ECONOMIC AND POLITICAL WEEKLY

Employment Guarantee, Civil Society and Indian Democracy

Even as we celebrate sixty years of Indian democracy, with millions of our people hungry, cynical and insecure, living under the barrel of the gun (of the state or the extremists), we need to worry about the reach, depth and quality of our political process. The NREGA, which promises the largest ever employment programme in human history, has the potential to provide a "big push" in India's regions of distress. For NREGA to be able to realise its potential, the role of civil society organisations is critical. But this calls for a new self-aware, self-critical politics of fortitude, balance and restraint.

Mihir Shah

17/11/07

Great celebrations have marked the 60th year of India's independence. And so they should. For the very survival of democracy in India over this long period is a truly remarkable achievement. As recently as 2003-04, even in the remote hinterlands where I live, people have voted with their feet, to remove governments, both in the states and at the centre, that they felt had failed to deliver. Clearly people still have hope and retain the conviction that their voice matters, that their vote can bring about change.

But we must also recognise that many of these same people are fast running out of patience. So deep is their cynicism that in nearly a third of India's 600 districts, many thousands are either taking to the gun or committing suicide. An overview of some basic facets of India's recent development experience and the conditions of life in these regions is sufficient to understand the desperation of these people.

Poverty and Distress in India

The latest National Family Health Survey for 2005-06 (NFHS-3) shows that over the last 7 years, the proportion of anaemic under-3 children has gone up from an already staggering 74% to 79%. Both the extremely high absolute numbers as also the trend are cause for very serious concern. The survey also shows that nearly half our children under-3, continue to remain malnourished, a figure virtually unchanged over the last 15 years. Child undernutrition in India is nearly double that in sub-Saharan Africa and remains among the highest in the world. More than 25 lakh children die in India every year. One in every five children who die the world over is Indian. Infant mortality rates in India are now even higher than in Bangladesh (UNDP, 2005). The Prime Minister

himself acknowledged at the National Development Council meeting on 27th June 2005 that the infant mortality rate in some of India's states is even worse than sub-Saharan Africa. NSS data show that foodgrain consumption and calorie intake declined substantially during the 1990s in aggregate and for the poorest deciles in terms of expenditure (Ghosh, 2005). India has among the highest percentage of pregnant anaemic women in the world (World Bank, 2007). We could be said to be passing through what Jean Dreze has termed a "nutritional emergency".

In such a situation it is shocking that public health expenditure as a proportion of GDP in India continues to be one of the lowest in the world (0.91% in 2003-04). The highest it ever reached was in 1985-86. Even then it was a miserable 1.05% of GDP (GoI, 2005). The World Development Indicators 2007 just released by the World Bank show India ranking 182nd among 188 countries in this respect. Combined with a rise in drug prices and more expensive medical care, this has greatly worsened the health scenario for the poor and already disadvantaged (Gita Sen *et al*, 2002).

The rate of growth of employment, in terms of the Current Daily Status (CDS) declined from 2.7% pa in the period 1983-1994 to only 1.07% pa during 1994-2000 for all of India. In both rural and urban areas, the absolute number of unemployed increased substantially, and the rate of unemployment (CDS) in rural India as a whole went up from 5.6% in 1993-94 to 7.2% in 1999-00 (NSSO, 2000). A major reason for the low rate of employment generation was the decline in the growth elasticity of employment, which captures the impact of growth on employment (Ghosh, 2005). Latest data from the 61st Round employment surveys of the NSS provide clear evidence of a rise in rural unemployment in India in the first 6 years of the 21st century (Mukhopadhyay and Rajaraman, 2007).

These many dimensions of rural distress highlighted by the unending and unprecedented farmers' suicides do make the official claims of reduction in rural poverty in this period a little harder to believe. Indeed, they underscore the imperative to seriously question the money metric and expenditure based official poverty line and the need to recast it directly in terms of minimum calorie requirements. In an extremely rigorous study, Ray and Lancaster (2005) put forward this view and conclude that "the poverty situation in India today is much worse than that revealed by the official poverty lines" (p.55). And it is clear that when we take a multidimensional view of poverty including health, nutrition and sex-ratios, as suggested by Deaton and Dreze (2002), the picture that emerges is a much more sobering one than the government would have us believe. In any case, the World Bank's (2005) estimates show that 80 per cent of India's population lives below the international poverty line of $2 a day. India ranks 80th in this list of 94 countries, most countries below India belonging to Africa. 61st Round NSS data cited in NCEUS (2007) provide an almost exact confirmation of the World Bank estimates. The NCEUS report shows that 77 per cent of India's population, 836 million people, have a per capita consumption expenditure of less than or equal to Rs.20 per day

(roughly below $2 in PPP terms).

The Growth Obsession and Its Discontents

How does one reconcile these grim facts with the "feel-good" buzz across the globe created by India's spectacular macro-economic rates of growth, booming stock market and climbing foreign investments? How is it that large parts of India still do not find a place on the development map of the country? One key to unravelling this conundrum lies in the history of economic theory and policy. Classical Political Economy had an acute sense of the significance of both growth and distribution, as also of the inter-linkages between the two. Among the many regrettable consequences of the rise to ascendancy of the neo-classical paradigm in Economics in the mid-20th century was the singular emphasis on aggregate growth. Even development planning in post-colonial countries did not integrally weave distributional considerations into its strategies. The assumption has always been that benefits of growth would automatically trickle-down and trickle-across to all classes, communities, and regions, including the weakest.

Even as recently as the year 2000, the UNDP's Millennium Development Goals (MDGs) suffer from a "distributional blind spot". They do not directly address inequality. This admission is provided in the UNDP's own Human Development Report 2005. As the report says, "Progress is measured by aggregating and averaging change at a national level. In theory, the MDGs could be met even if, say, households with low incomes were falling behind on the income poverty and health targets, or if the rate of reduction in child deaths among boys was sufficient to compensate for a slower rate of reduction among girls" (p.51). This over–aggregative preoccupation with rates of growth has meant neglect of certain regions, classes and communities, as also of women within each of these.

In logic this is described as the "fallacy of division", when one reasons logically that something true of a whole must also be true of its parts. Whether or not this is actually the case would obviously depend, in our case, on the specific nature of the growth path. Qualitatively different approaches/ strategies of growth will have different implications for various components of the economy. The more diverse its constituents, the less definitively predictable will become the consequences of the aggregate growth of the economy for each part. India is a land of multiple diversities -- social, cultural, agro-bio-geo-hydrological and economic. Not paying deliberate attention to diversity and not building distributional issues *a priori* into the growth path almost inevitably leads one into the fallacy of division.

There is a growing realization over the last decade, however, that not addressing issues of equity has been a central failure of development models. And this neglect has had a decelerating impact on growth itself. A recent study by Engerman and Sokoloff

(2006) of the US National Bureau of Economic Research shows that societies with extreme inequality are systematically more likely to restrict access to economic opportunities and generate lower rates of public investment in schools and other basic infrastructure conducive for growth. This is the idea behind 1981 Economics Nobel Laureate James Tobin's concept of "specific egalitarianism". As Tobin says, "in education and medical care, a specific egalitarian distribution today may be essential for improving the distribution of human capital and earning capacity tomorrow" (Tobin, 1970, pp.276-77).

Significantly, even major proponents of the aggregate growth-centred approach, like the World Bank, are now at the forefront of this realization. [1] In a study of 83 countries, Chen and Ravallion (2000) find that despite it being a period of aggregate economic growth, "the 1990s did not see much progress against consumption poverty in the developing world" (p.18). As an explanation they cite the effect of rising inequalities between countries and persistent inequalities (in both income and non-income dimensions) within nations, which "prevented the poor from participating fully in the growth that did occur" (p.21). It appears that this was especially true of India in the 1990s. It has been shown that "low-income and poorly-performing major states of Uttar Pradesh, Madhya Pradesh, Bihar, Orissa and Assam, have not only persisted with their low-growth syndrome but have also experienced further deceleration in growth rates in the 1990s" (EPWRF, 2003, p.26). Deaton and Dreze (2002) find strong evidence of divergence in per capita consumption across states in the 1990s. Growth rates of per capita expenditure point to a significant increase in rural-urban inequalities at the all-India level, and also within most individual states. They conclude that rising inequality within states has dampened the effects of growth on poverty reduction. This echoes the findings of Datt and Ravallion (2002) who find that "the geographic and sectoral pattern of India's growth process has greatly attenuated its aggregate impact on poverty" (p.1). They also recognise that the growth elasticity of poverty (the impact of growth on poverty) would be the highest if growth were to be focused on the neglected states of India.[2] Without building equity centrally into our development model, we could also be endangering the delicate fabric of our democracy itself.

The Collapse of Agriculture and Dryland Neglect

A key element explaining this unequal growth across regions in India is the veritable collapse of agriculture in recent years. Agricultural productivity is in deep crisis.

---

[1] Indeed, equity was the focus not only of the 2005 *Human Development Report* of the UNDP but also the World Bank's *World Development Report 2006*. The recent writings of Francois Bourguinon, the Chief Economist of the World Bank focus on the relationship between inequality and growth (see, for example, Bourguinon, 2004).

