The post Rao period changed the position of the Congress party from a natural party of governance to a national opposition party. Politics in India entered an 'era of coalitions' with ideologically diverse parties coming together for exercising power. The new shift in Indian politics – from one-party rule to multi-party rule – raised doubts about the continuity of the economic reform process. This was because the conventional wisdom underlying the politics of economic reform was that one party rule is more conducive to hard economic reforms rather than coalition regimes. Parties with diverse ideological affinity hamper the sustainability of reforms. Each of the constituents of the coalition exercise was the political manifestation of various social interests. When the coalition government's support depends on the key social groups, it has to satisfy these groups to win over their consent on various policy issues. The theoretical underpinning of coalition governments is that economic management and reform are unsustainable because of the short life and heterogeneity of the coalition. ¹ These two factors often impede and distort attempts by coalition governments at economic policy reform especially in the areas related to fiscal deficit, cut in public expenditure and slashing public subsidies.

In the mid nineties, when the Congress' space in Indian politics was shrinking, new coalitions formed at the central level. On 1 June, 1996 the United Front (UF) and the Left Front coalition government under the leadership of H. D. Deve Gowda came into power with the outside support of the Congress party. The economic management under the UF government generated concerns among the advocates of economic reforms. This was because the sustainability of the government depended on the outside support of the pro-reform Congress and the critique of the reforms, the left parties, especially the Communist Party of India (Marxist) (CPI (M)). In fact, a lot of

speculation was also aired that the new government would reverse the course of economic reforms, under the influence of Left parties. However, the Prime Minister allayed these fears when the Common Minimum Programme (CMP) of the government was released on 5 June, 1996. It clearly envisaged the continued pursuit of economic reforms on the premise of outward-looking trade and investment policies besides the reforms. The CMP declared that the government would follow economic policies that would promote growth with social justice and which would lead to greater self-reliance. The economic policy, announced in the CMP, indicated that the objective was to reduce fiscal deficit, promote industrial development and encourage infrastructure. The CMP says:

The question of withdrawing the public sector from non-core strategic areas will be a carefully examined subject. However, to assure the workers and employees of job security or, in the alternative, opportunities for retraining and redeployment. The United Front Government will establish a Disinvestment Commission to advise the government on these steps. Any decision to disinvest will be taken and implemented in a transparent manner.²

According to the CMP, the UF government was committed to the empowerment of the underprivileged and deprived sections and communities. In spite of the commitment to social justice, the CMP resembled the reform agenda of the previous Congress government. While commenting on the CMP, a financial daily observed: ‘Continuity is the hallmark of the United Front government’s economic policy as enumerated in the Front’s Common Minimum Programme’.³

In addition to the assurance given by the CMP on the continuation of economic reforms, the appointment of the pro-liberalisation advocate P. Chidambaram as Finance Minister affirmed the continuation of the reforms. The Prime Minister and the Finance Minister ensured continuity and pragmatism while announcing the economic policy of the new government. Even though the mantle of political power shifted from the Congress to the UF government, the bureaucratic set up which was prone to reform did not affect major changes. For example, Montek Singh Ahluwalia, the Finance Secretary of Rao government was retained. It proved that without doubt,

³ The Economic Times, 6 June, 1996.
Manmohanomics would continue with a few cosmetic modifications in the economic policy. However, the dynamics of coalition politics came in the way of the economic management of the government. The left parties who were the major allies of the government exerted pressure on the government to refrain from privatisation and the economic reforms initiated by the Congress government. On various occasions, the left parties expressed their resentment over the government approach towards economic reforms. They effectively stalled the privatisation of insurance and further increases in oil product prices which were made necessary because of higher world oil prices.

Second overlapping influence on the direction of policy making came from organised labour. There was strong resistance to any attempt to rationalise the work force in the state enterprises, as illustrated by a strike of insurance workers to stop the opening up of insurance sector. They also demanded immediate withdrawal of the ‘austerity measures’ announced by the Finance Minister. Though ideological contradictions and interest preferences delayed the pace of economic reforms, it could not be taken away from the clutches of Manmohanomics.

The direction of economic reforms was clearer in the policy documents of the government. The Economic Survey and the budget proved the essential continuity in economic reforms. Even though the Congress was out of power, it could influence the government’s economic policy in a decisive manner as an outside supporter. Because these policy documents proved that the government was ‘a Congress government by proxy’. In fact, the outside support of the Congress party seemed to force the government not to deviate from economic reforms. The political factor in another way responded positively in the continuation of reform measures. The left parties who were critical of the reform process softened its stand on the liberalisation policies of the government due to the bigger challenge posed by the government from the communal forces. Thus, the commitment of UP government on economic reforms showed the irreversibility and consolidation of economic reforms irrespective of which party wielded political power.

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The first policy statement of the government after the release of the CMP was the Economic Survey (1995-1996) tabled in Parliament on 19 July, 1996. By endorsing the reforms initiated by the previous Congress government, it recognised the efficiency of the far-reaching reform measures. The first budget (1996-1997) of the U.F. government was presented by the Finance Minister, P. Chidambaram before the Lok Sabha on 22 July, 1996. It hinted at the continuation of the reform process by addressing the 'concerns of the poor'. It contained enough reforms-oriented measures to satisfy domestic and foreign business groups and also to please the Multinational Corporations (MNCs) and the big Indian business houses. At the outset, the budget proved that Manmohanomics still remained as the guiding principle of economic management in India. A financial daily while commenting on the budget described it 'a Manmohan Singh budget plus or minus two percent'. The budget continued the process of fiscal adjustment within the framework of the CMP. One of the broad objectives of the budget was to remain steadfast on the course of economic reforms and liberalisation aimed at accelerating economic growth. Though the emphasis on rural development was set to be the prime agenda, the government invited the entry of Indian business corporations and MNCs into agriculture. Concessions to the private sector, investment inflow of foreign capital, advocated disinvestment, liberalisation and concessions to the MNCs continued as before, although the rhetoric on social justice was maintained. In fact, the Congress party was not reluctant to accept the economic measures of the government. A Congress member in Lok Sabha, while participating in the discussion on the budget described it as the continuation of the basic policies of the Congress government. He said that all the constituents and the supporters of the UF government had endorsed the Congress policies.

Subsequently, the reform initiatives had been introduced or strengthened in almost every critical infrastructural sub sector. Consistent with the liberal thrust of the

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1992-1997 Exim policy, the government undertook a series of trade liberalisation measures in 1996-1997. Further, the process of liberalising central government control over the industrial sector advanced considerably. Industrial licensing was eliminated for all but a handful of industries and the list of industries reserved for the public sector was also sharply reduced.

The restructuring of the public sector was one of the key areas of reform of the UF government. Politically, it had to reconcile the opposing stands of both the Congress and the left parties. As a new direction on the reforms in public sector, on 23 August, 1996, the United Front government set up a five-member disinvestment commission in pursuance of a promise made in the CMP. It was set up for a period of three years with an objective to determine the extent of disinvestment in each of the Public Sector Units (PSUs), to prioritise the PSUs referred to it by the Core Group in terms of the overall disinvestment programme, etc. It was an advisory body to the government in matters relating to the final decision on the companies to be disinvested and also the mode of disinvestment. The privatisation of public enterprises had been limited to partial disinvestment with the government retaining control. In a significant move the government referred 40 PSUs to the commission for advice. It observed that the essence of a long-term disinvestment strategy should not only to enhance budgetary support towards unprofitable units but also ensure their long-term viability and sustainable levels of employment in them.

