

**Towards a Critique of Maharashtra's  
Political Economy: Conceptual Cobwebs  
and Policy Puzzles**

**Jayant Lele**

**P R DUBHASHI PUBLIC LECTURE, 2009**

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# **Towards a Critique of Maharashtra's Political Economy: Conceptual Cobwebs and Policy Puzzles<sup>1</sup>**

**Jayant Lele**

Studies and commentaries on the economy and politics of the state of Maharashtra, over the last 50 years of its history, in the media or in the scholarly work of some of the distinguished thinkers and researchers, have three or four major themes which seem to recur as serious contradictions or paradoxes between the professed visions of the state and its unflattering reality. The most glaring of these is the rapid and simultaneous growth of unprecedented affluence for a few and life-threatening poverty for many. An equally rapid but highly truncated urbanisation and the festering problem of regional disparity follow. All the three are closely interrelated and are reflected in the fourth issue that has recently concerned the scholars and media. It is the phenomenon of farmers' suicides, particularly in Vidarbha.

In the early days after the creation of the state, Yeshwantrao Chavan, the then Chief Minister, had identified most of these as the pressing problems facing the newly created state.<sup>2</sup> He assured the citizens through his speeches that his government was ready to confront them all. He seemed confident that they could be tackled under his leadership. Fifty years later, we are still talking about the same set of problems, as not only unresolved but also substantially aggravated. There is a reason to wonder why.

These issues of rapid polarisation of wealth and poverty, highly skewed urbanisation, regional disparity and the lack of sustainability of much of the state's agriculture, which Chavan had identified in the 1960s, have been on the agenda of state leaders of all parties for the past five decades. Numerous committees, commissions and commentators have raised them and offered policy recommendations to overcome them. Some of them have even been implemented with some success. Our concern about the current state of Maharashtra's political economy translates, therefore, into the larger question of why these issues have

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<sup>2</sup> For example, in 1961, in an inaugural speech to a conference of economists, he spoke of the vast drought-prone regions, the dramatic growth of Mumbai at the expense of the rest of the state (as evidence of skewed urbanization), the absence of growth of a producers' goods industry and the dearth of employment and trained manpower as critical issues needing the state's immediate attention. See Chavan, Y.B. 1962 *Sahyandriche Ware* (Mumbai, Prakashan Vibhag, Maharashtra Sarkar) (63-68).

remained unresolved in spite of the stated intentions, promises and actions of leading state and national political leaders whose task is to address and overcome them through public policy. This is where we confront a number of conceptual conundrums and policy puzzles.

This paper is presented only as a brief introduction to a more detailed critique of Maharashtra's Political Economy. I am using the term 'critique' in the sense in which Marx (1973) used it in his own critique of the political economy of his times. Such a critique tries to understand 'the reality as it exists'. But it does so in terms of 'what it can be, but is not'. A critique in this sense requires that we look at existing social, political and economic relations in terms of their potentiality, what they could and perhaps should have been but are not. This inevitably leads us to the question as to why it did not happen. One of the easiest ways to attempt such an exercise, of juxtaposing the actual to its potential, is to look at the visions and pronouncements of the political leaders as attempted approximations of realizable dreams of their citizens. My purpose here is to focus only on the necessary clarification of useful concepts and to indicate some of the puzzles and likely answers about how or why policies succeed or fail in achieving their stated and/or intended purposes.

An easy answer to the question 'why not' is the one we often encounter in the print and visual media. It blames politicians for unrealistic promises and lack of will to act. For example, leaders such as V.P. Naik and Nitin Gadkari are blamed for the lack of development of Vidarbha. They themselves became famous, it is said, and built themselves up as state leaders, but did little for their region. While there is no reason to defend political leaders against accusations of inaction or false pretences, we must not forget that structural conditions often have a great deal to do with the failure of effective policy options to emerge or to be successfully implemented.<sup>3</sup> When the pronouncements of political leaders are treated as an expression of their vision and when the adequacy of that vision and their actions are subjected to scrutiny, in relation to the structural conditions and the identifiable elements of intransigence built into them, their failure may turn out to be a combined effect of these conditions and the inadequacy of their vision and/or of their efforts. Their vision can serve as useful data for answering the questions: 'what can be' and 'should have been'.<sup>4</sup>

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<sup>3</sup> There are raging controversies in development studies and in social science literature in general, on the relationship between structure and agency, and about the primacy of one over the other. This is an important conceptual conundrum and is relevant for assessing the performance of Maharashtra's political economy, in particular since the early 1990s, when the government is said to have started to roll back state involvement in the market and in the distribution of public goods. Has the patronage potential of political leaders declined as a result? We will look at this in more detail in the final paper.

<sup>4</sup> Political leaders are often aware of these structural limitations but may find it necessary or convenient to hide that knowledge from their constituents by making promises that they know they can never fulfill. Formally, democratic framework of competitive politics does place constraints on such tactics because "calling the bluff" is always a distinctly available strategy for rival politicians.

A critical look at structures as well as visions and actions of political actors should lead to a better understanding of the structural changes that may be necessary to bring about desired policy outcomes. Chavan was not only an astute politician but also a man of deep convictions with close links to the people and the material and social culture of Maharashtra. His speeches often pointed to the limitations and potentialities of the new state. When we look at his expectations and efforts but with a focus on structural conditions, which extend well beyond the borders of the state, and the absence of significant progress, the question 'why' takes us beyond a simple blame game. The inadequacy of projected visions, stated intentions and actual efforts of political actors appear in a different light.

A critique of political economy must look at the complex web of highly interdependent social, political and economic relations. Disciplinary boundaries of social sciences often hinder such critique. We need a set of concepts that can transcend such boundaries and capture all dimensions of a political economy along with their interaction. It must also confront reality as it is but in terms of its unrealized potential. The structure of the political economy and the promises of the leaders as well as people's hopes and aspirations, as expressed through diverse media, must all be examined and analyzed together and in relationship to each other.

Conceptual cobwebs emerge out of the contradictions that exist in the structure of a political economy. Contradictions present challenges and opportunities to the political leaders, which they must face in policy terms. Their understanding of the contradictions, the policy options they develop, the choices they make and the consequences that follow, often unanticipated, become the source of policy puzzles. Confusing diagnoses and prescriptions result from lack of conceptual clarity about the structure-actor relation.<sup>5</sup>

A comprehensive study of the political economy of the state of Maharashtra must be situated within the larger national and global contexts. These contexts operate as relatively autonomous systems that are themselves continuously changing and require ongoing attention. Studies of subnational states tend to take these contexts as given. Enduring institutional arrangements are assumed to insulate the state from the vagaries of national and international events. We propose to bring them back into the analysis so as to examine opportunities and constraints that arise from them and their ongoing impact.

