Challenge of Good Governance: India in the Post-Economic Reform Period

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I. Introduction

India is not an easy country to govern what with its size and heterogeneity. Politically the Nehruvian days of consensus are not going to return and as many observers of the current scene suggest the days of coalitions are here to stay. Two other features tend to add to the difficulties in governing the country. Political institutions, since 1970, have progressively shown their inability to respond to society’s changing concerns. They have become inefficient and immune to social demands. Political leadership has also given its own push in this direction by undermining them in their eagerness to private profiteering and/or personal domination. This is as much true of governmental institutions as of political parties. The other major change has been political awakening among all sections of society including both prosperous and disadvantaged groups. The result is that people have become more politically aware, more assertive, better organized and more impatient with other social groups and with governments that do not respond adequately to their rising expectations and demands. And it is for these reasons that Manor (1995: 347) argues that "this awakening has made India more difficult to govern at a time when political decay has seriously damaged the instruments of government".

It is for good reason then that the concern for good governance is catching attention of policy makers, political leadership and the people at large. The policies of economic liberalization introduced in 1991 have set the tone of urgency. Good governance is being related to the sustainability of market friendly reforms. While the topic of governance is not new to the development literature, its emphasis within the neo-liberal agenda envisions...
a different kind of thrust. What was a focus on public administration and strengthening of state capabilities alone, it can now be summarized to include: "the use of political authority and exercise of control over a

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The neo-liberal formulations on good governance have tended to build their case on how rulers extract resources and invest them. It is argued that rulers in many states tend to use resources for their own benefit to the detriment of development of their societies. The case of state failure is then based on how monopoly rents are created through the imposition of regulation and control over the economy. Political pressures dominate economic policy making and execution leading to misallocation of resources. Corruption and favouritism surround bureaucratic allocations of investment licenses, import licenses and the award of government contracts. A consequence of this system is that government machinery is increasingly used to serve personal interests. Such a state has been classified as a predatory state and the problem that is posed is how to create conditions that such a state moves on to become a development state in which resources are invested for the good of the society as a whole.

The key to the transformation of a predatory to developmental state is good governance and much of the discussion in the literature is on the identification of the features of development state which can be used for policy prescriptions. The reflections on the possible features of development state have been based not on the discussions concerning state theory and the proper content or definition of states in general, but on the empirical assessment that some East Asian countries are remarkably more successful than other Third World countries. (see Sorenson, 1993) Market led development is emphasized and the role of state is confined to the narrow context of creating or sustaining institutions that help the markets operate effectively. Many scholars have suggested that the state can perform this task successfully when bureaucratic and technocratic elite in charge of policy making are insulated from the pulls and pressures of everyday politics. Among the enabling conditions for this insulation Evans (1989; see also Evans, et.al. 1985) emphasizes Weberian characteristics of internal organization of the state. On the basis of Johnson’s (1982) account of the golden years of MITI in Japan, he argues that Japan’s startling post-war economic growth occurred in the presence of a powerful, talented and
prestige laden economic bureaucracy which also had the capacity to build networks with other social institutions that provided it with information and sufficient flexibility to deal with changing technical and market conditions. He has described this networked insulation of the top bureaucracy as the embedded autonomy of the state and regards it as the key to the success of Japan.

In sharing the thesis that a rationalized bureaucracy with relative insulation from society is a necessary condition for economic and political development, Levi (1988) elaborates the argument a little differently. She argues that among the pre-requisites of a development state are institutional arrangements and property rights that promote productive uses of resources and that minimize social waste. Crucial are efficient government regulations that reduce rent seeking on the one hand and provide incentives for growth, on the other. Of equal importance is compliance of these regulations by the citizens. The regulations enforce an appropriate property rights regime because it leads to assurance that it will be implemented fairly and enforced in a way that creates conditions of cooperation over a long period. But as she further adds, a good bureaucratic design is not a stand alone solution. Its effectiveness requires that it be a part of (what Evans calls embedded) a set of governmental institutions, market institutions and policies that together work to support political and economic development. Other social institutions also matter and an administrative apparatus incompatible with them is a design of ineffectiveness.

