor prohibition and the subsidized power to houses; however, he abandoned all these schemes in the next two years.

4.5 From Charismatic Populism to Pragmatist Technocracy: The Rational Actor and the Horizontal Determinants

Nara Chandrababu Naidu (born 20 April 1950) personifies the new generation of regional politicians who emerged in the context of post-independence India. Naidu was born to a farming family in a small village near Tirupati (Chittoor district, Rayalaseema region). He was a member of one medium farmer family (Naidu 2000a, xiv). Like NTR, he belongs to Kamma caste (Balasubrahmanyam 2004, Rajendra Prasad 2004, 127). During his study at Sri Venkateswara University, he became interested in politics. Later, he joined the Youth Congress as a student leader. As a student leader with a medium farmer family background, young Naidu had enough to spend on his fellow students (Naidu 2000a, xiv). He obtained a Master degree in economics, but he could not find a job as a lecturer at the University. Therefore, his academic mentor, Professor D.L. Naraina suggested him to enroll in a Ph.D. program in Economics under his guidance; however, because of his political activities, he could not finish his doctoral studies.

As a Congress student leader, he ran for the Assembly election from Chandragiri constituency in the 1978 election (Bernstorff 1998a, 14). Two years later, he became a Minister of State in T.Anjiah's government. While he had been appointed as Minister of State in libraries, his future rival, Y.S. Rajashekara Reddy (YSR), served as Minister of State for Rural Development (Narisetti 2002, 239). The young and successful leader attracted the attention both of Congress Party leaders as well as of N.T.Rama Rao. Young Naidu married with NTR's daughter in 1980, before NTR chose to enter politics. In Bhavanam Venkatarami Reddy's government, he also

served as Minister of State. As a young Congress leader, Naidu also was appointed as minister of technical education (Minister of State) in Kotla Vijaya Bhaskara Reddy's government (Narisetti 2002, 240-242). When NTR, his father in law, founded the TDP, he was still a member of the Congress. Even in a press conference, he declared that he would contest against his father in law if the Congress ask him to do so (Rajendra Prasad 2004, 128).

In the 1983 assembly election, the TDP candidate defeated Naidu in Chandragiri constituency; hence, he decided to give politics and initiate a business. Later, he joined his father in law in the TDP. He had no official position in the first NTR's cabinet; even he did not run for both 1984 and 1985 Vidhan Sabha and Lok Sabha elections. Ninan in the introduction to his interview with Naidu (2000a, xvi) asserts that Naidu in this stage was the 'backdoor organizer' of the TDP. He not only used a computer to set up a database of the TDP's MLAs but also tried to train the TDP's party workers through a new educational institute that offer nine-months courses.

Finally, Naidu was elected in 1989 from the Kuppam constituency as a TDP's MLA; nevertheless, the TDP was in opposition, and there is no possibility for him to enter the cabinet. While NTR did not participate actively in the Assembly as the opposition leader, Naidu served as Coordinator and Secretary General of the TDP and became more influential on the TDP's MLAs. Naidu became finally the virtual leader of the opposition, when NTR decided to boycott all assembly sessions in 1993 and 1994, asserting that he would not attend in the assembly unless he became the Chief Minister (Rajendra Prasad 2004, 128). After reelection of Naidu as an MLA in the 1994 assembly election, NTR, who became Chief Minister again, appointed Naidu as Minister of Finance and Revenues. Although Naidu tried to encourage NTR to approve some economic reforms, as a Minister of Finance, he still advocated the TDP's populist views:

"If there is one distilled lesson out of our development experience spanning nearly a half-century, it is that 'trickle down' theories of growth do not work...The most effective and possibly the only way to alleviate poverty is by direct income transfer methods such as rice subsidy program" (quoted in Suri 2005, 140)

Following the 'palace revolution' in the TDP, Chandrababu Naidu became Chief Minister of Andhra Pradesh at the age of 45 (Bernstorff 1998a, 14). While Naidu was sworn in as Chief Minister of Andhra Pradesh as the new leader of the TDP, he had two main obstacles to consolidating his power in the State. Not only he was not popular and charismatic as NTR, but

also the State's fiscal stance was unsustainable. These two difficulties played a crucial role in the next Naidu's strategic choices to modify and revise his economic views on the subsidies and economic reforms in the State.

4.5.1 Legitimacy Challenge

Since its formation, the TDP had mostly relied on the charisma of NTR, rooted in his cinematic career and personal characteristics. This personal charisma influenced the masses as well as party workers. The TDP had no clear political ideology since its inception and could attract the votes just based on the public interest to NTR. That is why the TDP was fundamentally dependent on its charismatic leader. Suri (2004b, 1483) describes the role of NTR in the party and writes:

“He thought himself to be infallible. His opinion was the opinion of the party since he was the party; his commands were law since he was the embodiment of the will of the people. He was the party patriarch. All party leaders and activists were his brothers ('tammullu') and sisters ('ada paduchulu').”

NTR dominated government as well as the party. Kohli (1988, 999) describes NTR's decisions as 'impulsive and arbitrary' and writes:

“Decision making within the TDP is highly centralized, and the legislators play hardly any significant political role. Attempts to build the TDP into an organized party also have not amounted to much. The TDP remains a one-man show. The 'central theme' at the TDP's organizational forums is 'hero worship,' the hero, of course, being NTR.”

Therefore, NTR knew the TDP as a synonym of himself and believed that “TDP came with me and will go away with me”(quoted in Suri 2004b, 1481).

NTR never accepted the legitimacy of Naidu after the 'Palace Coup.' As Rajendra Prasad (2004, 118) reports after the swearing-in ceremony of Naidu, he along with NTR's son and daughter went from *Raj Bhavan* to NTR's house for a blessing. NTR not only did not receive them, but also a huge group of NTR's supporters shouted slogans against them.

NTR submitted a case against the governor of AP to the court. He argued that the governor must dissolve the assembly and announce a new election. He, however, lost his cases in Courts; therefore, he prepared himself for the next Lok Sabha election in 1996 to fight against the 'traitors' and prove that “there is only one Telugu Desam, and only one leader” (quoted in Rajendra Prasad 2004, 122).

Unhappy NTR organized an electoral campaign against Naidu and asked his allies in the National Front such as V.P. Singh, Deve Gowda, and then Karnataka Chief Minister, Lalu Prasad Yadav, then Bihar Chief Minister, Surjit Singh Barnala and Prafulla Kumar Mohanta to come and address in his rallies. However, 73-year old NTR did not see the 1996 election and died on 18 January 1996.

Although Naidu became the Chief Minister of Andhra Pradesh, he remained under NTR's huge shadow. He knew that while the majority of MLAs who opposed Lakshmi Parvathi and NTR, they can again become rebellious in favor of other NTR's family members. Moreover, the TDP were synonym with the charismatic leadership of NTR. Chandrababu Naidu was not a cinema actor and never played a role of Hindu Gods or heroes in Telugu cinema. He was neither a charismatic leader such as NTR, which could enchant the rural masses, nor a member of Reddy caste or Congress Party, which guarantee for him the specific vote banks. Lakshmi Parvathi portrayed Naidu as a traitor who was responsible for NTR's death (Rajendra Prasad 2004).

After the death of NTR, the TDP divided into two factions: The TDP Naidu or TDPND, and TDP Lakshmi Parvathi or TDPLP. Other children and family members of NTR also be a potential threat for Naidu. Lakshmi Parvathi traveled across State with a campaign vehicle to remind masses that she is the true successor of NTR (Naidu 2000a, xxiii).

Consequently, Naidu had a vulnerable position at the beginning of his tenure. Although he convinced the MLAs to support him in the short term, there is no guarantee that they remain loyal to him. Moreover, Naidu needed to demonstrate his leadership skills to public opinion to escape from the huge shadow of the father in law.

4.5.2 Fiscal Deficit Crisis

The simplest way to convince the public opinion to support a leader such Naidu who should fight with the Congress as an opposition party, as well as unhappy supporters of NTR, was the implementation of populist welfare policies. These policies could satisfy the OBCs, women or minorities and provide more social support for a new leader with a disputed legitimacy.

In spite of all prediction in favor of sustaining populism, Naidu realized that he could not sustain the ambitious welfare policies and populist schemes. Although the pro-poor and populist policies of NTR led to a decrease in the level of mass poverty in the State (Balasubramanyam and Balasubramanyam 2012, 49-50), it also created a serious fiscal deficit at the State level. The Telugu Desam government could not sustain the fiscal weight of NTR's

populist schemes, and it was on the edge of financial bankruptcy. As Yadagiri (1994, 305) indicates, NTR's populist measures such as rice supply scheme (Rs. 2 kg), the Sari dhoti, and permanent housing scheme became a heavy strain on the financial resource of AP. For example, the subsidized rice supply scheme covered approximately two-third of AP's population; as a result, subsidies and non-developmental expenditures constituted a major share in AP's budget and the proportion of developmental projects decreased. NTR's populism was the main cause of the increase in public spending. Andhra Pradesh did not have a budget deficit before 1982; on the other hand, budget deficit emerged as the main challenge for all AP's government after 1990. Naidu encountered with the shocking fact about subsidies. The cost of subsidies and populist schemes that began with NTR in 1983 multiplied fourteen times in 1999 (Naidu 2000a, 116). Chandrababu Naidu (2000a, 116) compares providing a subsidy with 'clambering atop the proverbial tiger.'

Similarly, as Mukherji (2014, 151) illustrates, while the cost of cost generating electricity per unit was Rs. 1.83, the State offered it to consumers only Rs. 0.03; therefore, AP's government should pay Rs. 15.3 billion (USD 478.1 million) subsidy to the power sector in 1995. Similarly, housing subsidies and food protection schemes imposed heavy strains on the AP's budget. Chandrababu Naidu described the financial situation in the State when he started his tenure:

"When a State Government discovers that there is no money in the treasury to pay even salaries it is a moment of reckoning. Uttar Pradesh found in 1998 that its entire revenues were not enough to pay the salaries of its employees. In 1995, we in Andhra Pradesh were in the same situation. And in 1996-97 our expenditure on salaries and pensions as a percentage of the state's own tax and non-tax receipts was 94.5 per cent."(Naidu 2000a, 105)

Naidu compares the financial situation and fiscal crisis in the Center in 1991 that paved path to 'the reform' with the critical financial condition at the State level and writes:

"If the beginning of the 1990s saw the Central Government recognize that the country's economy was in crisis, and drastic changes would have to be made in its functioning, most State Governments are facing that realization by the end of the same decade."

Therefore, he acknowledged the importance of economic reforms, introduced by the Congress government of P. V. Narasimha Rao and criticized by the TDP.

Although all of NTR's popular welfare expenditures created an atmosphere, which allowed the TDP as the key competitor of the Congress to survive in Andhra Pradesh, Naidu realized that

political gains through the populism are not possible anymore. He (Naidu 2000a, 114) recognizes the role of political determinant in the TDP's economic policies and writes indirectly:

“When the state provides a service for the people—be it irrigation, electricity, road transport, primary school education or municipal water supply—it is usually constrained to give it away free or at heavily subsidized rates. The reason for this economically aberrant behavior is quite simply called politics.”

These financial realities, as well as the urgent need of Naidu to escape from the political shadow of NTR, accelerated the fundamental shift in the TDP's economic viewpoints. The TDP along with the leftist parties such as CPI and CPM had formed opposition between 1989 and 1994, opposed the reforms and economic liberalization. After dismissing of NTR, while Chandrababu Naidu needed to demonstrate that he is a capable leader, he could not use the old instrument of welfare policies. Therefore, in a radical shift, he adopted neo-liberal economic policies and tried to portray himself as the vanguard of development in Andhra Pradesh. Although some of other leaders of the TDP, CPI, and CPM criticized this shift, Naidu, however, abandoned most of the welfare schemes and tried to find new sources for investments.

The TDP had not a coherent ideology, and the charismatic leadership of NTR shaped its approaches. Although social democracy, as well as neo-liberalism, influenced the initial manifesto of the TDP (Suri 2013, 170), the political realities in AP and the characteristics of the Telugu sub-nationalism highlighted both confrontation with the Center and populism. Nevertheless, unlike the leftist parties such CPI or CPM, founded based on a solid economic perspective, the TDP as a non-ideological regional party could revise its economic approach fundamentally. Therefore, the first government of Naidu (1995-1999) made a departure from NTR's populist policies to pro-liberalization economic policies.

As Mukherji (2014, 151) notes, Naidu's background in economics (his Master degree and uncompleted Ph.D. in economics) and his experience as finance minister in NTR's second government (1994) convinced him to reconsider economic policies. The academic background of Naidu is also reflected in his explanation (Naidu 2000a, 114-115) about the reasons for the absolute shift in the TDP's economic approaches:

“I studied economics in college and was doing my Ph.D. on the economic policies of the eminent parliamentarian N.G. Ranga. Being an economist by training and a politician by experience, I can see quite clearly that political populism in recent years has in many ways

been bad for the economy of State Governments. We got away with practicing this kind of aberrant management for some years, but as our population grows and our costs and inefficiencies mount, the specter of bankruptcy looms ahead for many State Governments. The more fragmented the electorate becomes as caste, and communal divisions come to the fore, the more political parties have to resort to populism to win their vote. Frequent elections have made matters worse: they have made responsible public finance extremely difficult. Political parties are constrained to promise that they will write off bank loans to farmers, or give them free electricity.”

Naidu showed that how he became closer to principles of neo-liberal economy and repeatedly spoke out strongly against the economic populism, even the TDP’s policies under NTR:

“In the 1980s, in its first term in power in Andhra Pradesh, the Telugu Desam Party was voted in on the platform of Telugu pride and the promise of rice at Rs 2 a kg for those below the poverty line. However, it is difficult to implement the targeting of a subsidy like this. With even the relatively well off sections of the population accessing the subsidized rice, it proved to be a very costly promise in the long run.”

Only one year after beginning of Naidu’s tenure, State Finance released a White Paper stressing the necessity of fiscal prudence. In this paper, the TDP government analyzed several financial challenges and economic problems such as resource crunch, low developmental expenditures, and considerable debt. Therefore, the document recommended limiting subsidies, privatization in some public sectors and other similar measures. Consequently, The TDP government initiated several reform plans and scheme to cope with the financial crisis in the State and provide a more business friendly environment in the State in order to attract domestic as well foreign investments. Naidu’s decision to raise the price of subsidized rice and partial lifting of the ban on liquor was an obvious sign of his intention in the implementation of the reforms.

Not only NTR died in 1996, but also his populism was sacrificed in favor of the economic reforms. The ‘Palace coup’ in the TDP and death of NTR can be considered as a critical juncture in the development trajectory. As Sarangi (2004, 109-110) observes the new TDP government, whereas anti-Congress tendencies and Telugu nationalism have continued in the TDP rhetoric, the populist economic policies and its pre-modern mode of communication with people are substituted with modern *realpolitik* strategy of governance.

Similarly, Suri (2002) differentiates between NTR era as ‘politics of populism and confrontation’ and Chandrababu Naidu era as ‘politics of pragmatism.’ Naidu confirmed this

shift explicitly, and said, *“The politics of populism can be replaced with politics of development. The latter too can be made to pay electoral dividends. People have begun to recognize that it is not viable for governments to continue providing goods and services for free.”* (Naidu 2000a, 17-18)

The current study argues Chandrababu Naidu tried to create a dynamic, progressive and trustworthy image for the TDP leadership as an alternative to the charismatic image of NTR. Manor (2002, 54) compares the leadership of NTR and Naidu, and writes:

“NTR was a genuinely charismatic figure (a much-overused term in the analysis of Indian politics, but appropriate in his case). He could make a crowd laugh and weep by turns, and he often left them breathless with excitement. Naidu is a wooden speaker who is famous in AP for having no sense of humor. So he stresses expensive publicity campaigns in which much is said in his name, without his having to say things directly to large audiences.”

Therefore, Chandrababu Naidu neither had NTR’s charisma, that attracted the attention of constituents to him, nor enough financial resources to pursue populist welfare policies to convince masses to support him. While the TDP during the leadership of N.T. Rama Rao were supported mainly by the coalition between Kamma caste (Rao belong to this caste), other backward castes, Muslims especially after Babri Masjid dispute, and all masses who were inspired by his NTR’s charismatic character or his populist schemes (Suri 2004b, Kohli 1988), Chandrababu Naidu had several challenges to get support from its traditional supporters. The strategic choice of Naidu to shift from economic populism to liberalization not only displayed a progressive image from the TDP government and the new leadership, but also could attract votes and supports from the emerging urban middle class, the youth, and Kamma entrepreneurs.

As Reddy (2007, 163-164) specifies, Naidu’s pro-development image was constructed based on three pillars: “(1) Media management; (2) Depending on a few select bureaucrats combined with a corporate style of functioning; and (3) Making use of internationally aided projects for his image and party cadre building.”

Although as Jenkins (1999, 172) indicates, skilled politicians introduced the economic reforms by stealth in their States, Andhra Pradesh is a key exemption for this pattern. Kennedy (2004, 30) in his comparative study of Andhra Pradesh and Tamil Nadu realizes that while both states have pursued similar pro-market policies with the ‘similar content’ and liberalized their

economy since the 1990s, they pursued ‘distinct approach’ in term of discursive framing and depth of policy change.

As Kennedy (2004) elaborates, the successive governments in Tamil Nadu are cautious about openly endorsing liberalization; on the other hand, political leadership in Andhra Pradesh openly embraced a pro-liberalization stance. Although the Congress government (1989-1994) in the State already introduced the reforms (Suri 2013), Chandrababu Naidu publicly identifies himself with the economic reforms and advocates the reform process. As Mooij (2013) points out, unlike the other Indian States, Naidu did not introduce the reforms in Andhra Pradesh by stealth, but “by hype, by a skillful and cleverly managing leadership.” Similarly, Balasubramanyam and Balasubramanyam (2012, 49) highlight Naidu’s penchant for ‘self-publicity’ and discuss ‘populist model of development.’ While scholars such as Suri (2004a, 5493) proposes, the TDP’s clear pro-liberalization stance was a reaction to the strong left tradition in the State, the current thesis suggests that Naidu tried to consolidate his power and create a new political and social support for his party position in the State, domestically and internationally.

4.5.3 The Vertical Game: Coalition of Telugu Subnational Movement and BJP: The Congress as the Enemy, both in the State and the Center

When Chandrababu Naidu became the Chief Minister in 1995, P. V. Narasimha Rao was serving as the Prime Minister of India. The pattern of relationship between the Congress in the Center and the TDP in the State became very similar to NTR’s era. As Suri (2013, 173) maintains, “The reason is that the very genesis of TDP lies in its opposition to the Congress, and its constitution depends on upon its ability to keep itself as the only opposition of the Congress party in the State.”

However, Naidu not only confronted with the Congress in the State and Center; on the other hand, NTR and his loyalist also challenged him. Although NTR had threatened Naidu and other rebellious leaders of the TDP to challenge in the 1996 general election, his death weakens the position of Lakshmi Parvathi and her supporters in the Party. Naidu consolidated his position quickly, and the MLAs and other TDP workers stood behind him; as a result, the Election Commission recognized his party. Factionalism and succession dispute, however, debilitate the TDP, and they won only 16 seats in the Lok Sabha election while the Congress secured 22 seats.

Despite weak performance of the TDP in the election, Naidu played a significant role in Vajpayee's unsuccessful government formation at the Center¹. Naidu as a member of National Front coalition did not support Vajpayee and preferred to support H. D. Deve Gowda as the Prime Minister of India. Later, Naidu realized that the political game in the Center could not be continued through the National Front. He looked for a stronger ally in the Center who can support the TDP in the regional competition with Congress. After the 1998 general election, Naidu joined to National Democratic Alliance (NDA) led by the BJP (Subramanyam 2007, 66). The BJP required the outside support for a stable government and elected MPs of the TDP played a crucial role in the formation of NDA. The TDP continued the coalition with the BJP until the 2004 election; however, both defeated by the Congress in the Center and the State.

While NTR considered the Center as a 'conceptual myth' and confronted it, Naidu joined the ruling coalition and became a partner of the Central power. NTR's confrontation with the Center could be due to the fact that the Congress, the main competitor of the TDP in AP, also was in power at the Center. Considering the new political arrangements in the Center and States, Chandrababu Naidu realized that the TDP government could get maximum benefit from the Center by sustaining a constructive and friendly relation with it.

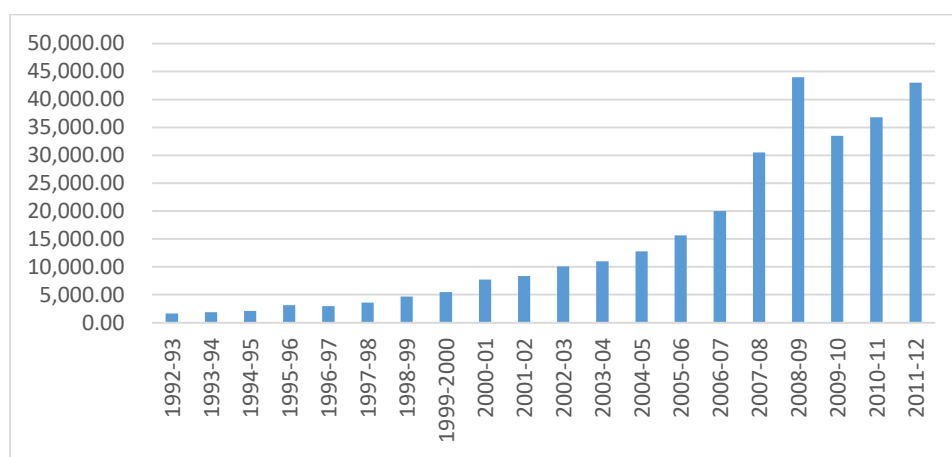
As pragmatist politician, Naidu emphasized the significance of positive relations between the State and the Center to attract more financial resources from the Center:

"A politician who wants to deliver cannot have an ego. He has to lobby with the Central Governments for funds, using every persuasion he can think of"(Naidu 2000a, 7).

Consequently, although, the TDP emerged with the slogan of pride of Telugu culture and identity, political realities made it closer to the BJP. After 1998, when the TDP became a prominent member of NDA, Naidu could convince the Central Government and the Planning Commission to allocate more financial resources to Andhra Pradesh. For instance, as Figure 23 illustrates the TDP government between 1998 and 2004 witnessed to increases in the Annual Outlay for five years plans by the Planning Commission. After 2004, the YSR's government as a member of UPA government had close cooperation with the Center and benefited from the Center's financial allocation.

¹ The BJP emerged as the single largest party in parliament in the 1996 general election; however, it had not sufficient majority. Although Vajpayee was sworn in as the 10th Prime Minister of India, the BJP failed to secure enough support from other parties to obtain a majority; therefore, he resigned after 13 days.

Figure 23 Approved Annual Outlay for 8th, 9th, 10th, 11th plans for Andhra Pradesh



Source: State Finances: A Study of Budgets (Reserve Bank of India 2015)

Although AP's government tried to improve its relation with the Center to attract more financial resources, Naidu realized that the Center had ended the centrally planned economic era. Moreover, the role of the Centre has transformed from an interventionist state to a regulatory state since 1991. Instead of Nehruvian interventionist state, the post-reform state seeks to ensure accountability and transparency in the market, facilitate the growth, and discipline the States fiscally (Rudolph and Rudolph 2013). The new role of Central Government provides more autonomy for State, enabling them to be more independent in economic policymaking, negotiate directly with international financial and aid agencies such as the World Bank.

4.6 Andhra Pradesh as Developmental (Subnational) State in the TDP Regime (II)

Although Andhra Pradesh is not an independent nation-state and operates within the framework of India's federal system, as Jenkins (1999, 2003), Mitra (2011), and Kennedy (2004, 2014) indicate, the liberalization in India led to significant transformations in federal relations, especially economic policy making. As a result, Andhra Pradesh attained more autonomy in term of economic planning. Mitra (2011, 102) discusses the impact of 'big bang liberalization' of the Indian economy on the federal system in India and writes:

It has seen a radical transformation from the earlier 'ganging up of the States against the center' to a free-for-all competition between all stakeholders – Union, States, and mega-cities – to create conditions that attract investments from home and abroad. This has led to the decline of the center-dominated developmental model that was implemented after Independence. By scaling back the State's involvement in the developmental process and as

such reducing the functions of the Central Government, liberalization removed the safety net on which regional governments had depended.”

Before the 1990s, the Central Government ministries were responsible for decisions related to allocation of resources in the economy; as a result, the State had little direct influence on economic planning and investment decisions. If the State Government had a positive relation with the Center and could lobby with the responsible institutes (ministries or the Planning Commission,), the State Governments could get more resources for industrial and infrastructural projects in their territory (Sinha 2005). However, regional parties such as the TDP, which pursued anti-Congressism and confrontation with the Center, were mostly marginalized in the allocation of resources.

Since the economic liberalization in 1995, the deregulation and decentralization have created an environment for States to assert their greater autonomy in term of formulation and implementation of their economic policy (Kennedy 2004, 31).

The policies of liberalization launched in 1991 dismantled the central planning model gradually; as a result, the significance of State-Center conflict declined. As Jenkins (1999, 135) delineates, “ the *State-Center* conflicts has been at least partially displaced with *inter-State* competition for inward investment.”

Consequently, Andhra Pradesh transformed from the ‘Congress citadel,’ that followed the orders of Delhi to a more autonomous State in term of economic policymaking. Unlike the NTR era, subjugated by the economic and financial consequences of confrontation with the Center, Naidu realized the necessities of inter-State competition; therefore, he tried to create a more business-friendly environment in Andhra Pradesh to attract private domestic and foreign investments.

“I want to make Hyderabad an economic and business powerhouse. I want to make Hyderabad a knowledge hub and Andhra Pradesh a knowledge state. When all my projects in tourism, health care, finance and employment are successfully executed, Bombay or any other city or the state will be nowhere near Hyderabad and Andhra Pradesh.”(Naidu 2000b)

As a rational actor, Naidu was faced with the leadership dispute and legitimacy vacuum at the State level, the change in power relations at the Center, creating more autonomy for the State, and development paradigm shift both in national and international level; as a result, he had new potential choices. He realized that possessing of political power in Andhra Pradesh is not possible anymore through mere populism and confrontation with the Center.

In the new institutional setting, he should compete with other States to attract both Central financial allocation and private investments. He perceived the success in the completion as a way for attracting voters in the State. In the next assembly election, the TDP not only would be challenged by the Congress with the long history of domination in the State, but also the TDP lost his charismatic leader who could mobilize the masses. Naidu believed that the new source of legitimacy of the TDP government was its socio-economic performance, which will be possible by the implementation of reform packages.

4.6.1 A Developmental Elite at the State Level: Naidu as the CEO of Andhra Pradesh

The new institutional set up in the Center and State, as well as the strategic choices of the rational actor, paved the path for the birth of a ‘determined developmental leader’ in the TDP, which had been founded based on the populism and charismatic leadership. Leftwich (1995, 405-407, 2000, 152-196) recognizes ‘determined developmental elite’ as one of the most significant and necessary factors for the emergence of developmental states. These visionary elites are driven by a sense of urgency to grow economically and industrialize in order to catch up with the developed countries (here, inter-state competition).

These leaders are relatively uncorrupted, patriotic, visionary and nationalistic with a genuine intention to develop their states rapidly. Leftwich (2000, 167) describes the developmental state as a “transitional form of modern state where political and bureaucratic elites have generally achieved relative independence from socio-political forces in the society”; thus, they have used this autonomy to support policies which boost economic growth.

As Rudolph and Rudolph (2013, 316-317) in *The Iconization of Chandrababu* elaborate, while Prime Minister Jawaharlal Nehru played a crucial role in the centralized economic planning during the 1950s and 1960s, Chief Ministers of States are the key actors in India’s emergent federal market economy after the 1990s liberalization.

As the current thesis elaborates, Andhra Pradesh has emerged as a subnational developmental State with the leadership of Chandrababu Naidu, who provided a developmental vision for Andhra Pradesh, improved the current bureaucratic structure in State, and implemented new policies to enhance economic growth. While India’s political economy in the 1950s and 1960s cannot be analyzed without studying the central role of Jawaharlal Nehru, his ideas and

management style, in ‘the post-1991 economic reforms the role of Chief Ministers such as Chandrababu Naidu or Narendra Modi in the States and their ideas and policies should be underlined. That is why Kapoor and Ahluwalia (2015) attribute the economic successes in Andhra Pradesh to the visionary leadership of Chandrababu Naidu as the Chief Minister of Andhra Pradesh between 1995 and 2004.

Naidu’s leadership in various ways influenced the development trajectory in Andhra Pradesh. His personal and political background along with his strategic choices in the vertical and horizontal games played a major role in the development of Andhra Pradesh in the post-reform era.

Like NTR, Naidu’s leadership style was autocratic in both the party and the State (Balasubramanyam and Balasubramanyam 2012, 49); however, he had more management merits than NTR. As Manor (2002, 54) explicates, whereas NTR was reluctant in monitoring the performance of the TDP and State Government, Naidu dedicates an enormous amount of his time to control party and State. Manor (2002) reports that one district-level civil servant stated, “He personally hounds us constantly.”

As Reddy (2007, 164) particularizes, on account the fact that the coalition politics were perceived as the cause of the relative political instability, Chandrababu Naidu’s centralized and autocratic style of management was taken to be more appropriate for development. Naidu’s leadership style emphasized more on effective management and swift implementation of projects than on democratic and bureaucratic procedures; therefore, it also suited the international aid agencies’ governance agenda well.

Also, Naidu’s educational and career background influenced his economic choices. As an Economics graduate, he was aware of different economics theories and perspectives. Since the end of the 1970s, he also had served as an MLA for the Congress party, Minister, later as an MLA for the TDP and leader of the opposition, and as a minister of finance and revenues; as a result, he had firsthand knowledge and experience, enabling him to make more accurate decisions.

During his studying and political career, Naidu was acquainted with developmental states in East Asia and their path to development. For him, the main question was why in spite of relatively similar initial conditions at the beginning of the 20th century, East Asian countries such as South Korea, Singapore, Malaysia or China grew faster than India. He insisted that his

cabinet members and high-rank members of the TDP should be acquainted with the East Asia countries' development experience:

“The orientation I gave my cabinet spelled out the lessons we have to learn from East Asia. First, you have to see India in relation to these countries to understand our mistakes in the way we have run our economy: in thirty years, from 1965 to 1995, the gross domestic product per capita in relation to the US grew by 69.3 percent in Singapore, 39.8 percent in South Korea, 22.5 percent in Malaysia, 7.6 per cent in China, and 1.3 percent in India. What were the factors behind East Asian growth? Several important ones: the transformation of agriculture through irrigation and power, private sector-led development, exports led growth and high savings and investment. These countries invested a great deal in infrastructure and today their roads and ports would put ours to shame.”(Naidu 2000a, 19-20)

Naidu considered the East Asian states as a role model for Andhra Pradesh development:

“There is the forceful lesson of the East Asian miracle emphasizing a strong commitment to human resource development. Towards this end, states need to invest in primary education, public health, female literacy and family planning to create a workforce equipped to take advantage of economic opportunity. The costs of these development initiatives have to be born by the states.”(Naidu 2000a, 35)

Naidu not only interested in development model of Asian countries such as Singapore or Malaysia, but also he copied particular infrastructural features of these countries. For instance, so-called Singapore Township were constructed on the outskirts of Hyderabad. Also, The Multi-Modal Transport System in Hyderabad (MMTS) is modeled on the Mass Rapid Transport System in Singapore (Mooij 2013, 404).

Remarkably, Naidu also was intellectually aware of the theoretical debates about the transformation of the role of government in the post-cold war era. In the book titled ‘plain speaking’(Naidu 2000a), there is a chapter on ‘*Simplifying Government.*’ At the beginning of the chapter, Naidu raises this question: “How much government do we need and what areas?” Immediately, he continued his discussion with reference to the well-known work of Osborne and Gaebler (1992) titled ‘*Reinventing Government.*’ This book is one of the most influential neo-liberal works that tried to differentiate between the function of government. The first function is policy making, called as ‘steering’ and the second function is service delivery, described as ‘rowing.’ Osborne and Gaebler (1992) consider bureaucracy as bankrupt for the

rowing function, and it should be replaced by ‘entrepreneurial government’ that are dependent on markets and customers. Osborne and Gaebler (1992) conclude that governments would be more efficient “if they acted as steersmen rather than as oarsmen.”

These ideas not only was used during the neoliberal attacks on ‘big government’ in U.S. but also was represented in the growing governance literature. Bad governance became a synonym for extreme rowing function, and one of the aspects of good governance was seen as more capacity and effectiveness in policy making by government. Consequently, the neo-liberals emphasized the role of private sectors in public service delivery. Eight years after publication of *Reinventing Government* Chandrababu Naidu considered it as a theoretical foundation for reinventing Andhra Pradesh’s government (2000a), asserting:

“David Osborne and Ted Gaebler, authors of Reinventing Government, write that ‘the central problem of governments today is not what they do but how they operate.’ Changing technologies make the old approach of people-intensive government redundant. Information technology can make a huge difference to citizen—government interfaces. It can also usher in transparency and flatter organizations. A simple three-point diagnosis of the systemic malady in Indian governance points to too many employees, too many levels and far too many files leading to excruciating delays. From these follow the manifestations of the malady: poor or no delivery of services, tremendous delays in decision making, absence of accountability, and corruption.”(Naidu 2000a, 46)

Therefore, Naidu admired the public sector reforms¹ in the United Kingdom, initiated by Margaret Thatcher and followed by other Western countries. He was aware of the impact of these reforms on the nature and functions of governments.