[2] All this evidence needs to be placed alongside the findings of Banerjee and Piketty (2001), who show that the "super-rich" have only got richer in India in the 1990s. They conclude: "the fact that the rich were getting richer had a non-trivial impact on the overall income distribution" (p.2).

For the first time since the mid-sixties, foodgrain production grew slower than population in the 1990s. Both per capita foodgrain production and availability have fallen below their 1960 levels. And it appears no longer possible to see further large dam or tubewell-based irrigation as answers to this crisis. For the 1990s saw the wheels coming off the Green Revolution. The FAO (1990) has shown that since the mid-1970s, the rate of expansion of irrigated area has undergone a global decline. India follows a similar pattern. After reaching a high in the early 1980s, there has been a steady and massive decline in public investment in agriculture. The rate of expansion of irrigated area in India today has fallen to half the levels of the early 1970s (GoI, 2006).

Within agriculture, the monumental neglect of the drylands has created a crisis of livelihoods and governance in the hinterlands of India. It may sound incredible today but it is true that this neglect of the dryland people is no accident -- it was written into policy five decades ago. The Second Five Year Plan was based on the presumption that to redeem the large numbers of unemployed in the countryside, they needed relocation to industry and urban areas. The dominant economic discourse stated that agriculture held little hope for them. It took the catastrophic droughts and the Indo-Pak war of the mid-1960s to wake up our planners and politicians to the plight of the countryside.[3] What followed was the Green Revolution. Ironically, this only deepened dryland neglect. Based on the American advice of "betting on the strong", this irrigation-centred strategy focused explicitly and exclusively on areas and people already well-endowed with resources, natural and financial. These areas, such as the alluvial Indo-Gangetic Plains and the Godavari and Kavery deltas, growing wheat and rice, were to be the bread-baskets of the nation.

Over the last two decades, Green Revolution-II has been extended to the Indian hinterlands with disastrous consequences. Completely overlooking the fact that 65-70% of India's landmass is underlain by hard rock formations, totally unsuited to extraction of water by tubewells. In regions such as the Malwa plateau in Madhya Pradesh, for example, there was an increase in farm output based on tubewell irrigation in the late 1980s and early 1990s. But this has proved unsustainable given the volcanic geology of these areas. These hard basalts allow water to pass through to the ground below painfully slowly. Water that took thousands of years to gather underground has literally been mined within the last 30 years. Water tables have fallen dramatically, even in alluvial areas of Punjab, Haryana, and Delhi (for which this technology is meant). We have forgotten that groundwater is a common resource whose indiscriminate private extraction creates grave problems of sustainability. The result -- a completely unprecedented man-made water crisis thanks to over-exploitation of groundwater through deep tubewells.

As if the water crisis were not enough, we now also have a food crisis, unthinkable just a few years ago when mountains of grain were rotting in the godowns

[3] There was also the question of national pride. PL-480 imports from the US were available only on condition that India withdraws its support to Vietnam and Cuba.

of the FCI. The pocket boroughs of the Green Revolution have seen a plateauing of yields, as the entire strategy appears to be running out of steam. But the worst hit have been the dryland crops, grown and eaten by our poorest people -- coarse cereals, pulses and oilseeds. The 1990s saw each of these register a negative rate of growth. The net per capita availability of pulses has fallen to less than half of what it was in the 1950s. We have been forced to import both foodgrains and pulses. The recent *Report of the 11th Plan Working Group on Rainfed Areas* shows that the new international trade regime has deeply disadvantaged India's dryland farmers who grow pulses, oilseeds and cotton. These crops have also suffered in procurement and price-support (GoI, 2007).

We still do not appear to realise that for a nation whose cities are its biggest emerging disasters and where more than 600 million people are still dependent on farming, there can be no alternative to building agriculture — a sound agrarian base on which to develop a whole range of other location-specific, nature-based livelihoods. India is a nation of immense diversity -- in rainfall received, in soil and rock type, in slope and contour, in animal forms, in kinds of vegetation, crop or forest -- and each of these and each combination of these, has different implications for the possibilities of striking, harvesting and storing water as also the possible forms of livelihood (agriculture or pastoralism, nature of crops that can be sustained, kind of livestock to be raised etc). Many of these variations occur even within a small micro-watershed. And this "natural" diversity has a complex interplay with the socio-cultural tapestry of these regions. Our policies have not matched this agro-ecological, hydro-geological and ethnic plurality.

Those who seek to intervene in any context, but especially in one with such potential fragility, cannot do so on the basis of a notion of "mastery" over nature and society. With mastery and control, comes the resort to simple tech-fixes -- monocultural, unilinear, indiscriminate.[4] Irrespective of the specific challenges of each situation, an unthinking, insensitive bureaucracy seeks to impose its own pet "solution". Tubewells, eucalyptus, soyabean, Holstein Friesian. Appropriateness does not matter. Sustainability is of no concern. Dialogue is not attempted. History is given a go by. With disastrous consequences.

For greater equity in development, for the survival of Indian democracy itself, we need to forge a new development strategy that takes into account the immense social and ecological diversity of India.

The Adivasi Predicament[5]

[4] The worst contribution of the Green Revolution (other than indiscriminate tubewells) has been monoculture. Any investor in the stock market knows that portfolio diversification is the foundation of a sound investment strategy in a risky environment. There is no business more risky than agriculture. Both nature and markets demand diversity. We need to move decisively towards bio-diverse farming that minimises the risks posed by global markets and ecology.

[5] For more detailed substantiation of the propositions in this section, see Chapter 5 of Mihir Shah *et*

The unevenness of India's development experience also has a crucial social component. Poverty and distress are clearly concentrated in certain geographies and among specific social groups. What is undeniable (even from official data which say poverty has declined) is that poverty among Adivasis has not fallen. Sundaram and Tendulkar (2003) show that in the 1990s, among all socio-economic groups in India, it was only the scheduled tribes who show an actual rise in the poverty ratio. NSS data reveal that nearly one in two Adivasis lives below the poverty line in rural India, which is almost double the figure for all village people. The most recent work of Mukhopadhyay and Rajaraman (2007) shows that among social groups, the highest incremental unemployment in the early 21st century, was faced by Adivasis.

Having first been driven over centuries to retreat into refuge zones, the Adivasis are now being forcibly pushed out of an ambience with which they had gradually developed a close relationship. After independence this has happened in the name of 'development'. No attempt has ever been made to secure the consent of those being adversely affected by these projects, to involve them in devising humane and appropriate strategies of rehabilitation or to make them a party to the benefits of this development. A vast majority of the displaced have been Adivasis, either because the only sites remaining for location of these mega-projects, such as the Narmada, are in the Adivasi hinterland or because Adivasi homelands such as Jharkhand are extremely bountiful in mineral resources.

Following the breakdown of their relationship with the forest, Adivasis in most areas have made a hesitant and faltering entry into agriculture. Census figures show that over 93 per cent of Adivasis are employed in agriculture. The stereotype of Adivasis living in isolated, self-contained, "hunter-gatherer" communities is no longer accurate. The distinguishing feature of most Adivasi peasants is that they hold land of very poor quality, which forces them to work additionally as agricultural labourers to feed their families. These Adivasi farmers are subject to myriad forms of exploitation by the highly interlocked non-Adivasi axis of power that dominates the land, land-lease, labour, credit and input markets. Often Adivasis lose control over their land since they cannot repay their debts. Thousands of hectares of land have been lost in this manner. And there are new challenges on the horizon -- unprecedented pressures to open up Adivasi hinterlands for commercial exploitation, abrogating many of the special provisions for their protection enshrined in the Indian Constitution.[6]

The Economy as a Subset of the Eco-system

The neglect of the drylands and the immiserisation of our Adivasis are both

al (1998).

[6] It is to be hoped that the new Forest Dwellers Bill will be able to address some of these issues. For my commentary on this bill, see Shah (2005).

inevitable consequences of a development paradigm that pays no heed to the limits imposed by the eco-system and the various tipping points in nature. Once again the roots of the trouble lie in economic theory. The founders of neo-classical economics, on their own testimony, aspired to create a science patterned exactly on Newtonian Mechanics. Newtonian Mechanics could visualize change only as locomotion, which is both qualityless and reversible. Despite the various challenges faced by the neo-classical school, this mechanical analogue has come to dominate economic thought. The economic process is seen as a circular flow between production and consumption, with no outlets and no inlets. This flow is isolated, self-contained and ahistorical, neither creating nor being affected by qualitative changes in the environment within which it occurs. Keynesian macro-dynamics (starting with Harrod) and all its concepts of national income, investment and incremental capital-output ratio also find no place for physical entities. Even the Classical Political Economy of Ricardo expressly saw land as a factor immune to qualitative degradation ('the original and indestructible powers of the soil'), and though Marx was centrally concerned with dynamics, viewing the economic process as essentially historical and qualitative in character, he also did not integrate natural resources into his main analysis. It is true that Marx speaks of labour as a 'process between man and nature' (Marx, 1976, p. 283). But the terms of this interaction are that 'man, through his own actions, mediates, regulates and controls the metabolism between himself and nature' by working on 'objects of labour that are spontaneously provided by nature' (ibid, p. 284). This dual conception of 'free gifts of nature' and the imperative to exercise 'control over nature' runs through the entire gamut of thinking in Economics. Progress is seen as co-terminus with the conquest of nature.

