The economic reforms in 1991 can be considered as a defining event in the development history of India. It made radical changes not only in all sectors of the economy, but also marked a departure from the past as it altered the time-tested principles of Indian development policy – growth with justice, social responsibility and accountability, equity and self-reliance, etc. The economic reforms intended to reduce the fiscal deficit and to achieve high rate of growth imposed by fiscal austerity measures. As a result, the basic thrust of public policy in terms of subsidies, poverty alleviation, safety net programmes, unemployment schemes etc. were altered. The new programmes like Liberalisation, Privatisation and Globalisation gained wider currency in the realm of economic policy. But the most important development in the reform process was the redefined role of the state vis-à-vis market in development. In other words, the reforms, through its renewed commitment to the market, altered the positive role of the state as an instrument to bring social change and as the agency for providing social security measures. The state was, thus, no longer considered as an agency for achieving welfare of the people and it was left to free market competition.

The retreat of the state, due to the implementation of liberalisation policies, from developmental and welfare policies, led to the crisis of political institutions including political parties. Since the party system and party politics in India developed with the state structures and it was state-centred and state-focused, it underwent a qualitative transformation due to the crisis of the developmental state. When the resource capacity of the state was shrinking, new identities sprang up demanding more shares in the scarce resources and greater power sharing in the political structure. The assertion of new social groups for greater share in the ‘national cake’ and the larger representation in power politics affected the mass base of the national political parties. Thus, the party system entered an era of fragmentation, confrontation and even convergence.
The Congress party, which developed an intrinsic relationship between the developmental state for its mobilisation, strength and domination in Indian politics over a period of time, was at the receiving end of the crisis of the developmental state. Since the market-oriented economic reforms attacked the developmental state, it contributed to the deinstitutionalisation of the Congress party. It is noted that 'the legitimacy formula that the Congress party designed was clearly expressed in its proposed strategy for economic development: a marriage between nationalism and democratic socialism'.¹ Such a formula came under attack in the era of economic reforms. The unleashing of market reforms weakened economic nationalism and the socialist thrust of the economic policy and strategy of the Congress party.

When the party moved from the developmental state to market-oriented one, its capacity to mobilize diverse social groups was put under trial. Since the state's spending on social security programmes, extension of subsides, especially in Public Distribution System (PDS) and agriculture sector and the network of Public Sector Units (PSUs) were politically dearer to the Congress for its mobilization and electoral strength, the fiscal austerity measures imposed by the market forces that made sea changes in these areas adversely affected the party. The identity politics and the Hindu nationalist politics, two desperate tendencies, though they were pre-reform trends got further accelerated in the context of market reforms. These tendencies also played an important role in the shrinking mass base of the Congress. However, the Congress failed to arrive at a consensus on these issues like many other areas. The contradiction on its stand on the economic reforms and thereby its future to build an alternative agenda to the BJP government led to the crisis of the Congress in Indian politics.

To analyse the setbacks of the Congress in the aftermath of the economic reforms in detail one has to go back to the factors that contributed to its dominance in the 1950s. State-centric, society-centric and state-society approaches were used to investigate the dominance of the Congress party which can also be used for analyzing its crisis in the 1990s. The state-centric approach for institution building argues that the

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state-oriented development policy helped the party to become a dominant political force in India in the early decades of independence. The Congress party, which can be considered as a ‘statist’ party drew strength from the fact that its mobilization, domination and strength depended on the developmental state for a long time. When the policies and strategies of the party were intended to strengthen the authority of the state, it indirectly helped to strengthen the legitimacy of the Congress in Indian politics.

The society-centric approach proclaimed that the conglomeration of social forces based on the broader social consensus in the 1950s strengthened the dominant position of the Congress party. The party developed a network of patronage and thereby maintained its social constituencies under the presence of a strong developmental state. Through poverty alleviation programmes, adoption of redistributive measures, public expenditure for the poor through employment generation schemes, schemes for health, nutrition, primary education and social development, programmes intended to empower women, children and the vulnerable sections of the society, decentralisation and rural development schemes, providing essential commodities through fair prices to the poor by means of PDS etc. enabled the leaders at the grass-root levels to approach and thereby establish more contact with diverse sections of the society. By adopting an ‘all-inclusive’ development strategy, it could mobilize diverse sections of the society and bring them under its political influence. The Congress possessed enormous resources through its control of the developmental state. The resources were distributed to different social groups and thereby the party acted as a channel between the developmental state and the social groups. It is said that the heart of the Congress hegemony was a strategy of ‘social mobilization which aggregated the interest of different sections of society on the basis of an inclusive package of nationalism, secularism and a Nehruvian version of socialism’. The policies and strategies of the Congress during this period were to reaffirm its faith in these principles. Moreover, the political stability of India in the initial decades of independence can be seen as the dominance of the Congress party and its ability to absorb and accommodate various

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interests. It could accommodate diverse social and regional factions and thereby aggregate the diverse demands of conflicting groups.³

The state-centric approach argued that by shifting the developmental strategy from the state-oriented to a market-oriented one caused great harm to the Congress party and its legitimacy over Indian politics. By shifting the development policy, the state appeared not to be dealing with the concerns of the diverse sections of the society. Equity and self-reliance have been rendered obsolete with the new slogans of liberalisation, privatisation and globalisation and the emphasis on efficiency and competitiveness. The fiscal austerity measures adopted by the government in the wake of economic reforms had serious implication for the developmental state. The reform measures in general and the budget proposals in particular affected the resource capacity of the state and thereby shrunk the distributive role of the state. Since the state was no longer the distributor and equalizer of economic resources, the dominant social groups exerted their pressure to secure more resources from the state. Thus, by weakening the state structure, the party’s control over the developmental state and the policy making process was considerably reduced. This led to the erosion of its image as an agent of development and social change and affected its legitimacy over various social groups and thereby led to the crisis in the party.⁴