¹ As Torfing (2010, 565) elaborated, Trilateral Commission played an important role in the rise of public sector reforms in the mid-1970s. Trilateral Commission mainly dealt with ‘the overload of government’ and tried to address this problem. The commission described the overload of government as the result of limited capacities of public bureaucracies toward the increasing expectations of citizens. Furthermore, the commission construed ‘the ungovernability of society’ as the consequence of the ‘decline of public-spirited values.’ Neoliberalism responded to the problem of overload government by suggesting some reforms in the public sector (see Kjær 2004, 20-25, Rhodes 2012, 34-35). Reforms like the privatization of public enterprises, contracting out of public services, and deregulation were the translation of Neo-liberal recommendation in the Western societies. The New Public Management (NPM) reforms aimed at proliferation of role of market and corporate management techniques in

“I emphasize the transformation of the public sector that has taken place in countries such as Australia, Britain, and New Zealand. New Zealand's Ministry of Public Works had 12,000 employees at one time and built most of the airports, bridges, power stations, roads, canals, dams and railways in that country. Today it no longer exists. First, it was split up, and all policy advice functions transferred to other departments. Commercially oriented services were converted into state-owned enterprises. These were reorganized along business lines and required to raise capital on the market. At the same time, they were freed from government regulations. Over time, each of these was sold to the private sector. New Zealand no longer has any government in-house capability to design, build or repair infrastructure. When these services are needed, they are purchased on the open market.”

This neoliberal background manifested in Naidu's developmental rhetoric different ways. While his management style was so centralized, he portrayed a progressive, dynamic, and pro-development image in media at both international and national levels. In Naidu's developmental rhetoric, he several times asserted that politics and development could not go together, and politics impedes development:

“I have left politics behind in the last millennium, on the campaign trail. Now as Chief Minister of Andhra Pradesh, I do not want to talk politics. It is time for me to act and work for the development of the state, which I sincerely believe I am doing these days. My political agenda now is the economic empowerment of the poor and women. My political agenda now is to make Andhra Pradesh an economic powerhouse.” (Naidu 2000b)

The regional, national and international media portrayed Naidu as the ‘ true champion of reforms’ (Suri 2005). The TDP party in its media campaign focused on the central role of Naidu in the reform. The reform not only could create political support among growing urban middle class but also it could increase his prestige in international level. Portraying himself as a

the public sector (Bevir 2009, 9). Thatcher government introduced NPM for the first time in Britain. Subsequently, Reagan government implemented it in U.S and countries like Australia and New Zealand followed it. According to Bevir (2011, 8) these reforms led to fragmentation of the traditional ways of service delivery, spread of new managerial practices, and creation of quasi market and hybrid organizations. These neo-liberal reforms aimed to redefine the role and position of state and advocated the idea of ‘rolling state back’ (see Suleiman 2005). Criticizing the traditional model of public sector, NPM targeted the traditional model bureaucracy and tried to remove the obstacles to effective public service delivery by private-public partnership and introducing private sector management into public sector (Kjær 2004, 25)

developmental leader, Chandrababu Naidu declared himself as the chief executive officer (CEO) of Andhra Pradesh:

“There is absolutely nothing wrong in a Chief Minister being called the CEO of a state. Like a CEO -- who have short and long-term visions for their companies -- I too have similar plans for my state. I am creating wealth for the people of the state. The 7.5 crore people of Andhra Pradesh are my shareholders. My immediate task is to generate 20 million jobs and reduce population growth from 1.4 per cent to 0.83 per cent. I want to achieve a seven to eight-fold increase in per capita income” (Naidu 2000b)

Although Naidu tried to depoliticize development in the State, the reform in the State, however, was introduced as Naidu’s personal project. This ‘one man show,’ reinforced by media, politicized the reforms and development; hence, it provoked other political parties especially the Congress (Balasubramanyam and Balasubramanyam 2012, 49-50, Suri 2005, 120).

Naidu introduced his government as a devotee to the development and economic reforms. That why the TDP’s campaign for 1999 assembly election concentrated on reforms and asked voters to vote based on ‘the performance of government.’

This strategy along with the implementation of some welfare schemes for target groups such as women attracted voters in the 1999 assembly election. Suri (2013, 176) differentiates between NTR’s populism and Naidu’s ‘welfarism.’ While NTR considered himself as the savior of ordinary people and introduced undifferentiated and open-ended welfare schemes, Naidu’s welfare schemes considered ‘political expediency’ and targeted specific social groups. That is why Reddy (2002, 881) describes it as ‘targeted populism.’

Combining the reforms initiatives and targeted welfare schemes, Naidu not only could attract the sufficient votes to win the 1999 election, but also he could convince international financial institutions such as the World Bank to support his reforms plans.

Edwin Lim, the World Bank Country Director for India, perceived Naidu as a new generation of Indian technocratic politicians who run his election campaign on the platform of reform and economic performance.

“Since the early 1990s, we saw the emergence of young, technocratic politicians at the state level, the most conspicuous of whom was Chandrababu Naidu in Andhra Pradesh. Naidu’s technocratic credentials and records once won him the ‘Businessman of the Year’ award in India. Not only he was attempting to pursue a comprehensive reform strategy in his state, but also he had run his election on the platform of reform and economic performance. Throughout

India (in Madhya Pradesh, Karnataka, and Tamil Nadu), signs began to appear of performance becoming one of the criteria for the election contests. Recent state and national elections have, however, demonstrated the difficulty of Inaintaining such a course in the face of resistance from deeply rooted vested interests able to counter-reformist programs with hard-core populism”(Lim 2005, 112)

4.6.2 The 2020 Vision

As it was noted, the TDP government published its first policy document in the form of a ‘White Paper’ in 1996. Subsequently, Naidu took a step further to display the State’s growing autonomy in the economic planning. In January 1999, Chandrababu Naidu’s government brought out the *Swarna Andhra Pradesh: Vision 2020* (Government of Andhra Pradesh 1999), an ambitious text, exposing what the AP Government should pursue in the next two decades.

As the current study specified, Naidu had a keen interest in East and South East Asian model of development and considered it as a role model for his government. Mahathir Mohammad, the Prime Minister of Malaysia, had published a document, titled ‘Malaysia’s Vision 2020’ in 1991. The goal of this vision was full development of Malaysia by the end of 2020. Mahathir Mohammad’s government also worked with the consultancy of ‘McKinsey & Company,’ the famous multinational management consulting firm, on a plan to transform Kuala Lumpur into a ‘Knowledge Economy’ hub (Kirk 2011, 65). This experience inspired Naidu to find a way to transform Andhra from traditional agricultural society to a developed high-tech market-led society. Therefore, Naidu started cooperation with McKinsey & Company to draft AP’s own vision.

Andhra’s 2020 Vision clarifies State’s developmental goals and the strategies to achieve it. The major objectives of the vision included eradication of poverty, the empowerment of women and vulnerable groups such as SCs and STs, stabilization of its population, and the enablement of this population, through improved health and education, to participate in and fulfill the opportunities presented to it. Sen’s ‘capability approach’ (1993) influenced this policy document; therefore, AP Vision 2020 aimed at eradication of poverty and providing access for all people to education and health, and declared:

“Our vision of Andhra Pradesh is a state where poverty is totally eradicated. Where every man, woman, and child has access to not just the basic minimum needs, but to all the opportunities to lead a happy and fulfilling life. A knowledge and learning society built on the

values of hard work, honesty, discipline and a collective sense of purpose.” (quoted in Naidu 2000a, 234)

However, the capability approach is not the only inspirational view for the writers of the vision. The neo-liberalism and confidence in the emerging opportunities risen by globalization also influenced the vision. As Naidu asserted, the document made an appeal for “a paradigm shift in our thinking on growth and development”(quoted in Suri 2005, 141).

The explicit paradigm shift is reflected at the beginning of the document where it advocated the neo-liberal nature of state, transforming itself from controller of economy to the facilitator and catalyst of its growth:

“to promote rapid development, the State Government will need to transform itself and quickly adopt a new role: from being controller of economy; it must become and facilitator and catalyst of its growth.”(Government of Andhra Pradesh 1999, 7)

The Vision 2020 targeted Andhra Pradesh as the first State in India in terms of growth, development and quality of life. The key tool for achieving the goals is rapid economic development.

“Economic growth will stimulate development in two ways. First, it will increase incomes for the people by creating employment opportunities. Second, it will generate additional resources for the Government. The Government will invest these resources mainly in social development, that is, eradicating poverty, improving education and health, promoting rural and urban development, and providing services such as housing, water, power, transportation, and so on.” (Government of Andhra Pradesh 1999, 6-7)

According to the Vision, Andhra Pradesh’s economy should grow by 9-10% annually for 25 years. As the Vision aimed “The average per capita income should increase nine times, with incomes for the poor growing much more rapidly. Population growth should be limited to less than 1 % (0.8 %) a year. Finally, at least 18-20 million new jobs will have to be created” (Government of Andhra Pradesh 1999).

The Vision 2020 identified its engines clearly for achieving economic growth (see Table 5). Since the State should swiftly change its role from an interventionist state to a regulator, facilitator, and promoter of growth engines (Mohanty 2003, 2).

Table 9 Growth engines in the Vision 2020

Sector	Growth Engines
Agriculture	Rice, Dairy, Poultry, Horticulture, Fisheries and Agro-industry
Industry	Infrastructure, Construction, Garments, Leather Products and Other Export-oriented Industries, Mining, Pharmaceuticals and Small-scale Industries;
Service	Information Technology, Knowledge-based Services, Tourism, Logistics, Small-scale Services, Healthcare and Education.

source: Mohanty (2003, 2)

The Vision 2020 proclaims that ‘knowledge-led growth’ in fields such as information technology (IT), biotechnology, and pharmaceuticals along with other growth engines such as tourism, mining, and agro-industry pave the path for the State to achieve a “level of development that would provide its people tremendous opportunities to achieve prosperity and wellbeing and enjoy a high quality of life” (Government of Andhra Pradesh 1999).

The Vision 2020 had a specific attention to the role of IT sector in development:

“Andhra Pradesh will leverage Information Technology to attain a position of leadership and excellence in the information age and to transform itself into a knowledge society.” (Government of Andhra Pradesh 1999).

Chandrababu Naidu not only perceived information technology as a tool for more efficient governance but also believed that it could be seen as a powerful engine for development:

“I am confident that information technology can bring accountability, transparency and quick disposal of cases and redressal of grievances in all the villages. I believe it can alleviate poverty. I see three areas where information technology can be an effective tool: job generation, poverty eradication and wealth generation” (Naidu 2000b).

The key concentration of the Vision 2020 was IT and other high-tech industries and services; however, Andhra Pradesh is one of the most important agricultural States in India; as a result, it should also consider this sector. The Vision 2020 instead of the old notion of ‘self-sufficiency’ and ‘independence,’ aimed to use export-led growth strategies for development of

agriculture sector. Concentrating on the export-oriented agriculture, the Vision intended to make the sector globally competitive. Therefore, the document selected sectors such as horticulture, and fisheries, which possess the export potentials to act as growth engines (Raju and Rao 2001, 3-4)

The Vision 2020 defined a new role for the Government of Andhra Pradesh. The document tried to highlight the difference between the new TDP government and NTR's government as well as previous Congress governments. While the populist governments of Andhra Pradesh in the 1970s and 1980s had concentrated on the subsidies and welfare schemes to attract the support of voters, Naidu defined new roles for the government, which should enhance economic development in the State. According to Mohanty (2003, 2) these roles include:

- (1) "Refocusing government priorities and shifting spending from unproductive areas towards achieving high priority developmental goals
- (2) Decentralizing governance and making it participatory with the involvement of the people;
- (3) Introducing 'electronic government', using IT-based services to make government processes and procedures more transparent and improving citizen-government interface;
- (4) Becoming a SMART (Simple, Moral, Accountable, Responsive and Transparent) Government by improving transparency and accountability at all levels and ensuring effective and responsive services to the people;
- (5) Building the administration's capabilities, strengthening policy-making and improving performance
- (6) Taking a lead role in persuading the Central Government and initiating regulatory and other reforms."

The TDP government prepared the document in association with McKinsey & Company, a multinational management consulting firm. Not surprisingly, several writers with leftist perspective criticized the Vision (Suri 2005, 141). For example, 'Economic and Political Weekly' published an article, titled 'Sweet Dreams: Andhra's Vision 2020' by an anonymous writer (V 1999), criticizing the Vision 2020:

"Evidently McKinsey is not the best choice for developing country analysis. The Andhra experience gives one the impression that the consultant has only attractively packaged official social sector targets exogenously determined by the usual target-setting techniques.

McKinsey's understanding of issues in these areas appears to be limited. This is apparent in some of the 'best practices' chosen from other parts of the world to be followed by Andhra Pradesh. A possible adult literacy model for the state cited is a package used in the US, something so removed from Indian requirements as to be almost laughable."

Similarly, Bandyopadhyay (2001, 900) describes the AP Vision 2020 as "document of dream-a dream dreamt by a hardheaded, hi-tech buff and down-to-earth politician, the Chief Minister of the State."

4.6.3 A Subnational State and International Aid Agencies: AP and the World Bank

The leftist parties such as CPI and CPM had considered the TDP as a strong secular anti-Congress force in the 1980s and beginning of the 1990s. Frightened by the reforms and the economic liberalization, the TDP along with the leftists condemned P. V. Narasimha Rao's economic policies. Later, the leftist parties realized that their old partner in Andhra Pradesh works in close collaboration with the World Bank and other international donor agencies to implement neo-liberal economic policies.

Since the 1990s and after the decline of centrally economic planning and emergence of 'federal market economy,' the role of State Governments in the economic planning has increased (Rudolph and Rudolph 2013); as a result, the World Bank shifted its concentration from the Central Governments to State Governments.

As Kirk (2011, xviii) specifies, after the liberalization, the Center also decided to use selective state-level engagement by the World Bank. The World Bank officials wanted to demonstrate the effectiveness of their policy packages and the aids in India and wanted to create reform champions in the States. Thus, as Edwin Lim (2002, 57), the World Bank Country Director for India, indicates, the World Bank tried to create the role models for all Indian States:

"We shifted a lot of our work, the bulk of our work, in fact, to the State level, but it wasn't just any State. We began to differentiate. We wanted to concentrate on a few states only because we felt that India could be successful only if a few states were to break out of the pack and create a demonstration effect... And we felt that politically, it was possible to do that with the states and that some states would really engage in a partnership with the Bank."

The close relations between the World Bank and Andhra Pradesh started in 1996, and Andhra Pradesh under the rule of Naidu became the foremost focus of the World Bank in India in 1998. As Kirk (2011, 65) mentioned, the partnership between Andhra Pradesh and the World Bank

began with a meeting between Naidu, Jim Wolfensohn, the ninth president of the World Bank, and Ed Lim. This meeting was not scheduled, and it was supposed that Wolfensohn visits the capitals of Karnataka and Odisha; then, he stays three days in New Delhi. According to Kirk (2011) Although Andhra Pradesh was not a priority for the World Bank's plan in India, Naidu used a connection in the central finance ministry to arrange a meeting with the President of the World Bank. As it was discussed, the TDP supported H. D. Deve Gowda as Prime Minister of India in 1996; therefore, for the first time, the TDP government had positive relations with the Center.

The role of the TDP in the formation of Gowda's government created the advantage to influence in the Center. Therefore, Naidu used his lobby in the finance ministry and met the World Bank team in New Delhi.

Naidu inspired Wolfensohn and Lim by a PowerPoint presentation on his vision of the transformation of Andhra Pradesh; therefore, some weeks later, Lim took the World Bank team to Hyderabad for more discussion. After the negotiation in December 2006, they agreed in principle on an assistance program, which can run up to 3 billion USD (Kirk 2011, 66).

The World Bank leadership perceived Naidu as a regional leader who has a developmental potential. This potential and his commitment to implement the reforms attracted the attention of the World Bank. Lim (2002, 65), who already worked as the World Bank representative in China, realized the Naidu's interest in the East Asian Countries' development experience and wrote:

“In Andhra Pradesh, for instance, the Chief Minister was always telling me he wanted to transform his state into an East Asian tiger, so we found that political leadership in some of the states was very committed and very interested in getting assistance from the Bank; assistance in more than financial ways, and were also willing to accept it. They did not have any political problem with it. You did not find that in the Center.”

The World Bank published a report titled *Andhra Pradesh: Agenda for Economic Reforms* in 1997, including the policy recommendations for strengthening Andhra Pradesh's public finances and achieving its developmental potential. The document (World Bank 1997a) recommended policies such as increasing the developmental impact of public expenditure via reorientation and reduction of welfare program and decrease of consumption subsidies for rice, electricity and other similar items, reducing the salary bill, reforms in public enterprises,

increasing in development expenditure, attracting private investment, and investment in physical infrastructures, basic education and health.

One of the most significant sectors that should be immediately considered by the State Government was electricity sector. As Mukherji (2014, 153) notes, Andhra Pradesh was witness to rapid growth in agricultural power consumption. Moreover, the enormous amount of subsidies had become a burden to AP government. One the key parts of the World Bank report was recommendation for swift reforms in the power sector:

“The power sector has become a major obstacle for better utilization of the state's rich resources. A power shortage of about 16 percent of demand has deterred private investment and depressed capacity utilization, contributing to the recent slowdown of growth. Large financial losses by APSEB have put heavy strain on state's finances. Power shortages result from inadequate past investment in the sector... The immediate priorities in the power sector are to reduce the heavy and unsustainable financial losses of APSEB and to reduce power shortages. To address the state's power crisis, annual investments of at least \$ 2.5 billion, ten times the level in recent years, are now needed in the next six years. Large private funds will undoubtedly be necessary to achieve such a high volume of investment. Depoliticization of tariffs and the management of the utilities in the sector and restoration of their creditworthiness are preconditions for this to happen” (World Bank 1997a, vi).

As Kirck (2011) elaborates, Naidu, influenced by the World Bank policy recommendations. Therefore, he pursued power sector reforms and proposed The AP Electricity Reform bill in 1998. The bill proposed to divide the State electricity board into two distinct corporations: first for generation and second for transmission. Moreover, the bill proposed to establish an independent regulatory authority. The Congress and the left parties opposed the bill; nevertheless, the TDP with two-third majority in the Legislative Assembly passed the AP Electricity Reform Act in 1998. According to the Act, AP State Electricity Board was divided into Andhra Pradesh Power Generation Corporation (APGENCO) and Andhra Pradesh Transmission Corporation (APTRANSCO) in 1999 (Mukherji 2014, 155). In June 1998, the World Bank expressed its support to the reforms and pledged USD 543 million the Andhra Pradesh Economic Restructuring Project, followed by another USD 210 million for the Andhra Pradesh Power Sector Restructuring Project in February 1999. As Table 10 displays, the World Bank's aids and loans not only had continued during the TDP government but also sustained

during the Congress government despite all YSR's rhetoric against the loans in the 2004 assembly election.

Table 10 World Bank Group investment and adjustment loan commitments to Andhra Pradesh between 1998 and 2009
Source; Kirk (2011, 63)

Year	Title	Amount
1998	AP Economic Restructuring Project	\$543 mn
1999	AP Power Sector Restructuring Project	\$210 mn
2000	AP District Poverty Initiatives Project	\$111 mn
2002	AP Economic Reform Loan/ Credit	\$250 mn
2002	AP Community Forest Management Project	\$108 mn
2003	AP Rural Poverty Reduction Project	\$150 mn
2004	AP Economic Reform Loan/ Credit II	\$220 mn
2007	AP Economic Reform Loan/ Credit III	\$225 mn
2007	AP Community-Based Tank Management Project	\$189 mn
2007	AP Rural Poverty Additional Financing	\$65 mn
2009	AP Rural Water Supply and Sanitation	\$150 mn
2009	AP Road Sector	\$645 mn
Total Adjustment Loans		\$695mn
Grand Total		\$2.86 bn

Although Naidu implemented several policy reforms in the State based on the World Bank recommendations, he also introduced pragmatically some targeted populist measures to attract specific groups of voters in the 1999 election. As Mukherji (2014, 155) maintains, the World Bank was patient about Naidu's populist initiatives in 1999 on the eve of his election campaign. The political support of the World Bank and its tolerance toward the Naidu's targeted populism is rooted in the pragmatist approach of the World Bank.

4.6.4 SMART Governance and Good Governance

As it was discussed, there are two dissimilar perspectives on governance and development. As McCarney (2000) indicates, two streams of the definition of governance have been emerging: first policy-oriented stream and second, a more academic stream.

In the academic context, especially in comparative political economy, governance refers to “the institutions and actors who shape the economic and process that coordinate the economic activities” (Kennedy 2014, 138). On the other hand, international aid agencies and some policy makers characterize governance as good/bad governance, implying on a normative conceptualization. Although the theoretical foundation of the current study is based on the governance classification in comparative political economy, the stakeholders’ perceptions are also a crucial aspect of this study. Influenced by good governance discourse, Chandrababu Naidu employed the terms governance/good governance/SMART governance to declare his dissimilarities with his predecessors. As Mooij (2003, 10) specifies, the remarkable characteristic of the AP reform under the TDP government is the highlighting ‘governance’ as metaphor for reform. While Vision 2020 dealt primarily with development; nevertheless, it was also about governance. The Vision included a chapter on ‘people-centered, growth-oriented governance.’ The Vision emphasized that the government should be made “simple, transparent, accountable and responsive and that people should have a strong voice in the governance of the State” (Government of Andhra Pradesh 1999, 3-4).

As a not conventionally charismatic regional leader, Chandrababu Naidu he tried to represent himself as an able administrator, the CEO of Andhra Pradesh. This image has a contrast with the stereotypical State-level politicians. Influenced by the emerging governance paradigm, Naidu criticized the regional politicians for too much ‘politicking and too little governance.’ He differentiated between ruling and governance and specified:

“The Telugu Desam is a regional party with a national outlook. There are three fundamental departures from traditional Indian politics that we are attempting within the party. The first is to recognize that the end of politics is governance, not mere ruling. It has therefore to introduce an element of professionalism.”(Naidu 2000a, 17)

Naidu’s view on governance was highly influenced by the World Bank’s good governance discourse.

“My Vision 2020 programs embodies a Simple, Moral, Accountable, Responsive and Transparent governance. I call it the SMART governance. As per my program, everybody -- politicians, bureaucrats, and the people -- have to prepare short and long-term plans, and then they have to work in that direction. My focus is now not on politics, but on development, the second generation of administrative and economic reforms, information technology and infrastructure projects.”

Naidu did not consider good governance as an empty slogan. His government established the Centre for Good Governance. It was a think tank, focusing on governance reforms in the State. The Center aimed to support the realization of the reforms in the AP by initiating projects to assist various departments in pursuing reforms. Naidu's focus on good governance is a deliberate attempt to fade NTR's political heritage in the Party. In the 1980s, N.T. Rama Rao as a charismatic leader introduced himself as a savior of Telugu people from the domination of the corrupt and ineffective Congress and introduced several welfare schemes. In the 'welfarism' and 'populism' of NTR, he portrayed himself as a savior, giving rice to the poor and Sarees to women. According to Mooij (2003, 13), while the policy discourses during NTR's tenure can be described as 'donative' with its focus on hand-outs and welfare schemes provided by a munificent leader, Naidu introduced 'developmentalist' discourse including elements such as development, vision, accountability, transparency, delivery, performance, effectiveness, and governance/good governance. This discourse could effectively differentiate between a populist leader who has charismatic character and a not conventionally charismatic leader who tried to introduce himself as a skilled administrator.

4.6.5 Policy Reform in Andhra Pradesh

Naidu presented policy reforms as the necessary condition of Vision 2020 success. Table 11 depicts an overview of the reforms introduced by TDP's government between 1995 and 2004.

Table 11 Reforms in Andhra Pradesh 1995-2004

AREA	MAIN REFORMS
INDUSTRIAL POLICY	<ul style="list-style-type: none"> • Proactive measures, such as tax concessions, rebate on land; aggressive media campaigns to broadcast forward-lookingness. • Various incentives for ICT and biotechnology industry in order to attract more foreign and domestic investors
FISCAL MEASURES	<ul style="list-style-type: none"> • Increase in price of rice that is distributed in the food distribution scheme. • The partial lifting of prohibition. • Attempts to reduce the number of government employees.
POWER	<ul style="list-style-type: none"> • Unbundling the AP State Electricity Board into six companies; establishment of a Regulatory Committee; a greater role for the private sector (World Bank supported).
PRIVATIZATION AND DISINVESTMENTS	<ul style="list-style-type: none"> • 1997: state level public enterprises and 18 cooperatives identified for privatization or restructuring (World Bank supported).
IRRIGATION	<ul style="list-style-type: none"> • 1996-97: Irrigation reform, to introduce participatory irrigation management (World Bank supported).

HEALTH	<ul style="list-style-type: none"> • Various health reforms, meant to upgrade services, increase cost recovery (introduction of user charges) and a larger role for the private sector (many initiatives are World Bank supported)
EDUCATION	<ul style="list-style-type: none"> • District Primary Education Program (DPEP) was implemented (donor funded). • Formation of self-help groups (teacher-parent associations; village school committees).
POVERTY ALLEVIATION	<ul style="list-style-type: none"> • District Poverty Initiative Program (DPIP) was introduced, initially in 6 districts, to be expanded to all districts (World Bank funded). • Subsidized rice price increased in order to bring down the State food subsidy.
RURAL DEVELOPMENT	<ul style="list-style-type: none"> • 1997: Janmabhoomi program (literally 'land of one's birth'), based on stakeholder groups. Its aim was to bring government to the people; it was based on voluntary labor contributions and involved micro planning at the grassroots level.
GOVERNANCE AND ADMINISTRATION	<ul style="list-style-type: none"> • Introduction of various e-governance measures • The introduction of performance assessments and bureaucratic targets. • Establishment of the Centre for Good Governance (DfID funded). • Establishment of stakeholder committees in many policy areas.

Source: Mooij (2013, 403)

The State Government set up a specific Implementation Secretariat (IS) to implement the reforms effectively. As Ramachandraiah and Patnaik (2005, 232) clarify, Naidu established the IS as an autonomous institute, and it was not restricted by government pay scales and procedures. As an autonomous and professional body, it tried to recruit the best experts that available in the market and their salaries had been met from the funds provided by U.K. department for international development (DFID).

4.6.6 Competing for Private Sector Investments

As Jenkins (1999) and Rudolph and Rudolph (2013) explicate, after the New Economic Policy (NEP) of the Narasimha Rao Government in 1991, States do not depend exclusively on the public investment by the Center; hence, States consider the private investment as a significant financial resource. After dismantling the permit License-raj, the domestic private sector not only could invest easier in the States but also the liberalized Indian economy opened the gates for transnational corporations to invest in India. Since the 1990s, “the new pattern of the rivalry has emerged among the states, and they compete for domestic and foreign private investment” (see Rudolph and Rudolph 2013). Chief Ministers, their Finance, and Industries Secretaries not only tried to convince the domestic private sector through offering them investment friendly measures, but also they went abroad, to the US, Western Europe, and East and South Asian countries to attract private investors, including NRIs. The greater autonomy for the State, transformation in the State-Center relations and rise of inter-State competition are echoed in the Chandrababu Naidu’s view on India’s federalism:

“In the last few years, the newborn competitive spirit in our federal polity has also contributed to this spirit of hope. State governments are now competing with each other to put progressive policies in place, to attract investment, to develop their human resources. They are racing each other to get on to the information technology bandwagon. They are looking around for ideas to bring a fresh approach to the persisting problems of illiteracy, infant mortality, unemployment, and underemployment. They are struggling to fend off the bankruptcy in their exchequers. All said and done; things are happening, not just in my state, but in others as well.”(Naidu 2000a, 16)

One of the most significant goals of the policy reforms in Andhra Pradesh was to create a business friendly environment for attracting national and international companies to invest in the State. Naidu realized that he could not be remained dependent on State’s own income or the Central transfers. Although he tried to improve the relations between the Center and State to convince Central Government and the Planning Commission to allocate more financial resources to the State, he realized that the private sector’s investments (by domestic or international companies) would enhance economic growth in the State. He comprehended the new rules of the game in which State-Center confrontation transmuted to inter-States competition.

Also, Naidu was aware of the consequences of collapse of License Raj at the Center and its impact on political economy of India; as a result, he believed that in the post-reform era States should compete to attract private investments:

“Gone are the days when industrialists had to wait upon the government to get licenses. Today states are competing aggressively with each other to attract industries to their states. We need the jobs, so we try to offer incentives better than those offered by other states... He has to woo industry and sell his State as an attractive investment destination. He has to woo foreign investments. He has to impress upon funding agencies that he can deliver”(Naidu 2000a, 6-7)

Naidu’s government encouraged domestic and foreign IT and biotechnology industries to invest in State by numerous incentives and policy initiatives. His business-friendly policies, as well as his public relations, improved the position of Andhra Pradesh in term of investments. In the Annual *Business Today* survey of CEP perceptions about State’s as an investment destination, Andhra Pradesh had a substantial progress, and its rank rocketed from twenty-second (out of twenty-six) in 1995 to third in 1999 (quoted in Rudolph and Rudolph 2013, 330).

Remarkably, after the bifurcation of the State in 2014, Naidu as the elected Chief Minister of new Andhra Pradesh resumes his investor-friendly initiatives; as a result, the World Bank report on ‘Ease of Doing Business’ has ranked Andhra Pradesh second, below Gujarat¹ (Express News Service 2015).

The number and amount of approved FDI in India demonstrate the relative success of Andhra Pradesh. From 1991 to 2007, Andhra Pradesh attracted 4105.73 million USD that consisted 5.33% of all India’s approved FDI. During the same period, historically more developed States like Maharashtra with 19.3%, Delhi with 11.71%, Tamil Nadu with 8.37%, and Karnataka with 8.28% had the best performance among India’s States. Remarkably, Andhra Pradesh as an emerging State had a better performance than the West Bengal (2.71%) and Gujarat (4.33%), (Bhandari, Rahul, and Tiwari 2015, 6).

4.6.7 Hyderabad as the Hub for IT-led Development

Naidu realized the importance and potentials of information technology (IT) for development in the State. As Chandrababu Naidu clarifies, one, the most important reasons that he gave priority to IT industry was the AP’s advantage in human resources. According to him, 23% of India’s IT engineers were from Andhra Pradesh (Naidu 2000a, 7). Moreover, he believed enthusiastically in the role of IT in the development of societies in the 21st century. Naidu (2000b) was confident that IT is able to enhance public administration in the State in different levels and bring accountability, transparency, and more effectiveness. Naidu understood IT as an effective tool in three areas: job generation, poverty eradication and wealth generation As Naidu (1998) states,

“I have emphasized InfoTech because it is the fastest-growing industry in the world. Because of its software talent, India has the potential to capture the global market. So, why should not

¹ The new report of World Bank introduces the initiatives, implemented by Naidu’s government as following:

1. “Single window: Offers an online single window portal with clearly defined timelines for application filing, tracking and approvals
2. Registration: Issue spot approvals for various registrations with only scrutiny of basic documents.
3. Labor: Allocate inspectors randomly and introduced computerized risk assessment-based inspections under various laws.
4. Labor: Implemented an online system for registrations and renewals under various laws with no physical touch points.
5. Land: Implemented an advanced query- and layer-based web system to identify industrial land, connectivity & infrastructure.
6. Taxes: Implemented an online system for registrations and return filing under VAT and other State taxes” (Express News Service 2015)

I capitalize on this opportunity? Andhra Pradesh has also employed InfoTech for better governance, which will bring in major changes in the lives of the common people. We are trying to provide single-network services in areas like transport, employment, and public utilities. These value-added services will be available across the state in a year from now.”

Naidu considered the urban centers as the main component of his development strategy. Although the absolute majority of AP’s population live in rural areas, Naidu realized the need for the development of the main urban centers to attract investment into IT industries. Naidu (2004b) clarifies his perception of development and the role of major urban cities, stating,

“I am very clear about my perception of development. If you want to develop a state, you have to make its main cities a showpiece. Hyderabad is the capital of Andhra Pradesh. Naturally, when a foreign investor is coming, if I ask them to go to Warangal, Tirupati or Vijayawada, they may not go. So for the key sectors like information technology, biotechnology, healthcare and various outsourcing services, we had to develop Hyderabad. Then from Hyderabad, we were taking and spreading development to other areas of Andhra Pradesh. We developed Hyderabad and the neighboring areas in districts like Ranga Reddy, Medak and Nalgonda also got automatic progress.”

Competing with the other States to attract more investments for development, Naidu gave the slogan ‘Bye-Bye Bangalore, Hello Hyderabad’¹. In 1995, the State Government initiated and facilitated the construction of HITEC City² as a public-private joint project located 15 kilometers from the center of Hyderabad. He not only invested in Hyderabad infrastructures but also improved the business environment by the public administration reforms and implementation of several incentives for the investors. Encouraging IT firms for investment in the State, Naidu’s government released the 1999 ICT policy, smoothing and facilitating investment in IT sector in AP. Improving the previous policy Naidu’s government released a new IT policy for 2002-05. The AP government granted the substantial incentives to IT companies such as exemption from inspections under most labor legislation, exemption from

¹ After Bifurcation of Andhra Pradesh in 2014, it was supposed that Hyderabad become capital city of Andhra Pradesh and Telangana for ten years. Then, Hyderabad will be exclusively the capital of Telangana; as a result, Andhra Pradesh must find or build another capital city. Consequently, the TDP government in Andhra Pradesh introduced Amaravati in Guntur region at the southern banks of the River Krishna as the place for construction of State’s new capital. The master plan of new City prepared by Singaporean companies. Naidu aims at Amaravati as new hub of India’s IT industry.

² The *Hyderabad Information Technology and Engineering Consultancy City*, abbreviated as HITEC City, is a major High tech business district in Hyderabad, developed mostly under the TDP regime.

statutory power cuts,¹, and permission for three-shift operations. Moreover, IT companies may also apply for concessional power tariff, reimbursement of stamp duty, and exemption from zoning regulations. Furthermore, the AP government considered the special provisions for extra-large projects, with an investment of Rs. 50 crores and above, in which “a special land-pricing scheme will be applicable in respect of land allotted within the HITEC City layout”(see Government of Andhra Pradesh 2002).