In 1971, Nicholas Georgescu-Roegen wrote a book *The Entropy Law and the Economic Process* that shakes the foundations of such a view. The Entropy Law necessarily compels the abandonment of the mechanistic dogma that has dominated Economics. It awakens the realization that qualitative and irrevocable changes necessarily characterize the environment of which economic processes are a part—that both the assumptions of free gifts and free disposal are untenable, there being a dynamic, two-way inter-relationship between the economy and the environment. We need to picture the macroeconomy as an open sub-system of the finite natural ecosystem and not as an isolated circular flow of abstract exchange value. Not doing so has endangered livelihoods of millions of our poorest people. And has created an unprecedented crisis of water.

The Conflict between Capitalism and Democracy

It is clear then that inequality and unsustainability are inherently built into the very paradigm of development that we have adopted. The resultant marginalisation of millions of people threatens the fabric upon which our democracy is founded. When

people vote for their representatives, they expect them to work to protect their interests, honestly and effectively. Representation, so to speak, is essentially an act of faith. As we move into India's remote areas, into the drylands and Adivasi pockets, we find the delicate foundation of this faith under great strain. Even as we celebrate 60 years of the largest democracy in the world, we need to be equally concerned about its future. People in India's distant hinterlands feel tired and defeated. Cynicism grows by the day, as systems of rural governance, service delivery and programme implementation, come apart at the seams in these areas. One can also sense a simmering anger among the younger generation. A hissing volcano, waiting to erupt. The perception among millions of our people that their voice is not being heeded, even 60 years after independence, is the reason why many movements have responded in the idiom of violence, which to them appears to be the only language an insensitive state and civil society, are willing to listen to. In many areas, such as in parts of Chhattisgarh, there is almost no trace of governance remaining. These are truly nurseries of Naxalism.[7]

In one sense this mismatch between aggregate growth and its distributional and ecological consequences is part of the inescapable tensions between capitalism and democracy. Repeatedly the narrow, profit-maximising interests of a few come into conflict with the larger social good. There are times when these tensions explode into a crisis. Capitalism has then needed to reinvent itself to survive. Its worst crisis dates back to the 1920s and the Great Depression. At that time the publication of a book -- John Maynard Keynes' *The General Theory of Employment, Interest and Money* -- revolutionised both economic theory and the very history of capitalism.[8] In the 1920s, mainstream economic theory firmly asserted that enduring unemployment was a theoretical impossibility under capitalism. But the Great Depression changed all that. After Keynes it was agreed that without government intervention, unemployment would continue to haunt capitalist societies, threatening their very democratic fabric. The ghost of the invisible hand was laid firmly to rest. Welfare states became the order of the day and remain to this day. Subsequently it also became clear that ecological issues are a classic instance of market failure. For they involve "commons", where profit maximising interests of a few, very often conflict with the larger social purpose served by public goods, whether groundwater, forests or the ozone layer.[9]

---

[7] I think Prime Minister Manmohan Singh is right when he says that this is the greatest threat to Indian democracy, even more in his view than that posed by international terrorism.

[8] Of course, it must not be overlooked that a definite historical movement was responsible for creating the social environment within which Keynes' work became both necessary and possible. As Gunnar Myrdal has argued: "the light was kept burning throughout the nineteenth century by social workers, radicals and socialists and by a host of collectors and analysts of empirical data in the social survey tradition and by the more radically inclined theorists" (Myrdal, 1968, pp.988-89)..

[9] While eighty years ago the epicentre of conflict was between labour and capital, today the Earth itself is in revolt. A study by the US National Academy of Sciences, published a few months ago, shows that global carbon dioxide emissions have grown three times faster in the first four years of the 21st century compared to the 1990s. This emissions growth rate was higher than even the worst case scenario recently developed by the Intergovernmental Panel on Climate Change (IPCC). The Arctic ice cap is melting three times as fast and the seas rising twice as rapidly as had been predicted. This suggests that even the dire IPCC forecast of devastated harvests and endangered

It is now accepted that market forces by themselves cannot guarantee equitable or sustainable development. Enlightened action by the state is necessary if lives of the poor, as also ecological balance, are to be protected. In 1998, my colleagues and I wrote a book *India's Drylands*[10] that sought to place rainfed areas and Adivasi communities at the centrestage of policy-making in India. We showed the immense macro-economic potential of an employment guarantee scheme based on the environmental regeneration of these areas. We argued first that a constitution which feels obliged to protect the right to private property, must surely guarantee the right to work, especially when decades of planned development has failed to do so.[11] Following the Great Depression, many Western capitalist countries introduced different forms of unemployment insurance. By the 1980s, constitutions of 30 countries, including 18 developing nations, had incorporated the right-to-work. In 25 countries this right is specified as a work guarantee. The Indian constitution does include the right to work (via Article 41) but this is not a part of the Fundamental Rights, figuring only in the Directive Principles. Various judgments of the Supreme Court have suggested that the state must place the Directive Principles on par with Fundamental Rights. Whether this constitutional obligation is fortified by making the right-to-work a Fundamental Right or a stronger meaning is attributed to the Directive Principles, either way the state has an obligation to protect its people from unemployment. India being a signatory to the Universal Declaration of Human Rights and the ILO Covenant on Economic, Social and Cultural Rights (both of which incorporate the right-to-work), there is an international imperative as well.

The Potential of NREGA

The National Rural Employment Guarantee Act (NREGA) needs to be viewed in this historical backdrop. The enactment of NREGA is the fruition of a long and hard struggle over many years. It is truly ironic though, that serious doubts about the Act have been expressed at the highest levels within the very government that has brought it into being. The case for NREGA and its immense potential, therefore, bears very careful enunciation.

Let us begin by recognising the fact that in the backward regions of India, returns to private investment are low. A major reason for this is that many "public goods", such as healthy watersheds or basic infrastructure, that govern this rate of

---

water supplies may be an understatement of the real threat facing humanity. Once again today, concerns of electorates across the world's democracies are in conflict with profit-seeking interests of global capital.

[10] Mihir Shah *et al* (1998), a study carried out for the Ministry of Finance, Government of India and the UNDP, published by the Oxford University Press.

[11] In the words of Raj Krishna: "A society which has failed to reduce the unemployment problem in two decades of development cannot ask its unemployed to wait indefinitely for the utterly uncertain prospect of employment growth catching up with population growth or income growth" (Raj Krishna, 1973, p. 320). How much more true this is today, six decades after independence!

return, are missing in these areas. Without these, development of such regions will always prove difficult. Since critical issues of ecological balance (like forest protection and groundwater levels and quality) deeply affect lives of people here, there is an even greater risk in leaving the development of these regions to short-term profit maximisers. In any case, very few corporate entities have shown the interest to revive watersheds or build infrastructure here.

These considerations underscore the need for public investment. We could go as far as to suggest that the backward regions of India suffer from, what in development economics used to be called, a "low-level equilibrium trap".[12] And to get out this trap a truly "big push" is needed (Rosenstein-Rodan, 1943).[13] The big push describes a situation of market failure, where there may not be enough incentive for any individual to undertake an activity, even though it would be in the interest of everyone. This is because significant non-linearities, threshold externalities, complementarities, long gestation and lumpiness of investment characterise the growth process.[14] Individual profit-maximisers are unlikely to have either the willingness or the ability to undertake such investments. This necessitates government intervention. The NREGA is best seen as an attempt to provide a big push in India's regions of distress.

The NREGA promises the largest ever employment programme in human history. As this programme extends to cover the whole country within the next few years, the Government of India will need to allocate over Rs.30,000 crores every year for NREGA. Two decades ago, Sukhomoy Chakravarty posed two key questions:

> "The basic strategic questions for India in the coming years are: Can India make small farms viable farms? Can India carry out large scale public works involving large labour inputs which are not make-work programmes but result in large scale creation of productive assets?" (Chakravarty, 1987, p. 87).

I believe that the two tasks are not independent, but integrally inter-connected. National Sample Survey data show that a vast majority of agricultural labour families in India do actually own some land. They are poor and marginal farmers, the productivity of whose land has been so degraded that it is no longer able to support their families. So they are compelled to leave their villages each year to look for work outside as labourers. Public investment that aims to increase the labour-supporting capacity of these farms through massive rainwater harvesting, soil conservation and treatment of their

[12] Restricted as it was to the relationship between population growth and income (see Nelson, 1960), the concept lacked theoretical sophistication. But more carefully deployed, it appears to me to be of the greatest relevance to understanding dangers to the very survival of democracy.