The society-centric approach viewed that the parties in a democratic regime are the political manifestations of social groups and that they exert pressure on the state to fulfil their demands. It is argued that ‘the consolidation of democratic rule depends not only on economic growth and a broad distribution of benefits, it also depends on the development of political institutions that can effectively mediate policy debates and coordinate the relations among contending social and economic interests’.⁵ When the state’s capacity for the distribution of resources to various social groups weakens due to

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the market oriented economic reform, the political parties find it difficult to maintain their support base and also the cohesion among the different social groups. In other words, the state’s capacity to provide economic resources and other incentives to its social constituencies weakens; its space in the political system also shrinks. In such a situation, there is a shifting of loyalty from one party to another, if they feel that the latter can provide more incentives. The breakdown of the Nehruvian consensus on the developmental strategy accelerated the discontent of the social groups. The new policies broke up the social consensus on development erected in the 1950s by preferring and benefiting only a small section of the society. This was due to the change in the ‘all-inclusive’ character of the economic policy into an ‘exclusivist’ one. It created disenchantment among the larger sections who constituted the social base of the Congress party.

The breakdown of the developmental state and the subsequent fragmentation of social forces strained the relationship between the state and society. By adopting market reforms and shifting the preferences and interests of the state, the Congress alienated the various social groups from the state. In fact, political institutions in a state effectively mediate the diverse interest of different groups by acting as a channel between the state and society. In a democracy, such an interaction and mediation not only enable the political parties to extend their mobilisation but also to strengthen the democratic exercise. When the preferences of the developmental state were diluted, the Congress party found it difficult to maintain a positive relationship with the society and thereby weakened its social base.

Economic rationality and political legitimacy

The Congress party was, indeed, the initiator of the debate in the nation among its rank and file on any important economic policy implemented in India since independence. It was the practice of the Congress that every socio-economic programme of the party was discussed in all its forums and often the leaders possessed different views on its pros and cons. The people could find different shades of ideological opinion within the party before endorsing its programme. For example, on the issues like the adoption of
cooperative farming, democratic socialism, socialistic pattern of society, there was a heated ideological debate within the party. When the party under the leadership of Nehru adopted the 'socialistic pattern of society' as a radical policy agenda in the Avadi session in 1955, it initiated a nation-wide debate on its objectives and implications. It was by ignoring such a tradition that the New Economic Policy (NEP) was introduced in the country with great haste, under the pressure from the external agencies. In fact, this was done without any ideological debate on the pros and cons of the policies. Eventhough the NEP was a major departure from the hitherto economic policy of the Congress party and the government, as it claimed by the left-of-centre leaders like Vayalar Ravi, the leadership did not go round the country to the people, its objectives and implications as was the practice at the time of Nehru.

In a democratic polity, every public policy should have the legitimacy from the key groups on which the government depends for its support. However, the reform did not have any legitimacy from the people. The party, on the other hand, argued that the reforms were in consonance with the election manifesto of 1991, which was drafted by Rajiv Gandhi. It even went on interpret that the electoral verdict in 1991 was for pursuing the reform process. But, it can be seen that it never mentioned the adoption of a market-oriented economic policy. The manifesto only promised, 'The Congress will restore fiscal balance in the budgetary system by drastically reducing wasteful expenditure, rationalizing non-developmental expenditure and expanding the revenue base of the government, particularly through a leaner, more dynamic and profit-oriented public sector'. In fact, most of the measures in the reform process were contrary to the letter and spirit of the party manifesto. For instance, the manifesto promised that within a short period of 100 days of assuming power, the government would roll back the prices of essential commodities to the rates of July 1990. But, under the impact of the reform process, the prices of essential commodities went a high level. Moreover, the reforms were incompatible with the basic spirit of the Constitution of the party which proclaimed that 'the object of Indian National Congress

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is the well-being and advancement of the people of India and the establishment in
India, by peaceful and constitutional means, of a Socialist State based on Parliamentary
Democracy in which there is equality of opportunity and of political, economic and
social rights and which aims at world peace and fellowship. Further, the electoral
verdict in 1991 was not in favour of the market-oriented reforms. But it was, indeed,
the result of the sympathy wave aroused out of the tragic assassination of Rajiv Gandhi
in the second and third phases of the election. Moreover, the electorate did not have a
majority mandate for the party and it was the minority Congress government that
carried out the reforms process.

Eroding patronage politics

The shift from the developmental state towards the market-oriented one had a direct
bearing on the patronage politics developed by the Congress since independence. In
fact, traditionally, the party’s provision of soft-budgeting, transfer of payment such as
subsidies to various sectors, generation of employment opportunities through an
expansive state sector and the policy of protective discrimination helped to consolidate
the support of the various social groups. Most of the fiscal austerity measures for
attaining the fiscal health of the country went against the interest of certain social
constituencies of the party. According to Jenkins (1995), ‘economic adjustment implies
the loss of several prominent tools of building a political base in India: fiscal austerity
limits the ability to distribute subsidies; industrial delicensing and the relaxation of
foreign exchange controls remove two important methods of rewarding political
supporters’. The reforms in public sector and subsidies, cut in governmental
expenditure, decelerating growth in employment adversely affected the party’s interest.
The removal of safety net, and the vulnerability of the workers in the public sector as a
result of disinvestment and privatisation were considered as measures that put an end to
the Congress’ patronage politics.