Most contributors to the discussion of the characteristics of a developmental state drew inspiration from this state centric model. The question of autonomy—freedom of action of elected and bureaucratic officials—was seen as a primary characteristic. The other was the capacity of state structures that emanated from a rationalized bureaucratic system. While these features were widely accepted, doubts about their actual developmental implications began to be raised on real life experiences. It was posited, for example, that Zaire's elite was strikingly unconstrained by any set of organized social interests and in this sense was relatively autonomous but did not work for societal growth and development. (Evans, 1989: 571) Taiwan began as an oppressive regime but changed to a development state in a short period of time. The puzzle that Sorensan (1993) highlights is why some states enjoying high degree of autonomy do not exploit it in the service of development and why state actors do not choose to promote development in a consistent and efficient manner.
A more significant criticism of the state centric model has to do with the denial of political processes in development. Too much is made out of the developmental impact of bureaucratic and technocratic decision-making while other characteristics of such states are ignored. An important feature that Leftwich (1994) points out is that development states have all been de facto or de jure one party states for much of the past thirty years. The effect has been to concentrate very considerable and unchallenged political power at the top in these states, thus enhancing political stability and continuity in policy. Japan, South Korea, Taiwan or Singapore the leading examples of developmental states are also marked by a strong degree of cultural homogeneity and tendencies towards an authoritarian state. Keeping democratic politics out also means that somehow state is seen as outside society and developmental goals to be emerging out of its own predilections and not those of society—state is perceived as an actor and force independent of social dynamics. In the burgeoning literature on ‘bringing the state back in’, Skocpol (1985 : 20-21) argues that ‘states conceived as organizations claiming control over territories and people, may formulate and pursue goals that are not simply reflective of the demands or interests of social groups, classes or society’. This being so how far can we go to say that state interests different from those of society will always be pro-development? The empirical evidence points to divergent experiences.

Notwithstanding the nature and extent of these contradictions, a major item on the agenda of neo-liberal reform in many countries—democratic or not—is to lay heavy emphasis on strengthening state capabilities. Once again, building technical and professional capacities among bureaucrats is high on the agenda of aid giving agencies.

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The second cluster of characteristics of good governance is related to the issues of participation and democratization. Attention is directed towards strengthening institutions of civil society and the argument is made that the people do not need dole and welfare which makes them grateful to politicians. They need empowerment—financial, legal and institutional. They need institutions which give them power to decide and legal rights to manage their enterprises. For the people dependent on local resources, democracy means participation in managing them.
The emphasis is on creating new institutions or sustaining the existing ones that will serve the interest of participation as well as development. The new literature on institutional economics points to some very important features of institutional failures that cause or prolong under development. North (1990) provides a basis for this understanding when he says that in a small, closed face-to-face peasant community transaction costs are low, but the production costs are high, because specialization and division of labour are severely limited by the extent of the market defined by the personalized exchange process of the small community. In a large scale economy complexities develop as the network of independence widens, the impersonal exchange process gives considerable scope for all kinds of opportunistic behaviour and the costs of transaction can be high. As impersonal exchange becomes more and more complex various kinds of assurances of what is demanded and supplied are required. Attributes of goods and services have to be clearly measured for proper exchange to take place and property rights enforced. All these activities have costs and are provided through institutions. These costs can be lowered if these institutions are effective. In western societies institutions have developed over time which reduce transactional costs and allow for productivity gains through improved technology: these institutions include defined property rights, formal contracts and guarantees, enforcement rules, etc. In the developing countries these institutions are either too weak or too predatory in their demands.

Enforcement of contracts and property rights cannot be taken for granted. It is (and always has been) the critical obstacle to increasing specialization and division of labour (North, 1990: 33). It does not pose any problem when it is in the interest of the other party to live up to agreements. However, this may not be always so. Immense resources are then required to promulgate codes of conduct and create rules that can provide a framework of constraints. These rules can be formal or informal but at the formal level they are concerned with constitutions, statutes or contracts. Bureaucracy as an agent of state is an agent of enforcement of rules and its role is considerably simplified if informal rules are supportive of its actions. Otherwise, transaction costs tend to rise with more resources being diverted towards monitoring and regulating activities. There is now considerable literature on what is called transaction costs and the argument is that these costs need to be reduced for improved economic performance.