Being an integral part of the Republic of India, the state faces a specific set of challenges and opportunities for policy initiatives. India became integrated in the global political economy at a certain stage and now confronts it at a different

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<sup>5</sup> Kaviraj in his oft-cited essay (1988:2429) confronts the structure-agency dialectic through two mutually reinforcing constructs for the study of the political economy of India: a story of structures (in which he includes capitalism and its transitions, class formations and coalitions, etc.) and a story of actual actors (in which he includes governments, parties, tactics, leaders, political movements, etc.). Much of normal political science literature tends to tell the second story as a story of conjunctures without revealing what Kaviraj calls "the structural causal field".

stage of development, its own and that of the rest of the world. This transition acquires critical significance in assessing the degrees of freedom that the policy-makers have, at both the national and state level for shaping economic and social policy. Today these contexts are, more than ever, in a state of dynamic flux and create many state-specific and situation-specific constraints and possibilities for policy. We need an adequate framework for taking them into account on an ongoing basis.

Claus Offe (2004:505-506) offers us a way of conceptualizing these relations in terms of three hierarchical levels of decision-making. The most fundamental level of decision is about identity, the one that sets territorial, social and cultural boundaries of the nation-state within the international context and that of the sub-national unit (such as a state or a province) within the national context. The second level involves constitutional decisions that set up the institutions, as a framework of the 'regime' and establish rules, procedures and rights for the citizens of national and sub-national units.<sup>6</sup> It is only at the third level, and within the constraints and potentialities framed by these prior decisions, that the politics of "who gets what, when and how" operates. Offe argues that this last layer of everyday "normal" politics<sup>7</sup> is well embedded in the other two layers. He goes on to say that we tend to believe- and experience tends to confirm-that nations last for centuries, constitutions for many decades, and governments or positive laws passed by legislatures for just a few years.

In addition to the "normal" political or policy-related questions, the two 'taken-for-granted' higher levels have to be brought back into focus, and their origins and causes critically examined, when one raises the question: "why". Only then can we approach the task of identifying the nature of potentialities and constraints that operate at the normal<sup>8</sup> level of decision-making and the structural forces that are responsible for the creation and sustenance of these constraints and opportunities that restrain or enable changes in the actual ways of deciding who gets what, when and how: or, in other words, making and implementing public policies. In our specific case this requires that we carefully analyze the history of the national and international contexts, which influenced the formation of identity and regime of India as well as the changes taking place in them. This

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<sup>6</sup> Elster (1995:376) points to three possible procedures of decision-making in a constituent assembly. These involve, for him, passion, reason and interest. Each may operate individually or in combinations of two or all three. Their complex interaction in the framing of the Indian constitution is a subject for a study on its own. A complex interaction repeated itself in the decisions that led to the creation of the state of Maharashtra as well. We shall deal with these with respect to India and Maharashtra in detail in the final paper.

<sup>7</sup> For Lasswell (1950), who pioneered a rethinking about political science, as policy science "par excellence", summed up politics in terms of these questions. The question 'why' does not appear in his list.

<sup>8</sup> This is the level that much of political science literature deals with. For a discussion of what is considered to be normal in Political Science. *See*, Lele (2004).

is an essential step for assessing their initial and changing impact when we deal with the policy process in Maharashtra.<sup>9</sup>

The disciplinary divide between political science and economics also creates a conceptual conundrum. Public policy is a domain where critical analysis requires that our current practice of separating politics from economics be abandoned. Here the two necessarily interpenetrate. One cannot frame policies without accounting for resources required and one must also anticipate the possible impact of mobilizing such resources on the beneficiaries and victims of those policies and their likely response to the state. In other words, one cannot separate the politics of public policy from the economics of its adoption and impact.

Political scientists treat "economic" questions separately from those considered to belong properly to the political domain. References to political economy use economic events as a background for the political decisions at the third level, that of 'normal' politics. The first two levels are taken for granted, except when new political events such as constitutional amendments emerge.

Most studies of Indian politics do not engage with the politics of Maharashtra. Studies that compare Maharashtra's politics and that of Uttar Pradesh, Tamil Nadu, Gujarat, Andhra Pradesh and Karnataka are rare. The number of political scientists who work on Maharashtra is also rather small. They usually treat the state as exceptional and find serious comparison with other states as unnecessary.<sup>10</sup> Economists, on the other hand, tend to take up only specifically economic aspects and issues of public policy rather than deal with the total political economy as their essential context.

The way to bridge this disciplinary divide is to focus on the concept of the state. The critical political economy literature uses this concept to signal a vast, complex and differentiated network of institutions, and of surrounding the government and to examine how it interacts, affects and is affected by the forces and pressures that arise from the local, national and global society.<sup>11</sup> We intend to use it in that sense.

We plan to focus on three basic 'imperatives' of the state: accumulation, legitimation and coercion (O'Connor 1973 Habermas 1976 Mann 1984). Simply put, accumulation refers to the fact that states must facilitate (or ensure) adequate levels of savings, investment and growth for the society under their jurisdiction.

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<sup>9</sup> When we come to the sub-national level of Maharashtra, as we shall *see*, the questions of identity and regime surface once again along with their own complexities.

<sup>10</sup> A welcome exception was the seminar held by the Department of Politics of the University of Pune in 2009. It specifically focused on the comparison of Maharashtra's polity with that of several other states. A collection of papers resulting from that seminar will be a timely new addition to the field of comparative politics.

<sup>11</sup> For a relatively straightforward and concise discussion of the concept of the state and debates surrounding it in the political economy literature, in particular about its relative autonomy from social classes in a capitalist society, *see* Albo and Jensen (1989). The article illustrates the conceptual issues with examples from the Canadian political economy.

Legitimation refers to the imperative of maintaining internal order efficiently, by securing voluntary acquiescence of the majority of subordinate social classes so that they are not propelled to rebel against the privileges of the minority and the dominant political-economic institutions and practices that sustain it. Coercion implies the exercise of authority (supposed to be its legitimate right) to use force to ensure social order.<sup>12</sup> Use of coercion rises, for example, as the level of legitimacy of state actions declines. Persistent use of coercion to enforce policy or suppress dissent, however, undermines legitimacy.<sup>13</sup> A capitalist state<sup>14</sup> must accommodate, as well as confront, the three founding principles of capitalism: private accumulation, profit maximization and competition (Wood 1997, 2002, Wright 2006)). It is the close contradictory relationship between accumulation on one hand and legitimation on the other that gives critical political economy studies their greatest advantage.<sup>15</sup>

The relationship between legitimation and coercion imperatives is more complex. How does a capitalist state that must allow and tolerate, if not actively promote, income, asset and regional disparities in order to ensure and enhance the profitability of capital, manage to claim and convince all its citizens that it is acting equitably in trying to further and protect their interests? In dealing with the tension between the state's two imperatives of legitimation and coercion, I have found the concept of hegemony, as developed by the outstanding Italian theorist, Antonio Gramsci, very useful (Gramsci 1972, Sen 1984, Kaviraj 1988, Lele 1994).