The dilemma faced by the democratic regime is that it cannot carry out effective reform measures as it come under the criticism from the social groups. The ruling party finds it difficult to satisfy all its social groups in the allocation resources. It is said that 'economic programs premised on the preservation of economic inequality and the uneven allocation of the benefits of economic group may be incompatible with the consolidation of stable democracy'. The dissatisfied social groups exert pressure on the government for getting more shares in the resource allocation. Such a discontent towards policy reform often determines the voting behaviour. The 'Ballot Box Theory of Public Expenditure' argues that in a democratic society the spending of public expenditure has greater value than the non-democratic regimes. The high spending of public expenditure brings more mass support and votes to the party in power. On the contrary, cut in public expenditure evokes adverse impact on the electoral politics of the ruling party.

The provision of public subsidies especially the subsidy on PDS was the most important means for the rural people in their livelihood since the time of Nehru. The PDS evolved as a major instrument of the government's poverty eradication programme and it was considered as the most important tool intended to serve as a safety net for the poor. It played an important role over decades in neutralizing the negative effects of the price fluctuations. Nehru himself thought that the price control of food grains through PDS was an important tool to ensure food security to the poor at affordable prices. In fact, the lower prices were established and maintained through heavy subsidies considerably reducing rural poverty. Since it was the most promising of the programmes for the poor, it was also a political tool for the party in power. Politically, the Congress could mobilize the rural poor into its fold by taking advantage of the PDS. In the aftermath of the reform process, the subsidies on PDS came under attack as it was alleged as a wasteful expenditure and could not achieve its objective of alleviating rural poverty. The frequent rise in the prices of essential commodities

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distributed through PDS due to cut in subsidies adversely affected the food security of the rural people. The high rate of food prices, in a scenario where the poor in rural area are net buyers of food grains, reduced their food intake and led to the deterioration of their consumption and distribution. The political cost involved by such a process was the discontent of the poor towards the government and the Congress party. Further, this was a time when regional parties like TDP inaugurated the populist programmes of distributing rice through PDS at the rate of Rs. 2 per kilogram. These regional parties, to certain extent, succeeded in bringing the support of the rural people who expressed their discontent over the Congress government’s policy of subsidy on PDS. The Congress leaders like Vayalar Ravi, in fact, recognize that cutting subsidies, especially on PDS alienated the poor from the party.

Like the subsidies on PDS, the subsidy on farming community was another way of acquiring support for the Congress. The party could muster the support of the farming community over the years through its commitment to subsidies in fertilizers, power, seeds, etc. In the changed economic scenario these subsidies were treated as unproductive and an overburden for the economy. The rich and the middle farmers who were beneficiaries of the fertilizer subsidy in the central budget, subsidized inputs such as irrigation, water and electricity were critical of the economic reforms. The economic reforms severely affected the farming community, when it lowered the price support for important grain crops.

The neo-liberal reforms eroded the role of the planning process which was another instrument of support for the Congress. Since the Nehruvian era, the thrust on planning and state intervention had dominated India’s development strategies. It is clear that the SAP denigrated the planning mechanism in the mobilisation and deployment of resources and allocation of resources with the augmenting role of the market forces and the private sector. By reducing the role of the government, the objective of the developmental planning as a remover of regional imbalances, development of backward areas, progress in health and education and employment generation was greatly reduced.
Identity politics and Hindutva politics

Since 1990, the Congress party is contemplating over the issues of identity politics and Hindu nationalism, which in one way or other, contributed to the loss of its mass base. In fact, these two tendencies were the pre-economic reform and post-Mandal phenomenon, the economic management of the Rao government had a direct bearing on the party. The initiation of market-oriented economic reforms and thereby the shift in the policies and strategies of the Congress provided favourable conditions for the augmentation of these tendencies. The depletion of the Congress mass base and the alienation of certain social constituencies, due to its changed preference, indeed, strengthened these tendencies.

The basic philosophy underlying the economic reform was that the state was no longer an active agent for development, but a facilitator for corporate business. Since the focus of development shifted from social goals to profit motives, the state was neither considered as a positive instrument for social transformation nor an agency for resource allocation. Further, the retreat of the state was not only manifested in its role as a producer state, regulatory state, distributive state, but also altered its role as an agency for the empowerment of the socially marginalised sections. Such a transition from state-oriented development to market-oriented one evoked mixed responses among the various social groups in India as different aspects of the reform processes, in one-way or other threatened the very existence of these social classes and organizations. For example, in contrast to the claims of the advocates of economic reform that would bring 'new opportunity' and 'modernisation', the unleashing of market reforms dragged the living condition of the poor and the underprivileged into a Hobbesian state of nature where life became 'solitary, poor, nasty, brutish and short'. The civil society was marred by communal violence, oppression, deprivation, starvation and other forms of tensions which led to a systematic de-empowerment of the socially marginalized section in the social, economic and cultural realms.