The reform initiative of the UF government got momentum in the second budget (1997-1998) of the UF government presented on 28 February,1997. It broadened the economic reforms, gave relief to the salaried class, widened the tax base, reduced corporate tax and import duties and gave concessions in excise duties. But it also included certain measures like increasing the state subsidies in fertilisers, grains and sugar. The Finance Minister P. Chidambaram who was an active participant in the formulation and implementation of reforms claimed that two of the objectives of the budget were ‘to remain steadfast on the course of economic reforms and liberalisation
and aim at accelerating economic growth’ and ‘to ensure fiscal prudence and macro-economic stability’. 

Though economic management of UF government was ‘Congressised’ in a way, the political conflict surfaced between the government and the Congress. Later on 30 March, 1997 the Congress withdrew support to the 10 month-old government. On 11 April, 1997 the UF Ministry headed by H. D. Deve Gowda was defeated in the Lok Sabha on a confidence motion (190-338 with 4 abstentions). But the Congress party decided to install the UF government again under the leadership of I. K. Gujaral and the government assumed office on 21 April, 1997. In spite of the change in the leadership of the UF government, P. Chidambaram continued as its Finance Minister, pursuing the economic reforms. The Gujaral government endorsed the former government’s reform policies and committed to encourage liberalisation. The Prime Minister stated in the annual conference of the Confederation of Indian Industry (CII) that ‘there will be no change in the policy framework that the U.F. pursued in the past 10 months and that structural adjustment would be pursued to their logical end’.

In a significant reform process in May 1997 the Gujaral government released a discussion paper entitled ‘Government Subsidies in India’ with the intention to generate an informal debate and initiate a more open approach to subsidies. It made a distinction between ‘merit’ and ‘non-merit’ subsidies. It provided a comprehensive estimate of budget based subsidies in which both explicit and implicit subsidies were covered. The discussion paper pointed out that there was considerable scope for improving the present regime of subsidies by focussing on the following: reducing the overall scale of subsidies; making subsidies as transparent as possible; using subsidies for well-defined economic objectives; focussing subsidies to final goods and service with a view to maximising their impact on the target population at minimum cost; institutional systems for periodic review of subsidies; setting clear limits on the duration of any new subsidy schemes. It said that untargeted subsidies promote

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9 The Times of India, 27 April, 1997.
inefficiency and induce wastage of scarce resources. A significant and increasing portion of food subsidies does not filter through to the consumer but is absorbed in the increasing costs of handling and storing food grains. Phasing down inefficiency promoting subsidies and increasing user charges in the cases of over-subsidisation would usher in a leaner but more effective subsidy regime.  

Like his predecessor the Gujarat government's commitment to economic reforms was further manifested in its policy documents. The Ninth Five Year Plan (1997-2002) prepared by the UF government emphasised that 'the process of globalisation is a reality which cannot be denied and also should not be avoided'. The plan made its commitment to continue the process of opening up the economy to international competition, which was initiated in the Eighth Plan period, while making parallel efforts to strengthen the potential of Indian industry to compete effectively in world markets. It said that 'foreign investment provides external resources which help to finance the balance of payment deficit without adding to the country's external debt. In this respect, the ability to attract foreign investment promote the objectives of self-reliance by helping to avoid a build up of external debt which adds to our vulnerability'.

The Ninth Plan redefined the role of the state in development. It added that '... the state must withdraw from the role of being a controller and licensor of private enterprises in areas where market competition and an efficient financial sector will ensure appropriate decision on investment and technology'. However, in areas like social development and the development of the rural areas, the state was to be an active participant.

Congress party's critique of reforms

Though the economic reform under the UF government did not deviate drastically from the path of Rao government, the Congress expressed some ambivalence over the

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12 Ibid., p. 6.
13 Ibid., p. 3.
economic policy of the UF government. Political compulsion to differentiate its policy from the UF government perhaps forced the Congress to do so. The party in its Congress Working Committee (CWC) meeting on 4 November, 1996 adopted a resolution that criticised the economic policy of the UF government. It charged the government for its failure to take economic management seriously. The party pointed out that industrial growth had declined, export performance was extremely poor, flow of foreign investment was uncertain and that fiscal discipline was weak. The Congress policy of support and critique continued for sometime in the party forums. The CWC in its resolution on economic situation in December 1996 called upon the UF government to take appropriate effective measures to tackle the deteriorating economic situation. Manmohan Singh presented a paper and initiated a discussion on the economic situation pointing out the failure of the UF government on the economic front.

In the context of the recurring political instability and policy fluctuations in the non-Congress governments, the Congress underwent a process of introspection. The party in its 80th plenary session which was held in the backdrop of 50 years of Indian independence, on 8-10 August, 1997 made an attempt to attract the influential sections of the society towards the party. The session was overshadowed by the party’s defeat in the 1996 general election and the augmenting criticisms of the economic policy of the Rao government. The general mood reflected in the session was that the party lost its traditional social constituencies which were manifested in the emergence of regional parties and coalitions. The session saw the party leadership’s attempt to minimise the effect of reforms with the interest of the poor and the underprivileged sections. The presidential address by Sitaram Kesari and the golden jubilee and economic resolutions emphasised the need for bringing back the traditional social groups to strengthen the party. The Congress president in his address stressed that the economic reforms introduced in 1991 proved that the Congress policy had never been dogmatic but always had adequate flexibility to adjust itself with the changing situation nationally and internationally. At the same time the party was committed to the goal of poverty

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eradication that had been at the centre stage of the economic policy formulation and the planning process over the years. He claimed that the party, formulated economic policy of the last fifty years reflected both the self-reliance and the pro-poor identity of the Congress. In his view economic policies were meant for the upliftment of the poor and it should never be meant just for the elite. Allaying the major criticism against the Congress’ economic policy that it was a middle class affair, he also reminded the captains of Indian industry that ‘liberalisation must be for all, must be seen to be for all, and not just for the rich or for upper middle class’.15

Taking the stock of the Congress’ shrinking space in Indian politics and the realisation of coalition at the Centre, the Congress attempted to clarify its position on the effects of economic reforms on the disadvantaged sections. The Golden Jubilee Resolution moved by K. Karunakaran in the Subject Committee meeting on 8 August, 1997 (which was later moved by Rajinder Kaur Bhattal at the plenary session on 9 August, 1997) pointed out that the party was deeply concerned over the over-riding priority to the needs of the poor due to the misconception of the reform process. The resolution claimed that ‘the reforms initiated by the Congress in 1991 were consistent with the unshakeable Congress emphasis on priority to the poor. Structural reforms to revitalize and dynamise the economy were taken with extreme care with regard to cushioning the possible adverse effects on the weaker sections of the society’. The resolution says:

There is now a preoccupation with the corporate sector, to the detriment of the poor of India, which is unprecedented in the annals of the economic history of independent India. This is dangerously destabilising and threatens the delicate balance on which our democracy rests. There is, of course, the need to push the reform process so that India is readied for the next phase of economic expansion. But incentives to the well-off cannot be championed while slashing Central plan outlay by tens of thousands of crores, holding down increase in state expenditure on poverty alleviation, downgrading priority to agriculture and rural development, stalling on Panchayati Raj, pursuing untested schemes of revenue raising to appease the rich, endangering handicrafts, handlooms and small and medium business and undertaking radical changes to the public distribution system which could rebound to the disadvantage of the poor.16

The resolution claimed that the mistakes that were made came from a mindless rejection of the path charted at the Avadi session of the Congress in 1955. To counter

15 Ibid., pp. 233-236.
16 Ibid., p. 163.
the augmenting criticisms of the left parties and the advocates of swadeshi on the economic policies, the party tried to find indigenous link for its policies and strategies. The party asserted that its economic policies had always been built around the realities of India: the confidence of the people and self-reliance. Highlighting the unique tradition of the Congress that it had imbibed lot from the domestic and global changes, it tried to redefine its key ideologies. For example, socialism of the Congress, according to the resolution, was an indigenously developed Indian socialism, never dogmatic but, adaptable to changing conditions.