Critical political economy examines the tension that the state experiences in balancing these imperatives when choosing between policy alternatives. The tension arises from the pressures that emerge in society given its class character and the existence of contradictory class interests. The concept of class has become a highly contested concept (Chibber 2006). The debates surrounding it get even more complicated when confronting the phenomenon of caste.<sup>16</sup> We intend to take into account the major insights that have emerged from these debates, without dealing in detail with the arguments surrounding them. Our

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<sup>12</sup> These imperatives apply to all political-economic orders but are very distinctly institutionalized under capitalism. These concepts, legitimation and accumulation in particular, have been developed in the context of the welfare state in the older capitalist countries at the time when their fiscal crises became evident in the early 1970s. For a brief summary of the implications and consequences of these strategies in the older capitalist states, *see* Dryzek (1996).

<sup>13</sup> On the continuing expansion of the coercive power of the Indian state *see*, for example, Mathur (1992).

<sup>14</sup> On the internal dynamics of a capitalist state, *see* Offe and Ronge (1975).

<sup>15</sup> The tension between the two imperatives increased dramatically in the First and the Third World nation-states since the inception of the 'development project' in the post-war years when the state took on the responsibility for ameliorating the backwash effects of private accumulation (Habermas 1976:36, 69).

<sup>16</sup> For a useful summary of the debates and the issues involved, *see* Sheth (1999), Mukherjee (1999).



earlier work has dealt with the issue of class-caste relations by adapting the concept of 'dominant caste' in conjunction with the concepts of elites and hegemony.<sup>17</sup> This combination was and continues to be useful even in our changed times. We will demonstrate its salience with relevant examples in the more detailed joint paper.

Hegemony is the predominance of one class or group over other classes. It rests on their consent rather than on force that is no doubt available to but is rarely exercised by the dominant classes (Femia 1975). It is the presence of such hegemony that enables the state to act primarily in the interest of the dominant class or classes while taking the consent of the subaltern classes for granted. The state puts in place a number of mechanisms for the dominant classes to ensure that a sense of "being taken care of" permeates the subordinate classes that accept such predominance.

Partly as a consequence of the policies that were pursued in the 1970s a new vocal force emerged in India's political economy in the form of an asset and income-rich 'new middle class' of rich and middle-income urban and rural dwellers. They have permeated all sectors of the economy and have been able to drive public policy towards liberalization of production and imports of consumer durables and luxury goods (Vora 1996, Fernandes 2006). We will critically examine its role in recent years in shaping Maharashtra's public policies.

A formally democratic state, such as India, has the need and the ability to use coercion to implement its policies under circumstances it describes as exceptional. Political parties act as a buffer between the state apparatus and any discontent over intended or implemented public policy that may emerge in sections of society that are adversely affected. They either anticipate or respond to such discontent by helping to shape policy and explain it to their supporters when adopted. Willing participation in parliamentary politics in a capitalist society by political parties claiming to represent the working people implies either ignorance or acceptance of inevitability for disparities, disadvantage and deprivation to grow, for significant sections of the population, under conditions of capitalist accumulation.<sup>18</sup>

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<sup>17</sup> Elites are successful in the use of caste as a weapon to identity politics and benefit from it when they are in a position to invoke the traditional community ties of *jati* relationship. These ties often place the elites in a leadership position in a relationship that has the appearance of interdependence because the coercive potential is hidden behind established norms of mutual responsibility as in *jajmani/baluteari* systems. We use the concept of hegemony, following Gramsci, to refer to the complex and subtle relationship between legitimation, which rests on broad-based consent of the followers, and coercion, which can and does remain in the background and exercises subtle pressure in the process of the formation of consent.

<sup>18</sup> A clearer understanding of this necessity existed among the political parties of the left in the older capitalist countries during the interwar years leading to major mobilizations of working classes. The post-war "golden" decades of capitalism blunted such awareness leading to a lot of theorizing against such necessity and abandonment, in practice, of the struggles to transform the capitalist social order. The story of the left in India is somewhat more complex and has been the subject of much debate in the literature but cannot be told in this short paper.

Kaviraj (1988: 2430), while explaining how and why the Indian state is a bourgeois state, had pointed out that Gramsci's hegemony model "does not apply in any simple, unproblematic form" to the Indian state. However, I have argued that under the compromise between industrial/commercial capitalist classes on one hand and the agrarian propertied classes on the other, it was the rural elite that provided the ideological glue of hegemony for the newly independent, formally democratic capitalist state (Lele 1994:39-42). In the case of Maharashtra, for example, the Congress system and the institutional mechanisms that it created, within the formally democratic order, effectively used the dominant status of elite Maratha clans that had emerged during the pre-colonial and colonial periods (Lele 1981).

When using these concepts we may find, on closer scrutiny, that events and actions that appear to be unique to Maharashtra turn out to be manifestations or consequences of major national and/or global trends. We also expect to encounter and analyze the ways in which uniqueness of the policy environment turns out to be a consequence of past history. Major global geo-economic and geo-political events may have produced such locally unique responses. With adequate attention to history, society and culture, we hope to give an account of the impact of contemporary national and global contexts in which Maharashtra locates itself and links its specific policy and development trajectories to national and global trends. Thus, we can bring together the diverse insights of scholars and examine and assess what they have to say about the opportunities that may have been missed and the constraints that may have prevented the release of identifiable potentials for fulfilling the vision of a state with enhanced equality, justice and freedom for all, a vision we believe is widely shared by the vast majority of citizens.

India, of which the state of Maharashtra is an integral part, has a constitutionally defined, formally democratic,<sup>19</sup> capitalist state. Taken individually, each one of these terms points to a set of identifiable institutional arrangements that come with identifiable possibilities and constraints which define the available policy options from which the ruling elites must choose.<sup>20</sup>

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<sup>19</sup> An important assumption in democratic theory is that of openness with a plurality of participants capable of influencing decisions based on the intensity and organization of their interests in any specific domain of policy. This idea of pluralism was countered by theories of elitism in democratic politics (Dahl 1967, Kariel 1961). I have argued that in all formal democracies the idea of openness translates, in reality, into an "illusion of openness" (Lele 1990:180-81). In the Indian case, the construction and mobilization of an OBC identity has given rise to much optimism about the 'deepening' of democracy because of what is described as "the rise of lower castes to power". Claims such as "democratic power is increasingly moving downward" (Varshney 2000) fail to recognize the lessons learnt from the results of earlier mobilizations of lower caste identities (of *dalits*, for example), leading to a rise of what I have called "subaltern elites" who, often in coalition with dominant class elites, capture and monopolize the benefits resulting from such mobilizations, while the majority of subaltern classes still wait for democracy to deliver on its promise.