[13] "There is a minimum level of resources that must be devoted to a development program if it is to have any chance of success. This is a necessary, though not sufficient, condition of success. This, in a nutshell, is the contention of the theory of the big push." (Rosenstein-Rodan, 1961)

[14] The concept has seen great revival, especially following the application of game theory to problems in Economics (see Murphy, Shleifer and Vishny, 1989 and Sauer, Gawande and Li, 2003). The big push idea contradicts the fundamental assumption of "marginalism" in neo-classical economic theory inscribed on the frontspiece of Alfred Marshall's *Principles of Economics* -- "*Natura non facit saltum"* (Nature does not make a leap).

catchment areas could set up a virtuous cycle of growth that is both environmentally and financially sustainable. Even the smallest increment of public investment in local water conservation, leads to a dramatic rise in agricultural productivity and employment. What is more, it catalyses successive rounds of private investment by farmers, once they are freed from the endless cycle of debt. It has been long established that there is a powerful complementarity between public and private investment in Indian agriculture. This is the central logic of the big push argument. Once the pre-conditions (such as healthier catchments and productivity-raising watershed works) are in place, even poor farmers have the incentive to undertake private investments on their farms.

In early discussions on public works programmes in India, there was a view that their primary role should be provision of short-term relief, with elimination of poverty being achieved through the normal process of agricultural growth (ILO-ARTEP, 1993, p. 87). The underlying fear was that a productivity-raising emphasis would encourage excessive expenditure on capital equipment and administration as well as skilled labour. Also the worry was that this may cause the programmes themselves to be endangered as they would be judged by the wrong standards i.e. creation of capital assets: "A general presumption that investment rather than doles are what is really necessary, has led many to argue for an increase in the materials and expertise content of these schemes, at the cost of their unskilled labour content, so as to make them more viable instruments of rural investment" (Sen and Ghosh, 1993, p. 61). On the other hand, it was argued that emphasising labour-intensive works would somehow compromise their effectiveness in building the productive capacity of the rural economy: "stipulations that minimize the materials content of the works . . . result in the creation of assets with short durability, low productivity and little general development impact" (Tendulkar *et al*, 1993, p. 106).

The presumption underlying both views is that all productivity increases must necessarily be labour-displacing, requiring a hike in the materials and expertise content in works. Such a view appears to reflect a "self-imposed ordinance not to inquire too seriously into what transpires inside the black box of technological phenomena" (Rosenberg, 1982, p. vii). It ignores the immense vista of possibilities of labour-intensive, productivity-raising earthen technologies opened up by approaches such as watershed development. The extent to which investment impacts poverty and unemployment depends critically upon the forms in which it is embodied. The employment guarantee must provide what, more than 50 years ago, K.N. Raj called "revolving" as well as "sedimented" employment:

> "the employment associated directly with the investment process may be called revolving employment. The other type of employment, which is connected with the sediment of productive capital left by the investments, may be referred to as sedimented employment" (Raj, 1990, p. 179).

For an employment guarantee to work, it must be focused on labour-absorbing activities and technologies, which lead to growth that in turn provides more jobs. So

what we need are asset-creating works that are labour-intensive at the same time, creating a truly win-win situation, tackling the problems of unemployment, environmental regeneration and agricultural growth in one stroke. And this is precisely how NREGA has been conceived.

One must also remember that if productivity is not emphasized, and there are, as a result, no clear-cut guidelines about the nature and quality of work to be done, it will lead to an explosive increase in the corruption and misappropriation of funds which plagues most government programmes anyway. So in our context it will not be enough to dig holes and fill them up *a la* Keynes.[15] For our situation is very different from Keynes' 1930s in critical respects.[16] This is an agrarian economy facing stagnation. And inflation remains a big worry. Kalecki (1970) has shown that if the rate of growth of national income were to exceed that warranted by the rate of growth of supply of necessities, inflation would occur. Thus, the growth process is subject to the operation of a fundamental agrarian constraint. [17] Patnaik worked out further ramifications of the argument by showing that this inflation would reduce the real investible resources available with the state. Since public investment was shown to be the major determinant of private investment, this would adversely affect the overall level of output and employment in the economy (Patnaik, 1972). In fact, Rakshit has suggested another way in which the operation of the agrarian constraint could create an effective demand problem. For Rakshit, food in an inflationary agrarian economy is just like money in a liquidity trap situation, characterized by short supply and infinite demand. A shortage of food could, thus, be said to cause unemployment in this economy. Raising the marketable surplus of food would, therefore, have an expansionary effect analogous to that of a rise in autonomous expenditure in the Keynesian system (Rakshit, 1982 and 1989). The conclusion follows that the expenditure on public works programmes must be fully directed towards increasing the productivity of agriculture. Unless NREGA expenditure is directed at raising productivity it could prove inflationary. On the other hand, if it can improve productivity this could mean a major breakthrough in India's rural economy.

If effectively implemented, NREGA would ensure at least six outcomes -- one, that the employment guarantee would not merely provide relief in times of distress, it would also be a move towards long-term drought and flood-proofing of Indian agriculture; two, this would shift the economy on to a more sustainable growth path, less

---

[15] Keynes' views on the subject are actually much-misrepresented: "Pyramid-building, earthquakes, even wars may serve to increase wealth, if the education of our statesmen on the principles of the classical economics stands in the way of anything better" (Keynes, 1957, p. 129). "If the Treasury were to fill old bottles with banknotes, bury them at suitable depths in disused coal-mines which are then filled up with town rubbish, and leave it to private enterprise on well tried principles of laissez faire to dig up the notes again, there need be no more unemployment . . . It would, indeed, be more sensible to build houses and the like; but if there were political and practical difficulties in the way of this, the above would be better than nothing" (ibid.). Keynes is clearly advocating productive lines of investement, but in the absence of the necessary political understanding, says doles would do as well. In the context of our economy, of course, the latter does not follow!

[16] First enumerated in VKRV Rao (1952)

[17] Most effectively highlighted by Abhijit Sen (1981) in his doctoral dissertation.

vulnerable to the vicissitudes of nature; three, this growth will be a more effective instrument for reducing poverty because we now know that the impact of growth on poverty is higher in areas where social infrastructure is more developed; four, the number of people who depend on a state-sponsored employment guarantee would steadily decline over time. As the condition of their farms improves, people will no longer need to look for work under NREGA; five, the expenditure incurred on the employment guarantee would be non-inflationary because it will spur agricultural growth upon whose foundation a whole range of sustainable livelihoods could be built; and six, by fuelling successive rounds of private investment, it will also set up a multiplier of secondary employment opportunities. Which would make the employment guarantee truly sustainable in both environmental and fiscal terms.

This would make the employment guarantee truly sustainable in both environmental and fiscal terms. Economic thinking the world-over has, in the last two decades, been increasingly dominated by a static fiscal fundamentalism. The obsession is with reducing the fiscal deficit at all costs. The idea is to push the state out of all economic activity. What this line of thinking fails to recognise are the dynamic growth-enhancing dimensions of national investments that in a country like India, only the government can make. An employment guarantee focused on these can fuel growth that would in turn help lower the fiscal deficit. For as incomes rise, so would government revenues. And the way we visualise it, the size of the guarantee to be provided by government should fall over time, as people's need to work outside their farms declines. In any case, in the context of farmers' suicides and agrarian distress, at 1-2 percent of GDP, this is a small price for a crucial social safety net. It is also a very sound investment. Of course, a much larger package, including health, education and livelihoods is required to break the low-level equilibrium trap in large parts of the country. But the employment guarantee can become the cornerstone for this larger transformation, especially because of the unique possibilities it opens up for governance reform. No Fiscal Responsibility Act should override these national priorities. We do not want a zero fiscal deficit that leaves millions of our people hungry, ill, uneducated and out of work.

Reforming NREGA

The NREGA is the showpiece of the UPA government's initiatives for rural India in their years in power. Their most important response to the unexpected Verdict 2004 that brought them to power. But NREGA must not be allowed to degenerate into the latest in a series of failed political slogans. For the potential of NREGA to be realised, major reforms need to be initiated in its implementation. The power of NREGA derives from the fact that it creates a right to work, is demand-driven and has an in-built targetting mechanism. Even so, there is a real danger that NREGA will go the way of all other employment initiatives in India's chequered development history.

Thousands of crores spent on such programmes, over the last several decades, have largely gone down the drain or ended up lining various pockets. They have been always characterised by poor planning, massive corruption and a lack of awareness among intended beneficiaries.

The great desire, apparent among policy makers and most welcome in itself, to liberalise procedures and make them transparent and accountable for corporate India, must be extended urgently to the rural poor. This has to become the centrepiece of India's reforms in the 21st century. Why should the process of reform be confined to the government's dealings with the corporate sector? When will the rural poor become the focus of attention of policy-makers? The poor and marginalised in this country, surely the most important constituents of the electorate, have for years been crying out for reform. But virtually no political party has quite bothered to listen to them. An agenda of reforms with the rural masses at the centre would be both good economics and good politics.