The economic reform battered the relative autonomy exercised by the developmental state during the Nehru and Indira Gandhi era in relation to the dominant
social groups over economic policy. The reforms are about the reworking of the idea of
the state and its capacity to work on behalf of those who stand outside India’s
expanding social and economic elites. The dominant classes and castes showed much
enthusiasm to divert the public policies of the government for acquiring more resources
from the government. Consequently, the support base of the state, and its policies and
programmes which intended to empower the socially marginalized sections were
tampered for attaining the ambitious target of high economic growth. It was a quite
critical movement when there was an upsurge of the poor and Dalits to achieve
increased shares in the allocation of economic resources and political power. The
resource capacity of the state might be increasingly rotten, but it continued to occupy a
central place in the imagination of the deprived sections of the society. Moreover,
the retreat of the state in general and the privatisation of public sector in particular can
be seen in the context of the upper classes and castes for loosing their control over the
state power in the face of the emerging hordes of the lower castes.

The fiscal austerity measures, intended to bridge the fiscal deficit, exhausted the
state capacity to meet the increasing demands on the state from various sections of the
society especially the newly politicized social groups. While the fruits of the economic
reform accrued to the urban elite and middle classes of the society, the traditionally
backward social groups like the Dalits and Tribals etc. were haunted by its adverse
impact. The emphasis of the policy was on the production and import of durable
consumer goods to satisfy the needs of the upper middle class. But the middle class
who was enthusiastic over liberalization, shied away from meeting its costs. Under the
unleashing of the market-oriented economic reforms, the socially vulnerable sections
became handicapped in responding to the market signals as they found their entry in to

11 Corbridge, Stuart and John Harriss (2000), Reinventing India: Liberalisation, Hindu Nationalism and
12 Corbridge and Harriss further elaborated this view while reinventing India in the context of
liberalisation and Hindu nationalism in the 1990s. Both these trends, according to them, eroded
the social base of the state and its commitment to the weaker sections of the society. According to them, the
faith of the upper classes and castes on the role of the state in development might be lost, but it is not
accurate to say that ordinary men and women have lost faith entirely in the idea of the state.
see Corbridge and Harriss, ibid.
the State in India, New Delhi: Sage Publications, p. 168.
the market very difficult, especially those who did not have assets or skills. The benefits of the fast developing areas like Information Technology did not evoke much impact on the living conditions of the down-trodden sections of the people. Moreover the reforms did not enter those areas which were benefiting the day-to-day life of the Dalits, Tribals etc. For example, the reforms in the agricultural sector, where these sections depended on their livelihood, were minimal compared to other sectors of the economy like industry.

The attack on the state by the market can be considered as denial of the rights and livelihood of the socially marginalised sections. Since it failed to provide adequate public goods, it impoverished them. The reduction in public expenditure led to the taking away of the safety nets provided to these sections. The measures for attaining fiscal discipline like cut in governmental expenditure had a direct bearing on the welfare programmes of the SCs and STs in areas of rural water supply, poverty alleviation schemes, educational benefits and employment schemes, etc.

Reforms and growth had unfortunately seemed to be the anti-thesis of labour and employment in the era of liberalisation and globalisation. It is a fact that economic reforms did not create more employment opportunities rather it shrunk it. The traditional employment oriented sectors such as agriculture, plantation, etc. were regressing. This tendency was absurd when more than 60 per cent of families of farmers and labourers still draw their sustenance from employment in agriculture. The employment opportunities created by the augmenting private sector excluded these vulnerable sections. The disinvestment of the widespread public sectors due to market reforms were disadvantageous to these groups as it cut down their employment opportunities. It further deteriorated the condition of the socially vulnerable sections who lost the means for acquiring economic resources.

Moreover, the new middle class which emerged in the aftermath of economic liberalization was not accommodative in character in contrast to the early middle class developed after independence. The early middle class which were the chief beneficiaries of the state-centred development showed its progressive character by
accommodating the interest of other sections too. The impact of western education and rational thinking and the influence of nationalist ethos forced them to act in such a manner. The new middle class by showing a consumerist culture and exhibitionism acquired a monopoly in the opportunities in every public sphere. It even acted as a stumbling block in achieving social transformation. Such an exclusive and parochial approach by the new middle class adversely affected the living condition of the other classes and groups. It generated anomic trends in society. The exclusion can be seen with the emergence of identity politics based on caste, especially among the lower strata of the society who are demanding wider power sharing in the political system.

The vulnerability caused by economic reforms on the socially marginalized sections had a direct impact on the political scenario of India especially in a mass party like the Congress, because these sections constituted the backbone of the party for a long time. Under the deteriorating conditions, these groups were attracted to the identity based parties like caste, religion and region etc. who offered everything eventhough delivered nothing substantially. In democracy, the loyalty extended by various social groups may change according to the nature and preference of the policy and strategy of the party in power. When a policy reform is detrimental to its supportive social constituencies they are forced to alienate from the party and extend their loyalty to another in which they feel that their interests are well protected. According to Boix (1998), 'the distribution of power among social groups and the linkages between parties and social groups are not static: They may be altered overtime by the partisan strategies and the impact of public policy'.

Thus, economic reforms further augmented the alienation of the socially marginalized section from the Congress party which was already showing a trend of aloofness in the aftermath of the social fragmentation caused by Mandal politics in the early 1990s.