<sup>20</sup> The advantage of making all the elements of the structure explicit in this way is that it facilitates reasoned comparisons between nation-states with similar or variant underlying features as well as a

Structures of political economy and public policy have a complex relationship. Whereas structures set the constraints and create possibilities for political action, public policies point to the intentions and actions of political agents. Policies when implemented can also have the effect of altering the preceding structural arrangements.

The structure of the Indian state is based on the choices that the national political elite made at the time of political independence. In terms of Offe's (2004) three hierarchical levels of decision-making, the elite chose, at the first level, a 'secular' and capitalist national identity<sup>21</sup> over the competing 'Hindu' and 'socialist/communist' options. In reality the choice was a compromise, since it accommodated the former through the Gandhian formula of *sarva dharma samabhava*<sup>22</sup> and the latter through the declaration of an intention to establish "a socialist pattern" of society as a Nehruvian formula.<sup>23</sup> At the second level, it chose a unique federal and capitalist regime to be regulated by the Centre for the purposes of national integration and development. At this initial stage, distribution of power and resources, the starting point for Offe's third level of decisions, remained substantially what it was under the colonial regime.

At the time of India's political independence in 1947, the world was widely viewed, in academic and policy circles, in terms of "the three worlds of development".<sup>24</sup> In almost all countries in all the three worlds, the state was 'developmental' during the 1950s and the 1960s. It was the central actor in every economy. In the capitalist First World it took the form of the welfare state. The two decades after the Second World War are often described as 'the golden age of capitalism'. Until the early 1970s, the prevalent understanding of socio-economic relations in these older capitalist countries was Keynesian (in terms of macro-economic policies) and Fordist (involving mass production and mass consumption coupled with a "social contract" that tied together profits and wages through processes of collective bargaining). The state invested heavily in the physical and social infrastructure to cut costs for the realization of capital, mostly privately owned.<sup>25</sup>

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comparison between Indian states. It also enables us to take into account structures that exist and operate at the international level and produce their own constraints and opportunities. A careful mapping of India's chosen institutional arrangements (such as its federal structure with decisions in certain domains left primarily to the state-level, for example) also allows us to map the constraints and opportunities available at the state level.

<sup>21</sup> Origins of "Identity politics", a concept that has acquired salience in the study of Indian politics in recent years, can be found in the debates surrounding this choice.

<sup>22</sup> See, for example, Jeffrelet (1998), Graham 1990) and Varshney (1993).

<sup>23</sup> See, Parekh (1991).

<sup>24</sup> For one of many critical reviews of this paradigm of development, see Slater (1993, 1997).

<sup>25</sup> Those who describe India's choice of policies at this state as "socialistic" and its economy as "command economy" are either unaware of the global pattern of substantial state intervention to promote capitalist development or are blinded by their Orientalist preconceptions in dealing with Indian democracy (Lele 1993).

In the Second World, the so-called socialist state was obviously the leading actor in full control of capital and committed to rapid industrialization in a catch-up game with the West. In other words, the state was committed to economic growth, which meant ensuring capital-intensive development of industries and rapid increase in output per unit of labour. The state in the older capitalist countries made massive investment in the development of social and material infrastructure, which was most beneficial to private capital, which could treat these costs as external. Most developing nations, outside the Soviet and Chinese orbits, did much the same. In the Third World, where it took the form of a post-colonial or post-imperialist state, it was equally committed to rapid industrialization and played its central role through direct intervention in various domains of the economy.<sup>26</sup> In other words, the state was the central entity in the process of development that was taking place all around the world at that time. In this sense the state was “developmental” in all the three worlds of development.

Much of the development literature limits the term ‘Developmental State’ to refer to a small number of states (mostly from East and Southeast Asia). The peculiarity of the East Asian states was that they served as the frontline states in the American war on communism. They were also states with relatively small populations and hence more successful in sustaining rapid growth by quickly shifting their intervention strategies from import substitution to production for export. They were able to do so because of some exceptionally favourable circumstances.<sup>27</sup> South Korea and Taiwan, for example, both under authoritarian state structures,<sup>28</sup> were the beneficiaries of special arrangements with the older capitalist countries as the most favoured nations for imports, exports and massive economic and military assistance.<sup>29</sup> In the late 1970s and 1980s, they were

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<sup>26</sup> Most of these states tried to end their dependency for manufactures on the old colonial/imperial powers by trying to build up their own manufacturing capability through an import substitution (ISI) strategy. They were caught in the bind of having to export primary goods for importing industrial goods and ended up having to depend heavily on multi-lateral/ bi-lateral low interest loans and aid in the form of food and/or technology.

<sup>27</sup> See, on this, Onis (1991).

<sup>28</sup> In both cases the state was able to push through land reforms and thus decimate the political power of the agrarian propertied classes. It channeled the surplus, resulting from the reforms, to industry (see Haggard 1988).

<sup>29</sup> As Chibber (2002, 2003) also points out that the difference between Korea and India was the inability of the Indian state to secure the necessary cooperation from the capitalist class in the planning process. The Korean choice was dictated by its inordinate access to Western assistance and markets, through a military alliance, an option that India rejected. As a country with a substantially larger population, India’s planning for industrialization and rapid growth and prosperity should have been predicated on rapid expansion of the domestic market. This possibility was stifled by the ruling class coalition, comprising industrial capital and rural propertied classes that is discussed in the subsequent sections.

singled out for praise by the international financial institutions such as the World Bank for their “market-friendly” policies in contrast to India’s.<sup>30</sup>

Until the mid 1960s, India’s development path was charted, through the three Five Year Plans, by the national planning commission with Prime Minister Nehru as its chairman. There was a talk of “socialist development”. Indian economy was described as a “mixed economy”. American political scientists called it “a command economy” to argue that the state was in total command of how investment decisions were made by the capitalist class and implied that it was, because of this, stifling robust capitalist development. The reality was that the Indian state was committed to capitalist industrialization while doing so in the context of its post-colonial dependency relations and hence in the name of national interest. It thus attempted to direct investment to designated priority areas but with limited success. The Indian experiment was, perhaps, one of the early attempts to develop a ‘public-private partnership’ in the national interest of creating and sharing prosperity between all sectors of the society. It was an experiment that was doomed to failure (Chibber 2003).

India’s new ruling elite was composite, representing urban and rural dominant propertied classes. Its urban segment,<sup>31</sup> to which the bureaucracy belonged, included the industrial/commercial bourgeoisie and the English educated middle classes. The urban capitalist class although smaller in size, was far more vocal and articulate in its public pronouncements than the rural segment of the ruling elite.<sup>32</sup> Although dispersed across the country regionally, linguistically and culturally, the elite of the rural propertied classes had joined the thrust for political independence since 1930s, across the country, through “the culturally sympathetic medium of the Mahatma’s leadership”. It stood firmly behind the Indian National Congress as it was poised to take over power from the British. By the time of Independence, the Congress party had moved from being a “poor man’s party” to become a “rich peasants’ party” (Tomlinson 1982:344, 336).<sup>33</sup> Whereas the history of early industrialization in the older

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<sup>30</sup> For the World Bank view on the success of Korea and Taiwan, *see* World Bank (1993). For the politics behind the report, *see* Wade (1996).