It's sad that in our political landscape while the Right appears to have a blind spot about market failure in public goods and in achieving equity and ecology, the Left appears strangely unconcerned about the urgent need for reforms in the way the public sector has functioned in India, especially in rural development. The Right is blind to market failure, the Left to "government failure". Thus, in its hurry to attribute all of India's ills to "neo-liberal" economic policies, the Left forgets the long history of non-performance of the public sector in rural India. We must remember that there is a massive task to be undertaken to reform the state in its interface with the poorest people in the land. The delivery systems of government, be they employment programmes, primary health centres or schools are all virtually non-functional. Indeed, one could say, that the weaker the voice of the people, the more intense is the malaise of the public sector. Indices of corruption and inefficiency rise exponentially as you move deeper into the Indian hinterland. The implications of which can at times be life-threatening. For the public sector is often the sole life-line of people in these areas.

Therefore, without an urgent reform of the public sector in rural development, genuine change in India's poorest regions may be hard to come by. The public sector must function like a sector truly accountable to the "public". I believe there is a great deal to learn here from the failures of the much-touted New Public Management (NPM) reforms of the public sector in Europe in the 1990s. NPM arose in the context of a widely perceived failure of bureaucracies and government enterprises. NPM seeks to place the concept of efficiency at the centre-stage of public sector reform. Market principles and management techniques are to be applied to public sector practices. There is an emphasis on lowering costs and increasing speed. Something which most people would tend to support. The difficulty arises only when business principles take precedence over the most important elements of a democratic state -- transparency, regularity and due process. Corporatisation of rural development has the danger of

compromising accountability through complete depoliticisation.

In the Indian context, depoliticisation is popularly understood as something unequivocally good. Everything, in our perception, is ruined due to its "politicisation". But if we were to think through what we are saying, we would realise that this could lead to the "return of the imperial bureaucrat (disguised as the entrepreneurial bureaucrat)", in the words of a leading student of public sector reforms in Eastern Europe Wolfgang Drechsler (2005). Depoliticisation is the hallmark of a technocracy. Of course, expertise should be valued and the system infused with it. But always in the spirit of dialogue and always within the parameters of responsibility and political accountability. This is, indeed, the hardest of the challenges. How do we provide autonomy in functioning, while not letting this degenerate into a kind of autocracy? The European Administrative Space, in its standards of public sector reform, speaks of "reliability and predictability, openness and transparency, accountability and effectiveness" (SIGMA, 1988). This, rather than NPM, appears to be a much more acceptable statement of the direction in which we need to move.

The *Technical Committee on Watershed Programmes in India*, (GoI, 2006) has tried to chart out a course for pro-poor reforms in rural development in India. The principles underlying this new approach need to be applied to NREGA implementation. Full-time professionals must occupy key positions at every level. These professionals need to be competitively selected from the open market. They could include government officials on deputation but should not be restricted to them. Currently a large proportion of officers have little understanding of or commitment to the goals and approach required for this programme. Each professional should sign an MoU that would ensure strict monitoring of their performance by PRIs against specific outcomes spelt out in the MoU. Greater convergence is required across departments and programmes with NREGA so that sustainable livelihoods can be created. Implementation structures at each level must entail active stakeholder participation at every stage.

Some of these principles, such as answerability to PRIs, stakeholder participation and social audit, are inherent in the NREGA architecture. But they are yet to be effectively put into place. Others such as professionalism and convergence are emerging as key weaknesses. Planning of works (despite the emphasis given to it in the official NREGA guidelines) has been conspicuous by its absence so far. Reports from all over India suggest that NREGA perspective plans were made in a shoddy manner by NGOs in a hurry, as they were given virtually no time for this by the government.

A key area where professional inputs are required is in reforming the Schedule of Rates (SoR). Over the last decade of soiling our hands with implementing watershed programmes on a million acres of land across the most backward states of the country, we have learnt that village people have to be involved in all aspects of the work, including site selection, cost estimation and the way work will be measured and paid. The

last is critical if we are to secure statutory minimum wages for labour. This is also the only way to achieve required productivity norms. It is important to realise that corruption in employment programmes is not merely a matter of preventing fudged labour payment muster rolls. The much more creative dimensions of corruption arise from the way the Schedule of Rates is deployed both to embroider estimates and cheat labour. As Adviser to the Commissioner (appointed by the Supreme Court in the Right to Food case), it is my responsibility to monitor the functioning of the NREGA in Madhya Pradesh. I have received many complaints that describe labourers not receiving their legal entitlements. Workers are unable to earn minimum wages. Similar accounts are coming in from across the country. Apart from instances of deliberate non-payment that can be conceivably overcome through social audits, there appears to be a genuine difficulty, a deep contradiction at the heart of NREGA implementation. This lies in the way work done by labour is measured.

Ever since Independence, work done on rural employment programmes has been measured through the SoR. This is a schedule that provides rates at which work done by labour is to be valued. People are paid according to the value placed on their work by the SoR. How the rates in the SoRs are arrived at and how the SoRs are used is neither very well-known nor easily amenable to popular understanding. But what they contain can make or break the interests of those who get work under NREGA. On the basis of a careful study of SoRs of nine NREGA states, my colleagues P.S. Vijay Shankar, Nivedita Banerji and Rangu Rao (2006) have shown that the way SoRs are presently conceived makes mechanisation and the use of contractors almost inevitable. And payment of minimum wages virtually impossible. SoRs are brought out by state government departments that have implemented public works programmes over the years. Historically, these have been relief and welfare programmes dependent on the munificence of the state, generally executed by contractors. But the NREGA is different. For the first time, it is workers who have to demand work and the state is legally obliged to provide it to them. The entitlements under NREGA are legally enshrined in the constitution. That is why there is an urgent need to reform the SoRs to bring them in line with legal entitlements under NREGA.

The notions of "average" underlying the SoRs are endemically unjust. The amount of work performed by a hypothetical average worker acts as the implicit productivity norm for all workers to adhere to. To earn the statutory minimum wage, each worker has to work at a pace equal to that of the average worker. The slower she works, the wider will be the gap between actual earnings and the statutory minimum wage. Many factors specific to the location of work could be responsible for slowing down the pace of work. Earthwork excavation takes place across geological strata that vary in hardness and compaction. SoRs as they exist now are unable to address these variations as they lump strata into a few categories. But nature cannot be straitjacketed in this manner. Rates need to be devised in a more location-specific manner reflecting more

accurately the graduations in geological strata.

Average rates prescribed in the SoRs also have no reference to the climatic conditions where work takes place. For instance, in areas characterised by hot summers, work slows down considerably during peak summer months. In coastal plains and hot sub-humid regions, humidity can be a very important factor reducing the quantum of work done in a day. None of these considerations are factored into the SoRs of these areas. The notion of the average worker also does not allow for gender and age differences in productivity. Special provisions for extra rates above the normal should be provided in the SoRs for work undertaken in severely drought-prone, malnourished, hazardous, disability-prone and tribal areas.

If rates are not revised upwards, Village Panchayats who pay statutory minimum wages and avoid using machines under NREGA, will find it impossible to complete works within their sanctioned costs. This will act as an incentive for corrupt practices, such as exaggerating the physical quantity of work done. Outlays will not be matched by outcomes (except on paper). Or labourers will not get their due. NREGA could well degenerate into a contractor-run, non-participatory programme.

Indeed, the entire process of arriving at these rates needs to be made much more transparent and participatory. The making and revising of SoRs is shrouded in mystery. The SoRs never come out in the open about how rates for different works are arrived at. This is a highly centralised departmental affair. The SoRs generally prescribe a "Competent Authority" (usually a Government Executive Engineer) who can effect a change in the SoR. Under NREGA, a Working Group should be set up in each district to carry out this exercise. This Group should include Village and District Panchayat representatives, local NGOs, independent professionals and government officials and engineers. The role of this Group should be to prepare and revise the District Schedule of Rates based on fresh time and motion studies. It should also arrange for the dissemination of these rates in Gram Sabha meetings across the district. Only this way can the black box of SoRs be opened up and a check placed on a major source of corruption in NREGA.

A powerful tool to check corruption is Information Technology. IT must also be a key player in NREGA reforms. As Andhra Pradesh has shown, all stages of NREGA work, from registration of workers to issue of job cards, preparation of estimates for works and muster rolls and transfer of payments to workers can be very effectively computerised. This not only makes for greater efficiency, it also opens up NREGA for public scrutiny, thus engendering greater transparency. Since each job card issued, each work undertaken and every payment made anywhere in the state has a unique identification code, and since all this information is just a click away on the web, anyone interested can access this information and actually mount a field-check to see whether what is reported is true or not. However, IT is not a magic bullet and with "imagination",

ways can be found to beat the most effective computerisation. This has been demonstrated at various NREGA sites where machines are doing the work but payments are shown on paper against job cards. The workers sit at home and receive a small sum daily for not "interfering" and the bulk of the money goes to the machine contractor. It is clear then that there can ultimately be no real substitute for powerful people's vigilance. Another problem is that while information is there on the internet, it may not be available in the village because of lack of infrastructure. NREGA could become a very good reason for speeding up installation of IT infrastructure on the ground. But use of IT must also always be backed up by efficient administrative mechanisms for sanction, release and monitoring and a strengthening of grassroots institutions for social audit.