Consequently, HITEC City has succeeded in attracting domestic and international investments. Most of major IT companies such as Microsoft, IBM, Dell, and Oracle established their units in ‘Cyberabad.’ Also, large corporations such as General Electronic, HSBC, Motorola, Wipro, Infosys, Ericson, Toshiba, and Tata Teleservice invested in the State. One the most significant successes of Naidu was the establishment of Microsoft’s first software development center outside of United States in Hyderabad. Chandrababu Naidu convinced Bill Gates to visit Hyderabad and pledge investment in the State; therefore, the investment materialized on 28 February 1999 in HITEC City and second largest Microsoft center after its main headquarter was built in Hyderabad.

Experiencing a cumulative annual growth rate of 130%, Andhra Pradesh’s total IT export rocketed from Rs. 2 million in 1992 to Rs. 82700 million in 2004-05 financial year (Kapoor and Ahluwalia 2015, 55).

However, Naidu’s interest in IT did not remain limited to the formation of HITEC City and flow of FDI. Naidu considered IT as an effective tool to enhance the administrative reforms in the State. Therefore, Naidu government introduced several e-governance initiatives such as the Computer Aided Administration of Registration Department (CARD), enabling the electronic registration of documents. The CARD accelerated the land registration process in the State via complete computerization of registration of land transactions and tenancy agreements. (Mooij 2013). The second major e-governance initiative was ‘e-seva centers,’ one-stop counters,

¹ According to ICT Policy 2002-2005 (Government of Andhra Pradesh 2002), “IT units are exempt from inspections under the following Acts and the Rules framed there under, barring inspections arising out of specific complaints. The IT units are permitted to file self-certificates, in the prescribed formats.

i. The Factories Act 1948

ii. The Maternity Benefit Act 1961

iii. The AP Shops & Establishments Act 1988

iv. The Contract Labor (Regulation & Abolition) Act 1970

v. The Payment of Wages Act 1936

vi. The Minimum Wages Act 1948

vii. The Employment Exchanges (Compulsory Notification of Vacancies) Act 1959.”

enabling citizens to pay their electricity, water, and telephone bills, pay property and sale taxes, get birth and death certificates, register and transfer the vehicles, and other similar services. Furthermore, the AP government established e-Procurement for the online tender process. Thirty-two government departments participated in the process in the 2004-05 financial year. As Kapoor and Ahluwalia (2015, 55) report, in this year total volume of the transaction was Rs. 359 million and the cost of tenders was Rs. 243380 million.

4.7 1999 Election and Reelection of TDP: Rewards in the Horizontal Interaction

As Srinivasulu (1999, 163) indicates, caste and community politics has been influencing the results of General and Assembly elections in AP. However, Naidu was supported neither by strong Reddy caste, possessing a considerable influence on rural masses, nor he had the charisma of NTR, which could provoke the masses against Delhi government. Also, despite the economic power of the Kamma caste, they constitute around 3% of Andhra population that was not sufficient for winning the election. As a result, he needed to find other plans to run his campaign. In the vertical game, the strategic choice of TDP leaders was to join NDA, and a have closer relations with the BJP. This choice facilitated the consolidation of non-congress votes in the State. Moreover, the allocation of financial resources to the State increased, and Naidu had a bigger room to maneuver. Furthermore, effective implementation of the reforms attracted the foreign investors and international financial institutions, which enhanced investment and growth. The In the horizontal level, the grassroots institution like *Janmabhoomi*, created initially for development at the local level, played a significant role in the activating grassroots network for the TDP. Also, economic benefits of growth, as well as targeted populist measures, attracted the vote of emerging new middle classes, women and the young to the TDP.

As it was discussed, due to the fact that Naidu did not possess the charismatic political character of N.T Rama Rao and his caste support, he felt more insecure at the beginning of his tenure. Nevertheless, by implantation of a new set of policy reforms and in the state, finding new allies in the state and outside and the creation of new institutions in the state enhanced his political career in the State. After his election in the 1999 Assembly election, Chandrababu Naidu became the longest-serving Chief Minister of the State. Even during the Reddy Raj era, there

is no Chief Minister, who can serve as the Chief Minister for more than eight years.¹ Naidu served as the Chief Minister of Andhra Pradesh for eight years and eight months.

4.8 Y.S Reddy and Rise of New Charismatic Populism

While the Congress government at the Center had introduced the economic reforms in 1991 and the AP Congress government had followed it in the early 1990s, after rising of Naidu, the Congress as the main opposition party opposed most of Naidu's reforms in the State. With an alliance with the leftist parties, the Congress launched attacks against the TDP government's initiatives and policies. The Congress under the leadership of Y. S. Rajasekhara Reddy (YSR) opposed the AP Electricity Reform bill and later fought against the hike in electricity tariff. Y. S. Rajasekhara Reddy and the Congress accused Naidu of being closer to the World Bank and the multinational companies than to the rural people in AP.

In May 2003, YSR launched a 1500 kilometers walking campaign and visited several villages. YSR walked and visited several villages while he dressed as a farmer. The *Pada yatra* (foot march) attracted media attention. The AP's rural areas had been affected by three years drought; therefore, the focus of YSR was water scarcity, unemployment, and poverty. The drought and decrease in the subsidies gave YSR opportunities to repeat the Congress's criticisms about Naidu's development priorities and his party's plans for an agricultural revival. He promised free electricity for farmers and a full-scale development of irrigation (Price and Srinvas 2014, 220).

YSR accused the TDP government of leading the State into the World Bank's debt trap. Using semi-leftist tone, YSR described Chandrababu Naidu, an agent of Western donors and financial organizations. He also accused the TDP government to massive corruption. Criticizing privatization of public sector companies, YSR claimed that several public sector industries were sold out to private parties below their real value. He also criticized IT-oriented and service-centered development strategy of Naidu, concentrated in Hyderabad (Suri 2005, 163).

During his electoral campaigns, YSR promised free electricity to farmers, subsidies for crop loans, funds for irrigation projects, relief for families of farmers where someone committed suicide, loans to women self-help groups at 3 percent interest per annum. YSR also promised 2.5 lakh jobs for the youth. Based on Naidu's bureaucratic reforms, the size of bureaucracy should be decreased. Therefore, Naidu government imposed several limitations on recruitment

¹ The longest Congress government in AP belongs to Kasu Brahmananda Reddy who served as Chief Minister between 21 February 1964 and 30 September 1971.

in government services. Contrarily, YSR pledged to lift the ban. Moreover, he promised to enhance the old age pensions (Mukherji 2014, 163, Suri 2004a, 5495). While YSR displayed a new image of a populist leader in the State, Naidu was reluctant to implement even targeted welfare measures in 2004 election. He believed that his economic performance and the SMART governance help the TDP to be reelected again.

The next significant determining factor in this election was the emergence of 'Telangana Rashtra Samiti' (TRS) that entered in the election with a single-point plan of achieving a separate state for the Telangana region. Initially, the TRS was not considered as a significant actor in AP politics; nevertheless, TRS entered into electoral alliances with the Congress in 2004; as a result, the TRS increased its influence and emerged as a new political actor in AP. The growing popularity of TRS in Telangana region had a clear effect on the TDP's support basis.

One of the most important factors that contributed to the victory of the Congress and the TRS alliance was the Congress's stance toward separate Telangana State. The Congress in the election manifesto for 2004 elections asserted:

"The Congress Party recognizes the growing emotions and aspirations of the people in the Telangana region...while respecting the report of the States Reorganization Commission, the Congress Party notes that there are many valid reasons for the formation of separate states in Vidarbha and Telangana...However, the reorganization of existing States raises a large number of issues. The Congress Party feels that the whole matter could be best addressed by another States Reorganization Commission to look into all the issues involved"(quoted in Srikrishna et al. 2010, 51)

In contrast to the alliance of Congress and TRS, emphasizing on populism and regionalism, the TDP's entire electoral campaign rotated around Naidu's economic performance. Naidu openly declared that the 2004 election was "a referendum on his nine-year rule" (Srinivasulu 2004, 12). After an unsuccessful assassination attempt by Naxalites on Naidu, the TDP highlighted order and development versus violence. For that reason, the TDP portrayed itself as a "party for development"; on the contrary, the Congress and the TRS were portrayed as the parties who are against development, and their policies cause anarchy. Naidu was sure that the constituents reward his economic reforms again. Moreover, Naidu underrated the TRS and their alliance with the Congress and stated,

“They will simply fade away. Like the Congress party, they lack credibility. They make outlandish promises. They promise free power, which they can probably provide for a year. They are cheating the people with these promises. We do not make such promises because at the end of the day we are honest and want to work honestly for the development of the state”(Naidu 2004a).

Despite Naidu’s prediction, the constituents, especially in the rural areas, did not reward the TDP’s reforms and Naidu only secured 47 seats in the Assembly. Securing 185 seats out of 290, the Congress could enter again in its citadel in 2004. Suri (2013, 176) attributes the defeat of the TDP in 2004 election to the alienation of party from poorer sections and farmers. Naidu’s government was accused of pursuing the policies, which only promote the interests of businesspersons and urban middle class.

As Balasubramanyam and Balasubramanyam (2012, 49) indicate, because of increasing number of landowners that immigrated to cities, the number of tenants or landless laborers increased during the TDP rule. These new tenants had not sufficient cash flows to manage their farms and their debts. Moreover, the TDP government hiked the electricity price and removed the subsidies that are crucial for the agriculture sector. Although power subsidies imposed Rs. 10 billion to State’s treasury and a decrease in power subsidies provide more financial resources for developmental investments, the TDP became unpopular among rural poor, depending on the rice and power subsidies.

Whereas Naidu tried to pursue growth-enhancing policies in IT sector as well as targeted welfare schemes in favor of selected social groups, YSR, and the Congress effectively mobilized rural masses as well as backward castes against Naidu with the promise of free electricity. According to Mukherji (2014, 164) majority of the poor voters and agricultural workers, Scheduled Caste (SC) groups, and Backward Castes voted for the Congress party and its allies.

Naidu’s strategic choice in the vertical game to be part of NDA had a direct effect on the horizontal game. Muslims did not reward the TDP in 2004 election, and TDP lost substantial vote share among the Muslims. While Muslim in the 1994 election voted in favor of the TDP, Naidu’s partnership with BJP, coincided with violent events in Gujarat in February 2002, declined the popularity of the TDP among AP Muslims. The upper castes, Kammas, and emerging middle class voted TDP-BJP alliance; nevertheless, Naidu and the TDP could not secure enough seats; as a result, they became the main opposition Party.

4.9 Y.S. Reddy and the Reforms

The majority of observers in media and academia described the results of the 2004 election in AP as a manifestation of public disenchantment with Naidu's focus on the development of urban areas and the IT industry. Moreover, the populist slogans of the Congress, its anti-World Bank rhetoric, and YSR's promises to introduce several welfare schemes for rural people mobilized voters to support the Congress.

Before the 2004 election, in the same vein, as NTR did in 1994, the Congress launched a powerful attack on economic reforms. Although the Congress won the 1989 election, it could not revive its golden age before 1983 election in AP. Finally, by the emergence of YSR as a charismatic leader, the Congress gained a much-needed pro-poor, pro-women, pro-peasant image, something the TDP enjoyed during NTR's era.

Hence, the big question mark for the business community and investors was the Congress's real stance toward the reforms. With his rural-oriented policies and anti-globalization tone during the campaign, would YSR undo the economic reforms undertaken by Naidu and focus exclusively on populist welfare schemes?

Although Y.S. Reddy followed NTR's electoral campaign methods and promised to revive and initiate several populist welfare measures in AP, his tenure did not look like NTR's era.

Comparing to NTR, YSR had an entirely dissimilar position in the vertical and horizontal games. While NTR confronted with the Congress at the Center and rejected Rajiv Gandhi's policies in the mid-1980s, YSR as a member of Congress should cooperate with the Center and Manmohan Singh's economic policies. Whereas NTR pursued the populist welfare measure to preserve the massive support to his rule and confrontation with the Center, YSR's populism was an electoral tactic to attract votes and to defeat Naidu after nine years rule. As a result, not only his welfare measures were not designed to use as a tool to preserve State's political support in the vertical confrontation, but also was supported by the Center to sustain Congress's rule in the State.

Moreover, YSR as a Congress leader should cooperate with the reform-oriented UPA government at the Center. In the early 1990s, the Congress in the State followed the Center and implemented the first generation of economic reforms, recommended by P. V. Narasimha Rao, the Prime Minister, and Manmohan Singh, the Finance Minister. In the post-2004 election

political arrangement, the UPA government declared its commitment to economic reforms and growth-enhancing policies again.

Therefore, while, YSR's government implemented several welfare measures to keep the political support of rural people and the poor in the horizontal game with the backing of the Center, he engaged actively in the implementation of the economic reforms, as the Center aimed. YSR's strategic choice includes two elements:

First, cooperation with the Center and implementation of economic reforms as the Center wanted. The cooperation in vertical game enables YSR to get financial resources and political support from the Center.

Second, while YSR did not publicize the reforms at State level: hence, he just highlighted his welfare schemes. YSR had 'a Janus-faced' economic policy. The first face that was propagated by his government included several welfare schemes and initiatives. The second face was economic reform and neo-liberal policies, introduced and implemented by stealth.

While YSR in his speeches during his campaign had criticized Naidu's focus on IT sector and urban development, after the election, he adopted a more pragmatist approach toward it. Six months after the 2004 election, when a Journalist asked YSR about his idea of attracting more foreign investment and IT companies to Hyderabad, YSR responded,

"That is also my agenda, very much. There is a saying in Telugu: the king's second wife is good does not mean that the elder wife is bad. When I say the focus is on agriculture and irrigation, it does not mean that I do not like to develop Hyderabad."(Reddy 2004)

As Mooij (2013, 412-413) observes, the Congress government in AP continued to pursue the reform agenda, which had been executed by the TDP. For Instance, YSR's government promoted Special Economic Zones (SEZs) that most of them included IT and pharmaceutical sectors.

Despite expressing fundamental critics about the position of IT in Naidu's views on development during the electoral competitions, YSR tried to provide a more investor friendly environment in the State to invest and work in the field of IT. Following the TDP government's IT policy for 2002-05, the new Congress government issued 'Information & Communications Technology (ICT) Policy of the Government of Andhra Pradesh – ICT Policy 2005-2010' one year after the election. In the new policy, the AP government offered more incentives to private investors. In the new policy (Government of Andhra Pradesh 2005), not only the Congress

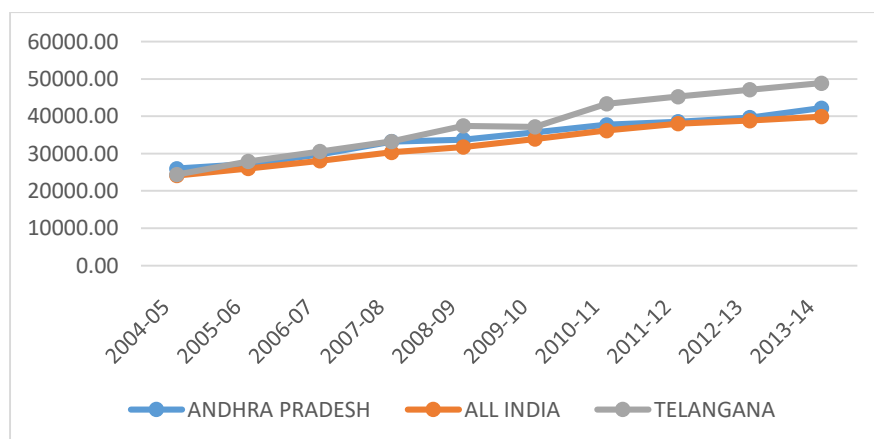
government continued previous incentives, but also it permitted for three shift operations with women working in the night for IT/ITES units. Moreover, the 2005-2010 policy declared “IT/ITES units/companies and non-hazardous hardware manufacturing industry consisting of IT & Electronics as essential service.”

According to Kapoor and Ahluwalia (2015, 26), YSR’s policies surprised the business community, industrialists, and private investors. He not only left all of Naidu's economic reforms intact but also improved the pace of execution of the projects. Although in his public statements, YSR emphasized on his policies in favor of rural development and peasants, his policies supported industrialists, real estate developers, private sector investors and contractors (Mooij 2013).

YSR continued the growth-friendly policies and tried to transform Andhra Pradesh to an investor-friendly state by deregulation and institutional reforms. The outcome of these efforts and policy orientation is reflected in the result of a survey of ‘Economic Freedom of States in India’(Bhandari and Aiyar 2011) that clarifies, between 2005 and 2009, Andhra Pradesh and Gujarat were the two States that showed the largest improvements in term of economic freedom. According to the study of Bhandari and Aiyar (2011), in overall State rankings, Andhra Pradesh moved up from the seventh rank in 2005 to the third position in 2009.

The business-friendly climate in Andhra Pradesh enhanced the economic performance of State. The recent annual report illustrates how NSDP (At Constant Prices) in both today Andhra Pradesh and Telangana (including Hyderabad) grew and became higher than all India’s average.

Figure 24 NSDP at factor cost – Andhra Pradesh, Telangana and all India (At Constant Prices) 2004-05 to 2013-14



Drawn by the author, source of data: Handbook of Statistics on Indian Economy 2014-15 (2015b)

According to Kapoor and Ahluwalia (2015, 56), the export turnover of Andhra Pradesh increased from Rs. 82,700 million in 2004 to 325,090 million in 2009. Remarkably, Andhra Pradesh's share of IT/ITES¹ export turnover in the India went up from 8.64% in 2004 to 15% in 2009. Moreover, the intensives in IT sector led to a sharp increase in the number of IT companies, which created related jobs. The total number of IT/ITES companies increased from 883 to 1,206, and the number of people directly employed in IT/ITES increased from 85,945 in 2004 to 251,786 in 2009.

While YSR, as a member of the Congress and loyal politician to the 'high command' in Delhi, tried to implement the economic policies, stressed by Manmohan Singh's government, YSR implemented several welfare schemes to get rewards in the horizontal game in the form of reelection. The UPA government at the Center also allocated more resources to AP for social spending. The financial reforms and accelerated growth under Naidu helped new AP government to generate larger revenues, which made welfare schemes and social spending more feasible. Remarkably, Kapoor and Ahluwalia (2015, 103) suggest that conceptualization and implementation of 'SMART Governance' in Andhra Pradesh during the TDP government played a major role in successful implementation of national schemes like Mahatma Gandhi Nation Rural Employment Scheme (MNREGS) in the state.

Comparing to Naidu, YSR had a different political position. Naidu, as a successor to a charismatic leader needed to publicize his reforms to get rewards in the horizontal game. Naidu was dependent to international acclaim and success. On the other hand, YSR was a State-level politician, supported by the Center. In contrast to Naidu as regional party leader, whose political life was dependent on a hype development reform, YSR Moreover, as

In sum, two factors contributed to sustaining these Janus-faced policies without interruption. The political survival of YSR as was dependent on political support in the State in horizontal interactions and his loyalty to 'high command' in Delhi in the vertical interactions.

4.10 The Reemergence of Telangana Movement

The demand for a separate Telangana State had not appeared in the mainstream political discourse of Andhra Pradesh for more than three decades. Political accommodation of the movement by the Center in the 1970s and the rise of Telugu subnational identity weakened the Telangana movement.

¹ Information Technology Enabled Services

The Telangana issue returned to Andhra's politics by the 'Telangana Rashtra Samiti,' formed in 2001 by a former TDP leader, K Chandrasekhar Rao (KCR). TRS had a single point agenda and demanded separate statehood for the Telangana region:

"I have a one-point program and a single goal -- achieving statehood for Telangana ... No force on earth can stop us from achieving a separate Telangana state."(Rao 2001)

Whereas M. Chenna Reddy, a Congress leader, led the first Telangana movement and formed 'Telangana Praja Samiti,' a rebellious non-Reddy TDP leader led the second movement. As it was discussed, the elite strategies at the Center resolved the political insatiability and protests, caused by the first Telangana movement. Responding to Telangana movement in the late 1960s and 1970s, the Congress government under Indira Gandhi implemented strategies of law and order management, power sharing, and constitutional reforms. Therefore, M. Chenna Reddy not only was appointed as Governor of another State, and Chief Minister of Andhra Pradesh, but also some Safeguards for Telangana in the form of Thirty-third Amendment of the Constitution was enacted in 1973.

KCR was not part of the Congress's arrangement in Telangana. First of all, he did not belong to Reddy caste that had considerable political power both in the Congress and Telangana region. KCR belong to Velma caste, other dominant agricultural caste. Although he started his political life with the youth Congress party in Medak district, he nevertheless joined to the TDP, the first non-Reddy political platform in AP in 1983. As Rothermund (2013, 86) notes, in the late 1980s, K Chandrasekhar Rao emerged as a regional elite in Telangana region and became a key member of the TDP. He served as a minister in the TDP government and deputy speaker of the assembly. In September 2001, when the TDP officially refused to support a separate Telangana State, KCR resigned from his post and formed his new party. KCR claims that his decision to leave the TDP and formation of TRS was result of Naidu's approach toward Telangana in his development vision:

"Since Chandrababu Naidu became the chief minister, I have been impressing upon him to give a fair deal to Telangana and not to ignore the interests of its people any longer. When the Vision 2020 document for Andhra Pradesh was drafted by McKinsey & Company, I pointed out to Chandrababu that there was no reference to the development of Telangana as well as Dalits, Harijans, Backward Classes and minorities in the document. I asked him how the state would achieve its goal without the welfare of these sections and the development of Telangana"(Rao 2001)

After its formation, the TRS supported NDA and had an anti-Congress stance; nevertheless, L.K. Advani, the Home Minister at the Center, turned down a demand to create a separate Telangana. Consequently, the TRS became closer to the Congress that promised a separate State of Telangana in the 2004 election.

KCR contested in a by-election in a constituency in Telangana region and came back to the Assembly. Also, the TRS had a successful performance in the Panchayat Raj elections held in 2001 (Narisetti 2002, 205). In contrast to the TDP's Telugu sub-nationalism that assumed all Telugu speakers as a whole and tried to construct the Telugu identity based on the language, the TRS, and its regionalism rejected the main elements of the TDP ideology and emphasized on the regional identity, constructed based on Andhra and Telangana distinction and confrontation. The leaders of a new wave of Telangana movement believe that leaders of non-Telangana regions violated 'the gentleman agreement'; then, the main root of backwardness in Telangana is domination of other regions. The leaders of Telangana movement argued that after independence, especially after the reforms, their region has been relatively deprived and has not benefited from the fruits of development. For example, M. Kodandaram the chairperson of all-party Telangana Political Joint Action Committee (T-JAC) describes the relationships between Andhra region and Telangana as colonial relations in which Telangana resources have exploited by other regions:

"Telangana has thus been converted into an internal colony as a result of the economic development process pursued by successive governments. Its resources have been diverted and utilized for the development of other regions. The movement for separate statehood seeks to articulate the demand for a fair share in the resources. It is an outcome of injustice meted out to the region by the successive governments in Andhra Pradesh. Separation is seen as the only answer to these grievances." (Kodandaram 2007, 93)

Accordingly, the rise of the second wave of Telangana movement can be elucidated by Huntington's theory that has been theorized in influential *Political Order in Changing Societies* (1968). In the same way, Gurr's notion of relative deprivation (1970) clarifies precisely why discontent and deprivation are felt most deeply in areas and among people experiencing rapid change such as rapid economic growth. Combining Huntington and Gurr's model "rapid economic development in societies with inadequate institutional infrastructure can lead to violence, unrest, and loss of legitimacy" (Mitra 1992, 211). Accordingly, there is a linkage

between economic development, relative deprivation and the rise of ethnic identity, protest, and political mobilization, and loss of legitimacy.

Based on 'pluralization model', although Hyderabad as the main destination of foreign investments and developmental activities located in the heart of Telangana; however, the Telangana leaders claim that majority of rural areas in Telangana region remained undeveloped. The rapid economic growth especially in Hyderabad city, major foreign and domestic investments in the city, and extreme contrast between 'HITECH City' and neighbor rural areas can be seen as the main causes of relative deprivation emerged among Telangana local elites and masses. After around one decade economic reforms and the liberalization of the economy in AP, the old cleavage between Telangana and Andhra reappeared in the form of second Telangana movement.

As Srikanth (2013) delineates, ideologues of second Telangana agitation justify it as a struggle against "domination, exploitation, discrimination, deception, and humiliation." Political leaders of Telangana movement claim that since the formation of united Andhra Pradesh, leaders of State as well as Center neglected and discriminated against Telangana. Telangana agitation leaders perceived the TDP's government reform as the new tool of domination and discrimination of Andhra and Rayalaseema. For instance, KCR criticizes Naidu's reform-oriented policies and claims that Naidu's reforms harmed Telangana:

"Chandrababu has done more harm to Telangana than any other chief minister. He has given a quiet burial to the six-point formula. The power tariff hike has broken the backbone of the farmers. They are unable to sell their produce at minimum support prices now. Weavers are in distress. The farmers and weavers are committing suicide. All big public- and private-sector industries are closed, affecting thousands of workers. There is a ban on recruitment in government services"(Rao 2001)

While Politicians such as KCR and scholars like Kodandaram (2007) and Srikanth (2013) assert that there is considerable data, validating these claims, the findings of 'Committee for Consultations on the Situation in Andhra Pradesh' (Srikrishna et al. 2010) suggest that although at first glance, "some or all such allegations appear true, when rate of change, growth rate and shares in the state economy is evaluated, nothing unusual emerges." The findings of Sri Krishna Committee, submitted to Government of India, reject any meaningful discrimination or unusual negative economic trend in Telangana, stating:

“Telangana excluding Hyderabad, currently has a share of 36% in state population and 41% in state land mass. Any development parameter that is consistent with these shares can be considered on par or at parity with the population / share of land mass. Indeed, one finds that at a reference point in the past, such as the census 1961 or 1956 or 1974 since when factual data are available, the shares for Telangana were far too low. In recent years, however, the shares of Telangana for many common development parameters are in league with the share of population / area, often being higher”.(Srikrishna et al. 2010, 117)

The sudden death of the Y.S. Reddy in a helicopter accident only a few month after his victory in the 2009 election was a new turning point in the State politics. Not only had the Congress lost his charismatic leader who could mobilize rural masses in all regions, but also the TRS, annoyed by the Congress delays in forming the new State, intensified the agitation to form a separate Telangana State. After the vacuum of leadership in the Congress, the party witness to factionalism and rivalries among the politicians from Telangana region and Andhra or Rayalaseema regions.

Although the high command in Delhi appointed Konijeti Rosaiah as the new Chief Minister of State, he could not sustain the orderly rule in the State. Several *bandh*, *rail rook*, and protests interrupted daily life. In this phase, although the State received a higher share from the Center for its developmental expenditure, political instability and the emergence of the sub-regional movement disrupted business climate in the State.

Appointment of another powerful Reddy, Kiran Kumar Reddy as the successor of Rosaiah could not help the Congress to maintain the orderly rule as well as its power in the State. In February 2011 and September 2011, the TRS with cooperation with T-JAC crippled the State Government with a noncooperation movement and *Sakala Janula Samme* (All people's strike).

Not only State lost a considerable amount of its revenues, but also faced to a massive power cut which affected the IT sector. The massive resignation of Telangana MLAs, MPs, and Ministers was the other leverage to press the Center to create a new spate State of Telangana.

The 2012 by-elections for Telangana assembly seats showed the rising power of TRS, who won 4 out of 5 seats. On the other hand, the rebellious son of Y.S. Reddy with his YSRCP emerged as the new threat to the Congress in Andhra region. Few Months before the 2014 election, the UPA government at the Center took the practical steps to form a separate State of Telangana.

The result of the late decision on Telangana was echoed in the 2014 election results. Not only unhappy Andhra constituents punished the Congress by voting in favor of the TDP, but also the Telangana constituents gave all credits for the creation of Telangana State to the TRS, not the Congress. The result of the 2014 election displayed how Congress's success in AP after 2005 was dependent on the charismatic leadership of Y.S. Reddy.

5 Elite Agency and Development in Bihar: From 'Jungle Raj' of 'Gharibon Ka Masihā' to 'Sushasan Babu'

5.1 An Overview

The Indian State of Bihar is a notable case for political economists who want to investigate the political roots of development and underdevelopment. Considering most economic indicators, Bihar has been one of the poorest of Indian States. Not only in term of per capita NSDP Bihar is one of the weakest among the India's large States, but also indicators such as human development index implies to the gap between India's average and Bihar.

Unlike other less-developed States such as Andhra Pradesh that has achieved a higher level of development and reduction of mass poverty after the liberalization, Bihar did not prompt and implement the policies, which could enhance development until 2005. Throughout the 1990s, and the first half of the 2000s, not only Bihar's economy suffered from overall stagnation, but also Bihar was famous for its caste politics and populist economic policies.

The rise of Lalu¹ Prasad Yadav, a popular politician who represents 'new type of low-caste social base of mass politics' (Rothermund 2008, 22), ended the continuous power of the Congress party in the Bihar in the first years of the 1990s. Although he opposed the Congress initially, he became the main opponent of NDA government. As a populist leader, he implemented several populist schemes and resisted the reform policies, advocated by the Center.

After the 2005 Assembly election, Nitish Kumar, his successor, and his rival was elected as the Chief Minister of Bihar (2005-now) and he adopted entirely opposing policies and implemented the pro-liberalization reforms in the State. While he was a left minded political elite in the State, he advocated some liberal economic reforms in the State. Influenced by neo-liberal principles of good governance, he started to fight against corruption and political violence in Bihar. Moreover, Nitish Kumar introduced privatization, liberalization, and deregulation by stealth to improve the business environment, attract more central transfers and private sector investments. His policies played a significant role in the considerable economic growth of the Sate after 2005.

¹ Lalu had been spelled 'Laloo' until 2004. In 2004, Lalu Prasad Yadav claimed that his opponents made Laloo popular instead of Lalu. Laloo could be mistaken by Hindi word *Laloo*, meaning fool (Witsoe 2013, 205). Therefore, Tthe current study uses Lalu as the routine spelling.

The main aim of this chapter is to investigate the political roots of the policy shift in Bihar which transformed Bihar from ‘Jungle Raj,’ to a fast growing State.

This chapter focuses on the shifts in the strategic choice of regional leaders in an underdeveloped State and wants to answer this question: Why did the ruling elites in Bihar, especially in RJD resist the reform policies and economic liberalization in the 1990s and early 2000s? Moreover, despite a long historical background of political and economic populism, why did the new leaders in Bihar decide to adopt the economic reforms, accelerating economic development after 2005? Also, what was the political outcome of these shifts?

5.2 State Profile

Bihar is a significant State in India and located in the Eastern part of India. The capital city of the State is Patna. If Bihar was a nation-state, it would have the 14th largest population in the world. However, in terms of annual per capita income, it would be one of the poorest in the world.

Under the British Raj, Bihar was a part the Bengal Presidency until 1911. More than one century ago, the province of Bihar and Orissa was created as a separate province. However, contemporary Bihar is different with what had been carved out from Bengal Presidency. Orissa became a separate entity with its own capital in 1935.

After the independence, Bihar kept its territory until 2000. The borders of today Bihar has been redesigned based on the Bihar Reorganization Act of 2000 that separated Jharkhand from Bihar. The current study is aware of the implications of this separation for the analysis of economic development in the State. Hence, economic data should be considered and used carefully.

As Alakh (1995) asserts, Bihar was viewed as a well-administered, and peaceful State in the first decades after the independence; however, Bihar turned into an unstable and poor State, identified with caste and communal riots, factionalism, economic and social economic backwardness, violence, political instability, failure in public service delivery, corruption, and criminality. Consequently, Bihar became a great case for cross-State studies, looking at the crisis of governability and governance (See Kohli 1990, Mitra 2006).

5.2.1 Geography

Bihar is a major historical and cultural part of India and located in The East of the country. Bihar is a totally land–locked state, bounded by Uttar Pradesh to its west, Nepal to the north, West Bengal to the east and by Jharkhand to the south. Bihar can access the sea through the

port of Kolkata. Bihar is the 12th largest State in terms of territorial size with an area of 94,163 km².

The climate of Bihar may be described as subtropical with hot summers and cool winters. Rivers are the vital elements in the life and agriculture in the State. Bihar is located on a fertile plain, drained by the famous Ganga river. Nevertheless, devastating floods in State are also the result of its geographical location.

Bihar is divided into nine divisions and 38 districts. Patna is the capital, and it is the largest city in the State the second largest city in Eastern India after Kolkata.

Before the separation of Jharkhand, there were three distinct regions in Bihar, differing widely in resources and socioeconomic structures. The Northern region of Bihar with a high population density is one of the poorest in India. With a low level of industrialization and urbanization and infrastructural backwardness, North of Bihar is one of least developed regions in the country (Roy 1994, 223).

5.2.2 Population and Demography

According to 2011 Census, the total population of Bihar was 10380463. Bihar is the third largest State in terms of population in the country. Noticeably, until the 1991 Census, the State of Bihar was the second most populous state in the country; however, after bifurcation of the State of Bihar and formation of the new State of Jharkhand, the rank of Bihar among the India's States has fallen to third.

The population of Bihar as per the census 2001 was 82,998,509 and was 64,531,000 as per the census 1991. While the State's population contributed 8.57% of whole India's population in 2011, it contributed 8.07% as per the census 2001. The official languages of the State are Hindi and Urdu.

Languages spoken by the majority of people are Hindi followed by Bengali and Bihari languages. Literacy rate in Bihar increased from 37.5% in 1991 to 61.8% in 2011, but it is still lower than the all-India figure of 74.04%.