<sup>31</sup> Consisting of big business, intellectuals, professionals and the military as well as the bureaucracy, it was the legacy of the colonial era and had survived, with its dominant position intact, because of the relatively smooth ‘transfer of power’ leading to political independence (*See* Lele 1981: 26-31).

<sup>32</sup> With authoritarian regimes as their prime examples, Woo-Cummings and Loriaux (1999) refer to bureaucracy’s power as also arising from being well connected to powerful economic and business actors. With India as a formally democratic state, the rapid ascendance of the elites from the landed rural clans of dominant cultivating castes to state power meant that the bureaucracy had to, and was able to make a somewhat painful but ultimately mutually rewarding adjustment to the new structure of state power.

<sup>33</sup> Tomlinson quotes Pandey with reference to the United Provinces but it happened, in locally distinct ways, in the rest of the country as well. The net effect of this dispersed but strong rural base was the transformation of the Congress into a “government in waiting” after the enactment of the 1935 Act (*see* Sarkar 1983). The dramatically enhanced participation of the elites from this class ensured, after Independence, that the formal democratic institutions, which failed, by and

capitalist countries in Europe and in the Soviet Union shows that at least in the early stages of industrialization much of the necessary surplus had to be generated in and appropriated from the predominant agricultural sector. But such surplus transfer was made impossible by the very basis of state formation in India. All the emerging policies had to be, therefore, a compromise between the interests of the industrial/commercial and agrarian propertied classes.<sup>34</sup>

The Indian state had all the main characteristics of a developmental state including a strong and ambitious bureaucracy,<sup>35</sup> well entrenched since the colonial era. It was able and willing, in cooperation with similarly minded national political elite, to intervene freely in the economic life of the country, not only to regulate and guide international transactions but also to regulate domestic prices and direct industrial and infrastructural investments. It developed a strong commitment to the pursuit of rapid economic growth as a prerequisite for the protection and promotion of India's national interest. However, the ability of the state to manage class relations, and make and implement necessary public policy was entirely dependent on the balance between the three imperatives of accumulation, legitimation and coercion.

Development in this period meant, most of all, rapid industrialisation. In India, as in other developing capitalist countries, rapid industrialisation, although initiated by the state, required close collaboration between the state and the capitalist class. Industrial development was, therefore, a "shared project" between the Indian state and an articulate and influential capitalist class, tempered by the central location of the elites from the rural propertied classes in democratically elected state and central legislatures.

In most of rural India, the dire levels of inequality were based primarily on land ownership. An obvious policy strategy, based on the experience of other developmental states, was land reforms. India initiated such land reforms in the 1950s, "through land legislation on the lines broadly indicated by the Central government, enacted by the state legislatures, and finally, implemented by agencies of the State government" (Joshi 1975: 88).<sup>36</sup> The primary outcome of these land reforms, in both *ryotwari* and *zamindari* regions, was that production

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large, in most of the former British colonies, received a new and dynamic life by transforming themselves into an efficient instrument of their own privilege, requiring the new state to establish the industry-agriculture compromise.

<sup>34</sup> On the "uniquely Indian compromise between dominant classes", see Lele (1994:39-43). For an analysis of the relationship between the small but significant industrial/commercial capitalist class and the state during this period, see Mukherjee (1978).

<sup>35</sup> Woo-Cummings and Lemieux (1999) identified the presence of a strong bureaucracy as an essential element of a developmental state. Many of the nation-states in Asia and Latin America qualified, at least during the 1950s and 1960s, under this criterion. Such bureaucracies, of course, were fully in charge of the states in the Second World. The First World states saw very substantial expansion of their public bureaucracies in terms of numbers and powers to manage the expanded role of the Welfare State.

<sup>36</sup> State legislatures were given the primary responsibility for agriculture by the constitution.

relations in agriculture were reorganized into a system of capitalist farms.<sup>37</sup> As a result, "India had successful antifeudal land reforms without virtually having any in a distributive sense" (de Janvry 1981:389). This is not surprising, given that in the democratically elected state legislatures<sup>38</sup> the rural elite, mostly from the better off, propertied and market-oriented peasantry, claimed to represent over seventy per cent of India's population, most of it dependent on subsistence agriculture for its livelihood.

The development of Maharashtra's political economy during this era reflected the national scene to a substantial extent. As a regional unit of a capitalist and formally democratic, federal<sup>39</sup> nation-state, it inherited an institutional structure. Many of the features were adapted, both at regime and policy levels, in view of the structural differences and agency capabilities of the actors in the domain of the state's political economy. Starting with the sixties the state was confronted with a number of challenges. Among these were, most prominently, the four we noted at the outset: regional disparity, truncated urbanisation, growing polarisation of wealth and poverty, and lack of sustainable growth in agricultural production. In order to fully appreciate the reasons for lack of progress in overcoming these challenges, despite numerous policy initiatives by the ruling élite at the centre and in the state, and to explore the intricate links that tie them all together, we will need the various concepts that have been outlined in the earlier sections.

The state came into being, some thirteen years after independence, as a culmination of an intense struggle and contestation. Widely diverse positions emerged leading to internecine negotiations and confrontations about its identity.<sup>40</sup> Once the identity question was settled, only for the time being it seems, there were still many major issues that had to be confronted at the regime and policy levels. The manner in which they were formulated and addressed has been described and analysed by a number of political scientists and economists.

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<sup>37</sup> In contrast the authoritarian regimes in Taiwan and South Korea were able to achieve by 1960 "their exceptionally equal distribution of income and wealth" at least partly due to "serious land reforms undertaken in both countries during the 1950s" (Rodrik 1995: 76).

<sup>38</sup> In the framing of the constitution, the states were given the sole or primary responsibility for agriculture, health, education, local governance and social control (the police), areas of vital interest to the rural gentry as avenues of patronage and coercion.

<sup>39</sup> Several scholars, including Biswas and Marjit (2002) have characterized the Indian state as "quasi-federal" in view of the dominant role played by the central government in the pursuit of rapid industrialization. For a more nuanced analysis of Indian federalism, *see* Palshikar (2001).

<sup>40</sup> Details of these debates are to be found in various studies of the Samyukta Maharashtra Movement. For a detailed descriptive account, *see* Phadke (1979). Binaries such as Maratha/Marathi, Marathi/Gujarati, labour/capital, with/without Mumbai, with/without Vidarbha, are indicative of the major polarities that had surfaced in the debates about the identity of the state. Traces of today's identity politics in the state are to be found in these debates. Their reemergence in the changed context of our times has to be confronted once again in the analyses of Maharashtra's political economy.