The discussions and debates in the session focussed on the fact that political compulsion and the dynamics of electoral politics had a decisive voice in the course of the reform process. The economic policy resolution moved by Manmohan Singh stated that the ‘Congress was a party for the poor and the underprivileged’. It said: ‘... the eradication of poverty and unemployment must begin with the political, social and cultural empowerment of the weakest sections of society – the Scheduled Castes and Scheduled Tribes, the Minorities, the Backward Classes and the indigent of all classes, castes and communities who are living below the poverty line’.\^\textsuperscript{17} It was pointed out that the Congress party was committed to decentralisation by strengthening the Panchayati Raj Institutions and through it the party could achieve the empowerment of the poor. It stressed the need for the implementation of special programmes for the empowerment of the weaker sections. The resolution was essentially a reiteration of the commitment to accelerate economic growth, combined with a compassionate thrust, in favour of the poor through intervention mechanisms such as the Rozgar Yojana and the Public Distribution System (PDS). By reaffirming its faith in socialism, the party said that it was a dynamic socialism where the interests of the weak and the downtrodden took precedence over dogmatic economic models. The resolution made a commitment to a ‘strong, prosperous and self-reliant economy, the empowerment of the weak, the upliftment of the downtrodden, and the eradication of the curse of poverty’.\^\textsuperscript{18}

\^\textsuperscript{17} \textit{Ibid.}, p. 172.
\^\textsuperscript{18} \textit{Ibid.}, p. 168.
While referring to the reform process initiated in 1991, it says:

The objectives of the reform process as enunciated by the Congress party are Growth, Self-Reliance and increased Social Justice. Growth is essential for Self-Reliance. Self-Reliance is meaningless unless we also ensure increased social justice. Therefore, our approach to Poverty and its eradication is essentially two-legged with direct intervention going step in step with growth. The same philosophy has guided our approach to the instrumentality of reform.\(^{19}\)

In a bid to pacify the discontented religious minorities to the party the plenary resolve said that ‘the Congress had always believed that the interest and causes of all the minorities were a sacred trust for the party’. It was the duty of the party to protect and promote their interest and make up for all the deficiencies in their educational, economic, social and political development. In a dig at the politics of identities, it claimed that in fact, the party represented the pluralistic ethos of the country. While other parties represented a region, a class, a creed, a caste, an interest, the Congress line represented, and was represented in, every region, every class, every creed, every caste and in every interest which was in the interest of the nation. Again, the Congress president appointed a committee under Pranab Mukherjee which recommended an Action Plan for rejuvenating the party. It was put before the CWC meeting held on 27 September 1997. It suggested that the economic policy of the Congress had always been guided by the interest of the poor and weaker sections of the society and keeping them at the centre stage of all actions and economic programmes was its goal. The committee categorically stated that the touchstone of the Congress economic policy in the last 50 years was help for the poorest of the poor and any dilution of policy was to be opposed.\(^{20}\) Thus, it is clear that the Congress was more prone to pro-poor line in the post Rao period though it was not ready to reject economic reforms altogether.

**Economic management under BJP government**

The post Rao phase saw the emergence of BJP from the role of the main opposition party to the ruling party at the Centre. BJP formed the government for a short span of 13 days after the 1996 election and doubts arose about the continuation of the economic

\(^{19}\) *Ibid.*, pp. 176-177.
policies initiated by the previous Congress government. It has to be remembered that
the BJP, when it was in opposition, criticised the Rao government on many policy
initiatives related to economic reforms. On 17 May, 1996 a day after the Vajpayee
government assumed power, the new Finance Minister Jaswant Singh stated that Rao's
economic reform was safe if the BJP was allowed to continue in power beyond 31 May
(the deadline for proving its majority in the House). He not only endorsed the previous
government's reforms, but also promised to accelerate them and create conditions for
easier inflow of foreign investment. He stated that there would be a continuity of
policy and that all the contractual obligations of the previous government would be
honoured. According to him, 'swadeshi' was not an anti-reform word. His view on
foreign investment was that India would remain the favourite destination for
investment.21

Subsequently, while referring to 'swadeshi', the Industry Minister, Suresh
Prabhu expressed the view that there was nothing wrong in pursuing the long-term
objective of being self-reliant in every field. He was of the view that foreign direct
investment would lead to technological upgradation that the nation badly needed. The
Finance Minister's view on foreign investment and those of the Industry Minister was
indeed similar to that of Manmohan Singh. The only difference was an emphasis on
transparency and rules rather than discretion which Congress policies had lacked.
However, the BJP's perception on economic reforms was similar to that of the
Congress in a way. Reflecting the Congress' approach, the Industry Minister added,
'We have reached a stage where we cannot go on subsidising the PSUs as we have
other pressing areas like social sectors including health, education and sanitation where
we will have to spend more ... the public sectors will have to learn to survive on their
own'.22 As already pointed that the entry of India in the World Trade Organisation
(WTO) was one of the controversial issue in the wake of economic reforms under the
Congress government. However, the Finance Minister later said in an interview that
the government had inherited India's obligations as a signatory to the WTO. According

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21 The Economic Times, 18 May, 1996.
22 Ibid.
to him, 'there remains matters of detail pending finalisation. We will ensure that
India's viewpoint on IPR (Intellectual Property Rights) finds full expression in the
negotiations. We will attempt to bridge the gap between our national interest and valid
internal concerns'.

The first ever policy pronouncement of the new government was explicated in
the President's address at the first session of Parliament on 24 May, 1996 which
pleaded for a continuation of the policies of the previous Congress government with
minor modifications here and there. It acknowledged the success of the Rao regime's
economic reforms - of which it was hitherto critical and pledged to accelerate them by
providing greater impetus to infrastructure development and a sound framework for
fiscal and monetary policies. While shedding the out-dated structures of controls and
regulations, the government called for re-equipping the government for its new role of
providing a supportive framework for free market operations for growth, while
strengthening programmes for poverty eradication and the building of social
infrastructure.

In spite of its swadeshi plank, the BJP had an ideological difference with the
developmental model followed by the Congress since independence. Because, the BJP
rejected both communism and capitalism because of its foreign origin. The party's age
old criticism of the Nehruvian model and its basic tenets forced it to move towards the
market oriented economic reforms. Further, its core support base is among
businessmen, traders and many professional people who were craving for reforms at
various sectors for a long time. In the 1998 election manifesto, the party pledged its
commitment to swadeshi or economic nationalism by criticising the Congress for
opening up India to the ruthlessly competitive world economy without first making sure
that Indian firms were competitive. After taking charge as Finance Minister of the
second BJP government in 1998, Yaswant Sinha declared that the 1991 reforms had
been 'a step in the right direction' and assured the multinationals that they 'had nothing

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23 The Economic Times, 19 May, 1996.
to fear' from BJP's policy of economic nationalism, and vowed to deepen, broaden and accelerate reforms.\textsuperscript{26} The Industry Minister Sikander Bakht, in fact, clarified that there would be no reversal of reforms and no discouragement of foreign investment.\textsuperscript{27}