As Census of India (2011) elaborates, there is a substantial gap in literacy rate between males and female, rural and urban people, tribal and non-tribal population, and socially backward castes and the upper castes. With 11.29% of the population living in urban areas in 2011, the level of urbanization in Bihar is lower than the national average (31.16%).

According to the Census of India (2011), the Hindus, including the Scheduled Castes (SCs) and Scheduled Tribes (ST), constitute 82.69% of the total population. Muslims have the second rank with 16.87%, of the State population. Christians constitute about 0.12% in the State.

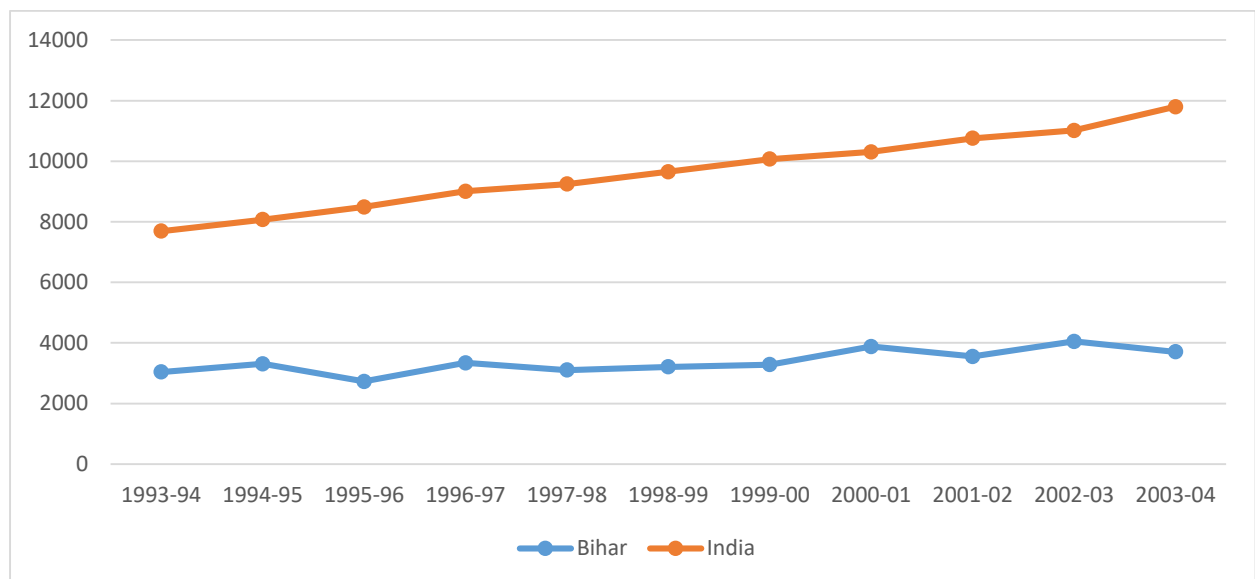
5.2.3 Economy

At the initial stages of economic liberalization, as the Reserve Bank of India reports (2006), Bihar was the poorest State in India with a per capita income of Rs. 3036 in 1994-95, compared to India's Rs. 8070.

After ten years, Bihar's NSDP per capita increased Rs. 670 only. In 2003-04, while India's NSDP average increased to Rs.11799, Bihar's disappointing performance led to Rs. 3707 NSDP per capita.

As the Figure 25 illustrates, after the liberalization, while India's per capita NSDP increased steadily, Bihar remained stagnated until 2004.

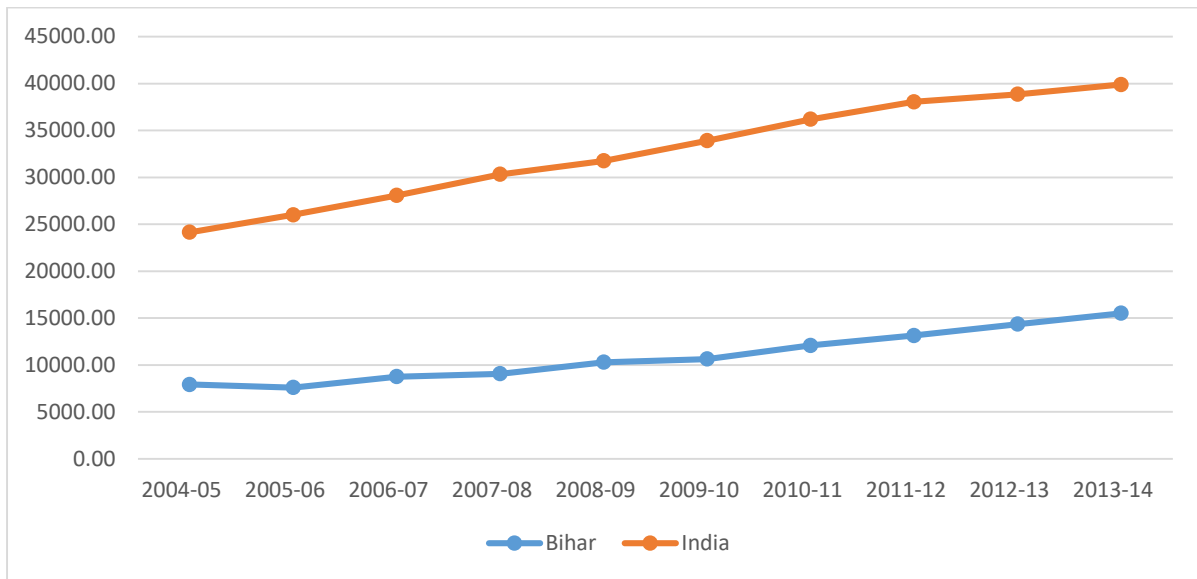
Figure 25 Per Capita NSDP in Bihar and India 1993-94 to 2003-04



Drawn by author, Source: Handbook of Statistics on Indian Economy (2006)

However, Bihar grew faster after 2005. As Figure 26 depicts, while Bihar's per capita NSDP is less than India's average, its rate of growth increased after 2005.

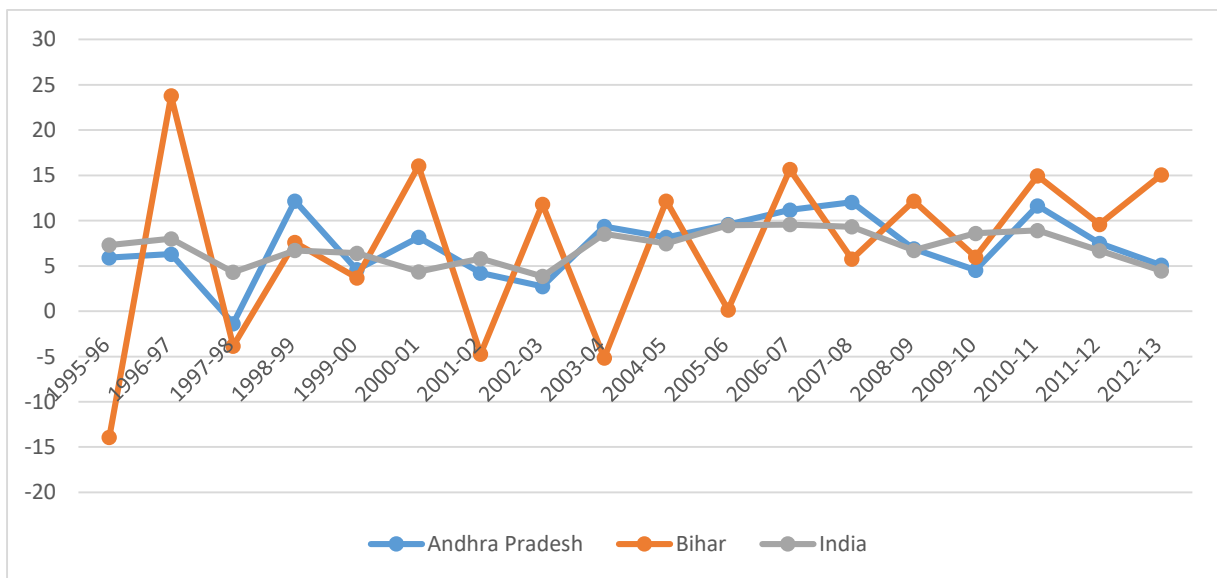
Figure 26 Per Capita NSDP in Bihar and India 2004-05 to 2013-14



Drawn by the author, source: Handbook of Statistics on Indian Economy (2006)

Compared to India and States such as Andhra Pradesh, the pattern of growth in Bihar was different. As Figure 27 reveals, India rate of growth never decreased or increased dramatically after the reforms. On the other hand, Bihar rate of growth was not stable and experienced several rise and downs.

Figure 27 Real Growth Rates of States - GSDP % at Constant Prices, Bihar, Andhra Pradesh, and India

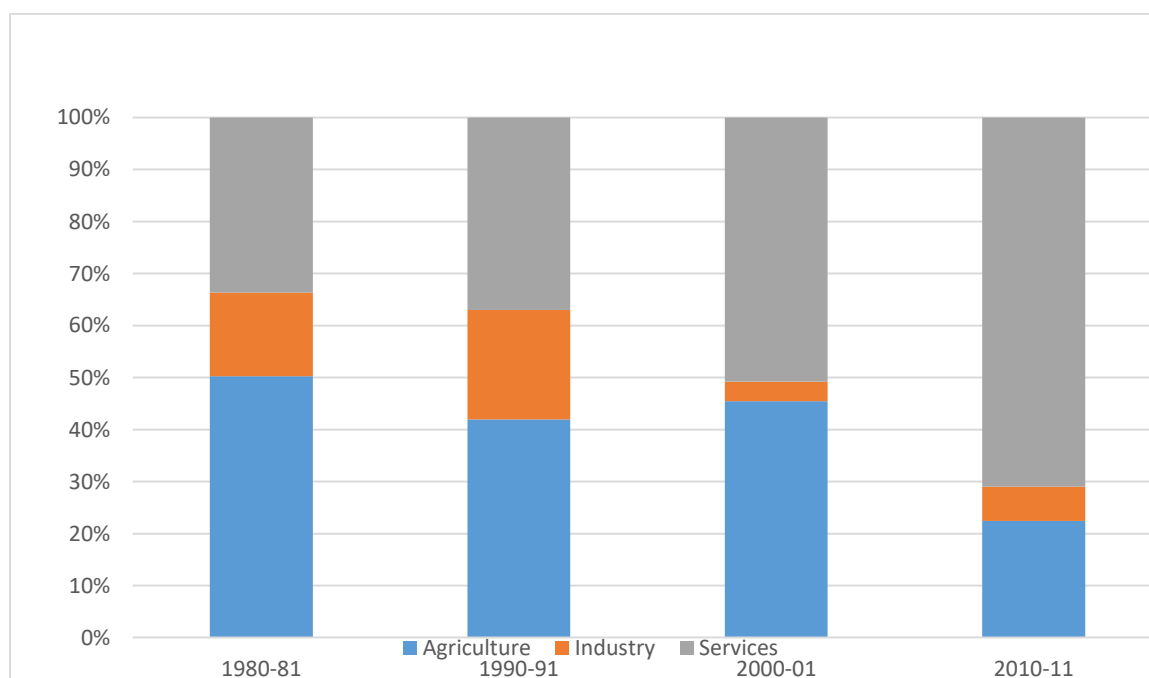


Drawn by author, Source: Planning Commission (2014)

Although Bihar frequently faced to minus rate of growth during the RJD rule, this rate has become more stable after the rise of Nitish Kumar.

Bihar had traditionally been an important agricultural State; nevertheless, the State's service sector is the main contributor to NSDP over the years. Although the share of agriculture in NSDP was 50.29% in 1980-81, it fell to about 42% in 1990-91. However, the major changes took place after the reforms. As figure 28 illustrates, while the share of agriculture in NSDP decreased from 41.97% in 1990-91 to 22.46% in 2010-11, services has become the main contributor in NSDP over last two decades. The share of the service sector as a whole is increased from 33.68% in 1980-81 to 36.98% in 1990-91, 50.81% in 2000-01, and 70.99% in 2010-11. On the other hand, Industry's share in NSDP is narrow and limited. The proportion of the industry sector in NSDP was 21.05% in 1990-91 and fallen to 3.73% in 2000-01. However, with a minor increase this share had been 6.55% in 2010-11.

Figure 28 Percentage of components of Bihar's NSDP at factor cost by industry of origin (at constant prices)



Drawn by author, Source: Handbook of Statistics on Indian Economy (2006) and (2015)

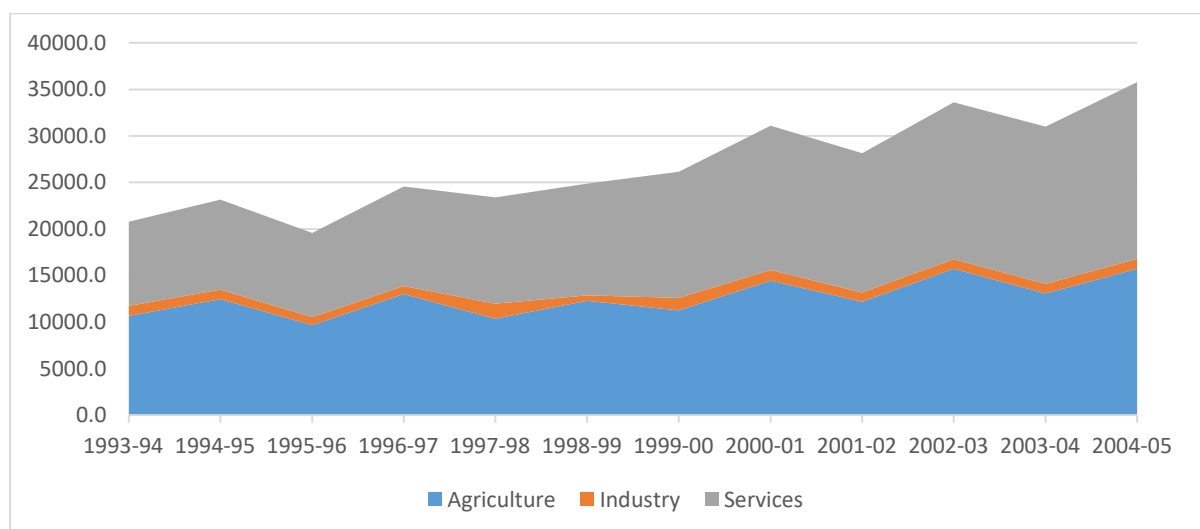
Even though the service sector contributes more than 70 percent of Bihar's NSDP, 74% of the total human resources in the State are engaged in agriculture. This rate is much higher than the national average (Paul and Sridhar 2015, 137).

According to Handbook of Statistics on Indian Economy(2015b), Bihar has reported a total NSDP of Rs.1566.71 crores, which work out to be Rs. 15506 per capita for the year 2013-2014 at constant prices. Bihar's per capita income has been below national average since the beginning of the 1990s, and this gap increased throughout the 1990s and the first half of the first decade of 21st century. This gap has decreased steadily since 2005. When Nitish Kumar

started his tenure as the Chief Minister of Bihar (2005-2006 Financial year) per capita NSDP at a constant price¹ in Bihar was Rs. 7588 and it was below of average of Rs. 26015. This rate means that Bihari people had one-third of the average of all Indians per capita NSDP. At the end of his second government (2013-2014 Financial year), this amount increased to Rs. 15506, which was half of the national average of Rs.31863. This trend of growth reveals that although Bihar still is the weakest State in term of per capita NSDP, it could reduce the gap with the national average after 2005.

The next important issue is the pattern of economic growth in the State. The current study distinguishes two distinct phases of economic performance in the State after the liberalization. In the first phase and under Lalu Prasad Yadav, the agriculture and industry sector did not achieve a significant rate of growth. While the share and contribution of these two sectors remained without any considerable change, as figure 29 depicts, service sector grew slightly and became the main contributor in State's NSDP.

Figure 29 Components of Bihar's NSDP at factor cost by industry of origin (at constant prices, base year 1993-94) 1993-94 to 2004-2005

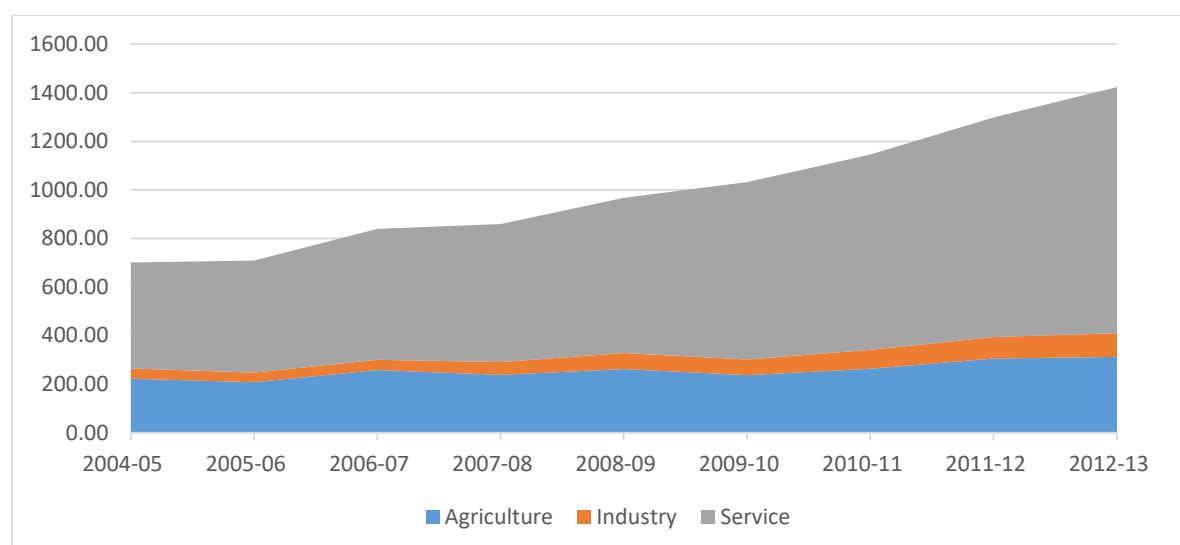


Drawn by the author, source: Handbook of Statistics on Indian Economy (2006)

In the second phase, after a prolonged stagnation, Bihar's economy has grown faster since 2005 (see Figure 30). After the victory of JD (U) in the 2005 election, Nitish Kumar implemented several reform-oriented policies, which enhanced economic growth in the State. The post-2005 growth in the NSDP is mainly based on the growth in the service sector. As it will be more elaborated, the main economic initiatives in the JD (U) rule concentrated on the service sector.

¹ Base year 2004-05

Figure 30 Components of Bihar's NSDP at factor cost by industry of origin, 2004-05 to 2012-13 (at constant prices, the base year 2004-05) in Bihar



Drawn by the author, Source: Handbook of Statistics on Indian Economy 2013-14 (2014)

Table 12 presents detailed information about Bihar.

Table 12 Bihar factsheet

Name	Bihar
Capital City	Patna
Established	1912 as Bihar and Orissa Province 1936 as Bihar 2000 Jharkhand region was recognized as a separate State
Population	1991: 64,531,000 2001: 82,998,509 2011: 103,804,637
Rank	Third (2011)
Total Area	94, 163 km ²
Rank	Twelfth (2011)
Districts	38 total
Religions	Hinduism: 82.69% Islam: 16.87%, other: less than 1% (2011)
Official Languages	Telugu and Urdu
Urbanization	1981:12.47% 1991: 10.4% 2001:10.46% 2011:11.30%
Literacy Rate	1981:26.2 1991:38.5% 2001:47.5% 2011:63.82%
HDI Rank	21 st (2011)

Drawn by the author, source: Census of India (2011), Paul and Sridhar (2015)

5.3 Pre the1990s Politics in Bihar

5.3.1 Historical Background

Bihar was a developed region in the ancient India. Mauryans and the Guptas ruled Bihar and their role transformed it to one of the most significant centers of India's culture and civilization (Kulke and Rothermund 2004). 'Bodh Gaya' as the holiest place for the followers of Buddhism located in this State. The term 'Bihar' is derived from Sanskrit term 'Vihara' meaning Monastery. Pataliputra, ancient Patna, was the capital of the Magadha Empire, founded in 490 BC. As Kulke and Rothermund (2004, 11-12) indicated, Pataliputra, as a strategic place located on a high bank of the river Ganga and emerged as "a bastion of Magadha in its fight against the tribal republics to the north of the Ganga."

During British Colonial rule, Bihar was a part of the composite State of Bihar and Orissa after its separation from Bengal in 1911; then, Bihar became a separate State in 1931. After the independence, Bihar was constitutionally recognized in 1950. Socially, Bihar is fragmented completely with several Hindu castes According to Mitra (2006, 106), Bihar's caste system is characterized by "extreme subdivision within the Hindu *varna* scheme." In the next sections, the consequences of this traditional institution on the politics and economy of State will be analyzed.

5.3.2 Congress Party and Upper Caste Domination

After the independence, politics in Bihar cannot be analyzed without considering the role and position of caste in politics. As a result, there is the bulk of literature, investigating caste politics in Bihar in term of coalitions and sub-coalitions, alignments and counter-alignments and rivalries (See Jha 1970, Blair 1972, Prasad 1979, Verma 1991, Gupta 1992, Roy 1994, Prasad 1997, Kumar 1999, Ojha 2006). Influenced by this reach literature, the current study considers caste as a micro-institutional variable, playing a critical role in the shaping of Bihar's politics. Caste served as an institution with a direct impact on political mobilization and participation, voting behavior, and interest aggregation and articulation in recent decades. Caste matters for Bihar's politics and economic performances. Although caste as an influential institution had a direct political impact in all Indian States after the independence, its political importance became more obvious in Bihar. Mitra (2006, 106) highlights the significance of traditional institutions in shaping of Bihar's post-colonial politics and writes:

"In contrast to the post-Partition history of regional state formation in Punjab and West Bengal, where politics was deeply marked by the influx of refugees, post-independence Bihar

was not a new political arena. Hence, no dominant theme of identity, corresponding to an expanding thin regional identity, emerged in Bihar's politics at the outset. Instead, old loyalties and a conglomerate of thick identities based on local 'Jati', or religion in the case of Muslims, and tribal networks for a substantial part of the population became the dominant mode of political organization, working in parallel with modern institutions such as parties, unions, and the ubiquitous bureaucracy."

Similarly, As Verma (1991, 1142) specifies, the voting behavior in Bihar can be understood and analyzed on the basis of caste, religion, and class. Therefore, for analyzing this determinant institution that had a direct effect on regional leader's strategic choice and constituents, its compositions and structure should be delineated. Ravi provided detailed information about the caste composition in Bihar. His data related to Bihar in 1991; nevertheless, the caste structure in Bihar remained relatively without significant change.

Table 13 Major caste groups in Bihar in 1991

Category	Caste Group	Percentage of Total Population
Forwarded Castes	Brahmin	4.6
	Bhumihar	2.8
	Rajput	4.5
	Kayastha	1.3
Upper Shudras (Upper Backward Castes)	Yadav	13.8
	Kurmi	3.5
	Koiri	4.1
Other OBC castes	(several caste groups)	26.8
Muslims		14.8
Scheduled Castes (Dalits)		14.6
Scheduled Tribes		7.9
Others		1.5
Total		100

Source: (Ravi Yadav 2004, 17)

As Table 13 reveals, the upper castes in the State include Brahmins and other caste groups such as Bhumihar, Rajput, and Kayastha. However, their number are numerically small. Considering their literacy, better economic conditions, and social respect, and other privileges, we can assume that they had better access to the objective sources of power and wealth after the independent. As Weiner (2001, 196) indicates, these forwarded castes dominated universities, colleges, civil service and bureaucracy, military, police, and State and Central Governments. Remarkably, because of their educational and economic privileges, they also engaged in politics and played a vital role in the nationalist movement.

As a result, the majority of leaders of political parties after the independence came from these forwarded castes. Therefore, despite their small in Bihar, they involved actively in politics and their coalitions or competitions influenced the social and political life of the State. On the other hand, Yadav caste and Muslims are the largest social groups in the State and their votes and political attitudes played a significant role in future of politics in the State. As Robin (2009, 66) notes, because of a considerable percentage of Yadavs, Bihar is an exception in entire Hindi Belt.

After the Independence, the Congress was the dominant party in Bihar and ruled until the end of the 1980s. Although two interruptions (1967-71 and 1977-79) paused the rule of the Congress, this party remained the most significant political actor in Bihar until the 1990 election. Upper castes, the scheduled castes (SCs), and Muslims were the main supporters of the Congress in Bihar (Roy 1994, 227).

Like Andhra Pradesh, specific castes organized themselves as dominant political players in the Bihar Congress after independence; nevertheless, the rivalries among these social groups existed even before the independence. The Bihar Congress established in 1908, and national freedom for India was its primary objective; however, as Roy (1966, 707) indicates, the intense rivalry for office in the organization, indiscipline, rebellion as the signs of factionalism became manifest as early as the 1920's when the Bihar Congress decided to participate in elections for local bodies.

As Mitra (2006, 107) notes, three upper caste groups, namely, the Kayasthas, Bhumihars, and Rajputs had emerged in Bihar Congress in the 1930s. According to Roy (1994, 226) in the early years of Bihar Congress, Muslims and Kayasthas emerged as the leaders; nevertheless, other upper caste groups particularly Bhumihars, Rajputs, and Brahmins – joined the Party later and ended their dominance.

As Roy (1966, 710) elucidates, two sub-coalitions, composed by Rajputs and the Bhumihars were active in the Bihar Congress until 1946.

Like Andhra Pradesh and others Indian States, the Congress party emerged as the dominant political party for decades after the independence. The pre-1990s politics in Bihar can be divided into different phases:

5.3.2.1 The pre-1967 period

In the era of ‘one dominant party system,’ the Congress won a majority of seats in the Legislative Assembly elections as well as the Lok Sabha elections. Under the leadership of Jawaharlal Nehru, any other political party could not challenge the Congress effectively; as a result, various social and political actors tried to secure political power in the framework of the Congress as the single available political platform. Roy (1994, 225) describes the Congress as “a vehicle for political mobilization and of the satisfaction of mobility aspirations of different socio-economic interests in Bihar.”

As Mitra (2007, 42) specifies, the Congress maintained the stable percentage of caste composition in all elections and upper caste candidates were the majority in all election except the 1977 election. In period also the upper castes were dominant in the State politics. Although the leadership of the Congress and majority of the candidates belonged to the upper castes, as Jha (1970) states, there was a rivalry among Brahmins and other upper castes such as ‘Kayastha,’ ‘Bhumihar’ and ‘Rajput’ to secure political power in the party.

Brahmins had traditional influence on ‘backward castes.’ This influence supported them socially and politically to become more dominant in the elections and party politics. Contrary to Brahmins in Andhra Pradesh who had only ritual status and did not possess considerable property and land, Bihari Brahmins enjoyed both ritual and property privileges (Satyanarayana 2007, 15-16). Brahmins formed a major part of State’s bureaucracy and judiciary after the independence.

On the other hand, as Jha (1970, 341) maintains, Kayasthas were the first group in the State who had English-education and dominated the professional and salaried positions. As Table 13 shows, the Kayasthas constitute only a small Percentage of the total population of the State. Moreover, their number was even less than other upper caste groups such as Rajputs or Brahmins. Despite their low percentage, Kayasthas acquired importance in Indian history since Mughal Empire. Kayasthas learned Urdu (and later English in the colonial period) and secured different positions in Mughals and British colonial administration. As Verma (1991, 1142)

specifies, Kayasthas has been politically significant even before the independence. Several national leaders during the freedom struggle such as Sachchidanand Sinha, Rajendra Prasad, and Jai Prakash Narain belonged to this caste. However, the role of this caste in Bihar politics has declined sharply since the 1972 Assembly election.

Jha (1970, 341) introduces Bhumihars as a 'landed aristocracy' in many districts who could afford politics with their properly secured future. Regional leaders such as Sri Krishna Sinha (Dr. S. K. Sinha) belonged to this caste had a considerable political impact. Not only he was the Primer of Bihar from 1937 to 1939 but also he served as the first Chief Minister of Bihar after the independence and remained in this position more than 15 years. In this period, not only S.K. Sinha ruled the State until his death in 1961 as 'Bhumihars Raj,' but also this caste group became more visible in the bureaucracy, the Congress and even opposition parties such as the CPI (Witsoe 2013, 40).

The Rajputs have also been a land-owning caste, fighting for dominance in the Congress and Bihar politics. As Verma (1991, 1143) mentions, the Congress Party witnessed to struggle between Sri Krishna Sinha as a Bhumihars leader and Anugrah Narain Sinha as a Rajput leader for the leadership of the Congress. The successor of Sri Krishna Sinha was Deep Narain Singh, a Rajput politician. Chief Ministers such as Chandrashekhar Singh (14 August 1983 – 12 March 1985) belonged to this caste group.

As Mitra (2006, 109) illustrates, during the first two decades after the independence, while there were tense rivalries among upper castes, which caused factionalism in Bihar Congress, the central high command had watchful eyes on Bihar to control the level of confrontations in the State and party. However, unlike Andhra Pradesh that Reddy caste group controlled the Congress, and there was no other real challenge to their dominance in the party, in Bihar, rivalries and conflicts between Rajputs, Brahmins, Bhumihars, and Kayasthas weakened the position of the party after the death of Nehru. In the mid-sixties, the internal conflicts among the Congress leaders accompanied with the drought, induced famine condition, student unrest, and agitation by non-gazetted government employees. Internal conflicts and inability to cope with these challenges affected performance and capability of the Congress adversely. This condition led to the erosion of voters' support and legitimacy of the State Government.

Interestingly, upper castes also dominated the opposition parties in the 1960s and 1970s. For example, in the crucial 1967 election, upper castes were dominant in J.K.D, P.S.P. and among independent candidates (Mitra 2007).

5.3.2.2 *The Period between 1967 and 1972*

The first interruption in the dominance of the Congress took place in the 1967 election; however, the erosion of Congress's power can be traced to the developments that occurred in 1963 when Binodanand Jha, the Brahmin Chief Minister, resigned under the Kamaraj Plan¹. During his tenure, he restored the *Zamindari* rights of the Tatas in Jamshedpur. His successor, K.B. Sahay, who was a Kayastha leader, tried to consolidate his power via organizing numerically backward castes such as Ahirs, Koeris, and Kurmis.

As Robin (2009, 70) clarifies, the abolition of the *Zamindari* system in 1950 was a major legislative success of the Congress government in Bihar. Although, the intermediaries were not totally eliminated, a major percentage of the tenants of the *Zamindars* arose as new middle peasants. Therefore, as Witsoe (2013, 41) and Robin (2009, 70) elaborate, after the abolition of *Zamindari* system in Bihar, new landlords came from peasant caste backgrounds such as Koeri, Yadav, and Kurmi caste groups. These recently political ascendant castes, could be considered as the new political allies in a power struggle among the upper caste leaders in the Congress.

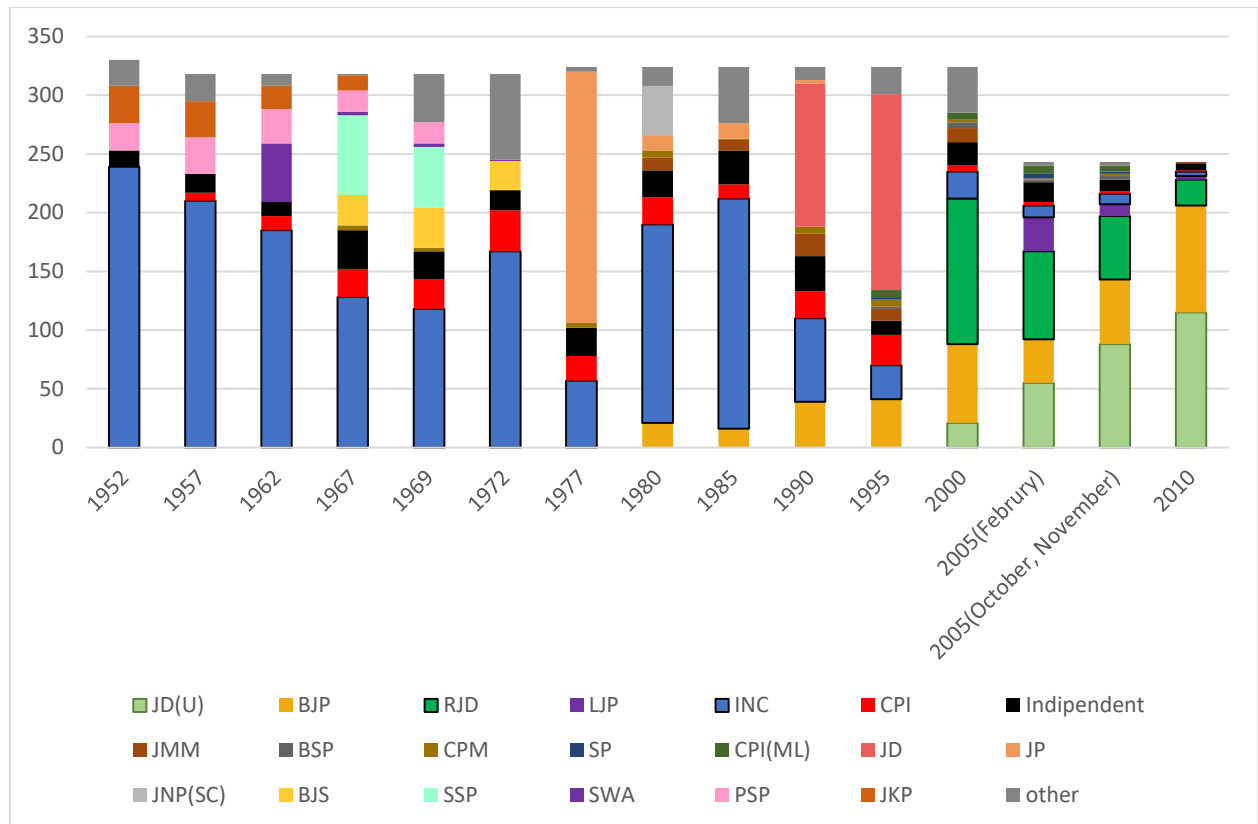
K.B. Sahay argued that the backward castes are under-represented in Bihar Congress. So, along with his backward caste ally Ram Lakhan Singh Yadav demanded a large number of nominations for members of backward castes. Other Congress leaders such as S.N. Sinha, a Rajput leader, opposed to this idea and perceived it as a challenge to the upper-caste dominance; therefore, they joined the rival camp. As a result, K.B. Sahay became more dependent to backward and lower castes. The needs of dominant upper castes to secure more support from the numerically strong backward and lower castes enhanced their position in State politics indirectly. Also, factionalism and struggles among upper castes in the Congress weaken their position and the Congress. As Mitra (2007, 44) explains, at this moment, backward castes began to engage actively in the electoral politics. The consequence of these developments is reflected in the 1967 election.

