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**EMERGING NORMS IN ECONOMIC GOVERNANCE:
AN EXAMINATION OF AUTHORITY STRUCTURES AND THE GROWING
IMPORTANCE OF NEW FORMS OF GOVERNANCE IN LIBERALIZED INDIA**

by

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ABSTRACT OF THE DISSERTATION

Emerging Norms in Economic Governance: An Examination of Authority Structures and the Growing Importance of New Forms of Governance in Liberalized India

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The characteristic changes we see in economic governance today could not have been predicted by structural theories. We know this, of course, through an examination of postinternational theory and the comparative perspectives on micro and macro-economic actors animated in this study. At the beginning of India's 1991 economic liberalization reforms, with actually similar structural circumstances across states, we can see both upheavals within the national system and a commotion which begins to vary state economic governance as well as create a transformation marked by a bifurcation in which the state-centric system now coexists with an equally powerful, though more decentralized, multi-centric system. There are good reasons to think that structural circumstances catalyzed these internal changes, but it is not at all clear that the nature of the changes was predictable from structural conditions alone.

This thesis focuses on governance, which is changing because of the impact of nonstate actors on the economic structure of at least three Indian states – Punjab, Orissa and West Bengal. The study demonstrates than the emergence of varying authority structures and

the normative changes accompanied by economic liberalization reforms, cuts across state institutions, sometimes bending them to the wills of the contenders for power. Nonstate actors do not simply respond to and resolve or manage crises arising from within the state environment, but are, through their varied actions, one of the principal agencies directly and indirectly responsible for the liberalized structure. Nonstate actors, in this milieu, contribute to more balanced growth by removing structural impediments to domestic demand, for example.

In addition, I want to propose that economic liberalization has been leading in India not to centralization but to differential economic advantages regionally, and loss of some national economic controls in parts of the country. It has produced a systematic authority predicament, which arises from the goals associated with a wide range of systemic measures designed to facilitate macroeconomic policies.

*Now faith is being sure of what we hope for and certain of what we do not see. This is
what the ancients were commended for.*

(The Book of Hebrews)

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This dissertation is the culmination of intense work over the last five years. I have written, presented papers and lectured about economic governance even before my ideas took final shape. This work is the full-bodied development of my ideas and vision concerning nonstate actors over many years of travel, academic reflection and policy experience. I have propagated these views in my work with Doctors On Call, an international surgical outreach and non-governmental organization, where the board now seem to lean more toward the view that nonstate actors are indeed a permanent part of the solution, and that we do need institutional changes and support mechanisms to smooth out occasional rough edges in the economy.

I looked in many directions for assistance with this project, and in so doing, developed a number of debts in writing this dissertation. Chief among them is the American Institute of Indian Studies (AIIS), where Ralph Nichols, Elise Auerbach, Purnima Mehta, and Mini Rajl Kumar have provided excellent support. Kurt Schock, who chaired my dissertation committee, has been a source of inspiration, and I am greatly indebted to him indeed. I have also profited from the ideas and searching comments of Yale H. Ferguson, Gabriela Kütting, Leela Fernandes, Atul Kohli, Ashok Acharya, Satya Mishra, A. R. Nanda, Almas Ali, Subrat Mohanty, Aswini Nanda, Ashutosh Kumar, Banikanta Mishra, Manabi Majumdar, Opal J. Walters, Tashima Heath, Belinda Macias, Sonam Tashi, Naaborle Sackeyfio, George S. Kokkinos, Mary Kopczynski, Portia Dinōso, and many others.

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List of Abbreviations

ASEAN	Association of South-East Asian Nations
BJP	Bharatiya Janata Party
CPM	Communist Party of India, Marxist
CRRID	Center for Research in Rural & Industrial Development
CSSM	Child Survival and Safe Motherhood
DFID	Department for International Development
DV	Dependent Variable
GDP	Gross Domestic Product
GNP	Gross National Product
ICPD	International Conference on Population and Development
ICSSR	Indian Council of Social Science Research
ID	International Development Association
IIPS	International Institute of Population Sciences
IMF	International Monetary Fund
IMR	Infant Mortality Rate
IR	International Relations
IV	Independent Variable
JICA	The Japan International Cooperation Agency
MCH	Maternal Child Health
MNC	Multinational Corporations
NFHS	National Family Health Survey

NGO	Non-governmental Organization
NHP	National Health Policy
NPP	National Population Policy
NRHM	National Rural Health Mission
NSS	National Sample Survey
OBC	Other Backward Castes
OECD	Organization for Economic Cooperation and Development
PFI	Population Foundation of India
PHC	Primary Health Centers
Rs	Indian Rupee
SOSVA	Society for Service to Voluntary Agencies
SRS	Sample Registration System
ST	Scheduled Tribes
ULBs	Urban Local Bodies
UNICEF	United Nations Children's Fund
VHA	Volunteer Health Associations
WB	World Bank
WB	West Bengal
WHO	World Health Organization
ZSS	Zilla Swasthya Samiti