The BJP, after assuming power, vigorously followed the economic reforms initiated by the Congress government. The first budget (1998-1999) of the second Vajpayee government was presented on 1 June, 1998 by the Finance Minister, Yashwant Sinha. Drawing on the National Agenda for Governance (NAG) and the policy statements of the Prime Minister, the government further accelerated the reforms. This was more evident in the public sector policy of the government. The budget decided to bring down its shareholding in the PSUs to 26 per cent in most of the cases. At the same time, it clarified that the government would retain majority holding in PSUs involving strategic considerations and the interests of the workers would be protected in all cases. In order to expedite the disinvestment process, the government had decided to disinvest specified portions of equity from Indian Oil Corporation (IOC), Gas Authority of India Limited (GAIL), Videsh Sanchar Nigam Limited (VSNL) and Container Corporation of India (CONCOR).\textsuperscript{28} Though the budget called for reform measures in various sectors, it did not altogether go that way. The government resorted to adopting certain programmes to win back the discontented sections of the Congress especially the rural poor and the farming community to the reform process. The partial restoration of import duties and the increased allocation for education, agriculture, drinking water, roads and electricity suggested that the BJP was somewhat more susceptible to pressure from those sections of the Indian population who had been ignored by the Congress. It was argued that Nehruvian economic strategy was basically oriented to an economic nationalism that emerged out of the nationalist movement. Whenever the Congress diluted that strategy in the liberalisation process, the BJP snatched away the flag of nationalism, including economic nationalism.\textsuperscript{29} After consolidating its position, the party further went ahead by mixing both economic and cultural nationalism.

\textsuperscript{26} The Times of India, 26 March, 1998.
\textsuperscript{27} The Economic Times, 17 April, 1998.
\textsuperscript{29} Nayar, \textit{op.cit.}, p. 237.
During 1998-1999 periods, the government continued the economic reforms vigorously. The financial year saw the delicensing of coal, lignite, petroleum, etc. and the Patent bill being approved by the Rajya Sabha and subsequently promulgated through an ordinance. On the trade policy front, in April 1998 the Exim Policy delicensed 340 items of import by moving them from the restricted list to the Open General License (OGL). Subsequently, India unilaterally removed all quantitative restrictions on imports of around 2300 items from South Asian Association for Regional Co-operation (SAARC) countries with effect from 1 August, 1998. In another major development, a Free Trade Agreement was concluded on 28 December, 1998 between India and Sri Lanka which would result in a zero import tariff for most of the commodities on both sides by 2007.\(^3\) Another significant reform agendas initiated by the government was the power sector reforms. The Power Minister P. R. Kumaramangalam introduced a Bill in Parliament in June 1998 aimed at converting the electricity boards which were under the clutches of government control to independent state electricity commissions.

In the course of the economic management of government saw the weaning away of the economic nationalism of BJP when it succumbed to external pressures and moved towards America. The sanction imposed on India in the aftermath of the Pokhran text in May 1998 forced the government to satisfy the US by following vigorous market oriented economic reforms. Such developments exposed the shallow integrity of the government's economic nationalism in comparison to the economic nationalism evolved in the nationalist movement and preached by the Congress under the Nehruvian model of development. In spite of severe pressure from the US and other western powers, the Nehruvian model maintained its relative autonomy.

**New interpretation of swadeshi**

The augmenting market-oriented economic reforms and the pro-American bias in the economic policy front of the government forced the BJP to reinterpret swadeshi. Such an attempt came in the context of the rank and file of the party and the Sangh Parivar outfits questioned the dilution of the party's economic nationalism. The organisations

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like Rashtriya Swayam Sevak Sangam (RSS), Bharatiya Mazdoor Sangam (BMS) and Swadeshi Jagran Manch accused the government of deviating from the party's basic ideologies and programmes. The advocates of swadeshi like K. N. Govindacharya were critical of the party's deviation from its ideology. The Home Minister L. K. Advani however redefined the party's approach in economic policy in spite of stiff opposition from certain hardliners in the party like Murali Manohar Joshi. According to him, 'the BJP believes in swadeshi, which in essence means that India has to develop on its own. It certainly does not mean xenophobia or belief that everything foreign is bad'. Finance Minister Yashwant Sinha further interpreted swadeshi as consistent with globalisation. He maintained that 'swadeshi actually means competition, going out to the world and winning'.

Even though, the BJP came under attack from the swadeshi lobby, the Vajpayee government succeeded in instituting economic changes long demanded by India's 'pro-reform' lobby and by foreign investors. In an attempt to appease the business lobby, the BJP government made significant tax cuts in the budget proposals. The Congress, at this time, tried to counter the BJP in its effort to woo the big business in all possible ways. By accusing that 'swadeshi lobbies played havoc with the economy', the party tried to win back the support of the business community to its fold. It said; 'economic illiterates belonging to so-called swadeshi lobbies derailed the policy during the 13-month tenure of the 18-party coalition government. Foreign and domestic investors became alarmed at the lack of the direction. In areas such as television, telecom and financial services, which boomed during the Congress years, opportunities simply dried up'.

The basic philosophy underlying democratic politics based on competitive party system is that when one party is on decline, another party can fill the political vacuum created by the former. When the Congress vacated the national space, the BJP rose from the state level to the central level. The vigorous implementation of economic

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reforms enabled the BJP to regain the middle class support which was hitherto enjoyed by the Congress party. The BJP, thus, emerged as the party promoting the interest of the middle class and business – industrial establishments. The party used both the economic reforms and the Hindutva ideology to wean away their support from the Congress. The Congress, on the other hand, lost its last political constituency when the loyalty extended by the poor, the minorities and the Dalits was withdrawn.

In the post-Rao period, the Congress had to confront with mainly three issues: emergence of identity politics, the augmenting populism at the state level, especially governments by the regional parties (like Telugu Desam Party (TDP) followed aggressive liberalisation and decentralisation), and the emergence of Hindu nationalism and politics represented by the BJP. It has been argued that the crisis of the Congress party was due to the policies of Manmohan Singh-Narasimha Rao duo which went against its ideology and its basic ethos. There were four major criticisms levelled against the Rao government for causing the crisis of the Congress party – corruption in high office; lack of firmness at Ayodhya and afterwards; disregard for the poorest sections of society; and a total sell-out to multinationals in the Uruguay Round. Apart from these, three main powerful forces, old and new, made their way into the fabric of society during this period and eroded the political space of the Congress party. They were, the emergence of a strong movement in favour of the Hindu majority (Hindutva), the social revolt of the lowest and not so low castes against the higher castes and even against the established order; and the continuing trend towards the reinforcement of regional identities and greater political autonomy. The policies and strategies of the Congress during this time concentrated on tackling these tendencies.

Identity politics and the Congress party

The emergence of identity politics posed a great challenge to the prospects of the Congress party. In fact, it was the product of mandalistation of the 1990s. It was further consolidated during the reform process of the Rao government due to the

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Congress party’s new interests and preferences with the adoption of the economic reforms. Even though the economic ideologies of identity based parties are minimal, it could mobilise the mounting discontent on the part of the socially marginalized sections over the reform process. The new identities felt that the motivation behind the liberalisation policy in general and the privatisation of the public sector was the subversion of the reservation policy and an attempt to curb the public space of these communities in the political system.36

In contrast to the initial years of the introduction of economic reforms, when these identities did not come in the way of the implementation of reform process, the new identities expressed their discontent vis-à-vis the reforms and threatened the sustainability of the reform agenda. For example, the cut in the total expenditure on social service and rural development adversely affected the living conditions of these sections. Further, the reform did not contain any worthwhile programme or strategy for the traditional vote bank of the party like the Dalits; rather it protected the interests of the upper-middle class. While the economic reforms affected all sectors of the economy, the substantive reforms had not been implemented in the agricultural sector. In fact, it was in the agricultural sector where appropriate reforms would have benefited the backward and lower castes in massive numbers. The agricultural sector, where majority of the Dalits are dependent for their livelihood, still remain backward.37 The reforms, while preferring the interests of a small section at the cost of the majority, had much impact on the democratic politics based on competitive party system.