Figure 31 illustrates the process of gradual erosion of the Congress's power in Bihar. As we can see the Congress as the dominant party won 239 out of 330 legislative Assembly seats in

¹ Kamraj plan was an initiative by K. Kamaraj, the Chief Minister of Tamil Nadu in order to rebuild the Congress Party at the grassroots level. He called for the voluntary resignations of high-level national and state officials in order to devote their efforts and energy to the re-vitalization of the Congress.

the 1951-1952 election; however, the Congress could secure only 210 seats in 1957 out of 318, and declined to 185 seats in 1962 and 128 seats in 1967.

Figure 31 Bihar Assembly election results (1952-2010)



Drawn by author, Source: statistical report on general legislative assembly of Bihar series(Election Commission of India 1951-2014)

The 1967 election was a turning point in Bihar politics. Although the Congress won 128 seats out of 318, it was not able to form the government.

Although the Communists could not secure any seats in the 1952 election, they gained 28 seats in 1967. Similarly, the socialist camp improved on their 24 seats in 1952 to 86 seats in 1967. Sanghata Socialist Party (SSP) with 68 seats and Praja Socialist Party with 18 seats became the major political players in the State.

The poor performance of the Congress and rise of other political parties, the 1967 election implied to a new phase in the State-level politics in State such as West Bengal, Kerala, and Tamil Nadu. Although regional parties in States like Tamil Nadu or the Leftist parties in Kerala or West Bengal emerged and developed gradually, in Bihar, the vacuum of the Congress's power was not filled by any significant political actor. The period between 1967 and 1972 included nine coalition governments and three President's rule (Mitra 2007, 44-45). The coalition governments had a short life, and they could sustain between few days to less than

one year. Interestingly, the Congress formed three coalition government in the State and supported two other minority governments. This fact shows that although the Congress was weakened considerably, it remained as a significant political actor in State. On the other hand, contrary to other opposition political parties like DMK in Tamil Nadu or CPI in Kerala, the opposition forces in Bihar remained fragmented.

In this period, non-upper caste Chief Ministers emerged for the first time in the State. Seven Chief Ministers out of nine belonged to the backward castes or Harijans. Nevertheless, none of them could form a stable government and consolidate their position as a regional leader. As Table 14 reveals, whereas all Congress Chief Ministers between 1946 and 1989 are from the upper caste groups (except one Muslim Chief Minister), the two interruptions in the Congress's rule paved the road for the backward caste and scheduled caste politicians to be Chief Ministers of Bihar. However, two interruptions (1967-72 and 1977-79) faced with the revitalizing of Congress's power and upper caste's dominance

Table 14 List of Chief Ministers of Bihar and their caste background between 1946 and 1989

Name	Took office	Left office	Caste Background	Party
Krishna Singh	2 April 1946	31 January 1961	Bhumihar	Indian National Congress
Deep Narayan Singh	1 February 1961	18 February 1961	Rajput	
Binodanand Jha	18 February 1961	2 October 1963	Brahmin	
K. B. Sahay	2 October 1963	5 March 1967	Kayastha	
Mahamaya Prasad Sinha	5 March 1967	28 January 1968	Kayastha	Jana Kranti Dal
Satish Prasad Singh	28 January 1968	1 February 1968	Backward caste	Indian National Congress
B. P. Mandal	1 February 1968	2 March 1968	Backward caste	
Bhola Paswan Shastri	22 March 1968	29 June 1968	Scheduled caste	Indian National Congress (O)
Vacant (President's rule)	29 June 1968	26 February 1969	N/A	N/A
Harihar Singh	26 February 1969	22 June 1969	Rajput	Indian National Congress
Bhola Paswan Shastri [2]	22 June 1969	4 July 1969	Scheduled caste	Indian National Congress (O)
Vacant (President's rule)	6 July 1969	16 February 1970	N/A	N/A
Daroga Prasad Rai	16 February 1970	22 December 1970	Backward caste	Indian National Congress
Karpoori Thakur	22 December 1970	2 June 1971	Backward caste	Socialist Party
Bhola Paswan Shastri [3]	2 June 1971	9 January 1972	Scheduled caste	Indian National Congress
Vacant (President's rule)	9 January 1972	19 March 1972	N/A	N/A
Kedar Pandey	19 March 1972	2 July 1973	Brahmin	Indian National Congress
Abdul Gafoor	2 July 1973	11 April 1975	Muslim	
Jagannath Mishra	11 April 1975	30 April 1977	Brahmin	

Vacant (President's rule)	30 April 1977	24 June 1977	N/A	N/A
Karpoori Thakur	24 June 1977	21 April 1979	Backward caste	Janata Party
Ram Sundar Das	21 April 1979	17 February 1980	Brahmin	
Vacant (President's rule)	17 February 1980	8 June 1980	N/A	N/A
Jagannath Mishra	8 June 1980	14 August 1983	Brahmin	Indian National Congress (I)
Chandrashekhar Singh	14 August 1983	12 March 1985	Rajput	
Bindeshwari Dubey	12 March 1985	13 February 1988	Brahmin	
Bhagwat Jha Azad	14 February 1988	10 March 1989	Brahmin	
Satyendra Narayan Sinha	11 March 1989	6 December 1989	Rajput	
Jagannath Mishra [3]	6 December 1989	10 March 1990	Brahmin	

Drawn by the author, Sources: Jha (1970) and Mitra (2007)

5.3.2.3 The Period between 1972 and 1977

As Table 14 depicts, after a period of unstable governments, the constituents voted again to the Congress to restore political stability in the State. Like Andhra Pradesh, the victory of the Congress in the 1972 election can be attributed to the leadership of Indira Gandhi and her role both in national and State politics.

During this period, the Congress high command appointed three Chief Ministers in Bihar. Two of them were Brahmin, and the other one was a Muslim; however, the upper caste had a maximum representation in his cabinet. In this period, the State Government became more dependent on Delhi and the high command. As Mitra (2006, 110) asserts, with the close connections to the high politics of the Center, “governance in Bihar, endogenously unsustainable at the best of times, went into a state of animated suspension from which it is yet to recover.”

Continuous manipulations by the Center, corruption, factional infighting in the Congress, worsening economic situation and extreme droughts and floods, contributed to general political discontent. This discontent manifested in Bihar Movement, targeting the Congress in the State and later became anti-Indira Gandhi. Bihar Movement was a movement initiated by students at Patna University in 1974 and led by Jayaprakash Narayan, popularly known as JP (Krishna 2011, 120-126). The Patna University Students Union organized a meeting of student leaders from different regions of Bihar. They formed Bihar *Chhatra Sangharsh Samiti (BCSS)* in February 1974 to spearhead the agitation. *Lalu Prasad Yadav*, a student at the Patna University at that time, was elected to preside the BCSS (Krishna 2011, 122). Lalu started his political activism with anti-Center and anti-Congress attitudes, and this political background had a direct

impact on his political life. Moreover, Nitish Kumar, another student activist started his political career from this movement. Nitish and Lalu as two friends were two student leaders of Lok Dal. The BCSS also requested Jayprakash Narayan to lead the movement. Although the movement at beginning had demands such as to control the prices of foodgrain and other essential goods, lowering of tuition fees and prices of textbooks, better amenities in hostels, role for elected students in the various decision-making bodies of the colleges and universities (Krishna 2011), the BCSS widened the scope of its requests and demanded the resignation of the Abdul Ghafour government and dissolution of the Legislative Assembly.

The BCSS called several times for *agherao*, *Bandh*, and *Satyagraha*. Political unrests crippled everyday life in the State. As Mitra (2006, 110) indicates, the political condition became so worse when the army had to be called in to help the civil administration in the State. On the other hand, the movement radicalized and called for 'Total Revolution Movement.' During the wave of political instability and unrest L.N. Mishra, the Central Minister, was killed in a bomb blast at Samastipur in January 1975. Not only Bihar witnessed to political instability and crisis in the order, but also other States experienced several challenges. Subsequently, Indira Gandhi asked the President to declare a National Emergency in June 1975. During the emergency, the fundamental rights were suspended, and the General Election was for one year postponed. Moreover, numerous opposition politicians, journalists, and political activists were arrested and sent to jail. Mitra (2011, 73) describes the National Emergency as "the first major trial of strength and resilience of India's democracy."

As Kulke and Rothermund (2004, 337) elucidate, an emergency with almost dictatorial powers continued for more than a year; as a result, the political instability in the country decreased, and the economy was geared up. With the higher level of order and fewer strikes, the economy found a better perspective; however, the new political arrange could not sustain very long.

Despite Indira Gandhi's hope to win the 1977 election, the public opinion verdict was against her and the Congress. The opposition leaders, both at the national and State level, after their release from the jail, organized the election campaign. The emergency unified the opposition leaders to the form Janata Party; thus, Indira Gandhi lost the 1977 election. While Andhra Pradesh remained as one of the rare strongholds of the Congress in the 1977 election, Bihar like several other States voted for the opposition parties. One of the young candidates who won the 1977 election and selected as MP was Lalu Prasad Yadav, the student leader at Patna University.

5.3.2.4 The Period between 1977 and 1979

The supremacy of the Congress was interrupted again by the 1977 election; people voted for Janata Party as a reaction to the emergency that Prime Minister Gandhi had imposed in 1975. Jayaprakash Narayan guided the opposition actors to be united under the flag of Janata Party. Opposition parties such as Congress (O), Jana Sangh, BKD, Congress for Democracy, and various socialist parties formed a 'Grand Alliance' (Roy 1994, 229). The Janata Party tried to attract political support from the backward castes and perceived them as a significant political force. During the short time of the opposition rule in Bihar, two Chief Ministers had the backward caste background (Mitra 2007).

As Mitra (2006, 111) explicates, Karpoori Thakur, the first Janata Party Chief Minister had promised job reservations for backward castes during the election campaign. After the election, Thakur as a Chief Minister who belonged to a backward caste group tried to implement his electoral promises; however, upper-caste members of his cabinet opposed these measures. Thakur government issued a notification for the reservation of 20% government jobs for the backward castes on November, 10th 1978. Moreover, 25% job reservation for Scheduled Castes and Scheduled Tribes already existed (Mitra 2007, 49). The upper caste members of the cabinet claimed that Ahirs, Koeris, and Kurmis caste groups had progressed financially; as a result, they wanted a fresh examination of the issue. While the Chief Minister was determined in the implementation of reservation policy, other members of the cabinet and the party opposed him. According to Mitra (2006, 111), the struggle on the reservation policy caused 'polarization of backward castes and upper castes' and resulted in violent riots and agitations by upper-caste youth. Ultimately Karpoori Thakur had to resign in 1979 when he lost the confidence of the Legislative assembly. His successor also could not continue his tenure more than ten months.

5.3.2.5 The period between 1980 and 1990

After imposing the fifth President's rule in Bihar, the Lok Sabha and Assembly elections took place in 1980. In the Assembly election, the Janata Party had divided into four groups; therefore, their votes were distributed. Consequently, the Congress came back to the power and Jagannath Mishra, a Brahmin politician, became the new Chief Minister of Bihar. As Mitra (2006, 111) illustrates, Bihar witnessed to conflicts between upper castes and backward castes, factional fights, corruption and communal riots during Mishra's rule. However, the power of Mishra depended on the Center and was supported by the high command in Delhi, until they asked him to leave his job.

The Centre also dominated the other Chief Ministers of Bihar. As Mitra (2007, 50) notes, these Chief Ministers were appointed at the ‘sweet will of the high command.’ Similarly, as Roy (1994, 229) maintains, during these ten years, seven Congress Chief Ministers were appointed and ‘were forced to retire.’

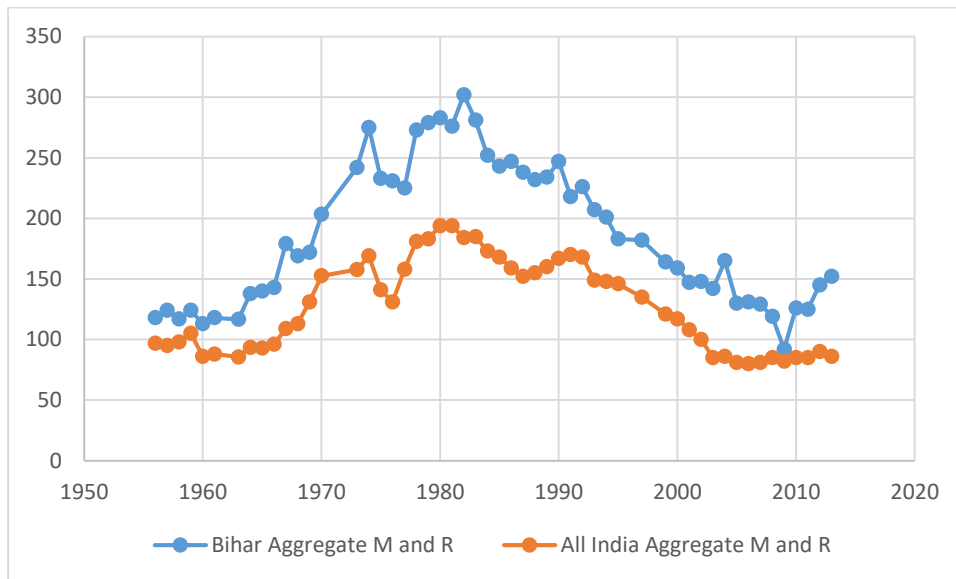
In this era, the regional leaders were mostly dependent on the Center in the vertical game. While there is no powerful alternative for the Congress in the State, the Congress again transformed into a single political platform that could attract the votes. However, the leadership of Indira Gandhi with her *Gharibi Hatao* could attract voters in the State, and regional upper caste leaders lost their importance gradually in term of attracting the votes. As a result, the Chief Ministers relied more on the Center’s power than their local popularity. In the vertical game, regional leaders should present their loyalty to the Center to receive more political support. On the other hand, the regional leaders were relatively confident to constituent’s support in the horizontal game. Frustrated from 1967-71 and 1977-79 opposition rule, constituents voted for Indira Gandhi’s populist measures and later Rajiv Gandhi. Varma (1987, 508) asserts that the position of the State Chief Ministers in Bihar has been considerably denigrated since 1980:

“Gone are the days when there were organized fights between rivals for the leadership of the Congress Legislature Party. New Chief Ministers are imposed from the Centre, and they depend on for their existence on the mercy of the Central Congress (I) leadership. Kedar Pande, Jagannath Mishra, Chandra Shekhar Singh and Bindeshwari Dube, were nominees of the Central High Command, and they seem to glory in this kind of delegated leadership. Not only are such leaders helpless in eliciting more funds from the Centre to the State Exchequer but they also fail to build an aura of statewide leadership around them. Their statements fail to convince the intellectuals and appear like echoes of the voice of the central leadership. This is an unfortunate situation in a federal system of government.”

As Mitra (2006, 111) mentions, the Congress Government was no able to enforce the order and law in the State. the inter-castes conflicts found new dimensions by development of armed bands and protection rackets. Not only law and order were disrupted by the mafia gangs and riots, but also Naxalites with their Maoist ideology committed several violent actions. On the other hand, the power of the Congress was worn out by the internal conflicts and interventions of the Center. The fractious Congress could not manage law and order effectively and became more dependent on the Center.

In sum, as Mitra (2006) clarifies, based on the neo-institutional model of governance, the polarization of castes and the gradual erosion of the Congress's power in the State had a direct negative impact on the orderly rule in the State. Also, because of an intense power struggle among the upper caste elites in the Bihar Congress, the Congress fragmented institutionally, and elite agency at the Central level could not be implemented effectively at the regional level. Not only the State Government was not able to implement law and order management but also regional institutional complexities intensified the communal riots, caste-based violence, and Naxalite violence. Caste polarization and mass poverty with an institutionally weakened government prompted a high level of deinstitutionalization and collective violence and further political instability. Following Mitra (2006), this study employs the aggregated indicator of incidents of murder and riots per million to measure orderly rule and ability of the state to govern. As we can see in Figure 32, Bihar had a relative equal level of political violence to average India in the early years after the independence. However, the first wave of increase in violence took place in the late 1960s and beginning of 1970s. This wave can be attributed to the first interruption in the Congress rule as the most important political party. Interestingly, the first increase of orderly rule in the mid-1970s synchronized with the re-election of the Congress. Nevertheless, like another part of India, Bihar experienced a lower level of the orderly rule in the late 1970s because of the after effects Bihar Movement and subsequent emergency. Remarkably, with the rule of the JD and later RJD as the first stable non-Congress parties, the trend reversed and showed a slight decrease. As it will be elaborated, this success can be seen a result of Lalu Prasad Yadav's strategies to control the communal riots in the State. However, the level of instability remained higher than the national average.

Figure 32 Combined index: murder and riots in Bihar and India: (number of riots and murders per million population)



Drawn by author, Source: *Crime in India (annual)*

5.4 Fall of the Congress, Rise of the JD and Lower Caste Politics

The 1990 election is a significant turning point in Bihar Politics. The political developments at the national level at the end of the 1980s affected domestic politics in the State. The main factor that affected Bihar politics was emergence the Janata Dal (JD, or Dal) as a new anti-Congress force in the ninth general election in India in November 1989.

The JD was formed in the same way as Janata Party came into existence in 1977. Three different political factions formed Janata Dal in October 1988. As Fickett (1993, 1151) elaborates, Chandra Shekhar was the leader of the first faction of the party. This faction reached back to the socialist parties of India and a splinter of the old Congress Party of Morarji Desai. Some of the Congress dissident leaders, such as former Defense Minister Vishwanath Pratap Singh, Arif Mohammed Khan, and Arun Nehru were the main pillars of the second faction of JD. The third wing of the party was rooted in the middle peasantry and ‘backward castes’ of Bihar and Uttar Pradesh. As it was discussed, after a long history of dominance of the upper caste groups in Bihar, Janata government introduced caste basis reservations. Although this policy could not be implemented in the short time successfully, political action based on caste identity, especially among non-upper caste groups increased. While the forward castes leaders had traditionally been the most important political actors in the State, the leaders of backward and Scheduled Castes and Scheduled Tribes have emerged as influential political players (Roy 1994). Although Charan Singh, an old politician and Prime Minister of India during Janata Party rule, had been the leader of this wing, he was however not alive when this wing

reorganized itself in the form of Janata Dal. The younger generation of regional leaders, engaged in politics as a student leader in the 1970s, such as Lalu Prasad Yadav, emerged as the leaders of this faction. This wing played a vital role in the political and economic future of Bihar.

Born in Phulwaria in 'North Bihar,' in 1988, Lalu Prasad Yadav grew up in a marginal landless cultivator family. They lived at the 'lower end of the feudal system' with a several economic and social restriction (Thakur 2000, 25). This backwardness was echoed in his political life and his populist appeal (Witsoe 2013, 54). As a six years old boy, Lalu left the village and stayed with his uncle who was a Milkman at Bihar Veterinary College. That is why he had a chance to go to school (Thakur 2000, 28). He was admitted to B.N College at Patna University; subsequently, Lalu Yadav started his political life as a student leader. He was elected as the first OBC president of the Patna University Students Union in 1967. He started his political life as an anti-Congress OBC student leader who fought against the upper caste dominance. As it was noted, he was elected as the chief of all Bihar students agitation committee in 1974 and led the movement under the supervision of Jayaprakash Narayan. He emerged as a prominent student leader during Bihar Movement. As an activist in the campaigns against Indira Gandhi's government, he was arrested during the Emergency (1975). He was elected as MP from Chapra constituency in 1977 on a Janata Party ticket. In the 1980 and 1989 Assembly elections, he was elected as an MLA from Sonapur. Yadav became the successor of Karpoori Thakur as the leader of opposition in the Assembly. Finally, he became Chief Minister of Bihar after the success of opposition parties (JD in Bihar).

The Congress lost the ninth general election; as a result, Janata Dal with the cooperation of leftist and regional parties like JMM and TDP played a significant role in the formation of a non-Congress government in the Center.

Moreover, the Congress was defeated in the 1990 Bihar Assembly election, and the JD won 122 seats out of 324. Lalu Prasad Yadav assumed the office of Chief Minister and formed a cabinet with a majority of backward caste group members (Mitra 2007, 49). As both Chief Minister and as a 'Chief Minister in shadow,' he had a significant influence on Bihar politics in the 1990s until 2005. Lalu Prasad Yadav and later his wife, Rabri Devi, served as the Chief Ministers of three consecutive governments in 1990, 1995, and 2000.

According to Robin (2009, 85), implementation of Mandal Commission Report by V.P. Singh government, providing reservation for the socially and economically backward classes, polarized India's political scene to pro-Mandal and anti-Mandal. Mandal affairs can be seen as a major factor that strengthened the emergence of Janata Dal as the secular alternative to the

Congress. As Weiner (2001, 197) maintains, the opposition parties gradually learned to build coalitions among the middle and lower castes and attract Muslims with an alarm of growth of the BJP in the state to undermine the strength of the Congress in Bihar.

Lalu Prasad Yadav was supported by OBCs especially Yadav caste group and Muslim minority. The numerically strong Yadav belonged to the upper layer of OBCs. The new reservation policies benefited Yadavs; therefore, Janata Dal and later Rashtriya Janata Dal (RJD) received tremendous support from this caste group (Kumar 2004, 125). Moreover, Lalu Yadav tried to control the communal situation in the 1990s. He halted Advani's Rath Yatra to Bihar. Furthermore, Yadav dealt with Hindu activists firmly after the demolition of the Babri Masjid. These measures made Muslims as the key supporter of JD/RJD rule and created the basis for a solid alliance among backward classes, Harijans, and Muslims (Mitra 2006, 111).

Yadav was the Chief Minister of Bihar between 1990 and 1997 with a very short interruption by the President rule in 1995. In 1997, Yadav faced to what became known as the 'Fodder Scam' He was charged in illegal withdrawals of Rs. 9.5 billion from the Animal Husbandry Department (Witsoe,2013,71). The CBI started the investigation and police arrested him. Just before surrendering to the police, Yadav resigned as Chief Minister and asked his party members to support his illiterate wife, Rabri Devi, as the Chief Minister of Bihar. Moreover, he announced the split from the national Janata Dal to form the 'Rashtriya Janata Dal' (RJD), which literary means National People's Party. Yadav was in prison between 1997 and 1998; however, he ruled the State and the party by cell phone calls to her wife.

Witsoe (2013, 3) describes Bihar as the 'worse-governed State in India' during the RJD rule. The growing political instability, lawlessness, corruption, and erosion of bureaucracy in the State created chaos, called as 'Jungle Raj.' Sinha (2011, 174) describes the political climate after arrest of Lalu Yadav in Bihar:

"Lalu had relied entirely on his maneuvering to broaden his support base, and with the 1995 'hurricane Lalu' he appeared to have fully convinced himself that he could go further up only that way—the collapse of governance, the takeover of institutions and resources by the corrupt, the epidemic of thuggery and the 'Yadavization' of power counting for nothing in his eye. With Rabri, a traditional housewife till yesterday, in the chief minister's office, and Lalu away, occupied with his fight against CBI prosecution, even the semblance of governance took a long holiday."

5.5 Lalu Prasad Yadav as a Charismatic Leader

Although Lalu Prasad Yadav became a hate figure for many in forwarded castes, and his leadership style was the main theme for fun making in the media, he emerged as a charismatic leader in Bihar. He portrayed himself as the main supporter of backward caste groups in the State. Yadav (2004, 5512) designates Lalu Prasad Yadav as the central character in a political drama unfolding on the Bihar stage in the last decade:

“Critics may ridicule him as a clown, but backward sections and the poor look upon him as their chief protagonist. He may rule Bihar by proxy, keeping his semi-literate wife in the gaddi, but people have reposed faith in him.”

Lalu named himself as ‘*Gharibon Ka Masiha*’ (Messiah of the Poor) who want to save lower caste people from domination and exploitation of the upper-castes:

“Yeh garib dukhiare Lalu Yadav ko bhool nahi sakte, kyonki Lalu hi unka masiha hai. Baki sab bilkul bakwaas (the poor and oppressed people can never forget Lalu Yadav because only I am their messiah and the rest are useless)” (Yadav 1998b).

As Witsoe (2013, 56) reports, after the first victory and the appointment as the Chief Minister, Lalu Yadav preferred to stay at a shared small room at the Bihar Veterinary College rather than moving into the chief minister’s official residence. He ordered to hold the cabinet meetings on the grounds in front of the complex. Although he moved later to chief minister’s official residence, these actions improved his image as a different leader among the poor and lower castes people.

The charisma of Lalu could not be attributed to any spiritual, ideological or cinematic roots. Although he claims that he was a follower of Jai Prakash Narayan and Lohia, he is not a socialist in the ideological sense. Moreover, while he had several performing capabilities, he did not start his political career as a cinema superstar. Corbridge et al. (2005, 237) suggest that Lalu’s charisma is attributed to his image among the backward castes:

“Many Backward Caste men and women support Laloo Yadav precisely because he articulates – and personifies – their aspirations to speak back, to be virile. He is a charismatic leader in the secular and popular sense: not a man who has divinely given talents or powers, but a man who projects and writes into the public culture the fantasies of an oppressed majority.”

As a populist leader, Lalu Yadav laid emphasis on a clear distinction between elites and ‘the people.’ For him, the elites are members of a forwarded caste who historically had direct access

to a source of power and wealth. On the other hand, ordinary people include the OBCs, Harijans, Muslims and other marginalized sections of the society. His political mobilization was mostly based on stressing on the historical confrontation between the elites and people. He portrayed himself as a revolutionary but democratic leader of lower caste people who fights for the poor against the upper caste domination:

“Look at my foot. See, I am missing a toenail...I lost this toenail when I was a poor boy living in my village. We barely had enough to eat, and I used to herd buffalo day, sometimes so late that I would fall asleep on the back of a buffalo on my way home. One day, a buffalo that I was heading stepped my foot, and I lost the toenail... Now look at what a tall chair I am sitting in (the chief minister's chair. I have proven that ballot boxes are more powerful than machine guns. Voters can decide whether a man will be in the dust or riding in an airplane. I am a true Naxalite from birth, a democratic Naxalite.”(quoted in Witsoe 2013, 61)

He depicted himself as the member of poorest sections of ‘the people.’ When Yadav was asked about his government’s measures to protect Dalits after a Massacre of *Musahars* (literary means ‘rat eaters,’ the poorest caste in Bihar), he explicitly introduces himself a member of this caste group and responded:

“Listen, I know the pulse of the people. In the fields, there is a species of rats known as kronsa. You catch it and burn a small hole in its belly, then pull out all the intestine, etc., stuff it with green chilly and masala and then roast it. All the juices and hair get burnt out, and when it is roasted properly, you just peel off the skin and taste it. Our Musahars eat rats, and I have also done it. That is why I know what they think, how they think.”(Yadav 1999)

With such comments, Yadav distinguished himself from other upper caste politicians (both in the Congress and BJP) and other OBC leaders. He tried to get more political support for RJD from scheduled castes. Not only he tried to demonstrate that he is close to ordinary people in his interviews, public speeches, and election campaigns, but also he tried to have face to face contacts with his supporters, promising to revive their *Izzat* (honor, dignity), dismiss upper caste dominance, and provide some reservation in public service and education. According to this populist agenda, Lalu as the leader of ‘people’ protects the ordinary people from a ‘pernicious enemy,’ namely the upper castes. The famous slogan of RJD was *Bhurabal Hatao*¹,

¹ Bhurabal is a Hindi acronym for the four upper-caste groups in Bihar: Bhumihars, Rajputs, Brahmans, and Lals (Kayasthas). Bhurabal Hatao was made based on Indira Gandhi's famous slogan, Gharibi Hatao (get rid of poverty).

meaning “get rid of upper castes.” Lalu defined his main political goal as giving *Izzat* (honor) to the previously neglected caste majorities:

“These people have oppressed and suffocated you for thousands of years; they have made you labor, and they have kept the fruits for themselves... This government, this power, the state, this is all yours. You have been deprived of your share because those who ruled the state were not bothered about you ... However, now your man has captured the establishment... ‘Bhurabal Hatao’: wipe out the upper castes.”(quoted in Thakur 2000)

As Witsoe (2013, 62) elaborates, Lalu Prasad Yadav visited several villages in Bihar, using a helicopter. None of the major politicians visited most of these villages. Lalu visited the poorer OBC and Scheduled Caste areas of villages, instead of visiting the upper-caste sections of villages. These visits strengthen the position of Lalu Yadav among the rural OBSs and scheduled castes. This populist agenda made him a charismatic leader for OBCs, Muslims, and Dalits.

Srinivas (2009, xxv) focuses on performing dimension of Yadav’s charismatic leadership and compares him with N.T. Rama Rao in Andhra Pradesh. Although Yadav was not a professional cinema actor like NTR, both had a successful performance in the age of the televised election campaigns and assembly proceeding.

As Witsoe (2013, 55) specifies, Lalu earned a reputation for “wit, humor, theatricality, and rustic oratory.” Instead of standard Hindi, he gave speeches in the regional Bhojpuri dialect. While Yadav lacks strong socialist ideological foundations, his personal capabilities and skills made him a charisma leader who could attract the votes of marginalized sections of society.

5.6 The Vertical Game: JD/RJD in the State and Congress/BJP in the Center

The JD and later RJD defined its main agenda to fight the influence of upper caste groups in the State. Although Lalu portrayed the Congress at the State and the Center as the manifestation of domination of the upper castes in the first 1990s, with the emergence of the BJP as the key political actor in the Center and formation of the NDA government, the BJP was introduced as the symbol of the upper caste supremacy. Lalu in both phases had a hostile attitude toward the Center and opposed the policies which had been recommended by the Center. Muslims, the backward castes, and other lower caste supporters rewarded his party with the reelection in the Assembly elections.

In the first phase of confrontation with the Center (Prime Minister P.V.Narasimha Rao, 21 June 1991 – 16 May 1996), Lalu Yadav depicted the Congress at the Center as the representation of upper caste dominance. In the second phase of his confrontation with the Center (Prime Minister Atal Bihari Vajpayee, 19 March 1998 – 22 May 2004), Lalu intensified his hostility with Center and projected it as the confrontation between ‘secularism and communalism.’ The debilitated Congress in State was not a key threat to Lalu anymore. On the other hand, Yadav perceived the BJP as the emerging player who can challenge his power in State. Even before the formation of the NDA government, he started to launch attacks against BJP. For example, responding to a question about private armies in the State and violence Yadav stated:

“Private armies like the Ranvir Sena are being funded by one caste in the state. It is being backed by the BJP, which comprises feudal elements and known destabilizers. Killings such as these are being engineered to malign my government. Even though I have banned private armies, it is impossible to control their movements”(Yadav 1997)

The hostility with the ‘Upper Caste Dominated Center’ and ‘Communal Politics’ was the main foundation for political mobilization in the State against the Center during the NDA government. For example, at a political rally on April 30, 2003, the RJD mobilized then thousands of villagers to attend in Gandhi Maidan, Patna, This event was called ‘Lathi Rally’ and its slogan was *Bhajpa bhagao, desh bachao* (get rid of the BJP and save the country).(Witsoe 2013, 1)

When Lalu Yadav was asked about the goal of this rally; he responded:

“The BJP is a communal party. But it is just the mukhuta [mask] and the real forces behind it are the RSS, the VHP, and the Shiv Sena. These forces are bent on destroying the country. They have been trying to do this and have succeeded in the attempt to an extent with what they did in Gujarat.” (Ananth 2003)

The Lalu’s confrontationist strategy in the vertical game with the center had its own consequences. Not only Lalu was arrested after Fodder scam and forced to resign, but also the Center tried to remove her wife from the power. In February 1999, the NDA government dismissed the Rabri Devi government on the charge of ‘perpetuating Jungle Raj in Bihar.’ The Center had appointed Sundar Singh Bhandari, the ex-vice-president of the BJP, as the governor of Bihar. The Center used Article 356 of the constitution and imposed President’s rule and dismissed the RJD government. As a professional politician, Lalu realized that his party and the government had no chance without the support of the other main political players. The

reconciliation with the Congress as the main opposition party against the common enemy was a rational choice. Yadav met Sonia Gandhi, the Congress president, to convince her that the reason behind President Rule in Bihar is not the Jungle Raj but the desire of the BJP to expand its political realm. The Congress decided to support the RJD and Devi government, and the NDA became sure that the bill would be defeated in Rajya Sabha; as a result, it withdrew the dismissal order(Thakur 2000, 144).