A significant focus of this literature has been on the detrimental impact of development on the institutional choices of rural communities.
The diversity of these choices was the bedrock of the "traditional" order. In face of the emergence of worldwide markets the efficacy of local community tended to be destroyed and they seemed to be powerless in putting up with new challenges. These local communities need to be strengthened to at least manage local resources and local affairs. This perception has given rise to two schools of thought: one is focussed on restoring to the local community a degree of control over its own fate and the other is on creating new institutions to handle tasks that emerged as the state showed its inability to handle them or as it receded to give greater space to market transactions (Nicholson, 1988). Finally, local institutions are also given importance for promoting the culture of democracy in a country and much used concept of self-governance is seen as a base of democratic institutions.

Apart from the focus on local level institutions, as referred to above, attention is also directed towards macro-level institutions that establish constitutional order in societies. These are also the institutions that help the market to function effectively. In reality an effective market is one which operates freely but within a structure of norms and legal institutions. Such institutions can be contract enforcing mechanisms and Basu (1992) has shown how market in housing in Delhi does not function well because contract enforcement is weak. Both the landlord and tenant know that law does not either establish or enforce contractual relationships with each other - either in fixing rents or in eviction of tenants. Hence distortions occur as there is no expected and predictable behaviour. Unrealistic rents, unoccupied houses, protracted litigations are the result.

Institutions can be seen as rules and as organizations. As rules, they are consensual arrangements, conventions, and codes of conduct that govern the pattern of individual and collective behaviour. They are norms of behaviour that are enforced through social practice or custom. What is important is that these rules bring order and predictability to human relationships. Institutions as rules are mutually agreed by people as acceptable behaviour. They are accompanied by sanctions-either some sort of reward for carrying out a prescribed action or some sort of punishment for carrying out a proscribed action. Every society develops such social rules that order relationships among individuals and in that sense they are institutions. Rules tend to become institutions overtime. They provide the ordering and predictability of human behaviour. James Coleman (1987) has termed this as social capital that provides the basis of cooperation in every society.
Social capital is viewed as emerging from the collection of norms, beliefs, attitudes and practices that govern relationships between individuals, and groups in a society. Social capital is high when people and groups relate to each other with respect, solidarity, trust and caring. In too many societies it is depleted and or has never been permitted to develop adequately. Suspicion, prejudice, rivalry, greed and hatred reflect low social capital. In his recent writings, Fukuyama (1995) has built on this idea of social capital and suggested that this key cultural characteristic fosters trust in societies and it is societies marked by trust that are industrialized and economically developed. Other societies low on trust quickly fall in the trap of state intervention which is seen as detrimental to development. The argument is that trust can dramatically reduce what economists call transaction costs - costs of registration, enforcement of contracts and the like and make possible certain efficient forms of economic organization that would otherwise be encumbered by extensive rules, contracts, litigation and bureaucracy.

Most of the institutions that help to create social capital evolve informally and over time. But there can be formal rules too created by society at any point of time. As North (1990 : 4) points out, institutions include any form of constraint that human beings devise to shape human interaction. This can range from a formally accepted constitution to conventions and codes of conduct.

But the crucial distinction is between institutions and organizations. Organization can be called a "decision mechanism". It is a device that constrains and guides individual choices. In this sense it is a social arrangement which has a form and function, and for its members meaning and legitimacy. To return to North (1990 : 5), organizations are groups bound by some common purpose to achieve objectives. Modelling organizations is analyzing governance structures, skills, and how learning by doing will determine the organizations success over time. More specifically, institutions as rules provide the basic way that people interact with each other and institutions as organizations focus on the structure in which this interaction takes place. There are formal rules that lay down how people function in an institution or organization. There are also informal rules that govern people's behaviour in an organizational setting. If the formal and the informal rules reinforce each other then organizations become more efficient and effective. When Fukuyama talks of trust or Coleman of the broad category of social capital, they are focusing attention on rules as institutions governing social interaction. The cost of enforcing
Organizational rules rise considerably when social rules contradict or conflict with them.

Organizations exist because there are a set of working rules that define them. These working rules are of two types: (a) those that define an organization vis-a-vis the rest of the world and (b) those that spell out the internal nature of the organization (Bromley, 1989). The working rules are formally enforced by the institution but the costs of enforcement are low if the social rules reinforce them. This means that enforcement is not the only reason that people follow rules. People also follow rules because those in a community share a belief that rules are fair and they perceive that by following them they are pursuing their own interests.