Chapter 1: Introductory Chapter

Introduction

One of the most pressing critiques that have been made of all or some parts of the international relations discourse is that states may possess the capacity to exert political authority over other states, but the acquiescence of nonstate actors to a multi-centric economic system of governance creates a political and economic order which changes the roles and responsibilities of actors, particularly within liberalized countries. There is considerable merit in this critique. Nonstate actors have not erased the struggle between states that either want to keep what power they have or seek to attain economic power, in the realist sense. However, competitive contests between actors within liberalized states, not only for power over each other, but for direct control of key economic sectors with national political advantages, is a scenario which highlights the potential of nonstate actors to not just shift the economic position of states but encourage practicable changes to the governance of, and current international position of countries. Nonstate actors, like states, have an interest in power politics, but the large capital flows that necessarily accompany them, have sharpened their interests, and emboldened their capacity to shift the economic policy foundation over the long haul.

It is therefore time to reconsider the international role of nonstate actors. Nonstate actors have become the dominant economic currency for liberalized states for a simple reason: developing countries have had no serious alternative. India fell into this relationship in 1991, and mainly by economic default, as political instability and

macroeconomic performance problems ballooned into a crisis of confidence and eroded the long-term economic outlook of the country.¹ Since then, no other currency has rested on an economy anywhere near the size of India's or been backed by nonstate actors that were at all comparable. India's commitment to the reform strategies of nonstate actors and its adherence to the rules of economic development have further added appeal. In 2002, for example, the Government of India denationalized health, abolishing the National Health Policy (hereafter NHP) of 1983, and transferring national public governance to the shared responsibility of the central and state governments. Under the constitutional structure of India, public health is the responsibility of the states. The central government sets the agenda. The National Health Policy of 2002 (NHP-2002) established a new governance structure through which the principal contribution for the funding of public health is from resources of the states, with supplementary input from central government.² Given the extremely difficult financial position of the state governments, nonstate actors³ have had to play a key role in augmenting public health investments. This organizational structure has come with the expressed recognition that decision-making about health projects require the involvement of nonstate actors at the highest levels.⁴ The current policy abolishes the system of centralized planning and avoids any mention of national governance. Instead, the policy follows the federal government's guiding economic reform principle of 'decentralized' planning, which advocates a focus on practical measures to enable need-based allocation of public sector resources.

Given this reality, this study referring to the new forms of governance emerging in response to decentralized planning, and in at least three Indian states - Punjab, Orissa and West Bengal, aims to assess the impact of nonstate actors on the behavior of sovereign liberalized states. NHP-2002 followed liberalization, and though the reforms in Punjab, Orissa and West Bengal have not necessarily diminished the importance of state action in health, the reforms have necessarily involved a major reorientation of the role of nonstate actors in its governance. The states have withdrawn its role of being a controller and licensor of private enterprises in areas where market competition and nonstate actors will appropriate investments. These particular transformations inside the state are partial and incipient, but strategic. As Saskia Sassen and colleagues have shown in their researches, such transformations can weaken or alter the organizational architecture for the implementation of international law insofar as the latter depends on the institutional apparatus of national states. Further, nonstate actors have also created the conditions whereby some parts of national states actually gain relative power, because of that participation in the development of liberalization.⁵ In abandoning the vocabulary of the protectorates, pressing problems gained new attention through liberalized economic policy, and instead of being a pervasive controller of private sector activity, and a direct producer in public sector enterprises, the state development strategy has been oriented towards enabling broad based and varied nonstate actor initiatives. Extension of resources to the mass is an urgent priority, not only because it is a desirable social end in itself, but also because it is a precondition for achieving social development and economic growth.

The relationship between nonstate actors in liberalized economies and the form of governance emerging on the other hand is a pertinent concern in this milieu, where varying authorities create overall regional differences in structural arrangements. In such a system, nonstate actors, defined here as actors on the national and international level that are not states, can govern varied sectors across states, and actively encourage such a development as part of its effort to recalibrate its own international economic position. Their value is influenced by the “strong economy” mantra which emphasizes financial, rather than political considerations. This includes the governing adjustments created by such nonstate actors as non-governmental organizations (NGO), multi-national corporations (MNC), media agencies, small businesses, religious groups, illicit organizations, academic institutions, and international organizations as well as individuals. International relations scholars almost universally theorize nonstate actors outside the political arena, arguing instead that its “governing capability complements but does not replace the state system.”⁶ This is not an accurate description however, as nonstate actors are very much inside the political arena. Nonstate actors, in their interactions with the legal system and the state have had profound implications on women’s political and social mobilization in Bangladesh, for example.⁷ Even more pointedly perhaps, nonstate actors have generally broadened aspects of the political process in which governance plays a key role by facilitating, if not overtly consolidating interests and the concentration of power. This type of social development is not new, but exists in part, because local government officials lack the analytic tool necessary to understand authority structures and its consequences for politics and policy.⁸ Properly understood, the power and influence of state versus nonstate actors refines the argument

by drawing a distinction between government and governance. The formal economic arrangements made by government during the reforms and the mechanisms used for implementation is an example of such distinction. This study is about how nonstate actors vary the governing structure of liberalized states, particularly in its relationship with the international political economy. This study will not focus on the need for a formal recognition of nonstate actors, although this may be an important part of any strategy to ensure authority structures are properly maintained. The argument focuses on fresh concerns about the increased inflow of nonstate actors in the economic governance arena, and after major policy change. It is concerned with authorities created within the politico-economic system after the reforms, and not only how government implements formal strategies. The question becomes one of understanding the role of nonstate actors in liberalized state environments. The central argument is that nonstate actors govern aspects of the political economy as their authority legitimate structures, which affect strategies embedded in the international political economy.