Since party competition in modern democracies revolves around distributional issues, the shift to more market-oriented means of resource allocation alienated the traditional constituents of the party. The retreat of the developmental state and its shrinking resource base forced the socially marginalized sections like SCs and STs to exert their pressure on the political system to gain their due share in the developmental state. It can be seen that the nature of democracy, in fact, helped the emergence of

identity politics, as these sections acquired more space in the democratic politics and demanded their due share from the state when it was downsizing itself.

The Congress party, on the other hand, does not find any link between the emergence of identity politics and the economic reforms. While rejecting the idea that lower caste sections were alienated from the Congress due to economic reforms, Mani Shankar Aiyar observed that some of the communities, in some parts of India and in some segments shifted their loyalty from the Congress. But, it was considered as a part of the democratic process that the people have the right to shift their loyalty from one party to other.\textsuperscript{38} Manmohan Singh, while endorsing the above view, observed that identity based parties were not the product of economic reforms. According to him, since the Congress was a national party, a coalition of various castes, interests, regional entities and religions, identity based parties are a threat to it. The identity-based parties can promise everything to their constituents but cannot deliver, which the Congress cannot promise and deliver. Since, the Congress, by definition, is an umbrella party, balances of various interests are essential and it had its advantages and disadvantages in the democratic politics of India.\textsuperscript{39}

The performance of the Congress in the general elections, 1996 and 1998 revealed that its electoral strength was steadily declining. In the initial decades of independence, under the legacy of nationalist movement, the Congress has been able to build its mass base in all sections of the population and in all regions. In major policy initiatives it could arrive at a consensus among the divergent social groups. The verdict of the 1996 general elections proved that whatever may be the government's claim on the economic reforms, the average voter rejected the reforms of the government. The poor performance of the party in the election was depicted as a castigation from the masses for its economic reforms. It showed that the benefits of economic reform did not percolate to the masses, especially the vulnerable sections of the society. As it has been stated, even the party functionaries failed to convince the people about the need for the reform process. Any reform agenda, before its implementation by the

\textsuperscript{38} Interview with \textit{Mani Shankar Aiyar}, 16 April, 2003.
\textsuperscript{39} Interview with \textit{Manmohan Singh}, 18 April, 2003.
government and the ruling party, should be explained to the people as to the need for it and its effect on different social constituencies.

**Competitive populism at the state level**

One of the underlying trends in the politics of economic reforms was that 'state patronage is dead, long live 'state' patronage'. The political economy of the domination of the regional parties in the reform period was significant that it could sneak into the political space of the Congress party. Populist politicians with strong local identities attracted lower caste interest with public largesse, especially Uttar Pradesh and Bihar. When, 'welfarism' was on its exit from the developmental policy of the Central government, various state governments (especially non-Congress governments) initiated various welfare schemes during the reform period. They promised bigger subsidies for food, power, water, fertilisers, transport and other politically sensitive items regardless of the consequences for fiscal deficit, growth and inflation. It helped to muster the support of various constituencies who were alienated from the developmental model due to the economic reform process. In the budgetary allocation also, the central government slashed the budget expenditure for achieving fiscal balance. Most of the state governments were reluctant to impose cuts fearing an adverse impact on its electoral constituencies. For example, in the central budget, total expenditure in nominal terms had gone down from 15.5 per cent between 1984-1985 and 1989-1990 to 11.7 per cent between 1989-1990 and 1993-1994 whereas for the state the budget expenditures remained almost the same before and after the present reforms, at around 14 per cent.40 As a result of the shrinking resource and welfare programmes, the rank and file of the party could not approach the people. The contact between the local party machinery and the common man was in disarray and party leaders were distanced from their social constituencies. In turn, these groups shifted their loyalties to other non-Congress regional outfits. For example, the BJP-Shiv Sena government in Maharashtra inaugurated the Employment Generation Scheme (EGS) that helped the local politicians and functionaries to interact with the local people.

Though the central government curtailed its anti-poverty measures, the state governments continued their commitment to social welfare programmes more widely throughout their respective states and thus retained its power and consolidated its mass base among various sections of the society. Thus, the state governments expanded its pro-poor credentials when they reached out to those sections who were left out from the reforms by the central government in its reform package.\footnote{Jenkins, \textit{op. cit.}, p. 185.}

While the Congress government at the Centre went ahead with reforms for fiscal discipline, the state governments cutting across party line expressed their dissatisfaction in pursuing it. These state governments felt that as they were the most accessible level of government for the people, it was they who had to face the discontent of reforms, and they feared that it would erode their mass base. They were of the view that economic policies were a threat to their political future and the sustainability of the state governments. Even the Congress ruled state governments were forced to adopt certain measures to counteract the ill effects of economic reforms when its counterpart at the Centre was advocating against populism. For example, in Karnataka, the Congress government of Veerappa Moily in 1994 reduced the prices at which PDS outlets in the state sold rice and wheat. The additional cost for the state exchequer was Rs. 420 million.\footnote{Ibid., p. 183.} When economic reforms took away the populist slogans of the Congress party like \textit{garibi hatao, bekari hatao}, etc., some non-Congress state governments coined more populist slogans and implemented populist programmes and thus strengthened their mass base. Under pressure from the International Monetary Fund (IMF) and the World Bank, the central government curtailed the PDS. When the central government withdrew their subsidies, the state governments were forced to substitute their own food subsidies to supply subsidised food grains to the poor, and price incentives to the farmers. For example, in the state of Andhra Pradesh, the government promised Rs. 2 per kilogramme rice scheme and this enabled the TDP, a regional party, to win the 1994 assembly elections. The Janata Dal government under H. D. Deve Gowda in Karnataka announced an extended state-level subsidised rice
scheme, at a cost of Rs. 2.2 billion per year, more than five times the amount with which the previous congress government under Verappa Moily had offered it to the people. Further, in 1995, Gowda announced that the scheme would be extended to urban concerns.43 Thus, it was clear that by practising 'competitive populism' at the state level, the mass base of the regional parties broadened.

While the economic reforms forced the central government to shed its populist policies for the sake of economic rationality, political compulsion forced the state governments to adopt new populism. At the state level also, some state governments are taking forward the liberalisation agenda as well as adopting the populist policies for its existence.44 The decentralised planning and development programmes adopted by various state governments in the reform period tried to muster popular support at the local level by launching development schemes with the objective of popular participation and empowerment. When the market-oriented reform process 'excluded' and 'impoverished' the vast majority of the people, the decentralised planning and development programmes initiated by the state governments tried to ensure more participation from these groups in the development process and thereby ensure their empowerment. Concentrating on local issues and local development gave a chance to the regional parties with populist agenda to dispossess the national parties. For example, while implementing aggressive liberalisation policies, the TDP government in Andhra Pradesh initiated Swavarnadhrapradesh programme intended to give more participation and empowerment to the local people in development programmes. The Congress government in Madhya Pradesh also followed decentralisation in the midst of economic reforms. It is said that the instrument of decentralisation was used by many political parties to pacify the assertive social groups who were expressing their discontent over the economic reforms. In states where popular aggressiveness was minimal, governments carried out the reforms without populism (e.g. states like Orissa and Rajasthan). Thus, in a situation where the Congress was in crisis, the state level

43 Ibid., p. 183.

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patronage developed by the state governments strengthened the position of the regional parties. By providing social safety nets at the state level, they contributed to the sustainability of economic reforms. Since politically sustainable adjustment requires continued commitment to poverty alleviation programmes, such a commitment consolidates the support of its social constituencies.45