The discussion of rules, institutions, conventories and customs etc. has given a lot of insights on how community organizations can be institutionalized and civil society strengthened. It has also sought to identify the kind of interventions needed to create new institutions or sustain and nurture the existing ones. In these endeavors, the role of government would be that of support rather than of direct intervention. Lot of clarity on these issues has been gained from working on the management of common property resources where both privatization and centralized government control have been found to be unsatisfactory strategies. User organizations are being advocated and these organizations are seen distinct from statutory local government units.

The reason for the preference for user organizations lies in the perspective of theory of public goods. There is a special problem in the use of common property resources. The problem is that degradation of the resources takes place whenever many individuals use scarce resources held in common. This has come to be symbolized by the expression 'tragedy of the commons' in the article by Garrett Hardin (1968) which has become the standard frame for so much of the common property resources management debate (see Blair, 1996). He asks the reader to imagine a pasture "open to all" and examines the structure of this situation from the perspective of a rational herder. Each herder receives a direct benefit from his own animals and suffers delayed costs from the deterioration of the commons when his and others cattle over graze. Each herder is motivated to add more and more animals and bears only a share of the costs resulting from over-grazing. Herein lies the tragedy - each herder increases his herd, gains but all herdres lose out when the pasture is in ruin. The well known Prisoner's Dilemma is a formalization of this into a game model. The difficulty of getting
individuals to cooperate and pursue joint welfare is elaborated by Olson (1965) whose argument rests on the premise that one who cannot be excluded from the benefits of a collective good once the good is produced has little incentive to contribute voluntarily to the provision of that good. He will choose to free ride and if all choose to be free riders then that collective good will not be produced.

Keeping these issues in background Ostrom (1991) raises the central issue of governance which is how best to manage natural resources held in common and used by many individuals. Or how to reduce free rider problem in the production and provisions of a public good. Government and bureaucratic intervention leads to heavy costs in controlling free rider problems, and privatization apart from destroying the nature of the good itself also carries similar costs. In any case both may not be able to resolve the problem of degradation. But these two alternatives taken in the extreme tend to dominate the thinking of most policy makers and academics. She argues for another alternative that is small enough to create rules of use and consumption and those of monitoring and enforcing them. She illustrates the need to search for new institutional alternatives by giving example of forest management in developing countries where the disastrous effect of nationalizing forests formerly owned by village communities has been well documented.

In the contemporary usage, the meaning of good governance seems to include two concepts. The first is that of improving state capabilities and creating conditions for its relative insulation from day to day political demands. The second is concerned with decentralization which allows for community institutions and organizations to function in a way that provides for greater participation and democratization in society. Strong state albeit with limited scope for effective bureaucracy rising above short term interests and institutional pluralism in a decentralized mode appears to be the broad vision of good governance.

IV

In the post independence period, India sought to shape a state that reflected both the concerns of good governance as being articulated in the current literature. First an effort was made to give a certain amount of autonomy to economic decision making by establishing a prestige laden Planning Commission. The problem of development was largely seen as a problem of correct policy formulation and design. This meant that the
issues that dominated the discussion were prioritization of investment allocations, trade and industrial strategy etc. The Nehru-Mahalanobis strategy that became the hallmark of the fifties and sixties assumed a ‘developmental’ state. The successive five year plans took it for granted that the rationale of the plans would be accepted and people will behave accordingly. If difficulties arose, they were seen as difficulties of implementation. The development policy was seen to be designed as technocratically correct and failures were seen as those of social and political constraints on implementation. Even in 1991, it was being written that ‘the primary failure in several developing countries, including India, has been in implementation........’ (Jalan, 1991 : 87).

This argument was carried further when Myrdal, tried to explain the feeble development record of Indian state by drawing a distinction between a 'soft' and 'strong' state. He argued that if Indian poverty was to be overcome what was needed was a strong state which could divest itself of the influence of special interests and enforce social discipline. (Myrdal, 1970).

The potential of being a "strong state" was seen in terms of the states' dominance in the economic sphere and "its ideological advantage as the presumed defender of collective interest and socialist purposes and as the enemy of private and partial gains". (Rudolph and Rudolph, 1987 : 13). Elaborating the notion of the state as a powerful "third actor" apart from capital and labour, the Rudolphs point out that the Indian state has sought over the decades of sixties and seventies to insulate itself from the exigent pressures of a mobilized society and suggest that the Nehruvian state of the 1950s provided a credible if partial embodiment of relative autonomy. Failure to effect structural changes in the Indian economy by such a state have, however, been well documented. This has been described as the fundamental paradox of the Indian political economy: the commitment to radical social change and yet an equal determination to avoid a direct attack on the existing structures (Francine Frankel, 1978 : 3-78).