In addition to the perspectives already mentioned, chapter one presents the analytical structure of this study, beginning with a conception of governance as variations in authority exerted by a dominant actor over a subordinate party, and I identify historically salient forms of political and economic governance. The focus developed in this chapter adds yet another dimension to this growing and diverse scholarship by emphasizing that nonstate actor participation is not only denationalizing particular components of state economic authority,⁹ but is also producing new forms of governance, which remain inside the sovereign nation-state. Operationalization of this

concept is tentative, but postinternational theory is used to map aspects of political and economic governance in ways that appear valid. The postinternational argument accepts the presence of new and emerging structures and processes, as well as the shifting orientations that are transforming authority relations among actors on the world stage.¹⁰

As a theoretical approach to understanding the social space of nonstate actors, I focus attention on the historical links between micro and macro actors in the governing structure of the political economy, and the conditions whereby authority is created, legitimacy sustained and compliance achieved in the international sphere.¹¹ This section advocates for formal domestic economic policies to reflect the norms that develop in the interaction of different actors, customs and systems of governing states over time.

Second, I develop an alternative conception of governance, where nonstate actors can be recognized and legitimized for liberalizing aspects of the economy, while the political integrity of states are maintained. International relations maintain a formal-legal conception, which excludes, by definition, the possibility of nonstate actor governance.

The argument developed here draws on the growing body of work on governance in civil society which is hidden by the formal-legal framework, but which makes the case for formally recognizing the authority and resources of nonstate actors in managing society's problems and affairs.¹² Third, this chapter looks at the significance of the subject matter, arguing in practical terms that the governance mechanisms of nonstate actors are a measure that can guide liberalized economies and improve international economic relations. This argument will be weighed against traditional statist assumptions and side-by-side evidence of a study by nine leading international relations scholars,¹³ who identified nonstate actors as one of the key indicators for cooperation and collective

benefits in world politics. Perhaps even more important for a discipline that has long been rooted in the premise that governance is bounded by the prerogatives of sovereign powers, this chapter advances the proposition that what is needed “is not a return to a narrow realism but rather a realistic Wilsonianism that recognizes the importance to world order of what goes on inside states.”¹⁴

Each of the chapters that follow explores an important aspect of the political economy, norms, and governance in the context of the foregoing considerations and mindful of the opportunities for insight offered by the characteristics of liberalization in India. In chapter two, the research design explicates an alternative framework for assessing normative changes in economic governance. Because questions about nonstate actor influence over the governance of domestic economies are difficult to assess in any system, and data on political relations between center and periphery are hard to find in India, the research design cuts across disciplines, and mixes quantitative and qualitative analysis. Evidence is drawn from a governance assessment survey on health, a crucial sector of any economy seeking self-sustaining growth. The survey results, central to my argument, help identify the varying degrees to which nonstate actors are embedded in the formal economic setting of states. The specific issues addressed by nonstate actors, and concerns generally perceived as important in the governance of the political economy, are discussed. In augmenting core public sector investments after liberalization, an assessment is made on how authority structures are formed and why nonstate actors govern. The varying roles of nonstate actors therefore become important elements in the explanation of economic policy choices, even if nonstate actors are motivated purely by

self-interest. On this trajectory, nonstate actors become important as states are forced to acknowledge what they represent and the normative principles they hold for liberalized states. In this frame of analysis, a potentially rich debate is consigned to the effects embodied to nonstate actors in liberalized states.

The points at which nonstate actors govern is formulated and carried forward with three hypotheses that is central to the research design of this study. First, if an authority structure has resources to operate, then they can build legitimate consensus; second, if an authority structure reflects local and regional characteristics, then they will manage issue areas more effectively; third, if society is open, then an authority structure will have positive impact on local prosperity and quality of life. For each of the chapters, the evidence assesses, insofar as possible, the validity of the hypotheses in relation to the assertion established, that nonstate actors govern.