Yadav has begun a closer relationship with his old enemy since 1999. The Congress leadership recognized that with the rise of lower caste politics, their party with upper caste domination history had no serious chance in Bihar. So, the cooperation with the RJD who can mobilize the OBCs, Scheduled Castes, and Muslims against the BJP at the Central and regional level is more pragmatist approach. Lalu also could be sure that the NDA government in the Center could not easily dismiss his wife's government and declare President Rule. When Lalu was questioned about the alliance with the Congress, he answered:

"I had revolted against the policies of the Congress, against emergency. But now the country under the rule of BJP is going nowhere. Our borders are not secure; neither is the Parliament. Big companies are being sold for peanuts; women are unsafe in Delhi. Due to all this I chose to tie up with a more secular party, the Congress party. I can't throw my brother-in-law from my house just because he is working hard and is involved in politics." (Yadav 2003)

5.7 Reelection as a Reward despite Poor Economic Performance: The Horizontal Game

As it was discussed, caste had been one of the key variables that influenced the voting Behavior in Bihar. However, after the emergence of 'lower caste politics' this factor became the primary explanatory variable for understanding and analyzing of post-1990 election. Prasad (1997, 3027) explains how regional political elites do not expect to gain reelection through their development agenda but expect to be rewarded by the voter they only focus on the Caste politics in the 1990s:

"Caste and social factions continue to play a major role in the elections in Bihar. What reinforces this pattern further is that the voters, who have largely turned cynical about the electoral political system, don't expect anything positive from their elected representatives. In the absence of any concrete agenda offered by the candidates or any sincere promise to fulfill them, elections have become just a means of establishing a phony social dominance by one group of castes over others."

Lalu Yadav and his party leaders as a rational regional political elites expected the most gain (re-election) from confrontational rhetoric and behavior against the upper caste dominance in the State as well as Central Government; as a result, they employed the anti-Center rhetoric (against both the Congress in the early 1990s and later the BJP) and took some populist welfare measures in favor of the OBCs, Dalits, and Muslims to keep them satisfied. Kumar (1999, 2474) delineates how the identity-based caste politics with its focus on 'Azadi' (liberty, freedom) and *Izzat* (honor, dignity) of the poor and lower castes overshadowed the development as the expected performance of the government:

“The biggest surprise was that even though Lulu Yadav has been constantly blamed for neglecting developmental work, he still drew large support from the largest sections of society. If one takes a deeper look into the functioning of the Lulu government, during the past five years one can understand why the poor and the Dalits have voted for the Janata Dal. The Dalits in general overwhelmingly supported Lulu Yadav. They were not satisfied with his performance for, besides constructing some houses under the Indira Awas Yojana for the Musahars, the poorest among the poor Dalits, nothing much has been done for them. But for many, it was the only occasion in their lifetime when they could vote. They reiterated that for them 'Azadi' came only during Lulu 's regime as now they enjoy a sense of self-pride and that upper-caste people do not encroach upon their independence now.”

In three consecutive elections, Lulu was rewarded by the OBCs, Dalits and Muslim because of his emphasis on *Izzat* of the poor. Lulu Yadav asserted that the mass poverty in Bihar is not a great concern; on the other hand, what matters, and what has driven his politics, is a search for *Izzat* of backward classes and castes. Corbridge et al. (2005, 237) elucidate how *Izzat* idea overshadowed developmental performances of government during JD/RJD rule:

“Instead of an emphasis on jobs and services, he has emphasized the issue of social exclusion and a person's sense of self-worth or honor (Izzat). And in this specific respect his politics can be judged a success. Poorer men and women in Bihar might not expect to gain much from the state, but some of them at least (perhaps the members of the 'creamy layers') no longer expect to be treated with disdain, or abusively. In any case, for the Yadavs and Kurmis, especially, many of the people they now see in the state are members of their own communities.”

Lalu Prasad as a rational actor (egoistic player and maximizer of his interest) realized that the majority of OBCs, Dalits, Muslims, and other marginalized constituents rewarded him if he continue his *Izzat* rhetoric, confrontation with the Center (particularly with the NDA

government) and some populist welfare measures. For these constituents, economic growth was less important than *Izzat*. As Thakur (2000, 215) states:

“[Lalu] got away without governance for so long because to his deprived constituency, governance and development were strange concepts, concepts that hadn’t mattered to their lives.”

5.8 Economic Populism and Identity Politics in RJD Regime

Resulted by what Rudolph and Rudolph (2013) call, ‘federal market economy,’ Chief Ministers have attained more autonomy in economic policy making since the 1990s, and their decisions have been the key factor for the economic performance of States. The rise of lower caste politics in Bihar and emergence of Lalu Yadav was mirrored at in Bihar economic policies. Zoya Hasan (2002, 380) distinguishes pursuit of power as the most remarkable characteristic of lower caste politics. The new OBCs or Dalit leaders in Bihar under the leadership of Yadav faced the challenges, created by the Congress, as well as the BJP at the Center. Therefore, they tried to find a way establish and maintain the political power. Especially, when they confronted with the Center (either the UPA or the NDA), they should be sure about the continuity of political support by the constituents. Consequently, these regional leaders tried to increase their groups and other vote banks’ share in public life, education, and public employment. In this context, neo-liberal economic reforms, advocated and pursued by the Center, was perceived as the continuity of old upper caste arrangements that should be broken. Therefore, Lalu Prasad Yadav rejected the mainstream economic development discourse, antipoverty schemes, and state planning arrangements. On the other hand, he underlined the short term welfare measures, targeting the OBCs, SCs, and Muslims. These plans intended to provide more share in economy and education for the potential constituents. Thakur (2000, 86-87) introduced some of the populist measures that Lalu Yadav government initiated and targeted his ‘MY’ (Muslims and Yadavs and other OBCs) supporters:

- “More than 150 *charvaha* schools were established in rural areas across the state so shepherd boys (mostly Yadavs) could pick up vocational skills while their cattle grazed.
- Tree tax and the *cess* on the sale of toddy was abolished. The measure benefitted thousands of self-employed in the countryside.
- The minimum wage for agricultural workers was raised from Rs 16.50 to Rs 21.50.

- Hundreds of slums in Patna and other towns of the state were regularized and allowance given to milkmen to establish cowsheds almost anywhere they wished.
- Urdu was recognized as an official language in the State. Students could write the state public service commission examinations in Urdu.
- The state Minorities' Commission was given statutory status.
- Violation of rules for reservations in government jobs and educational institutions was made a cognizable offense.”

Whereas Lalu Yadav As Chief Minister implemented these populist measures, he was clearly skeptical and reluctant about long-term plans for development. For example, after the rise of Naxalite violence in the State, a journalist asked him; “Is radical land reform the answer?” he replied; “*The land is not the question. The main question is of dignity.*”(Yadav 1999)

Yadav interpreted development as the synonym of policies, benefiting upper caste elites in Bihar. Consequently, he concentrated on the populist initiatives that highlighted the empowerment of OBCs and Muslims to provide him more political support. For example, when Yadav was criticized for lack of development in Bihar under his tenure, he highlighted some populist welfare schemes as developmental activities:

“Right from the time I took over as Chief Minister, I have endeavored for the benefit of the poor and oppressed. That is why I initiated charwaha schools (school for shepherds) so that the children of poor people could progress in life. I have taken the initiative for the housing and welfare benefits of the poor. After all, these people are my strength. I have also not allowed congestion in some parts of Patna by clearing away unauthorized structures for shops and business establishments. They have been given alternate arrangements.” (Yadav 1998a)

5.9 Bihar as a Dysfunctional State

Whereas it was expected that Lalu Yadav employed a redistributive strategy to empower the lower caste poor and promoted investment in health and education, the JD/RJD governments were not successful in pursuing redistributive policies. While Lalu Prasad Yadav and his wife had longest consecutive terms in the history of Bihar, this opportunity was not translated to the reduction of mass poverty and improvement of literacy or health of the poor lower castes. During his rule, Bihar transformed to a ‘Dysfunctional State’ whose State Government was not able neither in enforcing the law nor in public service delivery. In the last years of Yadav/Devi rule, Bihar reported the highest incidence of violent crimes accounting for 12.4 %(24,432 out

of 196,550 in 2003 and 13.4 % (28,005 out of 208,736) in 2004 among all Indian States (Crime in India, 2004, 2005). Bihar reported 12.4 or 13.4 percent of total violent crime whereas it has only around 8% of the total population of the country. Bihar had the second rank in term of highest incidents of murder and attempts to commit murder (mostly murders due to casteism), the first rank in term of highest incidents Culpable Homicide (mostly due to property dispute), the first rank in term of highest incidents of kidnapping and abduction, the first rank in term of highest incidents of dacoity and robbery(Crime in India, 2004, 2005, pp 165-173).

The nature of crimes in Bihar suggests a tendency toward human body and life. Therefore, the State Government could not perform its fundamental duty to secure and protect human life. It reflects the severe crisis in governability, as Kohli (1990) mentioned or governance, as Mitra (2006) defined.

Moreover, the State Government was not able to improve the everyday life of Bihari people. Economic performance of Bihar in term of common economic growth indicators such as NSDP per capita was disappointing. While this rate had been Rs.3037 in 1993-4, it increased only to Rs.3557 in the 2003-4 financial year. Other development indicators portray a similar image. For instance, while Human Development Index (HDI) in Andhra Pradesh increased from 0.30 in 1981 to 0.38 in 1991 and 0.42 in 2001, this indicator remained 0.15 from 1981 to 2001 in Bihar (Banerjee and Kuri 2015, 83). The level of poverty ratio on the Tendulkar methodology in Bihar from 60.5 in 1993/94 only decreased to 54.4 in 2003/04. On the other hand, this rate in Andhra Pradesh, which preferred growth rather than redistributive policies, decreased from 49.5% to 33.3% in the same period.

Although, the mainstream media and political opponents of Lalu tried to caricature Lalu's policies, as a rational actor in this multi-level game, the purposeful polarization of castes, deinstitutionalization, and crippling the bureaucracy, confrontation with the Center and resistance to economic reforms was the main strategic choices of Lalu Yadav Prasad to be rewarded in the horizontal game by his reelection.

5.9.1 Resistance to the Reforms

Instead of implementation of the economic liberalization and economic reforms, Lalu opposed to the project of development. He explicitly distanced his government from the economic reforms, because he projected the reforms as the new tool for benefitting the forwarded castes at the expense of backward classes, castes, and minorities. Not only he was reluctant to implement the economic reforms to enhance development in the State, but also he declared that

“development is a foreign and polluting ideology” (quoted in Kumar 2008a, 172). Lalu Yadav depicted the Center (the Congress and P. V. Narasimha Rao government and the NDA and Atal Bihari Vajpayee government) as the manifestation of upper caste dominance. Robin (2009, 88) classified Lalu in the category of politicians who believe development has no electoral value. A popular JD slogan was “*Vikaas nahih, samaan chahiye* (we need dignity, not development).” (quoted in Witsoe 2013, 63)

The alternative for neo-liberal economic reforms was the discourse of lower caste empowerment. In the absence of policy agenda, pure populism was the substitute for economic reforms in the State. Lalu Yadav promised welfare of the rural poor as the central theme of his election campaign. With an ambitious tone, he described the role of bureaucracy in his government:

Just as peddlers visit your villages saying, choose what you like for four annas, the officers of my government will come to you with whatever you want. Free sarees, free dhotis. They will camp in your villages. They are your servants. Take what you want. (quoted in Hasan 2002, 379)

Whereas in the era of federal market economy (Rudolph and Rudolph 2013), a competition emerged among India’s States to attract more investments and implement more economic reforms (Jenkins 2003, 1999), Lalu Prasad Yadav as *de jure* and *de facto* Chief Minister of Bihar had a hostile attitude toward the private sector, as a part of the upper-caste dominance, as well as international financial organizations.

5.9.2 Fragmentation of Bureaucracy and Civil Services

Although Lalu Yadav required a powerful bureaucracy to fulfill his electoral promises, his purposeful policies weakened the capacity of bureaucracy to deliver the basic services. As it was elaborated, Lalu Yadav continuously continued the strategy of confrontation with the forwarded caste elites as the ‘enemy’ to keep his electoral base mobilized. One of the major arenas of confrontation was the public service employment. Since the upper caste groups had better access to power, wealth and education system, they possessed a major share of jobs in universities, police, civil service and bureaucracy (Weiner 2001, 196). According to Corbridge et al. (2005), instead of developmental goals, the major aim of Lalu Yadav’s civil jobs policy was to ensure that members of the forward castes cannot mistreat the backward classes, and lower castes people could attain and sustain their *Izzt*. Yadav avoided the appointment of members of upper castes to civil service jobs; on the contrary, he reserved civil service jobs for

people from the castes or communities, supporting his party in the elections (Mathew and Moore 2011, 2015). For example, the key administrative positions in the districts, particularly the influential position of district magistrate, were mostly allocated to the OBC, Muslim, or Scheduled Caste officers (Witsoe 2013, 88).

Not only Lalu Prasad Yadav tried to increase the share of the OBCs, Muslims and Dalits in the public service based on the recommendation of Mandal Commission, but also sought to dismiss the upper caste civil servants as much as he could. As Jaffrelot (2003, 380) reports, in 1993, Yadav moved to ensure that “an IAS from the Scheduled Castes replaced a Brahmin as Chief Secretary, and an OBC took over the charge of Director General of Police from another Brahmin.” Moreover, he tried that the OBCs particularly the Yadavs had more share in the 1,427 lecturers recruited to Bihar’s universities and constituent colleges.

However, as Mathew and Moore (2011, 7) indicate, “these groups were historically so deprived that often it was impossible to find members with sufficient educational qualifications to be appointable even to middle-ranking public sector jobs.” Instead of appointment of suitable candidates from other social groups, Lalu Prasad preferred to leave posts vacant. For example, as Pankaj (2009, 19) reports, 17 out of 19 sanctioned posts of superintendent engineer in the rural engineering department and 64 posts out of 72 sanctioned post of superintendent engineer in the road construction department remained vacant. Moreover, all three posts of chief engineer and one post of engineer in chief in the rural engineering department as well as 12 posts of chief engineer and all posts of the engineer in chief in road construction department remained also vacant.

The situation in the health and education system was alarming. After the end of Lalu Yadav’s tenure, the new government of Bihar published a ‘White Paper on State Finances and Development’ (2006). The White Paper reported a significant number of vacancies in health system:

“If one takes into account men in position, the situation is very disappointing. The shortage is about 90 percent in a case of doctors and 95 percent in the case of paramedical staff against the norms under the National Health Policy. It can be said that the system of State delivery of Health Care has collapsed.” (Government of Bihar 2006, 32)

The situation in the education system was not different. According to the White Paper (Government of Bihar 2006, 29), only 30,000 elementary school teachers were employed in contrast to needed 90,000; as a result, the pupil-teacher ratio (PTR), which was already 90:1,

worsened to 122:1. Remarkably, as Mathew and Moore (2015, 238) reveal, the Center wanted to pay the salaries of the needed teachers under a scheme called *Sarva Shiksha* (Education for All) as a Centrally-sponsored scheme. The aim of the Center was to put pressure on the State Government to start new recruitments. Although State Government pretended to concede, it changed the recruitment rules in order to recruit teachers from caste and communities, supporting the JD/RJD in the elections. Subsequently, the court suspended this decision. Unsurprisingly, Bihar government just left the positions vacant.

Not only the bureaucracy suffered from human resources crisis, resulted by caste polarization, but also politicization of transfer of high-level bureaucrats decreased the level of its autonomy and effectiveness. Witsoe (2013, 88) identifies the strategic use of transfers as the vital tool to control the bureaucracy through the JD/RJD rule. Inspired by the idea of the relative autonomy of bureaucracy, it was supposed that Governments (both at the Center and State levels) do not have the power to dismiss high-level bureaucrats and have limited disciplinary options. Therefore, frequent transfers instead of dismissing are often used as a tool to control bureaucrats, perceived as hostile to the governments of Yadav/Devi. Pankaj (2009, 20) introduces items such as insecurity of tenure, politically motivated transfers and appointments, and frequent transfers as the factors which negatively affected the effectiveness, capacity and morale of civil servants.

The weakened bureaucracy and deinstitutionalization of State paved the path for the extensive corruption. Lalu Prasad himself was involved in 'Fodder Scam' which forced him to resignation. The blameworthy situation of bureaucracy and development machinery of Bihar during the Lalu Raj is echoed in a letter, written by N.C. Saxena, the then Secretary of Rural Development in the Center, to Chief Secretary of Bihar.

"Without going into the reasons for administrative decadence in Bihar, it is an open fact that the development machinery has nearly collapsed today, more so in the secretariat and central districts which are prone to caste violence. An unfortunate impression has gained ground that government is an arena where power and authority should be used for personal gains. Right from the block development officers to many district collectors and often some secretaries are busy making money, or collecting money for their political masters. As corruption is on the increase even in higher echelons of the bureaucracy, the fear in the minds of lower level officials against taking money has disappeared. Corruption at all levels has become a low-risk, high reward activity...The lower level bureaucracy has no work ethic, no feeling for the public

cause, no involvement in the future of the nation... they have only a grasping, mercenary outlook, devoid of competence, integrity, and commitment... During the year 1997-98, Rs 1177 crore was available to Bihar from the Union ministry for rural development for implementing various schemes. Since the number of poor families in Bihar is estimated to be about fifty lakh, allocation per family comes to Rs 2350 per annum, which is a substantial amount, the poor would have been perhaps better off if we could send this amount by money order directly to them bypassing the bureaucracy... Not a single rupee has been sanctioned by our department for drinking water schemes year because the Bihar government has not been able procedures for buying pipes for the last one year. The general feeling among field officers in Bihar is that the secretariat is largely dysfunctional.”(quoted in Thakur 2000, 146-147)

5.9.3 Personalization and Centralization of Power

The result of a combination of Lalu Yadav’s charismatic leadership and dysfunctions of State’s institutions was a more centralization and personalization of political and administrative power. He was the central character of his party as well as the government. The political success of the JD and RJD in Bihar cannot be imagined without his active role. Even after his arrest, he continued his rule by cellphone calls to his wife, the new Chief Minister of Bihar. This period has been called as ‘Cellphone Raj’ era. Lalu Yadav’s famous quotation “I am the State”¹ represents the level of centralization of power. The report of the World Bank (2005, 55) on Development Strategy of Bihar introduced “personalized politics that obstructs institutionalized decision-making” as the main characteristic of Bihar's centralized government.

Thakur’s (2000, 191)journalistic account below delineates how personalization and centralization of power in Lalu Yadav decreased the autonomy of bureaucracy and led to more deinstitutionalization of the State administration:

“Often the Chief Minister would himself ring up a block or thana-level officials to get work done. He totally disrupted the bureaucracy with his style of functioning, played havoc with the established order of things in the bureaucracy,” one of Bihar’s topmost serving officers told me, “For one thing, he totally demolished the hierarchy and created chaos. He would ring up block officers and ‘darogas’ and give them orders on the phone. Having established direct contact with the chief minister, these officials never listened to their superiors in the services;

¹ This quotation is taken from the title of first chapter of Sankarshan Thakur’s (2000) biography of Lalu Prasad Yadav (The Making of Laloo Yadav: The Unmaking of Bihar).

they became part of Lalu Yadav's cadre." ... He never let any official feel secure; he kept people on tenterhooks, he bypassed them, overruled them brusquely, insulted them publicly. His methods were totally unconventional and erroneous, but he achieved what he wanted to."

In this centralized model, bureaucrats and civil servants had minor authorities; on the contrary, the major decisions should be made by the cabinet (with the dominant role of the Chief Minister).

The collapse of the State bureaucracy, as well as centralization and personalization of power, crippled the capacity of the State Government to deliver services and sustain orderly rule. Since a considerable number of public sector jobs remained vacant, all main decisions should be made by the leadership of the Party, and the bureaucratic structure was fragmented, the State could not use the considerable transfers from the Center, intended for anti-poverty programs and developmental purposes. Table 14 Shows how Bihar could not spend a significant percentage of the Central transfers because it could not even complete the relevant bureaucratic procedures. As Mukherjee (2010) notes, inflexible and extremely centralized rules of expenditure were mostly responsible for Bihar's incapability to spend.

Table 15 Plan expenditure of the Government of Bihar, 1997-08 to 2003-04 (billions of rupees)

Year	Approved plan expenditure	Actual Expenditure	Actual Expenditure as a % of plan
1997-98	2.3	1.7	73
1998-99	3.7	2.6	69
1999-00	3.6	2.7	74
2000-01	3.2	1.6	52
2001-02	2.6	1.5	56
2002-03	3.0	2.2	74
2003-04	3.3	2.6	79

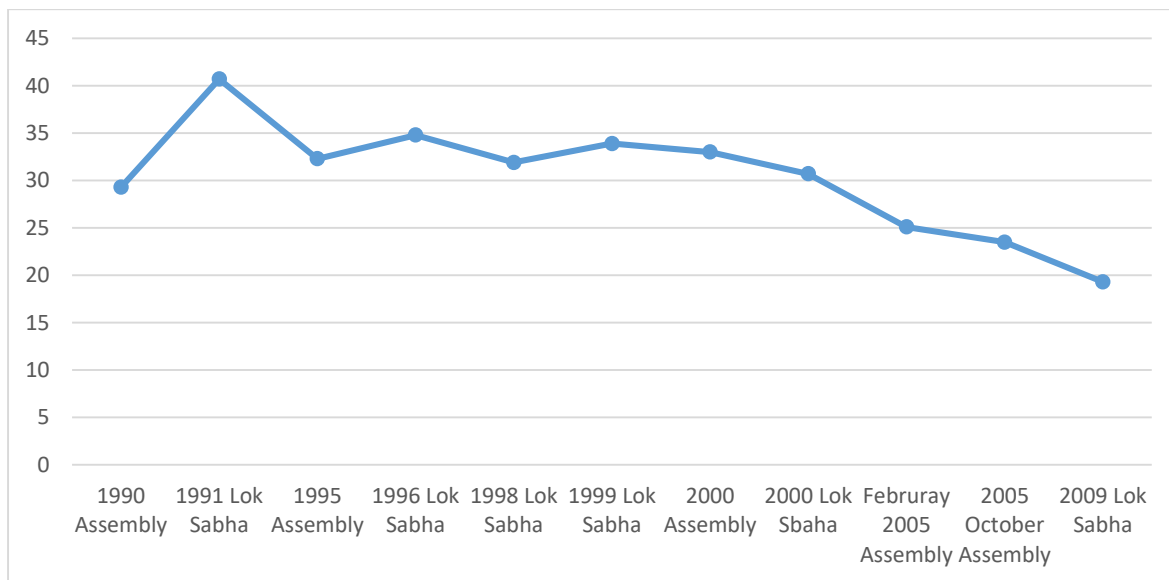
Source: Mathew and Moore (2011, 23)

Similarly, the World Bank (2005, 51) criticized largely non-meritocratic bureaucracy of Bihar which *"is compounded by a highly centralized administration with the kind of incentive structure that thwarts decision-making and can cause major delays. This impairs the state's ability to manage public resources and implement projects and programs."*

5.10 End of 'Jungle Raj' and Rise of Nitish Kumar

The 2005 general and Assembly election are the second turning point in the post-1990 politics in Bihar. After fifteen years, Janata Dal (United) with the support of the NDA under the leadership of Nitish Kumar ended rule of JD/RJD government and the dominance of the lower caste empowerment discourse.

Figure 33 Vote share of JD/RJD in the elections (1990-2009) in divided Bihar



Drawn by the author, source: statistical report on general legislative assembly of Bihar series

However, the decline of Lalu Raj did not occur all at once. The 1998 general election was the first sign of erosion of Lalu and Devi's power in the State. Nitish Kumar as the leader of the opposition party tried to make reconciliation between Janata Dal and Samta Party in the State. In the framework of the NDA, the BJP, and the SP won twenty and ten seats out of 54 respectively; while RJD secured only 17 seats. As the leader of opposition Nitish Kumar was rewarded with the important Ministry of Rail Way in Vajpayee's government. As Figure 33 illustrates, the share of JD/RJD votes in Bihar has sunk since 1998 Lok Sabha election. However, Nitish Kumar could not win the Assembly election until 2005. The 2005 Assembly election finally paved the path to form a new government and cleavage from the old lower caste empowerment discourse.

Lalu Yadav Prasad was not the only active student leader during the Bihar Movement in the 1970s. Nitish Kumar also has engaged in politics since Bihar Movement. Like Lalu Prasad Yadav, Nitish Kumar was inspired by Jayaprakash Narayan's views on 'social justice.' Born on March 1st, 1951, he grew up in a Kurmi family who has political experience. His father, Ramlakhan Singh participated actively in the freedom movement and was a regional Congress

activist. As Sinha (2011, 14-15) notes, despite his active participation in the Congress, the party had denied the nomination to Kumar's father Ramlakhan Singh from Bakhtiyarpur in the in 1952 as well in 1957 elections. Singh became unhappy with the Congress's decision; therefore, he left the Congress and fought against it under the flag of Janata Party. With such anti-Congress mood, Singh's son, Nitish Kumar started his political activities during his study at Patna University (1965-1973). Like Lalu Yadav Prasad, Nitish Kumar emerged as a student leader in the 1970s and was jailed during the Emergency. However, he was not successful as Lalu at the beginning of his political career. He lost the Assembly poll as Janata Party candidate in the 1977 and 1980 elections. His first success in the election took place in the 1985 Assembly election, selected as an MLA from Harnaut in Nalanda. After the first success, he proved his abilities in a political career and progressed swiftly. Not only he was appointed as Bihar Janata Dal Secretary General, but also he won Barh Lok Sabha seat as Janata Dal candidate. He also served as Junior Agriculture Minister in the V.P. Singh government at the Center. However, he split from Lalu Prasad Yadav and form Samta Party with George Fernandes in 1994 (Thakur 2014, ix). He was elected as MP in the 1998 and 1999 general elections and became a close ally of the BJP in the framework of the NDA government. He had served as Minister of Agriculture in Vajpayee's government between May 2000 and March 2001, then appointed as Minister of Railway until 2004. Along with George Fernandes, the Defense Minister, Nitish Kumar played an active role in the foundation of Janata Dal (United), formed by the combination of a faction of the Janata Dal, the Lokshakti Party, and the Samta Party.

The 2005 Assembly election was the first election after separation of Jharkhand and creation of a new State. Lalu Prasad Yadav, after a long supremacy in the State's politics, realized that it would not be an easy election. Not only Yadav tried to strength his relation with the Congress as a member of the UPA, but also he employed several other populist measures to provoke lower castes and Muslims against 'communalism' of the BJP. However, the alliance between the Congress, the RJD and Lok Janshakti Party (LJP) broke up, and the RJD remained excluded (Robin 2009, 91). Moreover, as Ananth (2005) claims, Lalu Yadav "was 'found,' distributing money to some poor people near Patna." These allegations also discredited Lalu more than ever.

In the first round of the election in February 2005, while the NDA coalition led by JD (U), won 92 seats, the RJD secured 72 seats; nevertheless, both sides were far from the 122 seats required to form a government. As a result, for the eighth time after the independence, Bihar came under President Rule.

The Assembly election was held for second in November 2005. For the first time, the NDA coalition won 144 seats out of 243 seats, formed a new government. As Robin (2009, 94) indicates, whereas Nitish Kumar decreased the share of Muslims, Scheduled Castes, and Backward Castes in his cabinet, increased the proportion of the upper castes and Extremely Backward Castes.

5.11 Nitish Kumar and New Developmental Paradigm: Change in the Horizontal Game

As Kumar (2013a, 112) maintains, Nitish Kumar's electoral success cannot be attributed to "Bihar way of managing the polls." Not only he did not benefit from 'the help of money and musclemen (bahubalis)', but also he did not project himself as a lower castes leader. The electoral success of Nitish Kumar can be analyzed by considering several factors:

First, he did not depend on a specific caste group. Although his caste group, Kurmis, had a significant position among the OBCs, unlike Yadavs, they do not enjoy the demographic weight. Contrary to Lalu, who was dependent predominantly to MY (Muslim and Yadavs) as the vote banks, Nitish tried to bring together a coalition of Kurmis, Koeris, EBCs, lower Muslims, and the upper-caste and business community (Jha and Pushendra 2015). While Lalu had polarized Bihar society by activating the cleavages between upper castes and other lower castes and classes, Nitish sought to form his political agenda based on social convergence. In his election campaign, Nitish Kumar tried to build a sense of Bihari identity instead of caste or religion identities among the voters. During Yadav/Devi rule, caste identity had become the essential identity of the majority of Bihari people. While caste polarization led to increasing in communal conflicts, lawlessness, and violence, Lalu Yadav used it as the main source of his political power. Therefore, Nitish Kumar focused on the unification of all castes under the umbrella of 'Bihari Identity.' Kumar glorified the history of Bihar described Bihar people as 'talented and industrious'(Sinha 2011, 217). Nitish Kumar asserted that a State, divided by caste identity, would not develop. Thus, he emphasized the role of Bihari sub-nationalism and stated:

"We have tried to move away from these categories (Religion and caste), and create an identity of sub-nationalism. To strengthen the country, you have to strengthen all regions. Only if all regions progress, there will be stability and growth in the country. These identities will not cease to exist, but will get weaker. Here, we have tried to instill a sense of Bihari pride, and that has weakened caste and religious identity to some extent. But there is an orchestrated

move to revive the other identities. But the good sign is that there is an inherent national identity in the consciousness of people, and sub-nationalism will become stronger. People will come together for different causes. Other identities will get subsumed within that. We connected the struggle for Bihar's rights with pride.”(Kumar 2013b)

Second, Nitish Kumar promised restoration of law and order and implementation of a highly ambitious development agenda in his election campaign. Nitish Kumar declared his priority would be “to restore the rule of law within three months of coming to power” when he released the JD (U)-BJP manifesto for the second election in 2005 (Thakur 2014, 193). Nitish Kumar introduced ‘Lalu Raj’ as the responsible for political instability, violence and mass poverty in State. The central slogan JD (U)-BJP coalition was *Lalu Hatao*, referring to Lalu’s confrontationist slogan, *Bhurabal Hatao*. As Sinha (2011, 197) clarifies, Nitish Kumar’s electoral campaign did not only stressed on the negative aspects of Lalu Yadav’s reign such as the collapse of bureaucracy or lawlessness; on the contrary, he invested much time in his speeches to his promises for development. Nitish’s elections campaign highlighted his developmental orientation, providing *Sushasan* (good governance) by replacing *kushasan* (bad governance) of the Yadav/Devi regime. Nitish Kumar sought to differentiate himself by good governance slogan from Lalu’s lower caste empowerment agenda. Instead of being ‘*Gharibon Ka Masiha*,’ his strategic choice was to highlight his image as a performance-oriented politician who had a successful experience as a Minister at the Center.

As Sinha (2011, 217) asserts, “The advantage he (Nitish Kumar) enjoys was that people – even those who idolized Lalu-desired development.” The JD (U) and its allies won the 2005 and 2010 State elections and 2009 general election by the slogan of *Sushasan* and development. The majority of constituents in Bihar did not reward the confrontation and polarization in the name of caste and social justice anymore. On the other hand, the promises for development and reforms were rewarded. As Kumar and Ranjan (2009, 23) observe:

“The common perception was that elections in Bihar are associated only with the caste factor, the results of the 2009 Lok Sabha elections may be seen as a rebuttal to that. If people in Bihar voted only on caste considerations, the Rashtriya Janata Dal (RJD) and Lok Janshakti Party (LJP) should have done fairly well in the state.”

5.12 Bihar as Developmental (Subnational) State in the JD (U) Rule

The beginning of the 1990s was a turning point in development trajectory of India as a whole and its sub-national States. As it was aforementioned, with the end of Congress era and the rise

of other regional and national parties as well as coalition politics at the Center, the States secured more autonomy in economic decision making. According to Jenkins (1999, 2003) Mitra (2011) and Kennedy (2004, 2014), the liberalization of economy and globalization played a significant role to more autonomy of States. In the era of post-Congress era polity and dismantling of the Center-led development model, Bihar also attained more autonomy in term of economic planning. However, with the rise of lower caste politics, and anti-development attitude of Lalu Yadav, this relative autonomy of Bihar was not translated into a more efficient policy making. The Strategic choice of Lalu Yadav such as anti-Center and upper caste policies crippled the State bureaucracy and administration.

Unlike 'Lalu Raj' era, subjugated by the economic and financial consequences of confrontation with the Center and caste polarization, Nitish Kumar realized that confrontation with the Center and caste politics cannot enhance economic development; as a result, he tried with reconstruction of bureaucracy, restoration of law and order and creating a business friendly environment attract private domestic and foreign investments.

Under Nitish Kumar, Bihar transformed from one of the slowest-growing States to a fast growing State, which its rate of growth could be compared with Gujarat. After several fluctuations in the rate of growth during the JD/RJD rule, the post-2005 growth process of Bihar's economy has more stability and continuity. In the new era, Bihar's growth rate was one of the highest among all States. According to the recent data (Government of Bihar 2015), in the first five years rule of Nitish Kumar (2005-06 to 2009-10), the annual average of growth rate was 10.2 %. This rate increased in the second term of the JD(U) rule (2010-11 to 2013-14) and reached 10.4 %. As Reserve Bank of India reports (2015b), the NSDP of Bihar in 2004-05 was Rs. 701.67 billion at constant prices, yielding a per capita income of Rs. 7914. The NSDP at constant prices in 2014-15 is Rs. 1718.02 billion, implying a per capita income of Rs. 16801.

5.13 A Developmental Elite at the State Level: Nitish Kumar as Sushasan Babu

As it was aforementioned, Leftwich (1995, 405-407, 2000, 152-196) identifies 'determined developmental elite' as one of most substantial and compulsory factors for the emergence of developmental states. After a long history of caste politics, violence, and stagnation, and dominance of politicians who had corruption or criminal background, Nitish Kumar with his emphasis on the development of Bihar emerged as the new style of leadership in the State.