The Congress: New leadership and new thinking

The shrinking mass base of Congress party necessitated a charismatic leadership to bring together the alienated sections to the party fold. In a significant development Sonia Gandhi emerged as the leader of the Congress. On 14 March, 1998 she became the Congress president and later the leader of the Congress Parliamentary Party (CPP). With the ascendency of Sonia Gandhi, the party acquired a new lease of life. It tried to place its stand before the people on various issues including the economic reforms. In a response to the BJP government’s economic policy, the Congress president, stated that ‘economic reforms, liberalisation and measured opening up to the rest of the world are essential for this purpose. At the same time, we need well-designed strategies to empower the poor to benefit more effectively from process of development. To ensure its sustainability, the reforms are to be seen as making a substantial difference in the daily lives of ordinary citizens, particularly those who live in destitution and deprivation’. The party president urged the party workers to dispel the doubts and fears about liberalisation and globalisation and make greater emphasis on basic social services, such as education, health, implementation of land reforms and the improvement of credit delivery systems for the poor’.46

Subsequently, a two-day meeting of the extended CWC was held on 15-16 May, 1998 in New Delhi. Manmohan Singh summed up the party’s approach to economic policies during non-Congress regimes since 1996. He said that economic reforms was not a programme of thoughtless liberalisation but a careful planned liberalisation so that the Indian economy, both agriculture and industry, prospered during the five years of

45 Jenkins, op. cit., p. 185.
Congress rule. He accepted that the achievements of the reform process during the 1991-1995 periods did not percolate down to the people. By accusing the BJP government for its failure on the economic front, it attacked the hollowness of the 'swadeshi' slogan.\(^{47}\) In June 1998 the party president constituted a task force under the chairmanship of P.A. Sangma. In an attempt to rejuvenate the party it recommended that socialism was quite consistent with the reform process and it drove home that reforms were necessary for the sustainable advancement of the poor.\(^{48}\)

When the BJP government accelerated the economic reforms, the Congress tried to draw a distinction between its reforms and the BJP government's reforms. But, loss of power to the BJP renewed the factional feud within the Congress over economic reforms. The three-day (September 4-6) brainstorming session of the CWC at Panchamarhi in Madhya Pradesh saw the internal strife over economic policy and the attempt to rebuild its traditional support base. The party was under considerable pressure from the socialist lobby to go in for a pro-poor programme. The official version of the party as to the reason for its defeat in the 1996 election and its subsequent crisis was the social fragmentation caused by the Mandal effect and not the changes in its economic policy.

In a sharp rejoinder to this, the CWC members Rajesh Pilot and the former Kerala Pradesh Congress Committee (I) president Vayalar Ravi argued that the implementation of the Mandal Commission had nothing to do with the economic crisis. They also said that the argument that 'true socialism is there when subsidies are enjoyed by the truly poor and needy is rather an absurd interpretation of socialism'. This argument was only an attempt to subvert the PDS, they pointed out, adding that agricultural subsidies should not be compromised in the name of investment in rural areas.\(^{49}\) Rajesh Pilot and Vayalar Ravi had circulated a six-page rejoinder to Manmohan Singh’s paper, describing the suggestions contained in it as a “complete negation of whatever the Congress stood for in the past 50 years”. Vayalar Ravi presented papers advocating the reversal of reforms with greater emphasis on socialism.

\(^{47}\) AICC (2001), Congress Marches, ... ibid., p. 43.  
\(^{48}\) Ibid., p. 57.  
\(^{49}\) Quoted from The Hindu, 6 September, 1998.
A section of the Congressmen were of the view that the party would have to reinforce its ‘left-of-centre’ position that was overshadowed in the face of economic liberalisation during Rao’s regime. The majority opined that while the party supported reforms, it would have to ensure and highlight that the reforms did help alleviate poverty. The socialist groups in the party who were vehement critics of the reforms advocated a ‘middle path’. Manmohan Singh, in the revised text, said that, ‘... the group was firmly of the view that the Congress approach to socialism remains as relevant as before. The Congress has always been wedded to mixed economy. There can be no other approach than the middle path for a country like India’. 50

The dominant view in the Panchamarhi session was that the essence of economic reforms was the redefinition of the role of government at various levels to make it a more effective instrument of economic change and social transformation. The party was attempting to reinterpret its economic philosophy in the changed situation. Sonia Gandhi in her inaugural speech on 4 September, 1998 stated that ‘we must constantly reinterpret our economic philosophy in the light of changing circumstances, emerging challenges and the experience we gain while implementing policies. Our economic policy will have to be multi-dimensional to meet the needs of our people at various levels. No one dogma, no one formula will cater to the diverse needs of the economy and our society’. She believed that the abolition of poverty within the next 10-15 years must remain as the fundamental objective. The reassurance of a better quality of life and improved standard of living to all citizens must be the primary preoccupation. Sustaining a higher level of growth in agriculture, industry and other sectors was absolutely essential for abolishing poverty and expanding employment opportunities. It was imperative to control inflation, since inflation hit the poor the hardest. She pleaded for increasing expenditure on anti-poverty, rural development and wage employment programmes as also investments in primary education and public health. She also added the following vision to the party, ‘But we must also concern ourselves with making these expenditures more effective. The Congress party must also spearhead socio-economic campaigns and movements.

50 Telegraph (Calcutta), 8 September, 1998.
We must press for land reforms, put pressure on governments to strengthen Panchayats and Nagarpalikas, and ensure that the public distribution system works to the benefit of the poor. The role of the government at every level has to be redefined in the light of changing circumstances to make it a vehicle of economic change and social transformation. This is the essence of economic reforms. Government expenditure must add to the country’s productive investment capacity and must be focussed on improving the nation’s physical and social infrastructure'.

**Panchamarhi Declaration: An ideological reaffirmation**

In the brainstorming session at Panchamarhi, the Congress party unanimously adopted a declaration touching on political, economic, international, agricultural and organisational issues. It was drafted on the basis of the reports presented by chairmen of five groups on Political Affairs, Economic Affairs, Organisational Matters and Agriculture appointed by the party earlier. The declaration was an attempt to bring back the party’s emphasis on programmes and policies aimed at the upliftment of the downtrodden as used to be the case during Jawaharlal Nehru’s and Indira Gandhi’s tenure and which had got somewhat diluted during the Rao period. The Pachamarhi Declaration was rededicated to the party’s ideological sentinels — Democracy, Secularism, Socialism, and Non-alignment. Among other things, the party rededicated itself to socialism, which was ‘directed to the task of promoting equity and social justice, based on sustained, balanced and high economic growth, through a mixed economy allied to democratic institutions of governance’. The party, it reaffirmed its commitment to Schedules Castes, Scheduled Tribes, Other Backward Castes, weaker sections of society and minorities. The Declaration pleaded for economic empowerment of these sections and to bring them into the developmental mainstream. In areas of agriculture, rural development and Panchayati Raj, the party assured supply of fertilizer, appropriate pesticides and quality seeds, cooperative credit and reasonable rates of interest which were within the capacity of farmers to pay, comprehensive crop insurance and the elaboration and adoption of a National Agriculture Policy, etc. On

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reaffirming its commitment to rural development and Panchayati Raj, it assured more finances to the Panchayats and the strengthening of the Panchayati Raj Institutions through effective and active Gramsabhas.