The paradox does not remain a paradox when state is seen as, completely subordinated to the pressures and pulls of various groups in society. Providing this dimension to the argument, Bardhan (1984) much later analysing the reasons of lack of investment in long term growth suggested that politicians preside over a dominant coalition with three main elements: the industrial bourgeoisie, the rich farmers and the bureaucracy. Each get a share of benefits of the development policies and the state is not capable to rise above their interests and work for development of society as
a whole. A plethora of subsidies and the syndrome of ‘strong on regulatory law and weak on enforcement’ is the result.

V

The capacity of the Indian state was further circumscribed by the nature and role of its bureaucracy. In the initial years of planned development much reliance was placed on the Indian bureaucracy to provide the necessary capability to the Indian state to work above the sectarian interests. The civil service was a legacy of the British and the British civil servants under the Raj had not only represented state interests but had been governed directly with a distant king emperor and a resident Viceroy who was hardly a political master. Exercising power in the best interests of the state, they were seen as relatively autonomous of the local interests. The doctrine of neutrality and impartiality was seen as their predominant behavioural trait and it was assumed that their successors moulded in the same tradition would withstand the parochial pressures on the state. As Nehru’s coauthors and implementors, civil servants were the vanguard of the lobby for an industrial strategy collaborating in the creation of basic and heavy industry under the second and third five year plans. The national orientation and professional ethos, however, soon lost their gloss. Public sector undertakings could not be managed efficiently and profitably and civil servants enabled politicians to appropriate administration to partisan and personal ends.

While Indian bureaucracy is cited to have the Weberian characteristics it is not marked for creating a state with the autonomy to pursue developmental interests. The question is whether in a society which is extremely heterogeneous and conflict ridden and where the democratic process leads to political coalitions described by Bardhan (1984) and which are developmental upto a certain point of time, such insulation of policy making elites but networking with other economic and social institutions is possible. As Bardhan (undated) points out, in the Indian context of a plurality of contending heterogeneous groups, a close liaison and harmonizing of the interests of the state with private business would raise an outcry of foul play and strong political resentment among other interest groups (particularly among organized labour and farmers) which, unlike the East Asian politicians, the Indian politicians cannot ignore. The tightly integrated relationship of government with private business, which is the embedded autonomy, that Evans talks of, is very difficult to envisage in the
Indian case. There may be certain spheres of state action where this may be possible but these demand empirical investigation.

The Indian design of state intervention was usually engulfed by the characteristics of the larger administrative system and some successes in innovative institutional experiments occurred only because they could move away from its stifling stranglehold. As mentioned above, at the dawn of independence, India was among the very few countries of the Third World that had a strong and effective bureaucratic machinery in place. As a matter of fact the strength and coherence of its civil service was so striking that it was known as a steel frame. The Indian Administrative Service (I.A.S.) was moulded as a monolithic instrument and an image of elitism was deliberately built in to provide a sense of separation from the common society. This was supported by constant movement of officials from one position to another, and a few people, whirled about by rapid transfers, were pulled up by automatic promotions into higher and higher positions exclusively reserved for them at all levels of government. On the way they commanded handsome salaries and social status forever denied to others (Potter, 1986).

The District Collector was head of the district and all other local offices were subservient to him. A direct line of command was established with Central/State authorities and the district officer was recognized as the kingpin of the system. Vesting so much power in a single individual also meant that higher levels of government came to depend on him for all information and advice in matters of his local area. In the social context, he could also be above the local politics because of the prestige and status that came to him in government hierarchy.

After independence, the same structure of civil service and district administration was maintained. Faith in the independence of the civil service was so great that no new organization or institutional design could be put on the ground which did not have the involvement of the civil service or the district collector. This all pervasive influence was felt in institutions that were sought to be given autonomy but were gradually pushed into becoming semi-autonomous and then operationally came under the purview of politicians and civil servants in "public interest", Public sector manufacturing or service units were among the initial victims and as the state expanded its role institutions in education or health or rural development followed suite.