Like the relationship between economic reform and identity politics, there is a causal relationship between the economic reforms and the Hindu nationalist project. In

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fact, it was also a byproduct of the social fragmentation caused by the mandalisation process in the early 1990s. But, the crisis of the developmental state by the neo-liberal policies led to a growing discontent and disenchantment among the people and thereby the isolating from power centres. The yawning vacuum created by the alienation of people from the developmental exercise was filled by deeper pathologies like communalism and fundamentalism were found a fertile ground. When the public space was shrinking due to the unleashing of the market reform, the private sphere was deeply rooted in communalism and other desperate tendencies. The dilution of economic nationalism in the economic policy of the Congress government was challenged by the aggressive economic nationalism of the BJP. The party when it occupied the status of the opposition party in Parliament criticised the Congress' economic reform and sharpened its ideological commitment to swadeshi. Such an ideological defensiveness helped them to attract certain discontented sections from the Congress fold.

Moreover, the shift in the economic policy led to the emergence and expansion of a new consumerist middle class who was politically acquainted to the Hindutva ideology. In contrast to the early middle class emerged after independence, secular in outlook and sensitive to social coherence, the new middle class showed allegiance to the Hindu nationalist politics. The BJP, in contrast to its earlier ideological stubbornness enthusiastically appropriated the Congress economic policies after coming to power. It succeeded in bringing on the loyalty of the middle class who was the only remaining social constituency of the Congress party after the alienation of the Dalits, Minorities and Backward Castes from its fold. The BJP government offered new bonanza for their support in the form of more tax reduction, liberalization of import duties on consumer goods, subsidy to the middle class investment like UTIs. The business groups and bureaucracy, who once pleaded for limited liberalization urged for more liberalization, transfer of technology and foreign direct investment, thought that the BJP would fulfill their economic aspirations by bringing new

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opportunities and prosperity than the Congress. Thus, the economic management of the Congress government provided fertile ground for the penetration of the BJP’s ideology of Hindutva among these sections.

Thus, it can be seen that, the crisis of the developmental state by the adoption of neo-liberal economic policies produced two new social groups – the losers and the winners. While the poor and the socially marginalised sections constituted the disadvantageous sections, the consumerist middle class constituted the advantageous sections. However, in the course of time, these two groups deserted the Congress party and migrated to other political formations like castetist parties and the Hindu nationalist party like BJP. The political cost was that the Congress lost its two major social constituencies and thereby shrunk its mass base in Indian politics.

The Congress party is confronting with the issues of identity politics and the Hindutva politics in its link with economic reforms. The party did not see these tendencies as a result of economic reform but rather the outcome of Mandalisation of the 1990s. Mani Shankar Aiyar, in fact, argued that identity politics and Hindutva were, in a way, interconnected but not with economic reforms. He was of the view that the Mandalisation of V. P. Singh and the kamandalism of the BJP pushed the Congress into a mess. Endorsing the same view, Manmohan Singh and Jairam Ramesh claimed that the fragmentation of politics caused by Mandalisation and Hindutva limited the party’s mass base. But they never saw the impact of economic reforms for the further augmentation of these tendencies in the Rao period. While the official version of the party that caste based identity politics were the result of mandalisation and, therefore, the party denounced it as mere narrow-minded politics, leaders like Vayalar Ravi, to a certain extent, recognized that it was the social upsurge of the down-trodden sections of the society for achieving more and more power sharing in the national politics.

Thus, it is a fact that economic reforms altered the relationship between the Congress and the socially marginalized sections. The adoption of market reforms and the weakening of the developmental state forced the vulnerable sections to shift their loyalty from the Congress to other political formations. Unlike the past, the party could not arrive at a consensus around the economic reforms among its divergent social
constituencies. It is believed that the 'Nehruvian Consensus' not only contributed to the economic development of the country but also in party building. The Congress established its dominance in Indian politics by imbibing the pattern of consensus, compromise, accommodation and bargaining. The breakdown of the Nehruvian consensus in the 1990s led to a situation where it could not accommodate the up and coming social groups. The feeling generated among these groups was that the party had lost its accommodative character and had fallen to the hands of the upper caste, urban and upper middle classes.

**Era of dilemma and discrepancy**

In the post-Rao period, after the BJP government 'hijacked' its economic agenda, the Congress party was in a dilemma. It had to oppose the policies of the BJP and, on the other hand, put an alternative agenda before the people as the major opposition party. It is argued that 'the dilemma of the (Congress) party lies in choosing between sticking to its ideological commitment with a fair degree of credibility on the one hand, and maintaining the identity of the major opposition, on the other'. But, the party alone cannot be blamed for this dilemma and it was more to do with the prevailing political culture in the country. The party had to bring back the support of the upper middle class and the poor and the socially marginalized sections by adopting a suitable policy between them.

Whatever may be the official version, the Congress in the second generation reforms is in a quandary. Though it was the initiator of the reform process and subsequently the principle opposition party under the economic management of the BJP government, the party has not taken a clear-cut stand on the economic policy matters. It is obvious that the party lacked clarity in its approach to the second generation reforms. The two divergent views – the pro-liberalisation and the left-of-centre-existing in the party leadership on the economic policy proved this argument.

The advocates of pro-liberalisation leaders like Jairam Ramesh and the protagonist of left-of-centre like Vayalar Ravi were admitting that there were areas of

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difference of opinion within the party. Mani Shankar Aiyar, however, claimed that since the Congress had the true inner party democracy and it had a well-established long tradition of divergence of opinion, in the economic reforms also, people could see different shades of opinions. But it can be seen that the difference of opinion emanating from various leaders were due to political compulsion rather than conviction. The nature of criticism against the reforms depends on the political base of the leaders. The states wherein the opposition against the reforms was strong, the representative leaders obviously became more critical of the reform process. For example, the anti-liberalisation stand of the Communists in Kerala and West Bengal reflects in the stand taken by the Congress leaders from these states like Vayalar Ravi, Pranab Mukherji and P. R. Dasmunshi to harp on pro-poor approach. It is clear that the political existence of these leaders forced them to take different voice on reforms within the party.