Chapter three, literature review, provides new support for the theoretical proposition that the nationalist system of state governance that has conditioned the structure and functioning of the international political economy since the seventeenth century is no more.¹⁵ Although the principle of sovereignty assumes that authority within states possesses a single apex terminating in the sovereign, recent research demonstrates that in practice, there can be multiple apexes in authority over any society, some of which culminate outside of the territorial realm.¹⁶ Stephen Krasner observes, “Before and after Westphalia the notion of sovereignty has been, in one way or another, up for grabs...new problems have generated new institutional solutions.”¹⁷ Even though a far more fluid

concept than that envisioned by international law, nonstate actors have had a considerable impact on the behavior of sovereign liberalized states by virtue of its embodiment in the political economy and of its functional utility.¹⁸

Nonstate actors are enmeshed in a network of collaborative domestic and international arrangements however liberalization has further cast the political economy in a very different mold from the one that existed centuries ago. Whether we are discussing conceptions of formal-legal authority, structural patterns of dominance or the resultant behavior or processes inherent to the system, nonstate actors signify anxieties about the adequacy and capacity of state-centric institutions, practices, and ideologies in the face of challenges.¹⁹ In addition, they represent a structure, which expresses convergent interests, made by a variety of actors, to confirm or challenge a particular pattern of economic governance. Building on this research, a postinternational approach to understanding liberalization opens the possibility of economic governance by actors that do not take the form of traditional Westphalian states.

In chapter four, postinternational theory is used to explicate the theoretical underpinnings of the study. This chapter examines why the authority of actors in liberalized India is less comprehensive and the boundaries between them less clear-cut.²⁰ Attention is also given to the legal precedents and procedures of nonstate actors with shared values and cultural similarities in a postinternational world. Chapter five investigates the move toward liberalization within India, and provides a functional analysis of the role of nonstate actors in state economic policy and international foreign

policy as well. The challenges described earlier become crucial in determining the economic governing arrangements in liberalized India. The argument is that a reform strategy based on decentralized planning neither could not have emerged in the mid-1980s nor would it have been likely in 1991 without nonstate actors. Because states had, and continue to have divergent preferences over the potential paths to liberalization, nonstate actors facilitate a form of governance unique for the realization of regional economic gains.

In chapter six, study results, the findings support a larger claim that the role of nonstate actors by necessity legitimate aspects of the political economy, as their authority legitimate structures, which affect strategies embedded in the international political economy. The argument here is that nonstate actor participation is not only denationalizing particular components of state economic authority, but is also producing new forms of governance inside the sovereign nation state. In the theoretical and methodological framework developed, this chapter explores evidence that the economic liberalization reforms not only shifted political and economic governance, but also transformed the overall orientation of domestic authority relations within states. Traditional statist assumptions often give intrinsic importance to the consideration that economic policies are the instruments of a political policy, which serves to increase the power of the nation pursuing them with regard to other nations.²¹ Adoption of such a view, however, forecloses the possibility of evaluating the hypotheses that nonstate actors govern against the argument that internal wranglings weaken the nation in its international position to such an extent as to outweigh the political advantages to be

expected.²² Statists who assert that economic structures cannot be evaluated apart from the view of their contribution to national power set aside postinternational arguments without subjecting them to serious empirical evaluation.

This chapter undertakes an empirical reconceptualization of how and why long-standing structures of authority have weakened, national loyalties redirected, and subgroups have become more powerful in Punjab, Orissa and West Bengal. The survey examines the validity of the hypotheses by assessing six dimensions of governance and checking for spurious correlations, asking questions about perceptions in the legitimacy and voice, accountability and fairness and direction and performance of nonstate actors in one sector of the economy, and after reforms.

Chapter seven, implication of the study, identifies key areas for which the nation-state must take some responsibility to ensure a space is carved out for nonstate actors - namely processes for recognizing authority structures, mechanisms for resolving disputes within states, and adequate control of nonstate actors. Each such perspective rests on the hypotheses, which serves both to explain and justify the subtle shift in governance. That economic liberalization and nonstate actors are locked in a relation of mutual dependence is, in fact, one of the central notions underlying postinternational analysis of the fundamental characteristics of economic change underway. From a statist point of view, it is both unimportant and impossible to entangle these elements. From the standpoint of the findings in this study, however, the connection is a central explanatory issue altering the context in which processes unfold in a multi-centric system. The implications of this

study give states greater incentives to make their policies more consistent with one another and with prevailing norms, so that they can be more successfully defended in the economic arena.

In conclusion, chapter eight then summarizes what we really know about the functional utility of nonstate actors in newly liberalized economies: it pays to play. The root of India's challenges ahead is domestic. As soon as the floodgates of liberalization permitted nonstate actors, states should have included a meaningful policy framework for addressing the structural problems at the heart of India's perilous financial outlook in 1990. There at least the type of reform that falls under the 'implement now and decide later' strategies would have contained the cumulative effect of nonstate actors on the political structure and reduced the likelihood of overall regional shifts in governance across states. Any serious efforts to rein in nonstate actors' effects now will pose an economic challenge to states, including Punjab, Orissa and West Bengal – three distinct economic regions of India. These states have relied on the likes of World Bank, Ranbaxy Inc., Pfizer Inc., and Population Foundation of India among other private and public sector actors in order to generate much of their economic growth, and India could potentially suffer if it now alters the formula. The only healthy way to maintain a sustainable relationship with nonstate actors is to identify the range of mechanism available in states, and gradually realign measures to reflect the specific policy approach underlying the objective of the economic cycle of the Planning Commissions Five-year plans. India has not advanced specific proposals on this issue regionally or nationally. Whatever the specific policy approaches however, it must add a framework which resets

the notion of authority, maintains its own international position and enables regions to achieve sustainable incentives in a balanced multi-centric economic system.