As an administrative unit of a federal, democratic and capitalist nation-state, Maharashtra inherited, at the regime level, an institutional form that involved both opportunities and constraints for shaping development policies.<sup>41</sup> The ruling elite had to fashion them keeping in mind the structural conditions that were specific to the state. For example, the private industrial and commercial capital, concentrated in Mumbai, had extracted, from the ruling Congress party, a promise of an appropriate policy and administrative environment for its pursuit of profit maximisation in return for the acceptance of the Maharashtrian claim for its inclusion as a capital of the new state. The ruling elite of the state, predominantly from the Maratha-Kunbi jati-cluster<sup>42</sup> and representing the interests of a relatively affluent agrarian propertied class in the state, made sure that its interests were also nurtured and protected while projecting itself, at the same time, as governing in the interest of “the common man”.<sup>43</sup>

During the first half of the 1960s the policies of the state were consistent with the national ones of direct state involvement in promoting rapid industrialization through infrastructure development, protection of domestic industrial capital from foreign competition<sup>44</sup> and without direct extraction of agricultural surplus from the politically dominant rich and middle peasantry. Efforts were made to meet the four challenges that Chavan had identified but are still with us, within the structural constraints that had been built into the political economy of the nation and the state at both constitutional and regime levels.

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<sup>41</sup> The state emerged in the midst of the UN’s First Decade of Development when the dominant mode of thinking in the academic and policy worlds was that development was first and foremost a matter of economic growth. A realization, that unemployment and inequality had continued to grow in the Third World, despite growth, had only begun to emerge.

<sup>42</sup> A unique feature of Maharashtra, widely recognized in the literature, is the presence of a numerically large cluster of jatis (Maratha-Kunbi) with a long history of a cultivated self-identity that includes a sense of economic, social and political dominance. In no other state do we find an ideologically guided and economically differentiated jati-cluster of this size. The fashioning of Maratha caste as an identity for an otherwise economically and even culturally diverse group of jatis was a historical process and was discussed in Lele (1991). It is perhaps important, in order to clear yet another conceptual cobweb, to distinguish between the concept of *jati*, which refers to the community-context of shared socio-cultural practices and caste which is a construct based on political mobilization of a cluster of jatis, that have been at a relatively similar place within the *varna* hierarchy of social relations. We hope to take this up in detail in our joint work.

<sup>43</sup> It was in the context of this tension between the interests of the surplus accumulating classes and the subaltern classes, as a tension between accumulation and legitimation imperatives, that I had deployed the concept of elite Maratha hegemony and described the politics in Maharashtra as “elite pluralism and class rule”. It was because of such hegemony that the elite could refer to themselves as leaders of the majority of the people of the state and use the term “bahujansamaj”. They used this identity quite effectively in a number of ways, including, for example, the pacification of industrial and informal sector labour in Mumbai. See on this Lele (1981), also Palshikar (2003).

<sup>44</sup> At this stage Indian capitalists were not averse to state investment in infrastructure (heavy-industry, power and irrigation) and even to the use of controls and tariffs to protect and enhance their profits.



On the affluence-deprivation front, the Centre had initiated and the state inherited the Community Development Programme as the major rural development initiative in the 1950s. It was to be the “chief instrument for improving all aspects of rural life”. It was based on an ideological illusion that an Indian village constitutes a community. This meant the denial of the role of existing substantial asset and income disparities within a village in determining policy outcomes. Given the distribution of wealth and power in rural India, the “bulk of benefits accrued to substantial landowners” (Appu 1974:A72-A73). It thus failed to achieve its objectives. Parallel or subsequent “efforts to develop and democratize local institutions, such as village councils and cooperatives were defeated by elite capture” (Heller 2000:505).<sup>45</sup>

In Maharashtra, this pattern was replicated. It contributed substantially to the problem of regional disparity as well. After a careful review of the agricultural development policies of the state, Mohanty (2009: 68) concludes that although Marathwada, unlike Vidarbha, experienced some improvement, Western Maharashtra remained ahead of all the other regions in all respects. While accepting its attribution primarily to the dominance of Maratha-Kunbi clans, he goes on to point out that the “increasing modernisation of agriculture in this region was also in the interest of the industrial bourgeoisie of Bombay, as it created a nearby market for modern agricultural appliances and opportunities for the establishment of agro-processing industries”.

The two challenges of truncated urbanisation and regional disparity are also closely linked and are intimately embedded in the pre-eminence of Mumbai as the epicentre of capitalism in India. At least until 1990 Mumbai was the most attractive centre for industrial investment. Even after its makeover as the centre of finance capital, it continues to act like a magnet to workers seeking employment and capital seeking profit. Under pressure from the already unbearable congestion in the city, the Government tried, at the level of policy, to prevent further concentration of industries and to direct industries to less developed regions. It discouraged (and even prohibited) location of new industries within the city limits, created industrial estates and specially developed areas in less developed regions through the new industrial development corporation (MIDC) and gave financial incentives to private capital to locate there and provided technical assistance through yet another state corporation.

The state's response to the several challenges that we identified at the outset was an attempt to balance a diversity of at times competing dominant interests, all deeply implicated in the accumulation process (such as industrial and commercial capital, rich farmer agrarian capital, vocal urban and educated middle class and organized labour), against the legitimation imperative, expressed through a professed commitment to protect the livelihoods of the

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<sup>45</sup> The politics of these institutional arrangements of the political economy, these “opportunity structures” for the local ruling class elite (Rosenthal 1974), is discussed in detail in Lele (1990:177-185).

subaltern classes, both urban and rural. Shaw (1999) offers a very perceptive summary of the manner in which the state responded to this tension: instead of “siding with any one of the above interests”, she suggests, “the state in its urban planning opted for a solution that would be least disruptive to the interests of business and industry”. Consequently, during the 1960s, most policy initiatives led to the spread of industrial units along the existing transport arteries extending towards the districts of Thane, Pune and Nashik. Even today, Mumbai remains at the centre of the skewed urbanisation of the state and is a major reason for the lack of rapid dispersal of industry across the state, which is a significant factor in the uneven development of the various regions.

By the mid-sixties, the illusory calm of some fifteen years of the development project with its aura of assured growth leading to prosperity for all had started to evaporate. Concerns about the slow growth of national income, about dramatic price increases, shortages of raw materials and the rise of idle capacity in industry due to low demand had surfaced. Fifteen years of an apparently peaceful compromise between industrial and commercial capital interests on the one hand and those of the rural propertied classes on the other had culminated in the stagnation of per capita income growth, decline in per capita availability of foodgrains and other essential commodities below the 1956 levels, massive food imports, rising unemployment, shrinking budgetary resources and a severe strain on the balance of payments. India’s early experience of public-private partnership had only exacerbated the tension between the imperatives of accumulation and legitimation for the state. This was the background in which Indira Gandhi became the Prime Minister.