In the horizontal game, Nitish Kumar, as a rational actor, witnessed to the caste/community vote banks of Lalu (MY and other lower castes) who rewarded him for his *Izzat* promises, despite his poor performance at the State level. Moreover, Lalu Yadav with his humor, theatricality, and rustic oratory was an attractive character for the rural masses. When Lalu was elected as the MP in the 1977 elections, Nitish could not be elected as an MLA. Nitish also could not compete successfully with Lalu in the 1990s. Lalu was a professional leader who could use the caste politics weapon against his opponents; as a result, Nitish required another tool to challenge the RJD in the State. Nitish Kumar used ‘development’ and ‘law and order’ as an instrument for political mobilization against Lalu in his election campaign.

His most popular slogan was *Nyaya ke saath vikas ka wada*, translated as ‘promise of justice with development’ (Jha and Pushpendra 2015). He sought to bridge between votes of forwarded caste elites as well as the OBS, EBCs, Dalits, and Muslims. Not only upper caste who dominated business community, as well as bureaucracy, responded positively to the new manifesto but also Dalits, EBCs and some section of OBCs, frustrated by lawlessness and stagnation, rewarded Nitish by their vote.

Nitish Kumar realized that securing and sustaining political power in Bihar is not possible anymore through populism, polarization, and confrontation with the Center. On the other hand, the constituents would reward him if he demonstrates his performance to deliver more services and enforce the rule of law. Therefore, development of State became the central goal of his government.

Nitish Kumar as an experienced Minister in the Central Government was aware of the ongoing rivalries among the Indian States to attract more central financial transfer as well private investment. He tried by the implementation of law and order management measures and economic and administrative reforms encourage the private investors as well as international aid agencies to consider Bihar as the new destination for investments. Like regional leaders such as Chandrababu Naidu, Nitish Kumar belongs to a new generation of Indian politician who possesses neo-liberal developmental perspective and techno-managerial approach.

Nitish Kumar was the main character on the reform stage. He pushed his cabinet and the State bureaucracy to formulate and implement the reform agenda. His government had a sufficient legislative support and could enact the required acts to strengthen the legal framework for reform. Although the program for reform in Bihar could not be implemented without political backing from the Center and social support in the State and bureaucracy, the reforms could not

be imagined without Kumar's leadership and his strategic choices. As Mukherjee's (2010) interviews with the major players in State Government reveal, the reforms in Bihar were "driven from the top, the Chief Minister's Office." That is why he called the reform in Bihar 'one-man effort.'

5.13.1 Sushasan as the Symbol of the Change

Nitish Kumar gradually changed the political agenda of State from 'lower caste empowerment' to 'development.' Although Nitish Kumar began his political life with a socialist perspective and focus on social justice, he gradually became closer to more liberal economic views especially after his alliance with the BJP. Whereas the keyword of Lalu's political discourse was *Izzat* and social justice, Nitish Kumar's keyword was *Sushasan* (good governance), implying on the influence of the neo-liberal discourse. As a socialist who transformed to a neo-liberal developmental-oriented leader, Kumar saw pro-business policies as a tool for enhancing economic development and reduction of mass poverty.

On account the fact that Nitish Kumar emphasized on 'Good Governance' in his policy agenda, the media had nicknamed him '*Sushasan Babu*' the man of Good Governance (Sinha 2011, 7). Influenced by the neo-liberal idea of 'good governance is a prerequisite for the development,' Nitish Kumar emphasized on the idea of 'development with social justice' through 'Sushasan' (good governance) that would lead to a 'Resurgent Bihar'(Gupta 2013, 177). The 'Sushasan' included a set of general approaches. ADRI (2007) introduces these approach:

- "Minimum Function of the State: A functioning government through the introduction of initiatives in the fields of law and order, administrative reforms, and fiscal management.
- Growth: Stimulate growth in the agricultural and industrial sectors through the introduction of new agricultural and industrial policies.
- Growth in Human Development: Facilitate growth in human development through improvements in service delivery of health and education.
- Infrastructure Development: Focus on basic infrastructure development including road construction, power generation, and urban development.
- Empowerment: Efforts to empower marginalized classes at the panchayat level."

The Center also encouraged the Bihar government to implement policies based on 'good governance' agenda. In the first step, the 'Report of Special Task Force on Bihar' (2007) recommended that State Government should launch a Centre for Good Governance, similar to

Andhra Pradesh, “with as an Executive Agency staffed by experts and headed by a professional who is a domain expert, and give it a comparable role in designing good governance initiatives.” Four years later, the Government of Bihar set up ‘The Centre for Good Governance Society’ (CGGS) with the objective of providing high-quality policy, managerial and capacity building support to Government Departments and its officials.

The Sushasan as a political term finds the symbolic position in the history of Bihar. The term implies to the post-Lalu era and differentiates between new era and fifteen years of the JD/RJD rule. Lalu Yadav realized the importance of this term in the public opinion. Nitish Kumar could defeat him by slogan of *Sushasan*; as a result, Lalu Yadav several times tried to nullify Nitish Kumar’s usage of the term in his political agenda:

“Yeh shasan hai Maharaj Sushasan ka/ Khel ho raha hai kushasan ka/ Barh, sukhar sejanata to rulayenge/RSS ki goad mein baith kar secular kahlayenge.

(Bad governance characterizes the regime of Lord Good Governance/ People hit by drought and floods cry in misery/ Mr. Good Governance claims to be secular while being a puppet in the hands of the RSS)”(Sinha 2011, 6).

5.13.2 Policy Reforms and Initiatives in Bihar

A World Bank Report, titled ‘Bihar: Towards a Development Strategy’ (2005) recognized three challenges for development of Bihar: first, the problem of improving growth performance, second, the challenge of improving the social service delivery, and third, the challenge of strengthening public administration and governance.

Unsurprisingly, after the victory of the NDA coalition, Nitish Kumar realized that revival and strengthening of State institutions, improving the law and order situation, fiscal management, improving the business climate, investment in infrastructures and introduction of new schemes and measures for public service delivery should be his first priorities. The NDA government policy reforms and initiatives in Bihar rotate around the three core recommendations of the World Bank:

5.13.2.1 Fiscal Management and Resource Utilization

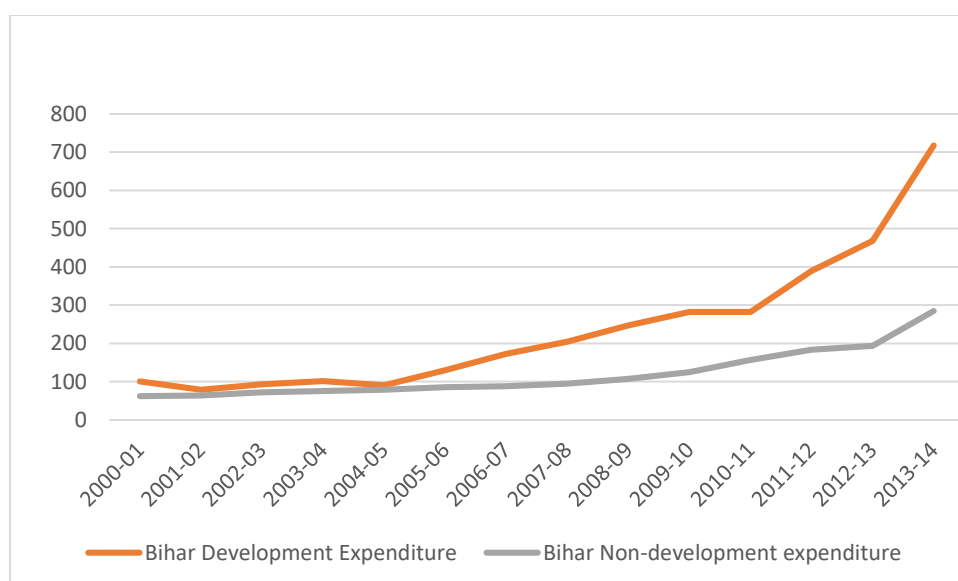
Improving growth performance of State needed an effective fiscal management. Erosion of State bureaucracy, confrontations with the Center, and lack of investments caused a critical condition in the State finance, including high debt with increasing pension and interest payment burden. According to White Paper on State Finances and Development (Government of Bihar

2006, 5-7), the requirement for the committed non-developmental expenditure (pensions, salaries, loan repayment, interest payments and maintenance) of the State Government was Rs. 16,582 crores; whereas, the income of the State Government was Rs. 12,882 crores. The gap should be filled by the loans from the Central Government or the market. The State Government already has a debt liability of Rs. 42,483 crores. In the 2004-05 financial year, the State Government paid Rs. 3,474 crores on account of interest which constituted almost 29.2 % of its income excluding Central Government grants. Moreover, pension to retired State Government employees constituted 18%, salary payment 37.3%, and debt repayment 24% of the State Government's income. The reports concluded with the following sentence:

“The State Government hardly spent anything on development from its own income. Whatever was spent on development was either from the grants-in-aid from the Central Government or from a loan from the market.” (Government of Bihar 2006, 7)

As the first priority of State Government, it approved its own ‘Fiscal Responsibility and Budget Management’ (FRBM) Act in February 2006 as a positive response to the national FRBM Act. Based on these acts, the State Government committed to lowering the overall fiscal deficit to less than 3% of GSDP. With the passing of the FRBM Act, the focus of the State Government was to find ways to finance the existing deficit through appropriate debt management, expenditure rationalization, and tax mobilization measures (Government of Bihar 2007, 10).

Figure 34 Bihar's development expenditure and non-development expenditure between 2000-01 and 2013-2014, (Amount in Rs. Billion)



Drawn by the author, Source: State Finances: A Study of Budgets (Reserve Bank of India 2015)

Moreover, the NDA government of Bihar did not adopt a confrontational strategy toward the Center, which was ruled by the UPA coalition. Both State and the Center in the framework of neo-liberal consensus believed in the role of economic reforms. Therefore, in spite of political differences, the Center approved and supported the development agenda of Nitish Kumar and increased the transfers to the State.

The target of the FRBM Act was achieved in the 2008-09 financial year, and a fiscal deficit of the State limited to less than 3%. Figure 34 illustrates how fiscal reforms in Bihar and financial discipline and financial support of the Center lead to a meaningful positive change in developmental expenditures of the State Government after 2005.

5.13.2.2 Depoliticization of the State Bureaucracy

Mukherjee (2010, 2) identifies threefold in Kumar's administrative reforms: "first, to restore the physical infrastructure and procedural foundations of the state; second, to delegate authority within administrative hierarchies, particularly with regard to financial expenditures; and third, to bring government closer to the people."

The first strategic move of Nitish Kumar was a reconstruction of the State bureaucracy and strengthening its human capital. Whereas Lalu Yadav preferred to appoint the OBCs or Muslims in the significant posts or keep them vacant, Nitish Kumar needed to reconstruct the State bureaucracy, based on meritocracy.

As a result, after one decade and half anti-upper caste approach of the State Government, Nitish Kumar needed to use the employees from other castes and social groups. The first likely candidates were the upper caste members who already supported the NDA coalition in the election. Upper caste representation in the government increased to 37% (Robin 2009, 94). As Jha and Pushpendra (2015, 192) illustrate, the biggest share of government posts were allocated to Bhumihar, who were traditionally dominant in the Congress era. However, the victory of the NDA coalition was not synonym to the domination of upper caste politicians, organized mostly in the BJP.

Although Nitish Kumar was upper castes played the key role in his victory; however, relying on them could create a critical challenge for him. Some of the BJP members and other groups such as RSS involved in criminal activities (Witsoe 2013a). If these politicians had been appointed as Ministers or other significant posts in the State bureaucracy, it would be tough to restore law and order in the State. Not only the appointment of politicians that affiliated to

criminal groups was a green light to other caste militias, but also Nitish Kumar would lose the support of Muslims, and increase the possibility of communal riots.

While Nitish Kumar mollified the upper castes by measures such as disbanding the Amir Das Commission (which had been established to examine the political links and role of the Ranvir Sena, a Bhumihar caste militia, in spreading caste violence) or deciding to not implementing the recommendations of Bihar Land Reforms Commission in favor of upper caste groups (Jha and Pushpendra 2015, 193), Nitish Kumar shifted power from elected (mostly upper caste) politicians to recruited officials in the State bureaucracy. As Witsoe (2013a, 303) delimitates, although Nitish Kumar centralized power in the post of Chief Minister, he almost avoided the caste consideration for the appointments in the bureaucracy;

“Nitish sought to revive the bureaucracy by operating through a 'core team' of senior IAS officers. In key departments, while Nitish distributed ministerial posts out of political compulsion, corrupt ministers were teamed with secretaries with honest reputations, undermining the influence of the former. Circulars instructed officials at all levels, including police thanas and block offices, to resist interference from politicians, including those from the ruling party. The government threatened politicians caught unduly influencing administration, including those from the ruling party, with being charge-sheeted and arrested. As we would expect, a broad governing alliance enjoying both upper-caste, as well as lower-caste support, resulted in greater cooperation and cohesion between different state institutions.”

As Mukherjee (2010, 4) reports, instead of appointment of the aforementioned politicians, the Chief Minister's office called several high-ranking Bihar cadre IAS officials who were serving in the Central Government, or living abroad to come back to Bihar. Therefore, high-ranking bureaucrats such as Navin Kumar, after seven years in the federal government, came back to serve as principal secretary of the Finance Department.

The next steps were to fight against corruption among the civil servants. The State Government used the services of retired CBI officers to form a special vigilance unit in the Vigilance Department. The investigation into the bribery cases or whom cases have been filed on assets disproportionate to their known sources of income were the main task of this particular unit (Government of Bihar 2007, 12).

5.13.2.3 Law and Order Management

The first precondition for attracting private companies, investors, entrepreneurs, and tourists is a secure and stable physical environment. The first move of Nitish Kumar government to

manage law and order was the creation of the 'State Auxiliary Police' (SAP) force (Government of Bihar 2007, 11). This force staffed totally by 5000 ex-army employees in the State. This staff had been trained to conducting warfare; thus; they were better trained than the State Police to fight criminals and Naxalites and caste militias (Mukherji and Mukherji 2015, 179).

Although the SAP was the main responsible for restoring the order in the State, the government did not neglect the police and out of contingency fund for structural strengthening of police administration and its modernization. Also, new posts in the police forces sanctioned and filled to ensure more efficiency (Government of Bihar 2007, 12). Sinha (2011, 242) interviewed a policeman about the results of the SAP operations:

"Between 2005 and 2009 there were 118 encounters between police and extremists in which 62 extremists were killed. A total of 835 illegal firearms, including 66 looted from police, 365 landmines/bombs, 116 hand grenades and 41,462 cartridges were recovered from them."

Furthermore, the long judicial process was the second major problem in the restoration of order in the State. The legislative assembly passed 'Bihar Special Courts Bill' in 2009 in order to effectively accelerate convictions for hardened criminals. Under Bihar Special Courts Bill, several notorious political criminals and criminal were investigated and prosecuted.

5.13.2.4 Enhancing State Service Delivery System

The deinstitutionalization of State and fragmentation of public services during the RJD rule forced Nitish Kumar to invest a lot of time and energy to the reconstruction of basic public service delivery system, social sectors such as health, education, and infrastructural sectors like power and roads.

By implementing the Right to Information Act (RTI), Kumar's government introduced *Jankari*, an e-governance program, allowing anyone to call up and File an RTI request on public services on the phone. This initiative quickly caused a degree of transparency in the State Government decision-making and more accountability. This program and other RTI initiatives controlled some corruptions, decreased abuses of power and consequently improved public confidence.

The fiscal discipline and the higher amount of the central transfers facilitated social expenditures of the State Government. There is a steady rising trend of Per Capita Development Expenditure (PCDE) of Bihar during 2001-02 to 2010-11 financial years. While the PCDE of

Bihar was Rs. 930 in 2001-02, it rocketed to Rs. 3467 in 2010-11. While the PCDE of India grew at annual rate of 13.6 %, the PCDE growth rate of Bihar was 17.1%. Moreover, the social sector spending improved from 18.9 % in 2001-02 to 31.9 % in 2010-11 in Bihar (Government of Bihar 2012, xxix).

The collapse of the education system was the major challenge to the State. While the literacy rate in Bihar it was 47.0% in 2001, this rate was 65.4 % in India. Moreover, the female literacy rate was much lower at 33.6 %, as against a national average of 54.2% (Census of India, 2011). As it was mentioned, despite relatively high salaries, the public school teachers had been notorious for their high absenteeism. Kumar's government employed more than 200,000 teachers through an innovative decentralized reform, to revive schools across the villages.

Since the State Government had no sufficient financial resources to employ official state-level teachers, Nitish Kumar decided to involve Panchayats to recruit the new teachers at low, market-related wages (Aiyar 2013, 55). This policy accelerated the expansion of elementary education at low cost. On account the fact that the quality of these recently hired teachers was low, Kumar's government tried to improve their skills through teacher training plans.

The remarkable investments of Kumar's government in the education and his policy initiatives improved the education indicators in the State. For instance, total enrollment in elementary classes increased at an annual rate of 8.2 %. Furthermore, the rate of total enrollment in upper primary classes grew at an annual rate of 19.1% from 2002-03 to 2009-10 (Government of Bihar 2012, xxix). Consequently, Bihar's literacy rate improved from 48% in 2001 to 63.8% by 2011; the fastest among all States. Furthermore, the gap between literacy rate of Bihar and the national average decreased from 17% in 2001 to 10.2 % in 2011(Census of India, 2011).

The road (highways as well as rural roads) as the basic economic infrastructure became the top priority for the State Government agenda. Supported by the approved expenditure, the State Government introduced the aggressive road construction schemes like *Mukhya Mantri Gram Sadak Yojana* (Chief Minister's Rural Roads Program).

The State Government allocated a considerable amount of its development expenditure to road construction. While the State Government spent Rs 263.22 crore in 2005-06, the expenditure on roads has reached Rs 2489.15 crore in 2008-09 (Government of Bihar 2010, xxv). According to Mukherji and Mukherji (2015, 187), there has been an increase of almost 25% in the total length of roads from 2007 to 2010. This agenda increased the Bihar highway network

from 3021 km to 3787 km. As Witsoe (2013, 194) reveals, aggressive road building schemes played a significant role in enhancing of Bihar's economic growth rate from 2005 to 2011.

Reconstruction of the State bureaucracy, restoration of public order and an increase in the central transfers paved the path for an increase in the rate of economic growth as well as human development indicators. The reappearance of safety, the rapid expansion of the road network and government sponsored investment in education, health, and other infrastructure all created new economic opportunities. These policies enhanced economic growth and attracted the attention of international financial organizations to the State.

5.13.3 A Subnational State and International Aid Agencies: Bihar and the World Bank

While Bihar with its notorious records of violence, erosion of public services, and corruption had deprived of international cooperation and investments during 'Lalu Raj,' Nitish Kumar's aggressive development agenda attracted the attention of international financial organizations. The World Bank in its report 'Bihar: Towards a Development Strategy' (World Bank 2005) provided the policy recommendations for the new Chief Minister of Bihar.

Nitish Kumar's initial reforms were mostly based on the World Bank's recommendation. Impressed by Nitish Kumar's obligation to neo-liberal economic reforms, the World Bank began the cooperation with the State and allocated a considerable amount of loans and aids to Bihar. As Kirk (2011, 130) elaborates, the World Bank committed a Rural Livelihood Project Loan of US\$ 63 million and a Development Policy Loan (DPL) of US\$225 million in 2007.

Not only the World Bank, but also other donors such as the ADB, DFID, and Japan's Official Development Assistance (ODA) have coordinated with the Bank on a joint strategy for Bihar.

5.14 Nitish Kumar and the Center: The Vertical Game

When Nitish Kumar began his tenure, Bihar's own revenue, tax and non-tax combined, hardly meets 20% of its total expenditure, and the rest should be provided come from the Central Government.

According to Economic Survey, 2006-07 (Government of Bihar 2007) The share of State's own tax revenue in total tax revenue has remained between 22 and 28% between 2001 and 2007. The own non-tax revenue of the State has also remained approximately constant during this period except for an increase in 2006-07 Budget estimates.

According to the report, published by Government of Bihar (2007, 180), the massive transfer of resources including the State's share of Central taxes, grants-in-aid from the Centre, as well as loans increased steadily from 38% to as much as 72 % of the aggregate disbursements, excluding the Central loans. More than 80 % of the gross amounts for transfer to the State came from its share of Central taxes and the rest from grants and loans. The reports conclude that "The state remains absolutely dependent on the Centre, making it financially vulnerable."

While the State depend extensively on the Central transfers, Lalu Prasad Yadav implemented a confrontational strategy against the Center as the main tool for sustaining his power. Nevertheless, Nitish Kumar with his promises to restore law and order and economic development needed more financial transfer from the Center.

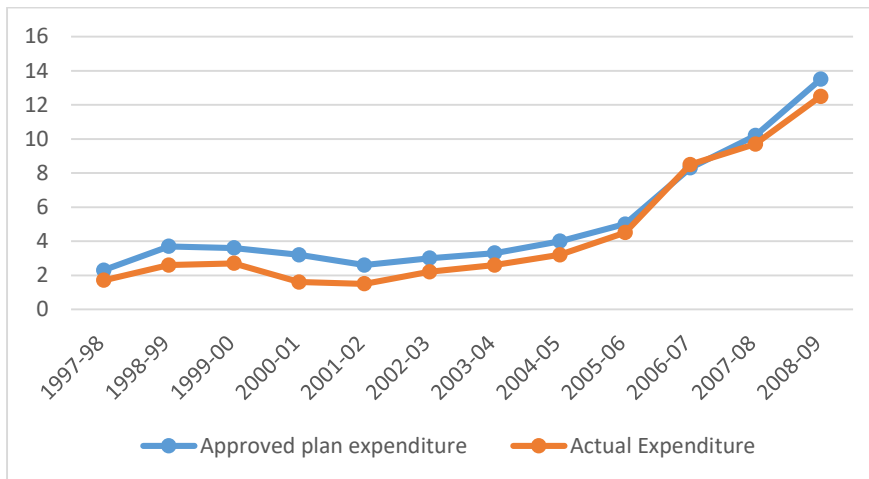
Although he won the 2005 election as the part of the NDA, he did not adopt a confrontational strategy against the UPA government in the Center. As a pragmatist political leader, he tried to finds the way to cooperate with the Center and appease them to allocate more financial resources to the State. He declared:

"I want money... I am ready to give anyone any concession so long as they fill my treasury."(Kumar 2006)

The nature of relations between the Center and the State Government transformed from the confrontation based on lower caste politics to partial cooperation mainly in the field of economic development and public services. Even the conflicts between the State Government and the Center were mainly about the State's share of the national funds. For instance, Nitish Kumar asked the Center to invest more in the Bihar education system:

"There is a shortage of good-quality centers of higher education in Bihar. We do not have any IIT [Indian Institute of Technology] here. In the field of education, Bihar needs a lot of assistance from the Centre. Of course, we have initiated moves with our own resources. But we also need help. We have initiated a massive enrollment of teachers in schools. But we also need to improve the infrastructure in schools. We need more classrooms in schools, and although the Centre is providing a portion of the funds for these, we have to invest substantial amounts on our own. We have also asked the Centre when it plans to proceed with making the idea of common [neighborhood] schools a reality."

Figure 35 Plan expenditure of the Government of Bihar, 1997-8 to 2008-9 (billions of rupees)



Drawn by author, Source: Finance Department, Government of Bihar

Inspired by his obligation to the development of State and his attitude toward the Center, the Central Government rewarded Nitish Kumar Government with a larger amount of approved plan outlays. The figure 35 depicts how after the rise of Nitish Kumar in the State, he could successfully attract a higher amount of approved plan expenditure and also used it for developmental purpose.

6 Discussion and Comparison

The main question of this study is why Andhra Pradesh and Bihar -with relatively similar initial institutional and economic conditions after independence, and with experience of strong subnational movement which finished the hegemony of the Congress party in both States- did show a significant divergence in political and development trajectory after the 1990s.

This chapter tries to address this significant question; therefore, four hypotheses should be analyzed. In the following sections, each hypothesis has been tested and analyzed.

6.1 The Post-Reform Era in Bihar and Andhra Pradesh

H1. If the political power of the dominant political party at the Center declines, the new room to maneuver of regional political elites makes their strategic choices (in order to gain reelection) are the core determinants of economic policies in the states.

Bihar and Andhra Pradesh were the significant stronghold of the Congress Party in pre-reform era. In both States, the Congress emerged as the most important political actor after the independence. In the era of ‘one dominant party system’ with the dominance of the Congress in the Central Government as well as the State Governments, the main economic decisions were made by the Center and the high command in Delhi. India’s Five-Year Plans, especially in the 1950s and 1960s with the central role of the Planning Commission, exemplifies a centralized planned economy model.

In the centralized planned economy model, top-down process of economic policy-making with the key role of the Prime Minister (Nehru, later Indira Gandhi) and other ‘high command’ in Delhi, institutions like Planning Commission and India’s Five-Year Plans limited the role of the Chief Ministers in both States.

The regional leaders, organized in the framework of the Congress, implemented the Center’s recommended policies despite their internal factionalism and rivalries. Figure 36 illustrate the basic interactions between regional leaders and the Center in the game model relations in the Congress era in both States.

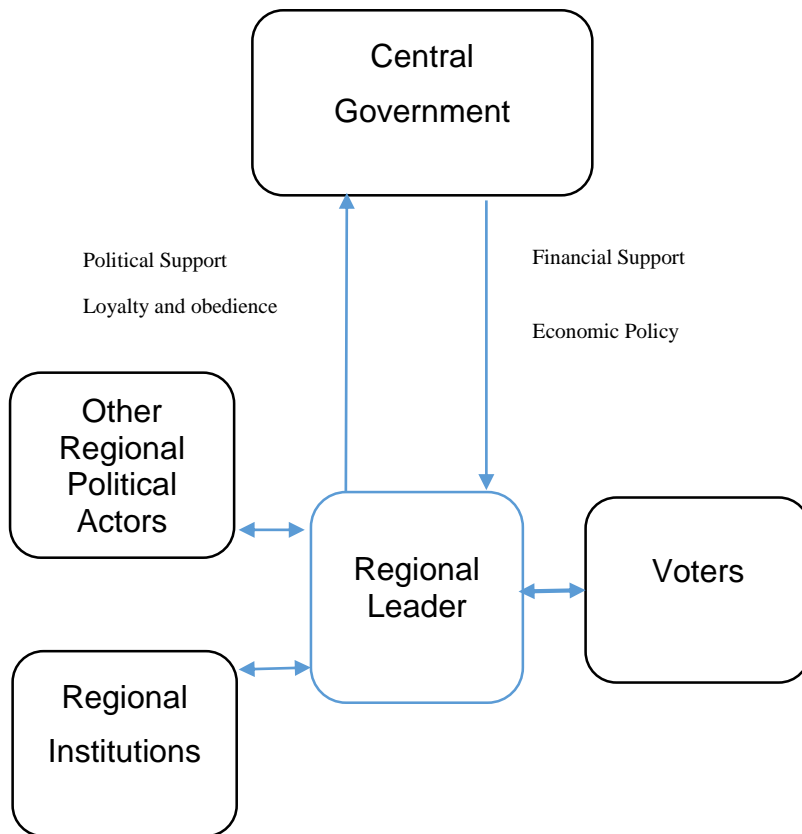


Figure 36 Cooperationist two-level game model, the Congress era

However, the power of the Congress party was interrupted in both States; nevertheless, two different rivals raised up in two States. The erosion of the Congress system in Bihar and Andhra Pradesh could not be analyzed without considering the regional institutional variations. Although the dominant caste groups led the Congress after the independence in both States, dissimilar caste structure caused a difference in the structure and capabilities of the Congress at the State level.

In Bihar, the upper caste politicians who came from Brahmin, Bhumihar, Rajput, or Kayastha castes background, dominated the Congress. These historically more privileged castes had better access to education, wealth, and power resources during the colonial era and the freedom movement. Accordingly, they emerged as the dominant political actors after the independence in Bihar. However, the differences in the caste background caused the internal rivalries and power struggles among the Congress leaders within the party. The factionalism among the regional leaders gradually weakened the Congress in Bihar.

On the other hand, Reddy community, a dominant peasant caste, emerged as the most important political actor in the Congress in Andhra Pradesh. Although it was expected that Brahmins as

the top of the pyramid of caste system have more opportunity to organize themselves in the form of Congress, Reddy caste politicians capture most of the positions in the Party. Demographically, powerful upper caste groups such as Brahmin constitute a minor percentage in Andhra Pradesh. Moreover, there was a clear cut between Brahmins' ritual status and economic position in Telangana region. While Brahmins in Bihar enjoyed both ritual and property privileges, Brahmins in Telangana had only ritual status and did not possess the significant landed properties. On the other hand, Telangana Brahmins should lease the lands from other agriculture upper castes such as Reddy/Kamma. Therefore, Reddy and Kamma castes, possessing land and dealing with lower castes, had a more potential source of power. Therefore, the Reddy caste politicians without any internal challenge dominated the Congress in AP. While the emergence of alternative political parties that could end the one dominant party system began in several subnational States in 1967, 1971 or 1977 elections, Andhra Pradesh remained under 'Reddy Raj' of the Congress under until 1983.

In contrast, factionalism and internal conflicts deteriorated the Congress position in Bihar, and it was defeated in the 1967 and the 1977 elections. Nevertheless, no strong alternative political party rose in 1967 or 1977 election that can consolidate its power. After these two short interruptions, the Congress as the only possible and accessible political platform came back to power.

In Andhra Pradesh, the Congress's supremacy was ended by Telugu Desam Party in 1983 as the representation of Telugu sub-nationalism; however, the Congress came back to the power in the 1989 election. In Bihar, the dominance of the Congress was initially challenged by Bihar Movement. Although Janata Party defeated the Congress in the 1977 election, the Congress came back to the power and ruled the State until 1990.

In the first years after the liberalization and economic reforms, introduced by P. V. Narasimha Rao's government, both States were governed by the opposition parties. Lalu Prasad Yadav who represented and led new anti-Congress forces in Bihar (Janata Dal), became the Chief Minister of Bihar in 1991; similarly, the TDP as the main opposition party in Andhra Pradesh won the 1994 election and N.T. Rama Rao became the new Chief Minister of Andhra Pradesh. Two new Chief Ministers opposed explicitly the economic liberalization, which had been adopted and recommended by the Center. Since the 'centrally planned economy' model was abolished, and the 'one dominant party model' transformed to a coalition politics model at the Center with a higher role for the regional parties at the State level, the strategic choices of these regional

leaders in both States have become the core determinants for the way of implementation of economic policies.

Consequently, after decline of ‘one dominant party system’ and erosion of power of the Congress at the Center, and dismantling the centrally planned economy, regional leaders (like the N.T. Rama Rao and the TDP and Lalu Prasad Yadav and the JD/RJD) could find a opportunity to reject the liberalization and reform agenda. The confrontation with the Center and rejecting the reform agenda were not the result of the political backwardness of these leaders; on the contrary, it can be seen as their strategy in a two-level game, aiming to maximize their interest (to gain reelection). These strategic are the core determents of economic policies in the States. The Table 16 summarizes and compares the key features of Congress and the early post-Congress era in both States.

Table 16 Characteristics of the Congress and the early post-Congress era in both States

	Andhra Pradesh	Bihar
<i>Dominant Caste/Class in the Congress Party in the ‘One dominant party era.’</i>	A dominant peasant caste: Reddy	Upper castes: Brahmin Bhumihar Rajput Kayastha
<i>Characteristics of the Congress in State</i>	Remained undamaged even after the first Telangana Movement, Mostly dominated by the Reddy leaders	Fragmented by rivalries among the upper caste politician and factionalism
<i>Pre-1990 Political Movements</i>	Telangana Movement Jai Andhra Movement	Bihar Movement
<i>The defeats of the Congress in the pre-1990s election</i>	Only 1983	1967 1977
<i>The main challenger to dominance of the Congress in the State</i>	TDP (the 1980s onward)	JP (the 1970s) JD/RJD (in the 1990s)
<i>Party system after end of one dominant party system</i>	Two-party system (rivalry between the Congress and TDP)	Absolut decline of the Congress/Dominance of the regional parties
<i>Charismatic leader of anti-Congress movement</i>	N.T. Rama Rao (1983-1989) (1994-1995)	Lalu Prasad Yadav (1990-2005)
<i>Caste background</i>	Leadership: Kamma (local dominant peasant caste) Support: massive support especially from OBCs and growing bourgeoisie	Leadership: Yadav (OBC) Support: the OBCs, Muslims, and SCs.

6.2 Strategic Choice of Regional Leaders: Populist Economic Policies in Horizontal Game and Confrontation with the Center in the Vertical Game

H2: *If regional political elites expect the most gain (re-election) from confrontational rhetoric and behavior against the Central Government, they will opt for populist economic policies (handouts)-rather than implementing the reform agenda of the Central Government.*

In both States, the Congress Party's domination was broken by the regional leaders who were rewarded by constituents because of their anti-Center attitudes. In both States, the non-Congress charismatic leaders led the anti-Center and anti-Congress movements.

The leader of the TDP, N.T. Rama Rao, a charismatic cinema superstar, led the anti-Congress movement by the slogan of self-respect for Telugu people (*Telugu Atma Gowrawam*). He criticized the local Congress leaders who surrounded 'self-esteem' of Telugu people to the Congress high command. The Telugu Desam Party as the manifestation of Telugu identity movement claimed that it fought against the corrupt Congress politicians in the State and their supporter in the Center. TDP introduced them as the responsible for the backwardness of Telugu people.

As a populist leader, N.T. Rama Rao emphasized mainly on the regional Telugu identity; nonetheless, the TDP never was a separatist party and remained loyal to India's federalism. One account the fact that his strategic choice in the vertical game was the confrontation with the Center, he needed more political and social support within the State. Through the implementation of several welfare schemes and an increase in the subsidies, NTR tried to prove that his government could deliver services better than the Congress especially to the poor and backward castes and classes. In NTR's rhetoric, the Congress in the State was synonymous with the corrupt and greedy politicians, following Delhi's rule and forgetting the interest of poor Telugu people. Accordingly, NTR as a hero wants to rescue the Telugu people, revive their dignity and fight with the poverty. Therefore, the short-term welfare populist policies with tangible outcomes were more favorable than the economic policies pursued by the Center during Indira/Rajiv Gandhi's tenure and Narasimha Rao's liberalization.