The efforts at decentralization suffered this malaise and the ineffectiveness of Panchayati Raj institutions is well documented (see Narain,
The three levels of Panchayats from the District downwards had close association of the local administrators as formal functionaries and government reports have indicated how this association led to obstacles to democratization as well as decentralization. Bureaucrats were hesitant to part with power and colluded with ruling local groups in taking decisions with little participation. In any case, Panchayats were seen in a functional perspective - institutions to implement national development plans (For an elaboration of this argument see Mathur, 1996). When such an effort failed, the central government in its concern to implement certain development programmes by passed these democratic institutions and created their own bureaucratic agencies like District Rural Development Agencies (DRDAs) to implement poverty alleviation programmes. The significance of these institutions under the umbrella of the district administration was highlighted by the way the then Prime Minister Rajiv Gandhi went about to learn about the responsiveness of local administration to local needs. In an effort to discuss problems of district planning and Panchayati Raj, the Prime Minister met district collectors in capitals of several states. In these meetings, he repeatedly emphasized the primacy of the district collector in the district administrative system and as the embodiment of government at local level.

The recent 73rd and 74th amendments of the Constitution seek to advance the concept of local self governance by providing for regular elections, little possibility of superseding PR bodies by administrative fiat and assuring regular finances through statutory distribution by the decisions of State Finance Commission etc. Together with economic liberalization this constitutional amendment for Panchayati Raj has been hailed as a major initiative to change the character of governance in the country. In a Foreword to a recent publication (Banerjee and Chandrashekharan, 1996) Chidambaran, then Minister in Rao Government that initiated economic liberalization in 1991, has boldly stated that in taking these two initiatives, Government of India has virtually forced a re-examination of the issues relating to governance. However, the question remains whether the constitutional amendment by itself can create self-governing institutions. It must be remembered that police functions and enforcement of rules have been kept outside the purview of the panchayat institutions. States have also been reluctant to share power with local levels and similar is the story of relations between the centre and the states. The overarching administrative system has not loosened its grip too.
Designing ineffective instruments for development is further reflected in the role of state in regulating and promoting cooperative societies. Meant to be self-governing institutions where people came together to fulfil their economic needs, they have served the ambitions of local politicians and bureaucrats. The legal framework in the Cooperative Societies Act stalled the growth of a movement and the Registrar of Cooperative Societies became the instrument of perpetuating the hegemony of government and bureaucracy over the cooperatives. In a review of the government’s role, Shah (1996) argues that rather than protecting cooperatives from petty, sectional interests, in numerous instances the law has been unabashedly used by politicians and petty bureaucrats to stifle their growth by superseding their boards, and suspending elections to their boards for decades. In a more strident indictment of the role of bureaucracy, Jain & Coelho (1996) demand the abolition of the cooperative department itself to nurture the co-operative movement in the country.

If little thought was given to structure state intervention to support Panchayats or cooperative institutions, even less effort was made to see that government's own innovative organizations in the rural development sector are embedded in a supportive environment. These institutions like Small Farmers Development Agency established in 1970 and later transformed into District Rural Development Agency in 1979 were established with the aim of keeping them outside the normal bureaucratic framework so that the implementation of poverty alleviation programmes would be more effective. The government documents provided their rationale through the use of such phrases that would have one to believe that the government is ardently committed to decentralization, semi-autonomous local organizations, local level planning locally prioritized schemes of assistance to remove poverty.

What happened? Effective decentralization did not take place, local accountability of these programmes was absent and the government stifled the operating agencies through its operating administrative policies. (see for elaboration Mathur, 1995). And these weaknesses were pointed out not by academic researchers alone but by the committees appointed by the government itself. But little was done. Urge for change and to help the local communities in creating opportunities remained more in government documents than what was felt on the ground. This gives strength to the view that in India there is greater effort to give an appearance of an innovative state than any devotion to development. When the institutions fail to perform, the blame is laid at the door of the rural society. Apparently formal establishment of an institution demonstrates commitment to
development and the failure in its performance demonstrates weaknesses in society—illiteracy, backwardness, social conflicts etc.

Clearly state intervention was not designed in a way that development organizations could grow. The systems of economic planning and those of mobilizing financial resources tended to reinforce central tendencies of the entrenched administrative systems. In a situation where a strong bureaucracy had sought to curb local initiative in order to gain social power and create a strong control and command systems, the vastly expanded state intervention merely entangled the individuals into increased socio-economic obligation toward the state. A kind of dependency syndrome held back the individuals and the communities from taking social and economic initiatives, wherever such initiatives received state support or left relatively alone like those exemplified in dairy cooperatives in Gujarat or sugar Cooperatives in Maharashtra, they have shown success. It must also be emphasized that without the Constitutional Amendment, state support in West Bengal has led to rejuvenation of their panchayat systems.