I feel truly sorry that the employment guarantee provided under the NREGA is restricted to just 100 days of work. And that too per family. This is a very major weakness of the Act. The right to work is to be exercised by people in need. This could be for more or less than 100 days. In years and areas of severe drought the requirement could be greater. In other seasons and places, the demand for work will be less. Is the government saying that it will not respect this right when people need it the most? An Act is different from a government scheme. The financial allocations for schemes can vary from year to year. The scheme can even be extended to different parts of the country in a phased manner, starting with the poorest districts. If the necessity for it declines over time, as it should if implemented properly in the right direction, the allocations can be reduced. But the whole point of an employment guarantee act must surely be to provide work to people as a matter of right when their need is the greatest.

Already the 100 day restriction is causing all manner of problems in NREGA implementation. At times the number of job card holders in a village, restricted to 100 days, are unable to complete works crucial for the village. Leaving a dam incomplete, for example, creates a situation where it could even break during the monsoon. In the high migration districts of Orissa, it is being felt that a mere 100 days per family is not enough to halt people leaving their villages in search of work. If people feel this is not enough work, they will migrate irrespective of NREGA. Given that inter-regional disparity is the most problematic feature of India's development experience, serious thought should be given to guaranteeing 180 days of work, at least in the most backward districts.[18] This could be based on the list of these districts already prepared by the Planning Commission.

. .

Civil Society and NREGA

The enactment of the NREGA is a classic success story of civil society action in

[18] I had argued hard for this change during the campaign for NREGA. In my view, more important than extending NREGA to all districts in India, was guaranteeing at least 180 days of work per worker in India's most backward districts.

India. The campaign for the right to work was involved at every stage of NREGA formulation. And the intense pressure it was able to create played a significant part in the Act being passed by Parliament. Now when we are considering reforms in NREGA, once again civil society has to play the key role. If a somewhat different one though. If thus far the challenge was to pressure the government to enact the law, working in a campaign mode, now the task is to try and make NREGA work on the ground. The question is: is civil society ready to take on this role?

Sifting through the rich tapestry of voluntary action in our country, we can discern two broad trends -- one, of confrontation with the state, with its extreme being represented by various forms of militancy; and the other, of positing itself as an alternative to the state, with its radical position being the advocacy of privatisation. The latter is the world-view of the large NGOs who want development to be handed over to them, free from government interference. Both extreme Left and Right, therefore, have been positions of hostility to the state. One sees the state as oppressor, the other as interloper. If civil society has to work in the direction of making NREGA a success, however, both these positions will need to be firmly abandoned. What the activists, who worked for the passage of NREGA, need to appreciate is that this is perhaps the last chance of pushing for an agenda of enlightened state action in favour of India's marginalised. The entire intellectual discourse has moved heavily to the Right and the failure of NREGA (already foretold by many powerful people within the government -- a self-fulfilling prophecy?), could well be the last nail in the coffin of the welfare and development state. So activists will need to very quickly reorient their perspective from where it has been stuck for many years -- that of an oppositional mode. They need to realise that NREGA is "their" programme, exposing whose deficiencies alone will do little good. Of course, the weaknesses need to be pointed out. But not in the spirit of debunking the programme.

Similarly, the large NGOs need to prepare themselves mentally to soil their hands in the truly difficult task of reforming NREGA implementation. They must finally begin to see that carving out a comfortable, isolated cocoon for themselves is just not good enough. NGOs cannot also hope to replace the government. One, because it is hard to imagine the voluntary sector being able to upscale operations at the requisite level but even more importantly because of questions of accountability in a democratic polity. Civil society needs to see its primary role as that of ensuring transparency and accountability of state institutions and of empowering the panchayats, in close partnership with them. What NGOs must recognise is that NREGA provides an unprecedented opportunity for transformation of rural India, for the government is committed to meeting whatever demand there is for work in the village. This must be capitalised upon. Since NREGA gives highest priority to watershed development activities, its funds can help restore catchments and build basic water infrastructure. Within a few years, this infrastructure can become the foundation for a range of income-

generating livelihoods such as improved dryland agriculture, dairy development, smaller ruminant development, fisheries, agro-processing, NTFP processing etc. The work of my organisation Samaj Pragati Sahayog (SPS) with its 122 partners across a million acres of land in 72 districts spread over some of India's most backward states has shown that farmer-driven, location-specific watershed development combined with bio-diverse agriculture, other nature-based livelihoods and micro-finance, can dramatically raise rural incomes, providing an enduring panacea to the suicide-ridden drylands. In our experience we find this happens very quickly. But without the firm foundation of water security none of these livelihood options can even be contemplated. And what better option than using NREGA funds to move in this direction!

We also believe this is about kindling hope in a people, long defeated and cynical. For the NREGA architecture, if actually put into place, could potentially herald a revolution in rural governance, through its unprecedented mechanisms for transparency, social audit and e-governance -- a truly participatory and empowered democracy at the rural grass-roots.[19] No take-off of economic development in rural India is quite conceivable without this foundation in place.

So what am I suggesting should be the role of civil society in making NREGA a success? To appreciate this let me first identify the most important feature of NREGA that could either make or break its programmes -- the fact that Gram Panchayats (GPs) have been designated the chief implementing agency. This raises hopes that there will greater transparency and people's ownership of NREGA schemes. The PRIs are the enduring face of Indian democracy at the grass-roots. With all their teething problems and the corruption inflicted by entrenched vested interests upon their functioning, it is these institutions of local self-governance that need to be empowered if democracy has to survive in India. If the rights of the weakest have to be protected and fortified. Thus far, a major weakness of PRIs in India has stemmed from inadequate financial devolution. The NREGA is poised to change even that.

But there remains a real issue of the lack of implementation capability among PRIs. The support structure to enable GPs to implement NREGA is utterly inadequate. Most states only provide for a Gram Rozgar Sewak. It is highly unlikely that this one functionary can effectively implement such an ambitious programme, with all its demanding requirements. Again, it is in the open assembly of the Gram Sabha that NREGA plans will have to be presented, explained and approved. As the approved plan goes into implementation, it has to be social-audited by the Gram Sabha at each stage. In many parts of India, this vital institution is still in its infancy. Elsewhere it has gone into deep decay. Either place, it has to be resuscitated.

---

[19] The critical relationship between a vigorous civil society and the very survival of democracy was posed as early as 1835 by Alexis de Tocqueville in his classic work *Democracy in America*. An active civil society can also be seen as crucial to making the transition from representative to participatory democracy (Ginsborg, 2006).

This is where grass-roots civil society organisations (CSOs) have such an important role. To build the requisite capacities in PRIs for them to become the institutions of governance they need to be for participatory democracy to take roots in India. CSOs need to work closely with PRIs to empower them. But this needs a major shift in the mindset of the voluntary sector in India that has tended to regard GPs as competitors or worse as antagonists. It has been the experience of many CSOs (including SPS) that PRIs have often been hostile to their interventions. This is because historically the leadership of PRIs has tended to emerge from the structures of power that lorded over rural India for decades, if not centuries. These vested interests resist the winds of change brought in by CSOs, whether in the direction of equity or transparency. But my plea is that all this is beginning to change. In many cases, precisely because of enlightened CSO action in building a new cadre that has provided dynamic leadership to PRIs. This enables strong CSO-PRI partnerships to develop. Which could hold the key to the future of a vibrant democracy in India.

Over the last few months, at SPS we have taken a few small steps in this direction. We have put together a National Consortium of grass-roots CSOs who have committed themselves to working with PRIs to make NREGA a success. Many of these CSOs include panchayat leaders in their ranks. They will, so to speak, provide the missing support structure that PRIs require to effectively implement NREGA. These CSOs have all been formally invited by the PRIs to help them plan, implement and social audit NREGA work. A whole network of more experienced organisations like SPS will provide the technical and logistical backstopping support to these CSOs, not only in NREGA implementation and watershed planning but also for a range of related livelihood options, such as organic agriculture, microfinance, agricultural marketing, NTFP processing and marketing etc. If we truly want NREGA reform, we must try and get governments to agree to bolster the support structure of NREGA at the cutting-edge level of implementation. The work of our National Consortium will hopefully show the way forward in this regard.

This is really a model of partnerships built within the voluntary sector, the striking absence of which has been one of our biggest weaknesses. These partnerships must be based on an openness to learning from each other, an attitude of genuine humility. Where no one knowledge is valorised over another. A framework of mutual accountability where decisions are made through a dialogue between self-respecting partners who also respect each other. Solutions emerge in an iterative process of inter-disciplinary exchange and stakeholder involvement at each stage. This is a vision of "cascading redundancy" where, as the people and their institutions grow, we become less and less important over time. Rather our role continuously changes as we climb the ladder of redundancy. Increasingly redundant in certain respects, even as we move on to other responsibilities.