Details of how politics and policy-making unfolded during the 1970s are well-known and have been discussed extensively in the literature. Suffice it to say that the dominant elite representing agrarian capital ensured that their interests were protected and enhanced through Green Revolution policies while the so-called “license-permit raj” of bureaucratic discretion produced a new class of entrepreneurs, astute at exploiting the external trade opportunities by being able to, or learning to, “play the license game” (Gollakota and Gupta 2006:188).<sup>46</sup> While the “*Normal Political Science (NPS)*” scholars (see Lele 2004) have tried to see the political turmoil and the rise and spread of corruption and a large black economy as symptoms of a “crisis of governability” (Kohli1990), in reality, what the Indian state experienced was a severe legitimation crisis because of “systematically produced unforeseen political difficulties and bottlenecks that challenged its effectiveness and legitimacy” (Lele 1994:55). The legitimation crisis emerged on the heels of the fiscal/accumulation crisis, a product of the veto powers exercised by agrarian, industrial and commercial capital.

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<sup>46</sup> The prime example of this breed was Dhirubhai Ambani, “a symbol of the new style of industrialist who had emerged in India in the 1970s” (Kochanek 1987:1295, Basu 2004:29).

These critical conditions paralleled the changes occurring in the global context in the late sixties and early seventies due to the crisis of “overaccumulation of capital” in the older capitalist countries, starting with the United States (*see* Arrighi 2005, for details). The current spate of globalization began as an early response to this crisis and involved increased internationalization of manufacturing, at locations in low wage countries with little environmental regulation. Simultaneously, the capitalist states and international financial agencies began to pressure Second and Third World states to open up their economies with greater access to their markets. Much of capital began to relocate itself away from the less and less profitable production sector and into financial and real estate sectors, so as to delay the realization of profit on invested capital. The internationalization of production was further accelerated through dramatic changes in information and communication technologies. Production became fragmented through worldwide dispersal of production chains of multiple and distant components and integration through trade as well as a diverse range of internal logistical operations (*see* Robinson 2007, McDonough 2008). The shift to finance and real estate sectors was greatly aided by the proliferation of Euro and Petro dollars as well as the dramatic decline in confidence of the multinational corporations and some of the oil-rich nation-states in the ability of the Bretton Woods system to ensure the profitability of their global operations and in view of the post-Vietnam decline of American hegemony (Arrighi 2000, Harvey 1982).

The ideological scaffolding for these dramatic shifts in corporate accumulation strategies, initiated in response to the crisis of the 1970s, was provided by a patchwork of concepts clubbed together and labelled Neoliberalism. From its birth in the 1930s and 1940s, neoliberalism was an intellectual hybrid with diverse and unevenly developed elements. It is a transnationally networked ideology (Peck 2008, Nef and Robles 2000). During the 1950s and the 1960s, it was nurtured by and active within a limited group of internationally connected economists and business leaders, and with an important base in the Chicago Department of Economics. It had remained subterranean since it had few takers in the policy circles of the older capitalist countries during “the golden age of capitalism” and the prevailing Keynesian-/Fordist orthodoxy of mass production-mass consumption. The transformations in production chains and the dramatic rise of finance capitalism to prominence created the right climate for its resurgence. However, once the self-proclaimed conservatives, Thatcher in Britain and Reagan in the US, were elected to the highest office, they gave the official recognition and political legitimacy to the neoliberal ideology. Added to that was a massive debt crisis in much of Africa and in some of the Latin American countries.

In India the 1970s were characterized by chaotic responses by the state to the challenges arising from the dual crisis of accumulation and legitimation. The common denominator of all these responses, often conflicting in appearance, was that in the final analysis their benefits accrued primarily to the dominant interests

of agrarian, industrial and commercial capital, further aggravating the state's legitimacy problems.<sup>47</sup> The short reign of the Janata Party towards the end of the 1970s could only nibble at the margins of the dominant policy paradigm, displaying, once again, the "limits of the 'policy-making capacity'" of the capitalist state (Offe 1984:55). Its major accomplishment, in retrospect, was the granting of governmental legitimacy to a previously subterranean identity politics of *hindutva*.

A systematic liberalisation of India's economy began in earnest in the 1980s (Pangariya 2004). It followed, by all accounts, a slow and cautious path. An important example of this caution in the Indian case, as in the case of China, was that it continued to maintain strict controls on capital flows and was thus able to avoid, unlike East Asia, a major economic crisis and its consequences in the late 1990s (Kanbur 2009).<sup>48</sup>

The 1980s also saw substantial mass mobilisation using the political constructs of caste (OBC and *dalit*) and religion (as the anti-minorities politics of *hindutva*). These mobilizations are indicative of the fact that the frustrated dreams and aspirations of the people marginalized by the elite-pluralist development projects (Nehruvian and neoliberal) had started to come into the open since the 1970s. The appropriation of these frustrations and anger by the political elites (including a growing number of subaltern caste elites)<sup>49</sup> and their channeling into electoral support for parties invoking caste rather than class as the basis of the subaltern status or towards victimization of minorities as the source of the ills of the nation (while using labels such as *bharatiya*, *bahujan* or *janata* to stand for caste-cluster coalitions or for a majoritarian religious construct) led to unprecedented political instability in the late 1980s and most of 1990s.

Yet another important challenge to the state's legitimacy gained momentum in the 1980s. The Maoist insurgency has seen phenomenal expansion since then into more than 150 districts across at least thirteen states. This is yet another

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<sup>47</sup> This claim can be demonstrated with much greater rigour. It is not my intention, however, to offer a detailed account and interpretation of how events that fed into this outcome, such as the Congress split, militancy and maneuvers of the substantial farmers, tactics used by the new class of entrepreneurs, claims of corruption arising from the manner in which the split party in power attempted to bolster its lagging fortunes, the channeling of the anger and frustrations of the working people and youth into 'anti-person' political movements, and the short regime change of 1977. Some of this has been done in Lele (1994).

<sup>48</sup> One cannot ignore the role of a long history of market imperfections and its awareness among policy actors, a vibrant critical political economy tradition and an enduring political clout of small but politically effective left opposition parties in ensuring that rabid marketism did not overwhelm the policy process. Something similar was also at work in China.

<sup>49</sup> There is a tendency, in the analyses of these events, to depict the OBC and *dalit* mobilization in positive terms, while looking only at religious mobilization as retrograde. The experience of *dalit* politics since the death of Ambedkar should be seen as a warning against not recognizing manipulation of popular community imaginings by what I have called "subaltern elites" who happily collaborate and secure gains for themselves through politics of 'elite pluralism'.

indication of the inability of the state to reduce significantly the challenges of disparity, deprivation and loss of livelihoods during the massive expansion of capitalist growth. These groups have had to resort to armed resistance, just to be “able to make a dent” (Giri 2009:474), against growing deprivation of access to land, water and forests for the poor and marginalized inhabitants of these areas. There has been a rapid increase in both state and non-state violence against this resistance. The Prime Minister was led to admit by 2009 that the country (meaning the government) was losing the battle against the insurgency.