In economic affairs the party appreciated the remarkable recovery and impressive economic achievements secured through the reforms of the period 1991-1996. It reaffirmed that the removal of poverty and the empowerment of the poor as effective partners in the growth process was the essence of the party’s economic policy. The Declaration stressed the importance of redefining the role of Government at all levels to make it a more effective instrument of economic change and social transformation. It stressed that the party was committed itself to programmes aimed at the realisation of growth rates of 7% - 8% per annum on an average through the mixed economy model, adjusted pragmatically to meet the ends of growth with social justice. On the crucial issue on subsidy, the Declaration assured the better targeting of subsidies for the poor, the needy and the disadvantaged, which would be continued and strengthened. The Congress agreed with the need to persist with a significant role for the public sector but equally with the need to make these viable and genuinely autonomous and emphasised the importance of financial sector reforms, strengthening the small scale sector, energy supplies in all forms, and the centrality of agriculture and rural development in economic policy.52

In contrast to the dominant view that the economic reforms adversely affected the Congress prospects in the post-Rao period, the pro-reformists in the party like Jairam Ramesh blamed the media for reporting that the Congress was anti-reforms. He clarified that instead of endorsing the left-of-centre policy, the Panchamarhi session reinforced Manmohanomics. He was of the view that it was not correct to say that the party abandoned its commitment to liberalisation and disavowed the legacy of Manmohan Singh. But the party was rightly searching for a larger political and social strategy within which reforms and liberalisation can be embedded. As against the critics, he argued that the reforms strengthened the Indian economy and it could not be

52 AICC (2001), ibid., pp. 227-228.
treated as anti-poor. Because, the Centre’s expenditure on rural development and social sectors increased from 19 per cent of the total plan expenditure in 1990-91 to 31 per cent in 1995-96.\textsuperscript{53}

**Re-emergence of the BJP and the degeneration of Congress**

The collapse of the thirteen month old Vajpayee government necessitated the general elections in 1999. The election manifesto gave an opportunity to the Congress a further reaffirmation in its stand on economic reforms. The party claimed that the goal of all the Congress economic policies had been the abolition of poverty and it also reiterated its firm commitment to faster economic reforms with a human face. It accepted that self-reliance, the basic philosophy of India’s economic policy, served India well in the formative years of development. But, it should be given a contemporary meaning in the changing times while emphasising self-reliance as its objective. In a direct attack on the swadeshi slogan of the BJP, the party viewed that ‘there is no double-speak in the Congress’ approach to self-reliance unlike the BJP’s approach to swadeshi. There is not hypocrisy in the Congress’s practice of self-reliance unlike the BJP’s practice of swadeshi’.\textsuperscript{54} The party assured that, if voted to power, it would not only continue trade liberalisation, the anti-dumping machinery would be made more effective and timely. Industry would be supported to cope effectively with the challenges posed by different WTO agreements. While recognising that the public sector had served the country well in the face of numerous odds and handicaps, the Congress believed that it was time for a strategic redefinition of its role and scope.

By focusing its attention on the public sector reforms, the manifesto said: ‘The public sector must be concentrated primarily in strategic, security and high-technology areas of atomic energy, defence and space, as also certain areas of infrastructure where private investment will not be forthcoming. It must operate with full commercial and managerial autonomy. The public sector must also concentrate on developing new areas and new industries and bringing them to commercial fruition’. On the controversial disinvestment policy, the party was of the view that the Disinvestment


Commission should be given a wider and more purposeful role in the disinvestment, and restructuring process in the public sector. It also urged the government that the revenues raised through disinvestment should be used for designed education, health and social sector programmes and for returning debt in a progressive manner.\(^{55}\)

In the 1999 general election, the BJP-led National Democratic Alliance (NDA) came into power with the help of regional parties on 13 October, 1999. The electoral verdict was a signal that the Congress party was in danger of losing its position as the natural party of governance. The BJP could form a larger coalition with the alliance of 24 parties at the central level for the first time in the political history of India. The increase in the BJP-led coalition’s parliamentary strength was due to the alliance of potential regional parties. Most of the regional parties found that by allying with the BJP at the Centre, it could tackle their principal rival at the state-level, the Congress. The larger coalition and the role of regional parties at the central level was a further setback to the Congress party as it was not ready to accept the coalition reality.

By declaring moratorium on contentious issues like Ayodhya, abrogation of Article 370 (which gives special status to Jammu and Kashmir in the Constitution) and uniform civil code, the BJP could gain the support of the big Indian business groups and a section of the upper middle class who supported the party in the election. These constituents once extended their loyalty and financial help to the Congress in the election. The big business, even, hailed the NDA election manifesto as being the most ‘pro-reform’. The NDA, on the other, promised to accelerate the reform process including the amendment of labour laws and directing state spending towards infrastructure development, to attract at least $10 billion of foreign investment per year, more than triple the current rate. In the campaign also, the BJP could divert the economic issues like growing poverty and unemployment from the electoral battle. The election saw the Congress party’s poorest ever performance since independence; worse than even the general election in the aftermath of emergency in 1977. The election results were an eye opener to the Congress party in its policies and strategies especially in the economic policy front. In fact, Sonia Gandhi observed that ‘the results

\(^{55}\) Ibid., p. 59.
called for introspection, frank assessment and determined action’. The proponents of
the left-of-centre approach within the Congress considered that economic reforms were
the prime cause for the decline in the party’s electoral fortunes.

The party set up the A. K. Antony Committee to examine the causes of the
party’s most dismal performance ever. On 30 November, 1999 the Antony Committee
report submitted to the party president stressed the need to revert to the Nehruvian left­
of-centre ideology. The nineteen page summary of report, presented to the CWC,
viewed that liberalisation was appealing to the urban bourgeoisie but had not proved a
vote catcher in the ranks of the poor. The report said that ‘abandoning its left-of-centre
approach and loosing the pro-poor image’ was one of the major reasons for its poor
performance. It stressed that ‘both socialism and secularism must be yoked to achieve
for the country a Congress destiny’. The report came down heavily on liberalisation
and the reform line adopted by the party, by stating that this confused even the party
workers. Pointing out that the hallmark of the party had always been promoting a
socialistic pattern of society it said that the post-reform priorities had not been
understood properly. The Antony Committee report also lamented the party’s inability
to attract the middle classes. It pleaded for recovering the traditional support base
among the minorities, Scheduled Castes, Scheduled Tribes, and other weaker sections.
Interestingly, like all other policy pronouncements and reports, the Antony Committee
also swore by economic reforms and liberalisation while reiterating its commitment
to socialism and the socialistic pattern of society.

While the Antony Committee report was stressing on economic issues, the
prominent leaders of the party however believed that political reasons rather than
economic factors went against the party. Mani Shankar Aiyar, in fact, observed that
economic reforms did not generate political support even if it had not generated
political antipathy. Vayalar Ravi, a vocal advocate of the left-of-centre within the
party and a critique of market economy, also found that the setback of the Congress was
not the reaction to economic reforms. However, he agreed that the party lost power due
to the erosion of its mass base by the social upsurge of the down-trodden sections and

57 Interview with Mani Shankar Aiyar, 16 April, 2003.
the lack of a mass leader. Jairam Ramesh, secretary to the Economic Affairs of AICC and the pro-liberalisation advocate, argued that political management acted against the electoral prospects of the Congress, not the economic policy as such.

The period of the BJP rule saw a receding ideological opposition to economic liberalisation between the ruling party (the BJP) and the main opposition party, the Congress. Even Manmohan Singh felt that there was a broad national consensus between all political parties cutting across the left, right and centrist as there was no alternative paradigm to deliver. The BJP government intensified the economic reforms at various sectors. The 'privatisation of the public sector' was replaced by more fashionable word, 'disinvestment of public sector'. One of the main strategies of the budget 1999-2000, as pointed out by the Finance Minister, was to 'deepen and widen economic reforms in all major sectors and accelerate internal liberalisation to release productive energies, creativity of farmers, manufactures, trade and service providers'. The government's strategy towards public sector enterprises, as claimed by the government, 'encompass a judicious mix of strengthening strategic units, privatising non-strategic ones through gradual disinvestments or strategic sale and devising viable rehabilitation strategies for weaker units.'