Dimensions of Governance in India

The growing interest in nonstate actors as mechanisms for solving problems of governance has redefined a number of old theories and concepts in the international relations discourse. On the one hand, the state system continues to be the prime organizer of the political economy, predominantly composed of sovereign states authorized to address and cope with change. On the other hand, the structure of the state system is shifting as the power and influence of micro components strengthen to transform domestic authority relations. Variations in the form of governance depend on the powers state or nonstate actors have both internally and internationally.²³ A crucial part of this argument however, is that the state can be seen as incorporating the global project of its own shrinking role in regulating economic transactions and giving nonstate actors operational effectiveness and legitimacy.²⁴ What distinguishes governance and authority is not the conclusiveness of the decisions rendered, but rather the relationship between those who have the authority and those who comply with it. The analysis presented in this section constitutes a multidisciplinary engagement with two profoundly important areas of study, the texture of governance, and its reach into India in the era of economic reforms. This contribution, drawing examples from early political traditions, aims to explain the relationship between state and nonstate systems, as well as the dimensions of governance in India.

The aspiration for authority being the distinguishing element of politics is of necessity related to the structure.²⁵ Since the emergence of the state system, ever-larger groups have been persuaded that the struggle for authority is merely a way of maintaining that the structure and the political and economic activities appropriate to it are changed.²⁶ That the notion of authority assumes considerable importance in India however, is in part a reflection of the tendency towards the centralization of power, but also of the growing disparities of high and low in society.²⁷ Access to political power has long carried with it class-caste privileges which legitimate the sanction of coercion and authority.²⁸ By raising the edifice of a state whose sovereign powers stretched across the vast Indian landscape, the British made the politics of the state system a complicated terrain.²⁹ Colonialism led to the state taking over the legal function of integrating the ruler and the rules, and this gradually extended to include all social relationships.³⁰ The architects of independent India focused on integrating the princely states into the Indian Union, with a view that maintaining a strong center was essential for the newly formed national government to remain intact as a country.³¹ The federal system came into being with the adoption of the Indian constitution in 1950, but aspects of governance was carried over from British India, when a succession of acts granted Indians representative institutions.³² The centralization of power after independence was directed less at changing the relationship between state governments and the center, than at changing the relationship between Indians and their British rulers. Independence changed governance by increasing the powers of state legislatures, expanding suffrage, and providing Indian politicians with experience in running varying authority structures.³³

The politics engendered by independence provided state governments with considerable political autonomy.³⁴ States choose political leaders independent of the preferences of the central government. State governments also had authority to pursue policies in the areas of education, health, social services, industrial relations, agricultural and rural developments and road transport, even as the constitution provided for the maintenance of the federal structure's strong center. This means that to the degree that state governments successfully shifted conduct each state represented an important strategy for establishing new structures to govern widespread behavior.³⁵ The state being more than just its constitution of agencies and rules and roles, was embedded as well in a system of governance, which represented the means for establishing effective institutions. The central government circumscribed the parameters of collective action.

A more encompassing phenomenon, governance in India then, combines a system of rules that is dependent on both formally sanctioned constitution, as well as various mechanisms which function effectively even though they may not be endowed with formal authority. The notion of governance "embraces governmental institutions, but also subsumes informal, non-governmental mechanisms whereby those persons and organizations within its purview move ahead, satisfy their needs, and fulfill their wants."³⁶ On the one hand, states, rooted in a system of governance, may be viewed as organizations through which different collectivities pursue collective goals.³⁷ Alternatively, nonstate actors may be viewed more macroscopically as configurations of organizations and action that influence the meanings and methods of politics for all groups and classes in society.³⁸

Economic Liberalization Reforms in India

Economic liberalization reforms are a program of economic policy, which consists of measures for attaining macroeconomic stabilization and structural reforms for an advanced development path.³⁹ The essence of these fundamental beliefs is a commitment to the promotion of economic growth and national prosperity through the globalized development of liberal institutions in the international economy and the minimization of trade reducing and trade-distorting measures.⁴⁰ In what is regarded as the paradigmatic rationale, India's economic reforms began in 1991, when the Congress government, facing a severe balance of payments crisis, embarked on a program of short-term stabilization combined with a longer-term program of comprehensive structural reforms.⁴¹ Rethinking on economic policy began in the mid-1980s with a development strategy based on import substitution, public sector dominance, and pervasive government control over the private sector. However, the policy response at the time was limited to liberalizing particular controls without changing the system itself in any fundamental way. The reforms initiated in 1991 recognized the need for a system change, as well as change in attitudes towards central government controls on private investments in states, foreign trade, nonstate actor investment in infrastructure, and public sector disinvestments. Nonstate actors such as multinational corporations, banks and non-governmental organizations (NGO) for example, increased in importance, broadly outlining new pressures to develop disparate interests in a largely pluralist society.