For this to happen, however, needs a re-examination of the politics that can possibly lead to this kind of transformation. It is an undeniable historical fact that powerful people's movements make for a stronger and deeper democracy. But it would be wrong to equate power with obduracy that leaves no room for conflict resolution. Movements based on a stance of opposition have at times been weakened by unshakeable dogmatic positions. Crucial for their success are flexibility and imagination to conjure up win-win solutions that leave some space even for perceived antagonists.

A conflict should not be reduced to an arena of victory or defeat. It is better seen as a problem in search of a solution. A conflict needs not so much a victory, as a resolution. Indeed, one could go as far as to say that a "defeat" that moves society forward on the moral landscape, that empowers the disadvantaged and sensitises those in power, deepening democracy in the process, could even be preferred to a "victory" that fails to achieve any of these. The process, so to speak, is as, if not more important, than the outcome. When injustice becomes insufferable there is great pressure on its victims to resort to violence. The dehumanising experience of pain and the utter obduracy of their persecutor appear to push them, with an apparent historical inevitability, into the language of the tormentor. But here again history's primary lesson is restraint and fortitude, rather than any bloody quick-fix. The latter only sets up an escalating spiral of brutality, an infinite regress of violence and counter-violence. That ends up reinforcing the very divisions we fought to overcome. Violence always returns to hurt the most vulnerable, in whose name it is justified in the first place.

We have to chart the slow and more difficult path of non-violent mobilisation and empowerment. Not only is this the strategically obvious option, it is also the course of responsibility and ethical affirmation. Violence is ultimately the response of the weak, desperate and defeated. We must not only question and oppose what is wrong, but also be strong and self-confident enough to articulate a new transcendental imagination for the world, even for those who stand today as our adversaries.

In our own time, the best example of this is provided by the life and work of Nelson Mandela. It is difficult to imagine more intense injustice than that suffered by the black majority in South Africa under apartheid. We can imagine, therefore, also the immense pressure on Mandela to seek retribution. But he instead always chose to speak together of truth and reconciliation. Mandela's guru Gandhi insisted that in an unjust world, change necessitates the use of force. But Gandhi's use of force speaks of a completely new kind of politics for our time. It poses a radical challenge to the language and idiom of the many movements for social change, whether Marxist or Feminist or those fighting race, caste, ethnic, religious or imperialist oppression. Gandhi insists that

in our fight we must not remain imprisoned in the "victim" mode. Those suffering injustice are not completely constituted by their affliction. Their identity is beyond that constructed for them by their oppressor.

We must oppose the oppressors. But if we want real change that unites rather than divides, we need to find a new way to oppose those we must. We need to spell out a common ground for those who are on opposite sides today to ultimately agree to walk upon. That way outlined again and again by the many prophets and messengers (who were all social revolutionaries of their own era) has to be founded on an understanding of the possibility that we may even be wrong, that we need to keep learning, that we must keep trying to reach out to the other with openness and love. The path is, therefore, one of ceaseless creativity and imagination, continuous self-critical re-examination. Where being mindful of the flip-side of one's position does not become a reason for confusion or weakness. Rather, we learn to harness this awareness as a source of strength.

Always admitting the possibility that one may not be the final and exclusive repository of "the Truth" means the capacity to laugh at oneself, a corrective to what Jean Paul Sartre once called the "spirit of seriousness", that afflicts most of us social activists. It makes for an altogether lighter footprint on this earth. In this way we also set completely new standards of accountability. The gaze has to be first turned inwards. The highest standards have to be set for our own selves. The one who seeks to change the world must begin the process with herself. The struggle has to be truly internal, to exterminate the hate within. This requires incredible internal strength that is not easy to muster or demand. A lot of prior preparation is required. It means speaking to the other not in the language of contemptuous anger and hate but of forgiveness, compassion and humility. This takes time, it takes a lot of *sabr* (fortitude). For those of us who work for change at the grass-roots, in the remote hinterlands of this country, the path is an intensely difficult one. Every day we fail in the face of relentless provocation. But every day we rededicate ourselves to it. We have no choice really. Anything else would be destructive, suicidal.

The veteran Gandhian Satish Kumar succinctly expresses the common message of all spiritual traditions -- "you are, therefore, I am". An affirmation of the inextricable interconnectedness of all beings that the Buddha so powerfully explains. Recognition of this interconnectedness necessitates a giving up of the vocabulary and grammar of non-negotiable opposition. To express it in the language of the *Bhagavad Gita* (verse 20, Chapter 3) we may quote Krishna's exhortation to Arjuna to work with a view towards *lokasangraham,* a world-order based on harmony among all beings, in each of whom the supreme reality is immanent:

कर्मणैव हि संसिद्धिमास्थिता जनकादयः ।

The way forward is to work for the empowerment of millions of our people who have been left at least one whole generation behind the Constitution. This involves a lot of dry spade-work, entailing the nitty-gritty of running grass-roots democratic institutions and doing development. This is a more measured, patient politics always focused on building peoples' capacities to take advantage of the spaces conceded to them, with imagination and positive energy. Maybe this is what Bapu had in mind when he advocated disbanding the Congress as an electorally active political party after independence. To move from the politics of power to the politics of empowerment. Recognising that what a movement brings in its wake depends on the values that animate it. We cannot build a society that seeks to transcend acquisitiveness and suspicion, if our own actions and institutions do not go beyond them. It is the eternal spiritual values of fortitude, balance and restraint that must animate our politics.

The Future of Indian Democracy

But of course, it is not only those fighting for change at the grass-roots who need to adopt these values. It takes two (and more actually) to tango. As Prime Minister Manmohan Singh reminded India's corporates recently (Singh, 2007), it is in the self-interest of the ruling classes to adopt practices that redress inequality and restore the ecological balance.[20] Certain pathways to profit deeply endanger delicate balances in nature. Overexploitation of groundwater is the main cause of the water crisis in India today. The corporate sector should blaze a trail in recycling water, thereby reducing both the water it is drawing away from and the pollution it is dumping upon the common people. The government too has a big role here in enacting and strictly implementing laws that would make it mandatory for industry to do so. The same goes for energy consumption and adoption of environment protecting technologies. Corporates need the vision to realize that this is all very much in their own long-term self-interest. Of course, the greatest spur would be if consumers were to adopt less wasteful lifestyles and tilt the pattern of demand towards eco-friendly products.

The most striking example of what the Prime Minister is advocating comes from Europe, especially Scandinavia. A widespread consensus on the need for public provision of universal social security, education and health has led to acceptance of very high levels of taxation -- taxes that generate resources to pay for these programmes. Growing environmental consciousness has also meant that carbon dioxide emissions in Europe (in contrast to the United States) have actually levelled off in the last two decades. The social consensus in Scandinavia also extends to the way conflicts of interest are sought to be

[20] That his remarks created such a furore, provides little comfort to those looking for greater social responsibility from our corporate sector.

negotiated. During an economic recession, Swedish employers tend not to lay off workers and reduce wages. In the bargain, trade unions do not demand unreasonably higher wages in good times as this could make Swedish products more costly and result in a reduced share in the world market, which could ultimately hurt the workers themselves. And though the smaller size and greater prosperity of Scandinavian countries can be arguments against easy replication in the Indian context, surely the much worse condition of India's disadvantaged can only make the case for restraint by the rich even stronger.

If India's reformers want flexible labour markets, they must also put in place policies which ensure that job-losers will be supported during their transition to a new job or location, as also the necessary training for those taking up new work. If our planners want to build big dams, they must at least follow the principle of "free, informed, prior consent" of the displaced that has been proposed by the pro-dam World Commission on Dams. And ensure that they get land in the command area of the dam. Consensus can be built only when both sides are sensitive to each others' needs. Especially when those in power carefully listen to those in distress. A democracy will thrive only to the extent there is room for expression and redressal of the legitimate grievances of those who still suffer. Restraint needs also to be exercised by intellectuals and professionals who often claim knowledge with a degree of certainty not warranted by the state of science.[21] Their claims ossify into dogmas which polarize positions in society in a way that makes conflicts impossible to resolve. Self-critical openness to dialogue with those of a contrary viewpoint is the hallmark of any democracy, paradoxically often lacking in the purveyors of knowledge.

When I speak of the future of Indian democracy, I am concerned not with its mere survival, as Ramachandra Guha appears to be in his *India After Gandhi*. I am much more concerned about its reach, depth and quality. Even if democracy survives, with millions of our people hungry, cynical and insecure, living under the barrel of the gun (whether of the state or the extremists), will that mean very much? May I end with a question, more of a dream really, for the 60th anniversary of India's independence: Can we envision a self-aware, self-critical politics of fortitude, balance and restraint that builds an India where every citizen participates in and benefits from the development process and from the functioning of an effective, accountable democracy?

This is a revised version of the 2007 Lovraj Kumar Memorial Lecture delivered at the India International Centre, New Delhi in September this year. Among the audience I wish to thank Smita Aggarwal, Ganesan Balachander, Amita Baviskar, Aditi Desai, H.M. Desarda, Ajay Mehta, Rajeswari Raina, Vasant Saberwal, Vidyaben Shah, Aseem Shrivastava and Digvijay Singh for perceptive comments. Pramathesh Ambasta, Debashis Banerji, Nivedita Banerji, Rammanohar Reddy and P.S. Vijay Shankar greatly helped improve previous drafts.