In a drastic change in public sector policy, on 16 March, 1999 the government classified the public sector enterprises into strategic and non-strategic areas for the purpose of disinvestment. The strategic public sector enterprises included the areas of defence and communication and allied items of defence equipment, defence aircrafts and warships, atomic energy and railway transport. All other PSUs were considered non-strategic. The government decided to reduce its stake to 26 per cent in the non-strategic areas. It was decided to restructure and revive potentially viable PSUs and to close down those PSUs which could not be revived.

The Congress party's approach to economic reforms during the NDA rule was one which was made up of both 'confrontation' and 'co-operation'.

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60 Interview with Manmohan Singh, 18 April, 2003.
62 Ibid., p. 17.
session saw strong resentment and criticism in the party on the economic management of the BJP government. The Congress party was trying to draw a distinction between its policy reforms under Rao government and that of the BJP's. On the other side, the party was cooperating with the government on crucial policy reforms that were initiated out of external pressure. Since the ruling combination lacked the majority in the Rajya Sabha, it depended on the Congress party for passing crucial bills.

The Congress extended its support to amend the Indian Patent Act of 1970, inspite of the non-Congress opposition's charge that the Bill was not in the interest of the people. The Patent Bill brought India's patent regime in line with the demands of the WTO, by granting exclusive marketing rights to foreign agro-chemical and pharmaceutical companies. Indira Gandhi, despite vehement opposition from all the capitalist and industrialist nations, had formulated it in 1970. She even challenged the world that India would not succumb to pressure from the rich countries and would protect the interests of the people. The Congress, in the changed situation, supported the Bill as it was under the purview of the WTO agreement which was signed by the Congress. A Congress member (Prithviraj D. Chawan) in the Lok Sabha defended the party's support by arguing that it had been done in the larger interest of the country as it had to abide by the obligations under WTO.63

Another instance of the Congress party's support to the government was in the passing of the Insurance Regulatory Development Authority (IRDA) Bill which permitted the involvement of both private Indian insurance companies and foreign companies in the insurance sector by ending the four-decade old state monopoly on insurance. The Bill sought to amend the Insurance Act, 1938, the Life Insurance Corporation Act, 1956 and the General Insurance Business (Nationalisation) Act, 1972. It is quite ironical that the insurance was nationalised by the Congress government in the 1960s, but now the party gave 'conditional support' to the passage of the Bill. Even though the government adopted four changes suggested by the Congress, it did not yield to its suggestion that private insurance firms be required to invest 75 per cent

of their investable funds in the social sector. The party leadership saw an arena of consensus between the Congress and the BJP government (when it was in opposition, it had blocked previous attempts to restructure India’s insurance sector) on the Bill. For instance, Manmohan Singh agreed that the Congress found nothing to oppose in the Bill. According to him, it was necessary to support the Bill in the national interest which required opening up of the insurance sector. According to him, the insurance reform committee (Malhotra Committee) was appointed by the Congress government as part of its reform policy. The Congress leader Rajesh Pilot stated in the Lok Sabha that, ‘this Bill is consistent with our policies because we had started liberalisation in 1991. We always maintained that more and more sectors should be opened up so that the common man would be benefited’.

A section of the Congress had argued that the party could not make political gains if it ignored its own election commitments to support ‘reform’ of the insurance sector and opposed the IRDA Bill. The party circles clarified that the Congress support to the Bill was on the basis of the longstanding demand for foreign investors and big Indian business groups. Mani Shankar Aiyar found another reason for his party’s support to the Bill. According to him, it was a Congress member, Murali Deora, the Chairman of the Standing Committee on Finance who had looked the Bill drafted by the former Finance Minister Chidambaram during the United Front government. Since the committee heavily amended the Bill according to the suggestion of the Congress, they found no harm to its interest. However, the party leader Pranab Mukherjee contended that the Congress party would not compromise on any attempt which would destabilise, dilute, wind up and discourage the growth of Life Insurance Corporation (LIC) and the General Insurance Corporation (GIC). According to him, since the Bill

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64 In April 1993, the Rao government constituted a committee for recommending improvement in insurance sector under the chairmanship of R. N. Malhotra, former Governor of RBI. On 7 January, 1994, the committee submitted its report to the Finance Minister recommending the liberalisation of insurance industry with the participation of private sector and opening up for competition. It viewed that competition would result in better customer service and help to improve the range, quality and price of insurance products.


66 Interview with Mani Shankar Aiyar, 16 April, 2003.
itself was not attempting to do that, the party would like to extend its support.\textsuperscript{67} Denouncing the non-Congress opposition criticism, he maintained that there was nothing like collusion between the BJP and the Congress on the Bill. Also, the party was not yielding to the government. P. R. Dasmunshi, another Congress leader, claimed that since the bill itself was providing certain safeguards to the social sector, it would never hurt the interests of the Congress party which, to him, always stood for the welfare of the nation rather than partisan interests.\textsuperscript{68} Though the party arrived at a consensus on the Bill, there was indeed a big debate within the party over its support to the government's piece of legislation. Vayalar Ravi, for instance, conceded that because of the strong fight by the socialist group, the equity for the private participation was restricted to only 26 per cent and the privatisation of the LIC did not succeed.\textsuperscript{69}

Emerging out of the 'consensus' reached between the ruling NDA and the opposition Congress on the passing of the IRDA Bill, the industrial giants and business lobbies further pressurised them to arrive at a 'national consensus' on further liberalisation of the economy and for the speedy passage of economic 'reform' bills pending in the Parliament. While addressing the general meeting of the Federation of Indian Chambers of Commerce and Industry (FICCI), Prime Minister Vajpayee avowed his government's inclination to continue the reform process. He said: 'We have shown our commitment to the reform process in our previous 17-month stint in office. We will accelerate and expand the process in the next phase of economic, legal and administrative reforms. Financial sector reforms, with the necessary supportive legislative changes, will be an important element of this process'.\textsuperscript{70} When more and more sections of big business groups indicated their support for the BJP-led NDA, the Congress even tried to show that it would be ready to go beyond the BJP in tailoring its policies to the demands of capital.

To sum up, in the post-Rao period the Congress was confronted with coalition regimes – both the United Front and the BJP-led alliances. When these regimes, in

\textsuperscript{68} Ibid., p. 325.
\textsuperscript{69} Interview with Vayalar Ravi, 23 May, 2003.
\textsuperscript{70} The Hindu, 21 November, 1999.
spite of their ideological commitment, endorsed the Congress economic policies, the
departed to differentiate its programmes with other. The Congress’ policies and
strategies in the post-Rao period were aimed at mustering the support of its traditional
constituencies. In all party forums and the policy resolutions the Congress time and
again reaffirmed its commitment to the cause of these constituencies. Along with
projecting its image as a party stands for the cause of the disadvantaged sections, the
Congress resorted to win back the support of the middle class, businessmen and traders.
Such a two-way approach can be seen as one of the reasons for its ambiguous stand on
the economic policy. Even though the Congress was engaged in a war against the
reform process under the BJP regime, the party did not find any difficulty to support
some of government’s economic legislations. In fact, the party could not reject the
economic reforms as such but it tried to find out areas of consensus between the ruling
BJP and the main opposition party on economic policy. The fact is that as an initiator
of reform process, it was not ready to give full credit of reform to the BJP. Thus, in the
post-Rao period it can be seen that the Congress as a national party of opposition was
trying to regain its image as the ‘natural party of governance’.