The nature and intensity of the reform process in the Congress ruled states were also changing according to the nature of the opposition party in their state. For instance, the Congress party in Kerala was not so much in favour of vigorous market-oriented reforms because of the strong left opposition. But, in the states like Karnataka, Maharashtra and Rajasthan, the governments were enthusiastically engaging in reforms because of the pro-liberalisation opposition parties like Janata Dal and the BJP. Another dimension of the politics of economic reform was that wherever the Congress was in opposition – whether at the Centre or States – it criticized the reforms of government. Jairam Ramesh, in fact, admitted that the Congress government at the state level was implementing a number of policies that the Congress opposed at the Centre. At the state level itself, where the party was in power when adopting reforms, whereas it was critical of it wherever it was in opposition. For example, the party was critical of the power sector reform in Andhra Pradesh whereas pushing it in Delhi and Rajasthan where it was in power.

From the circumstances that led to the initiation of the reforms to its various sectors of the reform process, the party had divergence of opinion, even though the official version tell a different story. Firstly, the party was confronted with the
circumstances that led to the initiation of the reform process in 1991. The general view was that the unprecedented balance of payment crisis afflicted to the economy forced the Rao government to adopt the reform process. However, the leadership was confronted over the domestic and global circumstances that resulted from the reform process. Mani Shankar Aiyar saw that the shift in the economic policy was not only in the context of domestic political developments but also the changes in the global political economy in the 1990s. According to him, the collapse of the Soviet Union and the subsequent developments in the Eastern European countries made an impact on the economic policy of India. Manmohan Singh, on the other hand, gave a more domestic dimension for the initiation of the economic reforms. He was of the view that the market-oriented economic reform was thought of much before the fall of the Soviet Union. Because the reports of the various committees and commissions appointed by the government for studying the performance of various sectors in the 1980s called for reforms.

Secondly, the party neither evaluated the NEP as a radical departure from the earlier policies of the Congress during the Nehru and the early days of Indira Gandhi regimes nor accepted it as a logical continuation of the liberalization policy initiated by the Rajiv Gandhi. Manmohan Singh, for instance, saw it in some ways a departure from the Congress party’s earlier economic policies and in some other ways a continuation as it was associated with Indira Gandhi’s second term and the Rajiv Gandhi era. Mani Shankar Aiyar, on the contrary, described it as ‘a new stage in the old economic policy’. He accepted the fault on the part of the Congress that it projected the economic reform as a ‘New Economic Policy’. For example, it created a misconception that the party was giving more importance to the private sector rather than the public sector. According to him, in fact, the Congress always stood for the active role of the private sector in the economy, though it advocated radical programmes and slogans like bank nationalization, socialistic pattern of society, garibi hato, etc. Vayalar Ravi saw that since the idea of market economy was not in the original idea of the Indian National Congress, the adoption of the market-oriented economic reforms was a radical
departure from its earlier policies. His stand was that the reforms were mocking the ethos of the national struggle for independence under the aegis of the Congress. On the contrary, the advocates of reforms claimed that the reforms were not alien to the idea of the Congress. Because the nationalist movement itself was an amalgam of divergent views and ideologies even though certain views and ideologies often dominated over other in a particular point of time. They even argued that since the Congress was not an asylum of utopians sticking on one idea or ideology forever, it had to imbibe according to the changing needs and circumstances.

In the second generation reforms, after the BJP endorsed the liberalisation policy, the Congress was yet to draw a dividing line between its approach and that of the government. Firstly, on issues like public sector disinvestment, reduction of subsidies etc. the party had not reached a consensus within it. Moreover, its approach towards the BJP government was both supporting and opposing on its policies and programmes. In the passing of major policy legislations like the IRDA and Patent Bills, the party stood along with the government by stating that it was for the interest of the country and the party. The party, on the other hand, was trying to project before the people that it did not want to become a B-team for the BJP government in the matters of economic policy, but it was not prepared to go all credit to the BJP in the reform process. The BJP while accelerating the reforms in various sectors of economy, destroyed the arenas of support base of the Congress. The public sector which was one of the areas of Congress strength underwent drastic reforms including privatization. The public sector employees were tripped off their job security and the BJP extended its patronage to the higher echelons of bureaucracy. When it was criticizing the disinvestment policy of the BJP government, the Congress ruled state governments were adopting a different approach from the party at the national level. These governments were engaged in the process of disinvestment and privatisation of public sectors.

Secondly, when both camps within the Congress – pro-liberalisation and the left-of-centre – were craving for the removal of unwanted subsidies, there prevailed a
widespread confusion over the areas in which the subsidy can be extended. While Vayalar Ravi and Mani Shankar Aiyar arguing for retaining subsidies on PDS and agriculture, Jairam Ramesh viewed that food subsidies should be restricted to agricultural labourers and workers in the unorganized sector and there should be no subsidy on power, petrol and kerosene.

Thirdly, when the party was pushing for its ambitious ‘E-4 Policy’ - Employment, Education, Empowerment and Entrepreneurship – to the socially marginalised sections there was no clarity on the issue. Manmohan Singh saw the real problem in India was to create job opportunities for the Dalits, Tribals and the Backward Castes and thereby bring back their support to the Congress. Jairam Ramesh, on the contrary, argued for reducing government jobs at the lower level (where most of the socially vulnerable sections were employed through the provision of affirmative actions) rather than higher level. According to him, since almost 50 per cent of the centre’s expenditure was on salaries, pensions, interest payments and debt servicing, the government jobs must be reduced at the lower level.