In sum, what I have tried to point to is the fact that for a formally democratic state with a capitalist economy, it becomes increasingly difficult to ensure high levels of legitimacy for its actions, no matter what the stated intentions of the ruling elite and the policies it tries to legislate and implement in its support. The transition to an explicit neoliberal agenda since 1990 has accelerated the polarization of citizens into affluent and poor. We are witnessing growing disparities of incomes and assets, continuation of regionally unbalanced growth and a rapid but truncated urbanisation that results, above all, in the migration of some of the rural poor to urban slums and streets, while large sections of the population continue to depend on rain-fed agriculture that is still hostage to the vagaries of the monsoons and thus remains unsustainable.

Maharashtra demonstrates these national trends even more acutely than most other states.<sup>50</sup> It is among the richest states of India but poverty remains around the national average. The state boasts of entrepreneurial farmers who grow Alphonso mangoes, grapes, onions, oranges and sugarcane among other crops<sup>51</sup>, while other farmers go bankrupt and commit suicide. Mumbai is the commercial and financial capital of India and contributes more than one-third of the country's direct tax but is riddled with problems of paucity of public services, offers only hawking or begging as a way of life for many of the urban poor. As slum and street dwellers, they also face evictions and resettlement to places far away from work to make room for ‘development’ (Mishra 2008).

The question that Dr. Birmal and I are now asking ourselves in our work is the following: how has the state in Maharashtra managed to balance the three imperatives of accumulation, legitimation and coercion under the dramatically changed conditions since the beginning of the 1990s? In our previous work, together and separately,<sup>52</sup> we have maintained that elite mobilisation of Maratha identity, during and since the colonial era, has made Maratha-Kunbis a unique “ideologically guided and economically differentiated caste cluster” of a substantial size. Its political elites have “constructed a system of elite-pluralist hegemony, which subsumes many of its unprivileged members along with those

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<sup>50</sup> We intend to demonstrate this with a more detailed analysis in our joint work.

<sup>51</sup> The political economy of the much-lauded new initiatives, such as horticulture and wine production, also deserve a detailed analysis in terms of their contribution to the ‘sustainability’ of agriculture in the state.

<sup>52</sup> See Birmal (1996, 1999, 2003, 2004, 2009).

of other disadvantaged castes. This has helped cut short the “coalition of the disadvantaged”. This system remained flexible enough to respond to most challenges, at least until recently.<sup>53</sup> We intend to examine the changes that have occurred in the system as a result of the shifts in the nature of the economy and public policy, both in terms of the initiatives taken and consequences that have followed, and examine the changes in the political dominance of the elite Maratha clans.

An obvious and much commented event that seemed to challenge our hegemony thesis was the BJP-Shiv Sena win in the 1995 elections. It seemed as if in this highly industrialised and urbanised state, the rurally oriented Congress system was becoming irrelevant and the elite Maratha hegemony had finally ended. Harris (1999) noted, however, that the caste composition of the legislative assembly did not change in 1995. Maratha strength was maintained but the Marathas elected on Shiv Sena ticket were younger and without the support of the patronage network of the rural opportunity structures such as the cooperatives.<sup>54</sup> Historically both the BJP and Shiv Sena were urban based (Lele 1995). With the increased percentage of urban dwellers (at least 42 per cent) and a high level of industrialisation, it seemed reasonable to imagine growing irrelevance of the traditional rural dynamics of state politics and hence of the social basis of Maratha elite domination. It is now clear, however, that this has not happened. No doubt the salience of urban politics (in local government and in state and national legislatures) has substantially increased but with almost fifty per cent of the population still dependent on agriculture and living in villages, the shift has not reduced the political clout of the elite Maratha clans. Dr. Birmal’s (2009) data on the caste-composition of the legislative assembly shows that out of 234 non-reserved seats (open seats), 129 seats are occupied by members of the Maratha-Kunbi caste and 41, by members of the other land-owning agricultural castes (such as Mali, Teli and Dhangar) that are now grouped under the OBC label.

With the dramatic decline in the capabilities and significance of the rural opportunity structures that were put in place during the Chavan era and remained the mainstay of the Congress system of elite pluralism and class rule in the state, the challenge Dr. Birmal and I face is to find out what accounts for the resilience of the rural propertied caste elite, of the elite Maratha clans in particular, in state

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<sup>53</sup> Harris (1999) and Jenkins (1995) offer further elaboration and discussion of our position along with a more elaborate summary of our analysis.

<sup>54</sup> This is not surprising. Cooperatives in Maharashtra, whether as credit institutions or sugar mills, have always been heavily dependent on state support and were running dry of their profitability, especially under the neoliberal regime. As Shah (2006:45-78) shows, cooperative financial institutions in Maharashtra had the highest amounts of overdues in all of India (*see* Shah 2004:2) and have also been plagued by massive non-performing assets since the 1990s. Their patronage potential has rapidly declined. With the withering away of a great deal of development expenditure incurred by the state, the Panchayat Raj system also had lost much of its appeal as a vehicle of patronage distribution.

politics.<sup>55</sup> We hope to identify in detail what has changed and what has remained the same in the hegemony-sustaining structures of faction-alliance-patronage as well as in the associated rulership-strategies of the elite that were presented with great detail in Lele (1981). Some indications of the shifts in strategy are beginning to emerge. In his recent study of Pune, for example, Dr. Birmal discovered that those who had agricultural landholdings, small and big, in the surrounding villages that were incorporated into the city, found a variety of ways to transform the gains from the sale of these lands into emerging entrepreneurial pursuits associated with the real estate boom and into exploiting a range of other emerging urban opportunities. Thus, control over rural land has transformed them into members of the new urban middle class. At the same time, many have retained their rural links in a variety of ways such as the kinship networks and the purchase of agricultural land in villages further removed from the city for themselves or other rural clan members.

The purpose of this paper was to outline the contexts and concepts needed for a systematic critique of Maharashtra's political economy in terms of the policy constraints and opportunities that preceded and have been emerging since the 1990s. I hope it leads to further discussions and debates, in the end, produces a better understanding of the reality as it is in terms of what it can be and should be. That in turn should assist the policy process in clearing some of the cobwebs and solving some of the puzzles.

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<sup>55</sup> For the beginning of an answer to this question, developed in terms of fragmentations and multiple recompositions of Marathas as a voting bloc, see Birmal (2010). We will approach this question further with the help of the concepts of hegemony, identity politics and clan-caste-class structure of the agency of the Maratha elite in our final paper.

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