In a similar pattern, the Congress was defeated by a charismatic leader, Lalu Prasad Yadav, in Bihar with the slogan of the revival of *Izzat* (honor, self-pride) of OBCs, SCs, and minorities. As an obvious manifestation of lower caste politics, the JD and later RJD defined their core agenda to fight against the influence of upper caste groups in the State. Lalu Yadav emphasized on the caste politics and lower caste empowerment. So, he portrayed the Congress party, both

in the State and the Center, as the manifestation of domination of the upper castes. As a result, the confrontation with the upper caste dominated Congress was described as the pre-requisite for the emancipation of lower caste people. The hostility with the ‘Upper Caste Dominated Center’ during the NDA government had been rewarded by the constituents. Lalu Prasad Yadav perceived reform agenda and economic liberalization as a tool that benefits the upper caste-dominated business community rather than backward caste people. Therefore, he preferred the short-term welfare populist policies with clear outcomes in favor of targeted caste or community groups.

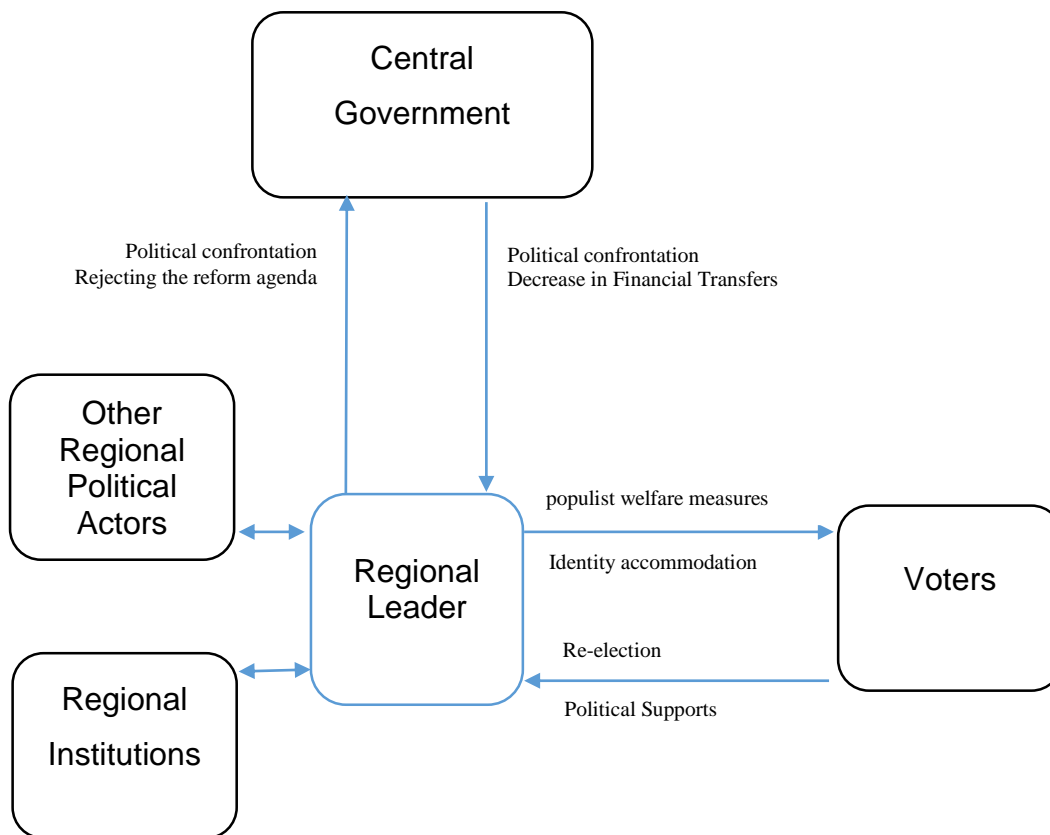


Figure 37 Confrontational game model, the post-Congress era

Figure 37 portrays the strategic choices of these two regional leaders when they were elected in the Assembly elections, and the Congress ruled the Center. The findings of this study suggest that, in both States, N.T. Rama Rao, as well as Lalu Prasad Yadav as the rational regional political actors, expected the most gain (re-election) from confrontational rhetoric and behavior against the Central Government; as a result, they employed the anti-center rhetoric (against the Congress in the 1980s and early 1990s by N.T. Rama Rao and against the Congress in beginning of the 1990s and the NDA between 1998 and 2004). Both leaders needed to sustain the constituent’s political support; especially, when they were threatened by the Center

(through tools such as the President's Rule or reducing in the central transfers). The short-term populist welfare measures with clear outcomes are the similar strategy in the horizontal game. The populist policies such as Rs. 2 a Kilo rice scheme, *Janata* cloth scheme or subsidized housing for the poor in Andhra Pradesh and *arvaha* schools for shepherd boys, declaring hundreds of slums in Patna and other towns as regularized, and several job reservations for the OBCs and minorities in Bihar are the most significant examples of these strategic choices in the horizontal game. Being '*Gharibon Ka Masiha*' (Messiah of the Poor) or *Anna* of Telugus provided more political support for this two leaders in their confrontation with the Center.

The characteristics of anti-Congress movements in each State played different roles in the key strategic choices of regional leader in the horizontal game. While N.T. Rama Rao tried to unify all Telugus regardless of their caste and community based on Telugu sub-national identity and mobilized them against the Congress rule, Yadav's lower caste politics rhetoric was based on the polarization of castes.

In Andhra Pradesh, the emergence of Telugu-sub nationalism with its focus on the unity and self-pride of 'all Telugu' people reduced the intensity of regional movements like Telangana movement. N.T. Rama Rao required the State bureaucracy to deliver effective services to the 'deprived Telugu people.' Therefore, he never tried to weaken the State bureaucracy and public service delivery system.

On the contrary, Lalu Yadav perceived the State bureaucracy as one of the most powerful citadels of upper castes in the State. He adopted a confrontational strategy both in the horizontal and vertical game. The famous slogan of RJD was *Bhurabal Hatao* implies to the confrontation with the Center as well as dismissing the upper caste bureaucrats and weakening of the State bureaucracy, which had been perceived as the instrument of the upper caste dominance.

The findings of this study reveal that while the State bureaucracy remained relatively autonomous during the TDP government under NTR in AP, and it was used to implement the populist welfare schemes, the purposeful strategy of Lalu Yadav weakened the State bureaucracy in Bihar; therefore, it became more dependent on the politicians. Table 17 compares the key features of anti-Center/Congress political actors in two States.

Table 17 Main characteristic of anti-Center political actors in both States

The main characteristic of anti-Center Political Actors	Telugu sub-nationalism in Andhra Pradesh	Lower Caste politics in Bihar
<i>Main Political Actors</i>	The TDP under N.T. Rama Rao (1983-1989 and 1994-1995) as the Chief Minister of Andhra Pradesh	The JD/and RJD under leadership of Lalu Prasad Yadav as <i>de jure</i> and <i>de facto</i> Chief Minister of Bihar (1991-2005)
<i>Background of Opposition Party</i>	Subnational identity (Telugu identity) against the Center and their representatives in the State	Caste identity (OBC Castes) against upper castes
<i>Caste Background of Regional Dominant Political Party</i>	Coalition between Kamma community and OBCs against middle caste Reddies, organized in the Congress	Coalition between the OBCs (mainly Yadav), SCs and Muslims against upper castes domination in the Congress and BJP
<i>Strategic choice of the leader in the vertical game</i>	Confrontation with the Center	Confrontation with the Center
<i>Strategic choice of the leader in the horizontal game</i>	Unification of all Telugus regardless of their caste and community Comprehensive welfare schemes	Confrontation with upper castes in the State Targeted welfare schemes to specific caste groups or communities
<i>Economic policies</i>	Economic populism in the name of service delivery to Telugu people	Economic populism Deinstitutionalization in the name of fighting with the upper castes

Findings of this study suggest that in spite of image Lalu Yadav in media and some scholarly works as a simple, unskillful and incompetent leader, who ruled Bihar badly, he as a rational actor (power and interest maximizer) tried to make a balance in his horizontal and vertical interactions to sustain his political power in the State. Although the result of his strategic choices was disastrous and tragic for Bihar and made Bihar's economy stagnated, he could break the record for the longest tenure as Chief Minister of Bihar (*de jure* and *de facto*). His relatively successful experience as the Railways Minister in the Central Government between 2004 and 2009, implies to Lalu's potentials to be a successful reformer; however, he had realized that gaining more interests in State politics needed intensifying caste polarization instead of the reforms.

6.3 Strategic Choice of Regional Leaders: Cooperation with the Center

Implementation of Reform Agenda and

H3: *If regional political elites do not expect to gain reelection through confrontational behavior against the Center but expect to be rewarded by the voter if their economic performance is convincing, they will opt for gaining access to funds from the Center and international agents and adopt reform-oriented policies*

While the charismatic leadership of Lalu Prasad Yadav and his populist and confrontational strategies continued until 2005, a turning point in Andhra Pradesh politics in 1995 transformed the rules of the game both in the horizontal and vertical game model interactions. The emergence of Chandrababu Naidu as the new leader of the TDP and the Chief Minister of Andhra Pradesh can be seen a turning point. Naidu's strategic choices to adopt the reform-oriented policies in Andhra Pradesh when Lalu Yadav insist on rejecting all reform agenda, recommended by the Center, is the key explanatory variable to explain the divergence between two State's economic performance after the 1990s.

Chandrababu Naidu dismissed his father in law, N.T. Rama Rao through a 'Palace coup' in the TDP in 1995. Since its formation, the TDP had relied mostly on the charisma of NTR, which was rooted in his cinematic career and personal characteristics. Chandrababu Naidu neither had NTR's charisma, which attracted the attention of constituents to him and mobilized people based on identity politics and anti-centrism, nor enough financial resources to pursue populist welfare policies to convince masses to support him. While the TDP during the leadership of N.T. Rama Rao was supported mainly by the coalition between Kamma caste (Rao belong to this caste), other backward castes, Muslims especially after Babri Masjid dispute, and all masses who were inspired by his NTR's charismatic character or his populist schemes; Chandrababu Naidu had several challenges to get support from party's traditional supporters.

As a rational actor, Naidu confronted with the leadership dispute and legitimacy vacuum at the State level, the change in power relations with the Center, which created more autonomy for the State, and development paradigm shift both at national and international level; as a result, he had new potential choices. He realized that possessing of political power in Andhra Pradesh is not possible anymore through populism and confrontation with the Center. In the new institutional setting, Naidu should compete with other States to attract both Central financial allocation and private investments. He perceived the success in the completion as a way for attracting voters in the State. The strategic choice of Naidu to shift from economic

populism to liberalization not only displayed a progressive image from TDP government and the new leadership, but also could attract votes and supports from the emerging urban middle class, the youth and women, and Kamma entrepreneurs. The current study argues Chandrababu Naidu tried to create a dynamic, progressive and trustworthy image for the TDP leadership as an alternative to the charismatic image of NTR.

Moreover, Naidu realized that for implantation of reform-oriented policies and developmental activities needed more central transfers and private investments. While NTR considered the Center as a 'conceptual myth' and confronted it, Naidu identified the pragmatic gains from cooperation with the Center in the age of inter-States rivalries. NTR's confrontation with the Center could be due to the fact that the Congress, the main competitor of the TDP in AP, also was in power at the Center. However, the rise of NDA as a new political coalition at the Center paved the path for reconstruction of the relationship between the TDP and the Center. Chandrababu Naidu realized that the TDP government could get maximum benefit from the Center by sustaining a constructive and friendly relation with it. As a result, despite initial conflicts with the BJP, Naidu accepted finally to be a key partner in the ruling NDA government.

My findings indicate that although the Central transfers for development expenditures increased in the late 1990s, Naidu realized that he could not be remained dependent on State's own income or the Central transfers for enhancing economic growth. Although he tried to improve the relations between the Center and State to convince Central Government and the Planning Commission to allocate more financial resources to the State, he realized that the private sector's investments (by domestic or international companies) and international financial organizations' aid and loans would enhance economic growth in the State. Therefore, one of the most significant goals of the policy reforms in Andhra Pradesh was to create a business-friendly environment for attracting national and international companies to invest in the State. Naidu comprehended the new rules of the game in which State-Center confrontation transmuted to inter-States competition. Also, Naidu was aware of the consequences of the collapse of License Raj at the Center and its impact on the political economy of India; as a result, he believed that States should compete to attract private investments in the post-reform era.

While Andhra Pradesh transformed to a subnational developmental state with the leadership of Naidu, Lalu Yadav's strategic choices in the vertical and horizontal interactions led to stagnation of Bihar's economy as well as a decline in law and order.

Table 18 compares the key features of Naidu and Yadav regimes in term of leadership and their strategic choices in the vertical and horizontal interactions.

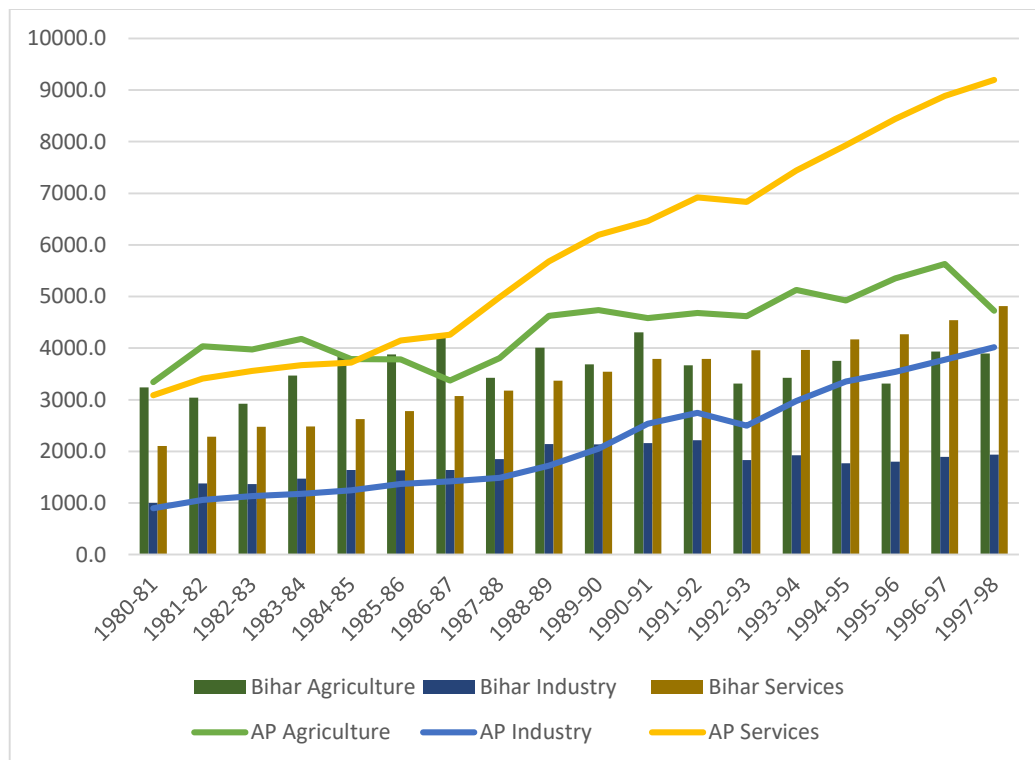
Table 18 Main characteristics of Naidu and Yadav regimes in term of leadership and their strategic choices

	Andhra Pradesh	Bihar
<i>Background of Ruling Party</i>	Subnational identity (Telugu identity) against the Center and their representatives in the State	Caste identity (mainly the OBC Castes) against upper castes
<i>Leadership</i>	Pragmatist and technocrat (Naidu, 1995-2004)	Charismatic with the populist policies (Yadav, 1991-2005)
<i>The Keywords of dominant discourse of the regional leader</i>	Development Neo-liberal economy Good Governance paradigm Information Technology	Lower caste Empowerment Social Justice Izzat
<i>Vertical Strategies of leaders toward the Center</i>	Cooperation	Conflicts
<i>Strategy to Attract Private Domestic/International Investments</i>	Yes	No
<i>Strategy to cooperate with international aid agencies</i>	Yes	No
<i>Horizontal Strategies toward regional institution</i>	Improvement of current institution and Creation of new institutions for enhancing development	Deinstitutionalization in the name of fighting against upper caste domination
<i>Economic Policy Choices of Ruling Elites</i>	Neo-liberal economic reforms and investment in Infrastructure, attraction of FDI and development of IT sector	Pro OBC populist policies without developmental vision (1990-2005)

Both political leaders with these strategic choices reached the records of the longest term that a Chief Minister in their State ever served. However, the results of these choices on economic performance in both State are dissimilar.

Figure 38 compares components of net state domestic product at factor cost by industry of origin in both States between 1980-81 and 1997-98 financial years

Figure 38 Components of NSDP at factor cost by industry of origin in Andhra Pradesh and Bihar



Drawn by the author, Source: Handbook of Statistics on Indian Economy 2005-2006 (2006)

As this figure reveals, although the size and value of the Service sector in Andhra Pradesh was higher than Bihar, the Agriculture and Industry sectors in both State had a relatively similar condition.

Not surprisingly, after the introducing of the liberalization by the Center and implementation of economic reforms in Andhra Pradesh by the Congress government and subsequently by the TDP government, growth's rate of all three sectors has been accelerated. On the other hand, although there is a minor increase in the service sector in Bihar, the industry and agriculture sectors remained stagnated without a major change.

Finally, end of 'Lalu Raj' and emergence of Nitish Kumar as the new Chief Minister of Bihar (the 2005 election) paved the path for cooperationist and growth enhancing strategic choices

in the vertical and horizontal interactions, which enhanced the State-Center cooperation and economic growth.

In the horizontal game, Nitish Kumar, as a rational actor, confronted with the strong caste/community vote banks of Lalu (MY and other lower castes), rewarding him for his *Izzat* promises, in spite of his poor performance at the State level. Moreover, Lalu Yadav with his humor, theatricality, and rustic oratory was a charismatic leader for the rural masses. Lalu Yadav was a professional leader who could use the caste politics weapon against his opponents; as a result, Nitish Kumar required another tool to challenge the RJD in the State.

Nitish Kumar used ‘development’ and ‘law and order’ as an instrument for political mobilization against Lalu. Nitish Kumar realized that securing political power in Bihar is not possible anymore through populism, polarization, and confrontation with the Center in the name of fighting upper caste’s domination. Accordingly, the constituents such as forwarded caste elites as well as the OBS, EBCs, Dalits, and lower class Muslims would reward him if he demonstrates his performance to deliver more services and enforce the rule of law. Therefore, development of state became the central goal of his government.

Unlike ‘Lalu Raj’ era, subjugated by the economic and financial consequences of confrontation with the Center and caste polarization, Nitish Kumar realized that confrontation with the Center and caste politics cannot enhance economic development; as a result, he tried with reconstruction of bureaucracy, restoration of law and order and creating a business friendly environment attract private domestic and foreign investments.

Under Nitish Kumar government, Bihar transformed from one of the slowest-growing States to a fast growing State, which its rate of growth could be compared with Gujarat.

Figure 39 illustrates the game model behavior of a ‘regional developmental leaders’ at the State level such as Chandrababu Naidu and Nitish Kumar.

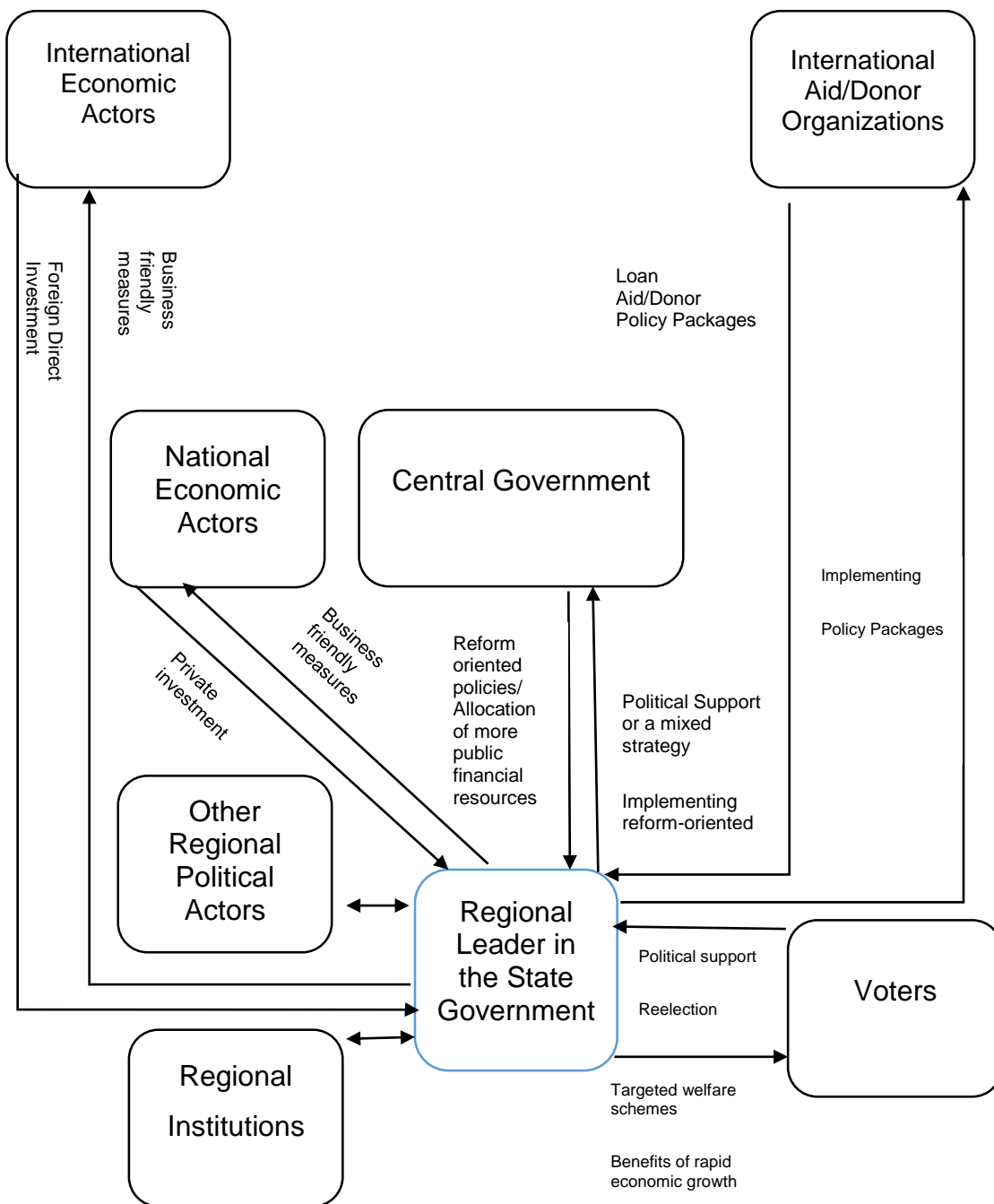


Figure 39 Multi-level and development enhancing model, the post reforms era

In the horizontal interactions, the leader offers benefits of rapid economic growth and some targeted welfare schemes to the constituents. They reward him by reelection and political support. Moreover, the regional leader improves the capacity and effectiveness of regional institutions such as State bureaucracy which can enhance service delivery to constituents. By advocating a unifying sub-national identity, the regional leader tries provide the context of

socio-political consensus and refrain the sub-regionalism and caste polarization. In the vertical game, the Chief Minister provides political support for the Center and implement economic policies based on the Center's agenda. Therefore, the Center provides political support, as well as central transfers in the form of approved plan outlays and other means. However, the Center is not the only source for investment to enhance economic development in the State. By adopting business-friendly measures and promoting reform agenda, the regional leader tries to attract the international and national private companies to invest in the State.

The findings of the current thesis suggest that Andhra Pradesh has emerged as a subnational developmental State with the leadership of Chandrababu Naidu, who provided a developmental vision for Andhra Pradesh, improved the current institutions in State, and implemented new policies to enhance economic growth.

Similarly, Bihar after a long-term stagnation and lawlessness, has emerged as a new subnational developmental State under the leadership of Nitish Kumar. He also reconstructed and improved the institutions in State, increased the level of the rule of law and order, and implemented new policies to enhance economic growth in the State. While India's political economy in the 1950s and 1960s cannot be analyzed without studying the central role of Jawaharlal Nehru, his ideas and management style, in the post 1990s economic liberalization the agency of Chief Ministers such as Chandrababu Naidu and Nitish Kumar in the framework of their expanded room to maneuver should be underlined.

6.4 Central Transfers as a Tool for Reward and Punishment

H4: *If regional political leaders opt confrontational rhetoric and behavior against the Central Government, the share of State in financial transfers from the Center (such as approved plan outlay) will decrease. On the other hand, if regional political leaders opt cooperationist rhetoric and behavior toward the Central Government and implement the reform agenda of the Central Government, the share of State in financial transfers from the Center (such as approved plan outlay) will increase.*

As it was discussed, it is a tough task to establish the causes of State growth rates within India conclusively. There are several economic and non-economic independent variables; therefore, it is difficult to pin down and explore all them. Moreover, as it was argued, this study instead of analyzing all causes of growth, focused on the divergence in the post-reform economic performance of States.

Most of development theories regard investment as a crucial factor for the rate of growth. In the previous sections, the current study elaborated how the strategic choices of regional leaders in a complex multi-level game can be seen as a significant variable that can explain the amount and pattern of private investment.

However, more than the private investments, the pattern of public developmental expenditure can be seen as a key factor to explicate the divergence in the economic performances of the States. Especially, the Indian States with a considerable need to invest in the infrastructures are more dependent on this kind of public developmental expenditures. Therefore, this study also focused on the developmental expenditures of States.

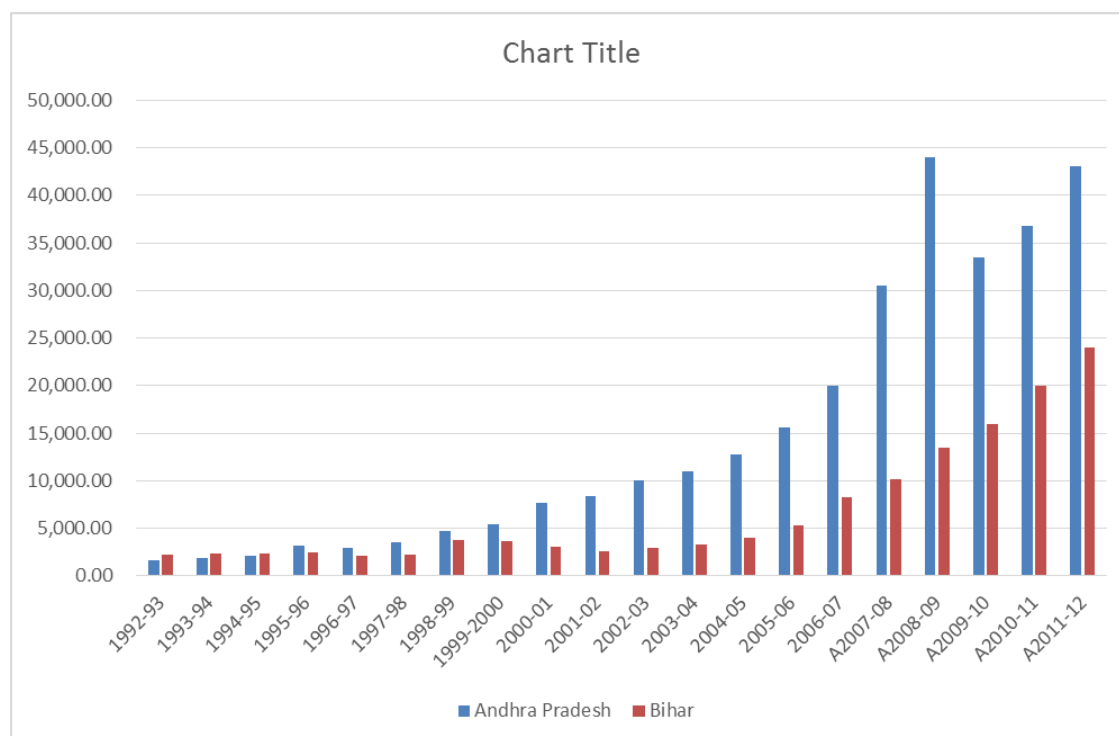
One of most significant sources of State Government for developmental expenditures is the money that had been paid by the Planning Commission. These Center-State transfers play a significant role in development of infrastructures in State. The Planning Commission devoted these transfers for developmental purposes including project-specific expenditures.

Although the Planning Commission presented a formula for distributing State plan, including elements such as Per capita income, fiscal performance or special problems, the findings of the current study suggest that the State-Center relations are a significant informal variable which should be considered.

As Figure 40 depicts, both States in the early 1990s had a relatively similar share in the approved Plan Outlays. Both States had confrontational attitudes toward the Congress government of P. V. Narasimha Rao.

Fascinatingly, the share of Andhra Pradesh increased after the 1997-98 financial year which is coincided with Naidu's decision to join the NDA and became the partner of Central power. However, as the Figure 40 illustrates while the Center rewarded Andhra Pradesh's reform agenda through increasing Center-State transfers via approved Plan Outlays, punished Bihar, who rejected the all economic reforms and launched several attacks against the ruling coalition.

Figure 40 Annual approved plan outlays of Andhra Pradesh and Bihar between 1992-93 and 2011-12



Drawn by the author, Source: State Finances: A Study of Budgets (Reserve Bank of India 2015)

However, the 2005 election for Bihar was a turning point. Although Nitish Kumar belonged to the NDA alliance, he did not adopt anti-Center strategy against the UPA government. On the contrary, based on neo-liberal consensus, he engaged actively in the economic reform agenda, pursued by the Center. Most visibly from the 2006-2007 financial year onward, the Bihar Government resources for development expenditures began to benefit from a large increase in plan transfers from Delhi. Inspired by his obligation to the development of State and his attitude toward the Center, the Central Government rewarded Nitish Kumar Government with a larger amount of approved plan outlays.

The growth rate of share of Andhra Pradesh in the approved Plan Outlays accelerated after the election of Y.S. Reddy, the Congress leader in the 2004 election. Andhra Pradesh under the rule of Congress received more central transfers for YSR's developmental expenditure in the State. These expenditures could sustain the success of AP in term of development. These Center-State transfers accompanied with some expenditures in welfare schemes to make a balance between the rate of growth and poverty reduction and improvement in HDI.

The findings of this study confirm, there is overall tendency for the Central Government to reward or punish States based on their relations with the Center and their willingness to implement Center's recommended policies by developmental transfers to the States.

6.5 Final Remarks

Most recent works on the relations between governance and development focus on interconnections between good governance or democracy and economic performance of states or emphasize the role of the state (regardless of its democratic characteristic) in making development happen. The main contribution of this study is to suggest that democratic regime did not automatically translate into development. Moreover, the result of this study takes a stand against explanations of both supporters and opponents of state-centric theories. This study displayed that core concepts, derived from both good governance and neo-statist approach cannot be adequate for understanding subnational interaction across the federal system in India.

The current study did not consider the state as an aggregate entity; on the other hand, it *disaggregates* the state relationally and spatially. Therefore, the study of the multi-level and complex political systems like India and analysis of the relations between actors and institutions for economic policy-making and implementation required to disaggregate state and highlight the variation within a state as well as interactions across governmental levels may affect economic performance. Unlike the majority of comparative political economy theories, constructed based on a unitary and top-down notion of state, this study argues that analyzing development in India as a federal and multi-level political system is not possible with a mere aggregate notion of state.

The thesis delineates how in the post one dominant party system and post liberalization era, in the framework of India's federal institutions, the regional leaders as the rational actors confirm or rebel against the policies and decisions of the Center (mainly economic reforms). Based on the neo-institutional model of governance (Mitra, 2006) and polycentric hierarchy model (Sinha, 2005) the current thesis investigates how the federal design of India's political system provides room to maneuver for the elite agency at the State level. Although the previous studies confirmed the increase in the role of regional leaders after the end of the centrally planned economy model and the emergence of the federal market economy, the dynamics and patterns of Chief Minister's strategic choices remained unstudied. The current study proposes a multi-level polycentric model to analyze the strategic choices of regional leaders, especially their

economic policy choices after the liberalization. This model enables us to analyze the strategic choices of regional leaders to cooperate or confront the Center via analysis of horizontal and vertical interactions in a multi-level system.

Looking at these variations, the study shed lights on the diversities of developmental trajectories within a democratic nation-state. This study delineates how regional institutional variations and strategic choices of local elites even can engender anti-development tendencies in a democratic political system (case of Bihar during Lalu Yadav).

On the other hand, the findings of the current thesis suggests that the post-1990s new institutional set up in economic arena (abolishment of 'Permit License Raj' and Centrally planned economy) and political arena (transformation of one dominant party system to a regionalized multiparty coalition government system) paved the path for birth of a 'determined developmental leader' at the State level, whose strategic choices to implement reform agenda is based on their interest in the horizontal and vertical games. Therefore, the regional leaders as rational actors follow development-enhancing policies in the region if, and only if, they see such policies can improve their position in the regional politics in term of reelection.

Finally, this study argues that the mono-causal explanation of development such as causality between democratic regime and development or political stability and development is too simple for analyzing the dynamics of development within Indian federal States. The result of this comparative study confirms that despite the similarities in initial institutional arrangement and economic condition between two cases, the strategic choices of regional leaders in the vertical and horizontal games based on the regional institutional variations and local context caused different reception to economic reforms and liberalization; consequently, it led to divergence in their economic performance.

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