India's reform policy towards nonstate actor investment in infrastructure and public sector disinvestments has been central to efforts to liberalize the political economy

and integrate into the world markets. First, it was recognized early in the reforms process that a faster growing economy would need major investments in infrastructure and these investments could not be financed solely by the public sector. Nonstate actor investments in supplementing public sector efforts was seen as the solution and new policies were announced to encourage nonstate actors investment in core public services, such as healthcare, education, water, power and transport.⁴² Attracting investments into these regulated sectors was difficult, as public interests were ordinarily subject to regulatory control. However, special state government efforts helped to create a policy environment in which nonstate actors were encouraged and received incentives to invest.⁴³

Second, India's public sector reforms were combined with 'disinvestments', which involved the sales of a portion of the government equity in public sector enterprises while retaining a majority control with the government. In core public services, such as the health sector, radical solutions such as outright privatization of commercially viable hospitals and clinics, and closure of other unviable entities relocated authority, both outward toward supranational entities and inward toward sub-national groups.⁴⁴ Earlier public sector reform efforts focused on increasing the functional autonomy of public sector organizations to improve efficiency. However, the policy of disinvestments in the 1990s, mobilized new resources for the public services budget. Equity sales took place intermittently through the post-reforms years, and by 1997-98, the government sold varying proportions of equity, ranging from 5 percent to 49 percent, in fifty public health enterprises, and generating a total of over Rs 8400 crore⁴⁵ for the health budget,⁴⁶ for example. Critics argued that partial privatization of this type was

unlikely to yield the efficiency gains associated with full liberalization, however, in India, the induction of private minority shareholders ruled out the issue of budgetary subsidies to the enterprise, which became an important improvement in the incentives of the new system.⁴⁷

Combined, these experiences provide two powerful lessons about the emerging relationship between state and nonstate actors in economic governance. First, nonstate actor investment in healthcare infrastructure helped to create a climate in which public sector initiatives were able to carve out greater de facto autonomy from the government. In addition, a partially privatized public sector became much more conscious of market indicators, and this created greater commercial orientation. Second, under the reforms, some public sector enterprises acquired international portfolio investors,⁴⁸ relocating issues of equity for raising funds for the expansion of their programs. Liberalization involved exposure to greater market volatility.

Overall, the reforms undertaken by India's central government initiated an economic structure characterized by variegated state responses. Some state governments encouraged and promoted private domestic and foreign investments in sectors previously reserved to the public sector, cut their fiscal deficits, and reduced subsidies. Others began competing with one another for private capital, as well as for investments by the central government. With few exceptions the states significantly reduced bureaucratic regulations, privatized or reformed inefficient state-run public sector enterprises, stimulated investment in infrastructures essential for an expansion of private investment

in the social sector, and improved tax collection.⁴⁹ We now turn our attention to the specific economic policy histories of the states. The discussion is descriptive rather than analytical, but several comments and a couple of wider theoretical assessments can be made.

Chandigarh, Punjab

“We have now reached a stage of development”, argued former Finance Minister Manmohan Singh, “where we should welcome, rather than fear, foreign investment. Concern...” he further argued, “...is sometimes expressed that the policy of welcoming foreign investment... may jeopardize our sovereignty. These fears are misplaced. We must not remain permanent captives of a fear of the East India Company, as if nothing has changed in the past 300 years.”⁵⁰

The comments of former Finance Minister Manmohan Singh are an important parameter for measuring attitudes towards a program of economic policy reforms in the state of Punjab. On the one hand, the central government is giving states a nod to develop strategies for a ‘restructuration’ of investment rules. The task of the 1991 structural reforms was to give direction to the development process of the states, and to respond positively to the aspirations and development needs of the people, and in accordance with the specific economic infrastructure of the state and the overall national economy. On the other hand, the increased concentration of economic and political power in the central government undermined the fragile relationship with the states and polarized the forces of centralization and the forces of decentralized regionalism.⁵¹ For scholars assessing attitudes of the time, the aggressive economic language of the center formed the template of the rhetoric deployed to arouse passions far beyond “reform politics”⁵² in the states.

To the degree that states successfully shift conduct, liberalization represents then, an important strategy for establishing new structures to govern widespread behavior.⁵³ In Punjab, state and nonstate actors symbolize two aspects of economically connected order. Districts that adapt their economic policies to respond receptively to these changing conditions do well or at least have a better chance of doing well, in the increasingly competitive world economy. Those who do not adapt their policies will fare relatively poorly.⁵⁴ Only the ‘fittest’ survive in a competitive environment.⁵⁵ In the desire to develop wide economic cooperation in the region, it was insufficient simply to set an agenda. Intentional change in values and beliefs as well as behavior, also necessitated a change in the values and beliefs of the rural and urban communities.⁵⁶ It was necessary in the reform process, to nurture a definition of economic problems and appropriate solutions, with “the vehicle for inducing such change being one’s own practice.”⁵⁷ Thus by their actions local government officials in their commitment to liberalization changed attitudes towards global integration and convinced citizens of the state that these efforts were good. This general phenomenon can be described as the “internationalization of the state” or “the global process whereby national policies and practices have been adjusted to the exigencies of the world economy of international production.”⁵⁸ Self-binding commitments are offered to encourage support from others. As well, they are also underwritten by the assumption that it is in Punjab’s interest to become more open even if other states do not.