Though, the reform process started in 1991, it did not gather a wider currency among the leaders of the Congress. The political compulsion, and the fear of losing its mass base forced the state level leadership to postpone the reform process for quite some time. For example, the Congress ruled state government in Kerala in 1991-1996 postponed the reform agenda fearing direct assault from the critiques of liberalisation like the left parties. Wherever, the opposition was strong, the Congress state governments slowed down the reform process. Whatever may be the claim by the party leadership that there was a consensus within the party over economic reforms, the views expressed by different leaders shows that it had major difference of opinion on the reform process. The views of Manmohan Singh and Jairam Ramesh often contradict with the views of Mani Sankar Aiyar, Vayalar Ravi and Pranab Mukherjee.

Thus, after more than a decade of economic reforms and the aggressive economic liberalisation under the BJP government, the Congress is not clear on its stand. One can see two reasons for its amorphous opinions on economic reforms on
two accounts. Firstly, the party’s failure to build an internal consensus between divergent sections on economic reforms. Secondly, its all India character and holding power in majority states. However, it is not a surprise that a divergent coalition of interests like the Congress may possess different shades of opinions, but it has to demonstrate its alternative strategies as a principled and as the principal opposition party. The matter before the Congress is that how the coalition of divergent interests can be arrived at through an internal consensus thereby bringing an image of a national opposition party by transforming its traditional image as a ‘natural party of governance’.

Reforms and de-ideologisation

The economic reforms de-ideologised the Congress, although it began in the mid 1980s, during the Rajiv Gandhi era. Even though the party is not an ideologically structured one, since its formation as a movement for national freedom, it always stood for certain ideologies like socialism, secularism, nationalism, developmentalism, etc. The policies and strategies of the party in the initial years were to strengthen its commitment to these ideologies. The people entrusted their faith on its ideologies since it reflected their aspirations. Nehru, for instance, made a balance between the party’s ideologies and the hopes of the people while initiating any policy reforms. Indira Gandhi, in spite of her liberalisation fervour, continued the radical slogans like garibi hatao to sustain the loyalty of the poor. While Mandalisation and destruction of Babri Masjid overshadowed the social justice and secular image of the party, the market oriented economic reforms forced them to relook its remaining ideologies like secularism and economic nationalism.

The Tirupati Resolution, in fact, was a U-turn in the Karachi Resolution of 1931 and the Avadi session of 1955 which called for state intervention in economic development and socialist pattern of society respectively. The adoption of the NEP proves that the ‘Nehruvian Consensus’, which was the driving force for both the Indian development strategy and the Congress party succumbed to the ‘Washington Consensus’. The retreat of the developmental state adversely affected the party’s policy
of assimilation, accommodation, negotiation and compromise and led to a period of de-ideologisation. The basic tenets of the Congress party like democracy, socialism, planning, self-reliance, non-alignment and secular nationalism steadily eroded. Further, the period saw the erosion of ideas of the nationalist movement on the issues of social justice, development policy, equality, etc. In a wider sense, it was the erosion of state and its commitment to the various social groups. The new ideological and ideas inspired from the neo-liberal paradigm failed to fill the vacuum created by the nationalist ideas. Bhambhri (1998) states that 'the new leadership' of the Congress inducted by Rajiv and Sonia Gandhi is de-ideologised because their perspective of the future India is limited to a techno-economic transformation of the country'.

**Harping on the Nehruvian legacy**

The party's recent effort to emphasise on the Nehruvian legacy can be seen in the context of political compulsion rather than conviction. Whenever, the party feels that there is a discontent among its social groups, it resorted to uphold the legacy of the Nehruvian development. Over time, it had pronounced socialist programmes like the land reforms, socialistic pattern of society, slogans like *garibi hatao, bekari hatao* etc. The party when it was in power moved towards liberalisation and whenever it felt the erosion of electoral support and resentment of its social and political constituencies, it quickly reversed in favour of more populist policies. As Bhambhri (2001) opines the Congress party's history tells us that it retained power by pursuing, 'left-of-centre' policies, and was marginalized when it abandoned these programmes in favour of market-led democracy'. While endorsing such a view, Bipan Chandra (1993) argues that whenever the people of India felt that the Congress was faltering in its commitment to the common masses and was weakening in its left-of-centre ideology, they have tended to turn to the alternative political formations. On such occasions, the political leadership of the party made attempts to revert to its earlier economic policy. For example, the internal compulsion to convince the disenchanted socialist bloc in 1969

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18 Vasudev, Uma (1977), *Two Faces of Indira Gandhi*, New Delhi: Vikas, p. 27.
was one of the reasons for Indira Gandhi to implement certain socialist programmes like bank nationalisation and abolition of privy purse and to adopt certain radical slogans like _garibi hatao_ etc. Further, faced with acute criticism against the market oriented economic policies, Rajiv Gandhi in the later stage of his tenure attempted to revert to the left-of-centre approach.