The perception that the state has the capability to provide supportive environment to sustain and nurture local institutions does not emerge only from the experiences of cooperatives in Gujarat and Maharashtra mentioned above. Innovative institutions are also coming up in common property resources management with or without active state involvement. Evidence is being documented in diverse fields as irrigation or forestry to show that when user groups are allowed to manage common property resources it is possible for them to exclude free-riders, monitor behaviour of their members and enforce rules to maintain the resources. (Ostrom, 1991; Poffenberger & McGean, ed. 1996; Chambers et.al., 1989). In an effort to reduce the conflict between state agencies and rural groups, joint Forest Management Committees are also being facilitated to emerge to respond to national needs and local resource requirements. The national guideline to support such committees envisages peoples’ involvement in development and protection of forests. It states that one of the essentials of forest management is that the forest communities "should be motivated to identify themselves with the development and protection of forests from which they derive benefits". West Bengal government has taken lead in the matter and has formulated an official programme providing legitimacy to this grass-roots resource management. Encouraged by the extensive and generally successful experiences with JFM in West Bengal government, NGOs are making efforts to spread the experiment elsewhere in the country. Through increasing dialogue with participating communities, non-governmental organizations
and governmental agencies new ideas are emerging and local groups are being encouraged to work for themselves and in the process help develop and manage local resources. These are hopeful signs and greater support must be elicited from voluntary groups to accelerate the process.

VI

Some issues need to be highlighted at the end. The notion of good governance within the neo-liberal agenda leans heavily on the idea of state capability through relative autonomy emerging from insulation from day to day politics. Such a view of the state has been questioned conceptually and it has been suggested that good governance can only be the product of political contestation and negotiation within a society (Jayal, 1996). Capacity of a state to deliver good governance is not necessarily incompatible with democracy. To a great extent this capacity depends on political agreement on what development is all about. The ‘success’ of early years of planning can be attributed to some extent to the consensus that had emerged during the nationalist struggle about the role of state in development and it was possible to see the state as a powerful "third actor". The recent introduction of policies of economic liberalization has also taken place according to some because of the assertion of the state. For, how does one explain the fact that these policies were initiated by a minority government and crafted by a Finance Minister who did not have a political base. Kohli (1990) argued that Rajiv Gandhi who commanded an extraordinary majority in Lok Sabha had to abandon his liberalization programme (in spite of his personal commitment) because he found it impossible to maintain sufficient autonomy from powerful interests to push forward his reforms. But Narsimha Rao demonstrated an unwavering determination to sustain his efforts because of his capacity to insulate his commitment from these interests. This may not completely be a straightforward case of relative autonomy. One view is as Manor (1995) argues that limited and cautious reforms were introduced precisely because Rao did not have the capacity to face various powerful groups who were not touched adversely at all whether in reference to subsidies or taxes. Another view is that the reforms were really crisis driven and did not have any strategy behind them (Bhaduri and Nayyar, 1996). The reforms are faltering now because the sense of crisis is gone and the powerful interests are raising their heads and blocking any unwelcome change.
When so much has been written about Indian bureaucracy little more can be said about it. But one needs to point out that when reform is in the air, precious little has been done to change or reform it. As a matter of fact there seems little evidence that the expanding government activity has been curtailed (Ramachandran, 1996). In the financial year 1991-92, the salaries, including allowances and travel expenses of the central government employees stood at about Rs. 8000 cr. But in the year 1994-95 the figure rose to Rs. 16,221.59 cr. The finance ministry has estimated that this figure will further rise to Rs. 17,262.71 cr. in 1995-96. (Time of India, November 15. 1996).

In order to deepen democracy and create countervailing institutions that can strengthen civil society and counter bureaucratic influence as well, institutional pluralism needs to be promoted. We need to search for institutional alternatives and accept the idea that an array of diverse institutional arrangements are possible to take advantage of available opportunities. Cooperatives, joint committees between users and government, user associations are examples that provide opportunities for improved collective decision making. We must build upon the common understanding and the shared experience of people in their particular circumstances. These may require changes in legal and contractual arrangements, explicit codification of rights as well as attendant obligations and these tasks should be high on the agenda of improving governance.
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