Punjab's policies then emerged in a context generated not simply by declining economic well being, but also by the presence of an external concern with national role and identity, which together created a favorable climate for the new policy framework. The 74th Constitutional Amendment Act of 1992 represents an important and historically significant value change in Punjab's thinking. Designed to address the inadequacies of the then existing system of municipalities, the Amendment decentralized the governing responsibilities within and between municipalities of the state. For example, it redefined the relationship between the states and municipal bodies, and laid the foundations for a new approach to urban management and governance that could fulfill the needs and aspirations of urban residents for economic development. In addition to the traditional municipal functions, Article 243W of the Act further mandated the setting up of urban local bodies (ULBs) as the new mechanism for 'self-government'⁵⁹ within the state. These changes shifted municipal bodies from being mere providers of civic amenities to a much wider arena of economic and social planning. The Punjab government carried out the required amendments to the municipal laws in accordance with their own state requirement, and the state legislature worked out details on governance of key sectors with ULBs.

There is a second significant shift, upon which Punjab signaled its readiness for change. The policy-making community maximized the space available to the private sector, increasing access to credit through a multi-tier and multi-functional banking system. Punjab has the highest number of banks per capita, 15 banks for every 10,000 population.⁶⁰ Until 1991, foreign equity could not exceed 40 percent. Companies with

40 percent foreign equity could not borrow funds in India, take over business interests of a resident Indian, acquire or dispose of physical assets within India, appoint foreign technicians and manager without government clearance.⁶¹ By 1993, however, companies with foreign equity of any size were treated at par with domestic investors. The World Bank estimates, for example, foreign investment increased in about 48 industries up to 51 percent of equity, and in 9 industries up to 70 percent of equity. Before the reforms, annual foreign investment was between \$80-100 million. Direct foreign investment went up to \$600 million in 1993-94, rising further to \$1.3 billion in 1994-95, \$2 billion in 1995-96, \$2.6 billion in 1996-97, and \$3 billion in 1997-98.⁶²

Private sector investments have improved aspects of public services in India. The total health expenditures in India, in 2001, for example, were estimated to be about six percent of GDP, of which private health care expenditure was about 75 percent.⁶³ For every one-percent increase in per capita income, private health investments are said to have increased by 1.47 percent. The Punjab State Development Report indicates that utilization of health delivery system increased, as one third of the inpatients and three quarters of outpatients utilize private healthcare facilities.⁶⁴ Private investments in the health sector widened the network of services offered and broadened the reach to both rural and urban populations. About 57 percent of hospitals and 32 percent of hospital beds are owned by private sector. In addition, there are over 6, 50,000 providers of other systems of medicines practicing in India and most of them come under the private sector.⁶⁵

The Government of Punjab does not publish data on who owns and runs hospitals or clinics in the state. Registration is not required for starting a hospital, a nursing home or private practice. What is known, however, is that the state's economic environment is liberal and progressive in attracting investors. Nonstate actors have played a big role in advancing the socio-economic interests of citizens, and restructuring key sectors of the economy.

Bhubaneswar, Orissa

Punjab is not alone in having undergone a process of structural relocation in the national economy. Processes of industrialization, deindustrialization, and the regional and national relocation of capital and technology over time, have seen other states similarly repositioned. The changing status of Orissa, vis-à-vis the infrastructural investments of international financial institutions and the shift in the balance of power between the states and the central government illustrate the dramatic change. A major dimension of this process is as Susan Strange suggests the evolution of the structural dimension of power and the emergence of nonstate actors as major players in the international political economy.⁶⁶ It used to be thought that internationalism was the preserve of the nation-state. Today, thanks to the imperatives of globalization, nonstate actors with the power to accelerate and transform the balance of power have joined regions within states. While such development clearly moderates the traditional realist obsession with states as principal actors, they do not remove the role of states, or more accurately, the central government dimension of national policy implementation and regulation. Instead, it allows states like Orissa to enter the nexus of economic diplomacy,

in which state bargaining becomes as important as the more traditional country-to-firm relationships.⁶⁷ In liberalized India, Orissa's economic policy sharpened its competitiveness, and in the demand for democratic government and for economic flexibility, incorporated traditional dimensions of economic statecraft into their armory of negotiations.⁶⁸