Though the party is cherishing on the Nehruvian legacy by imbibing its objectives, it was non-committal in reverting to the Nehruvian model of development in the prospect of Congress government at the Centre. In the Pachmarhi session in 1998, the party made it clear that it did not abandon its commitment to liberalisation and disavow the legacy of Manmohanomics while searching for a larger political and social strategy within which reform and liberalisation can be embedded. Manmohan Singh, in fact, made it clear that since the Congress was a reform party, its policies and strategies change according to the changing situation. But it would reflect the Bangalore session and the recommendations of the Economic Introspection Group. Mani Sankar Aiyar also made it clear that the Congress was not reverting to the Nehruvian model of development that was neither possible nor desirable. But it was trying to revert the Nehruvian fundamental objectives in the economic policy. Even the advocates of left-of-center approach like Vayalar Ravi was categorical that the party was not the utopian of the 1950s – the Nehruvian era. But it believed in a middle-path, i.e., reforms should be done in certain areas under the strict control of the state - that could cherish values of Nehruvian socialism.

**Rejuvenation of the Congress**

The dismal performance of the party in the last three general elections after the implementation of the economic reforms has been a great concern for the leadership. It has been trying to rejuvenate the party and restore its dominance in Indian politics by winning back the support of the alienated social groups. In a bid to woo the disenchanted groups, the party is trying to project a pro-poor image. There has been a growing demand among the leadership and the rank and file that the party should try and adopt the left-of-centre policy.
The party has to develop its image as a dispenser of distributive justice and the provider of welfare-oriented policies. It should get rid of the populist slogans and concentrate on the concrete agenda for the well being of its social groups. It has to adopt special package for the empowerment of the socially marginalized sections of the society who are adversely affected by the market oriented reform process. The dilution of developmentalism in the policy and the economic strategy of the Congress under the influence of neoliberal economic programmes made havoc to the living conditions of the people.

Whatever may be the arguments of the protagonists, the fact remains that the NEP not only marked a significant departure from the initial policies and strategies of the Congress party but also relied on a totally different ethics of development. The party leadership now feels that it had to rejuvenate the party from the onslaught of the Hindu religious politics and identity based caste and regional parties. While it cannot dump reform process as such, because most of the Congress Chief Ministers had adopted it craving for certain poverty alleviation measures and thereby adopting a 'human face' in reform process is on the agenda. In contrast to the earlier period, when the thrust on poverty alleviation did not come in the era of economic reforms, the party now felt that poverty reduction should be made the overriding goals of the economic policy. In fact, Mani Sahnkar Aiyar, claimed that the party was trying to imbibe the Nehruvian fundamental objectives of keeping poverty under control and meeting the concerns of the poor and its priority. While accepting that since the Congress is a coalition of various social groups and it could not promise everything to certain social groups as the case of the identity based parties, Manmohan Singh arguing that improvement of the living condition of the Dalits, Tribals and backward classes is one of the ways to rejuvenate the party. Vayalar Ravi, suggested that the Congress had to adopt aggressive economic programmes to convince the poor people to expand its economic agenda.

Mere reaffirmation on its commitment to the Nehruvian legacy could not win back its traditional vote-bank of Dalits and Tribals who largely comprise the poor
sections of the society. The party failed to realise that the trajectory of development that has evolved since the economic reforms has led to the exclusion of large sections from mainstream development exercise which had its reflection in a mass party like Congress. With the breakdown of the interventionist state, the consensus building mechanism within the party was in disarray and the dominant groups in the socio-economic hierarchy was trying to utilize it for its interests. It has to be understood that the market cannot become a substitute for the state which has traditionally been the guarantor of social distributive justice. Without providing economic empowerment to the vulnerable sections of the society, the party’s attempt to regain the people’s confidence will remain as a distant dream. The reform process could not be at the cost of the majority of the people. Further, its earlier social and political equations will not run smoothly unless it learns positive lessons from its past fallacies. In addition, it can be seen that without a long-term and clear-cut policy towards economic liberalisation, the party’s chances to expand its mass base is meagre.

It is said that economic empowerment for the poor and the socially marginalised sections, Scheduled Castes and Scheduled Tribes, is one of the ways to win back the support of these groups. The party should redraw its mobilisation strategy by including the interests and demands of the poor. As a party that carried out the process of modernisation and which was in the forefront of the anti-imperialist struggle for national freedom and all other socio-economic issues, it has the responsibility to implement special packages for those sections who are adversely affected by the market reforms. The party cannot mobilise the people against the economic policy of the BJP unless it gives an alternative agenda vis-à-vis economic policy. The party should in fact adopt an alternative agenda based on social and welfare programmes to counter the agenda of the BJP and to assert its commitment to the left-of-centre approach in economic policy. Such an alternative agenda may include programmes to cover those social constituencies who have been displaced from the developmental process. Only through concrete action and implementation of programmes rather than socialistic rhetoric and populist slogans can the party regain its mass base. It should adopt
policies benefiting the vulnerable sections concentrating more on poverty alleviation, creating job opportunities and increasing the investment in public expenditure. The party has to create confidence among the poorer sections by way of adopting more welfare policies that seek to raise their standard of living. Effective poverty eradication programmes are required for raising the productivity and growth of those regions and sectors where the poor are concentrated. However, this does not mean that the party should switch over completely to its earlier policies and strategies during the Nehruvian era. It has to reckon with the changes in the global and domestic political economy. The party should adopt such changes while recognising its historical role played in the nationalist movement and its important initiatives in Indian politics as a responsible political institution. It means it has to revert to the spirit of its earlier policy starting from the nationalist movement – inspiring from the global changes and making balance with domestic circumstances. In other words, along with its attempt to adopt the potentials of market economy, strengthening the developmental state and formulating an all inclusive development strategy is the only way to regain its dominance in the Indian political spectrum.