References

[21] This assertiveness of scientists flies against the most important recent developments in post-Einsteinian Physics. See especially the work of Nobel Laureate Ilya Prigogine (1996).

Banerjee, A. and T. Piketty (2003): *Top Indian Incomes, 1956-2000*, MIT Department of Economics, Working Paper No. 03-32

Bourguinon, F. (2004): *The Poverty-Growth-Inequality Triangle*, ICRIER, New Delhi

Chakravarty, S. (1987): *Development Planning: The Indian Experience*, New Delhi: Oxford University Press

Chen, S. and M. Ravallion (2000): "How did the world's poor fare in the 1990s?", *Development Research Group*, World Bank.

Datt, Gaurav and Martin Ravallion (2002): "Is India's Growth Leaving the Poor Behind"?, *Journal of Economic Perspectives*, 16(3): 89-108

de Tocqueville, A. (1994): *Democracy in America,* London: Everyman

Deaton, A. and J. Dreze (2002): "Poverty and Inequality in India: A Re-Examination", *Economic and Political Weekly*, September 7

Drechsler, Wolfgang (2005): 'The Rise and Demise of the New Public Management', *Post-Autistic Economics Review*, http://www.paecon.net/PAEReview/issue33, September

Dreze, Jean and A. Sen (1995): *India: Economic Development and Social Opportunity*, Delhi: Oxford University Press.

Engerman, S.L. and Sokoloff, K.L. (2006): "Colonialism, Inequality and Long-Run Paths of Development" in Banerjee, A.V., R. Benabou and D. Mukherjee (eds): *Understanding Poverty*

EPWRF (2003): *Domestic Product of States of India, 1960-61 to 2000-01,* Economic and Political Weekly Research Foundation, Mumbai

Food and Agriculture Organization (1990): *An International Action Programme on Water and Sustainable Agricultural Development*, Rome: FAO.

Georgescu-Roegen, N. (1971): *The Entropy Law and the Economic Process*, Cambridge: Harvard University Press

Ghosh, Jayati (2005): "The Political Economy of Farmers' Suicides in India", *Sixth Freedom from Hunger Lecture*, New Delhi: Centre for Environment and Food Security

Ginsborg, P. (2006): *The Politics of Everyday Life*, Penguin

GoI (2007): *Report of the Working Group on Rainfed Areas for Formulation of XIth Five Year*

Plan, Planning Commision, Government of India

GoI (2006): *From Hariyali to Neeranchal -- Report of the Technical Committee on Watershed Programmes in India*, Ministry of Rural Development, Government of India

GoI (2005): *Report of the National Commission on Macroeconomics and Health*, Ministry of Health and Family Welfare, Government of India

ILO-ARTEP (1993): *India: Employment, Poverty and Economic Policies*, International Labour Organization, Asian Regional Team for Employment Promotion.

Kalecki, M. (1970): 'Problems of Financing Economic Development in a Mixed Economy', in M. Kalecki (1976), *Selected Essays on the Growth of Socialist and Mixed Economies*, Cambridge: Cambridge University Press.

Keynes, J.M. (1936): *The General Theory of Employment, Interest and Money*, London: Macmillan.

Marshall, A. (1920): *Principles of Economics*, 8th edn., London: Macmillan (1st edn. 1890)

Marx, K. (1976): *Capital, Vol. I*, Penguin

Mukhopadhyay, A. and I. Rajaraman (2007): "Rural Unemployment 1999-2005 Who Gained, Who Lost?", *Economic and Political Weekly*, July 28

Murphy, K.M., A.Shleifer and R.W.Vishny (1989): "Industrialization and the Big Push", *Journal of Political Economy*, October

Myrdal, G. (1968): *Asian Drama: An Enquiry into the Poverty of Nations*, 3 Vols, London: Allen Lane.

NCEUS (2007): *Report on Conditions of Work and Promotion of Livelihoods in the Unorganised Sector*, National Commission for Enterprises in the Unorganised Sector, Government of India

Nelson, R. (1956): "A Theory of the Low Level Equilibrium Trap" *American Economic Review*, May

NFHS-3 (2007): *2005-06 National Family Health Survey*, Ministry of Health and Family Welfare, Government of India

NSSO (2006): *Employment-Unemployment Situation in India 2004-05, Round 61st*, National Sample Survey Organisation, Ministry of Statistics and Programme Implementation, Government of India

NSSO (2000): *Employment and Unemployment in India, Key Results of NSS 55th Round (1999-2000)*, National Sample Survey Organisation, Ministry of Statistics and Programme Implementation, Government of India

Patnaik, P. (1972): 'Disproportionality Crisis and Cyclical Growth', *Economic and Political Weekly*, Annual Number

Prigogine, I. (1996): *The End of Certainty: Time, Chaos and the New Laws of Nature*

Raj, K.N. (1956): 'Idle Rural Labour and its Investment Potential: A Re-appraisal' reprinted in K.N. Raj (1990): *Organizational Issues in Indian Agriculture*, New Delhi: Oxford University Press

Raj Krishna (1973): 'Unemployment in India', *Economic and Political Weekly*, 3 March

Rakshit, M.K. (1982): *The Labour Surplus Economy*, New Delhi: Macmillan.

—— (1989): 'Effective Demand in a Developing Country: Approaches and Issues' in M.K. Rakshit (ed.): *Studies in the Macroeconomics of Developing Countries*, New Delhi: Oxford University Press

Rao, VKRV (1952): "Investment, Income and the Multiplier in an Underdeveloped Economy", *The Indian Economic Review*

Raupach, M.R. *et al* (2007): *Global and Regional Drivers of Accelerating CO_2 Emissions*, The National Academy of Sciences of the USA

Raza, M. and A. Ahmad (1990): *An Atlas of Tribal India*, New Delhi: Concept.

Ray, R. and G. Lancaster (2005): "On Setting the Poverty Line Based on Estimated Nutrient Prices", *Economic and Political Weekly*, January 1

Rosenberg, N. (1982): *Inside the Black Box: Technology and Economics*, Cambridge: Cambridge University Press

Rosenstein-Rodan, P.N. (1943): "Problems of Industrialisation of Eastern and South-eastern Europe", *The Economic Journal*, June-September

Rosenstein-Rodan, P.N. (1961): "Notes on the Theory of the Big Push", in H.S. Ellis (ed): *Economic Development for Latin America*

Sauer, C., K. Gawande and G. Li (2003): "Big Push Industrialization: Some Empirical Evidence for East Asia and Eastern Europe", *Economics Bulletin,* Vol. 15, No. 9

Sen, Abhijit (1981): *The Agrarian Constraint to Economic Development: The Case of India*, PhD Thesis, Trinity Hall, University of Cambridge.

Sen, A. and J. Ghosh (1993): *Trends in Rural Employment and the Poverty-Employment Linkage*, International Labour Organization, Asian Regional Team for Employment Promotion.

Sen, G., A. Iyer and A. George (2002): *Class, Gender and Health Equity: Lessons from Liberalisation in India*, Harvard Centre for Population and Development Studies, Working Paper Series, Vol.12, No. 3

Shah, Mihir (2005): "First You Push Them In, Then You Throw Them Out", *Economic and Political Weekly*, November 19

Shah, Mihir (1999): "Synthesis of Ecology and Economics: Towards a New Theoretical Paradigm", *Economic and Political Weekly*, November 20

Shah, Mihir (1984): *Capitalist Development and the Transformation of Agrarian Relations in Chingleput District, 1783-1980*, Ph.D. dissertation, Trivandrum: Centre for Development Studies.

Shah, Mihir, D.Banerji, P.S.Vijayshankar and P. Ambasta (1998): *India's Drylands: Tribal Societies and Development through Environmental Regeneration*, Oxford University Press, New Delhi

SIGMA (1998): *European Principles for Administration*. SIGMA Paper 27

Singh, M. (2007): *Inclusive Growth: Challenges for Corporate India*, Speech at Annual General Meeting of the Confederation of Indian Industry

Sundaram, K. and Suresh D. Tendulkar (2003): 'Poverty among Social and Economic Groups in India in 1990s', *Economic and Political Weekly*, December 13

Tendulkar, S.D., K. Sundaram and L.R. Jain (1993): *Poverty in India, 1970-71 to 1988-89*, International Labour Organization, Asian Regional Team for Employment Promotion.

Tobin, J. (1970): 'On Limiting the Domain of Inequality', *Journal of Law and Economics*, Vol. 13, No. 2

UNDP (2005): *Human Development Report 2005*, Oxford University Press, New Delhi

Vijay Shankar, P.S., Rangu Rao, Nivedita Banerji and Mihir Shah (2006): "Government Schedule of Rates: Working Against Rural Labour", *Economic and Political Weekly*, April 29

World Bank (2007): *World Development Indicators 2007*

World Bank (2006): *World Development Report 2006: Equity and Development,* OUP, New

York

World Bank (2005): *World Development Indicators 2005*