The economic policy positions adopted by Orissa since the reforms are not difficult to explain. Representing something of a special case, for historical, structural and cultural reasons, Orissa's economic policymakers may have undergone what strategic choice analyst postulate as a readjustment of their behaviors by aggregating economic challenges to improve geographically discriminatory arrangements (regional systems that were neither entirely open nor excessively closed pre-reforms). What is interesting about Orissa's policy from a wider theoretical point of view is that its logic resides in a neo-liberal institutionalist ideal type of international political economy. It exhibits preferences for a positive conception of order that seeks to maximize gains through greater institutionalized cooperation in multilateral environments and in which the pursuit of absolute gains is more important than the pursuit of relative gains. This can be contrasted with a neo-realist approach which explains behavior and outcome result from the independent decisions of actors interacting in a context, prototypical of international relations, characterized by anarchy.⁶⁹ The interest of the nation-state averts common bads, and to maximize relative gains accepts the necessity of hegemony for the provision of international public goods.⁷⁰ It can as well, be contrasted with a past, in which India's economic policy, was arrested by realist traditions, emphasizing security questions.

The Department for International Development (DFID), UNICEF, and the World Bank has steadily and heavily funded the reforms of Orissa, and the international financial institutions are said to be involved in significant aspects of the economic policy-making process.⁷¹ These agencies provide financial assistance, but only contingent upon their own assessments and evaluations of core public service initiatives. The Government of Orissa received DFID funding, for example, after implementing an initiative, which included cost recovery through user charges in hospitals, autonomy to district and tertiary hospitals, and abolition of private practice by government appointed doctors.⁷² Other investments were contingent upon major institutional reform, including the setting up *Zilla Swasthya Samitis* (ZSS) or district health committees, first in five districts in the year 1993, and subsequently in all thirty districts. ZSS collects and distributes user charges, surveillance of major communicable diseases, maintains equipment, offers waste management and training of technical staff on quality assurance.⁷³ ZSS also has the responsibility to foster further decentralization of health service planning, monitoring, and development of health and family welfare infrastructure. The initial experiment of handing over primary health centers (PHC) to nonstate actors in tribal districts also began with DFID recommendations.

According to the Government of Orissa 2004 report on activities of health and family welfare, Orissa has one of the worst sets of health indicators in the country. The situation is particularly acute in the rural districts of the state where a large proportion of Scheduled Tribes (ST) reside.⁷⁴ “There is a clear need to break through traditional boundaries within the government sectors, between governmental and non-governmental

organizations and between public and private sectors.”⁷⁵ As it related to the health sector, in 2005, the infant mortality rate (IMR) was 65 as per the National Family Health Survey (NFHS III), and 75 as per the Sample Registration System (SRS), which were far away from the national level targets. IMR declined by 23 between 1998 and 2005 as per SRS and by 15 between the last two rounds of the NFHS survey (1998-99) and (2005-06).⁷⁶ Unlike other low income states, much of the decline in IMR in the state between the last two rounds of NFHS surveys (1998-99 and 2005-06) has been in the urban areas, while there has been a negligible decline in IMR in the rural areas of the state. In comparison with other low-income states of the country, Orissa may reach IMR of 50 by 2010, as targeted under the Orissa Health Sector Plan, but would still be far away from the national target of IMR 28 by 2012.⁷⁷ There are vast inter-district variations in IMR in the state. As per the indirect estimates of IMR across districts based on Census 2001, and provided by International Institute of Population Sciences (IIPS), the difference between the district with the highest and the lowest IMR in Orissa were about 54.

The Orissan health and family welfare experience demonstrates both the constraints imposed by the structural relocation of regionally based economic orders, on the one hand, and the policy positions that have emerged largely over the last two decades, from recognition of these constraints on the other. A neo-liberal, institutionalist framework, by necessity means institutions as mechanisms of restructured economic policy have effective power and influence in states. If international financial institutions had not supported the economic policies, and India's parliament had not passed the budgets, the new economic policies would have been stillborn, not because of faulty

economic logic but due to the institutional constraints.⁷⁸ Another argument is that the language of economics has replaced the language of law within states, as dispute over the actual or impending loss of economic sovereignty to the international institutions have emerged in the context of an increasingly hostile economic system, which ignores the separation between economic and political domains and the domestic and international realms.⁷⁹ Though simply rhetoric, it can be noted for example, that in February 1992, it was alleged the budget proposals had been submitted to the International Monetary Fund (IMF) for its prior permission before being presented to India's parliament. 'None of us ever thought that India will one day come to depend on the mercy of the IMF and the World Bank,' said the parliamentary leader of the Bharatiya Janata Party (BJP).⁸⁰ 'The sovereignty of parliament has been breached and the economy of the country had been subjected at the feet of the World Bank and IMF,' said the leader of the third largest party and former Prime Minister.⁸¹ 'Will all the conditionalities which are being imposed on us, be imposed on the US, if their budgetary deficit is twenty times more than that of ours?' said a third member of the opposition at the time.⁸²

Second, the Orissan experience demonstrates that strategies employed in Orissa have at times been viewed as having been forced on, a type of debt-dependent regime. This view largely illustrates the perspective that the international financial institutions have used conditional lending to ensure that borrowing countries make substantial changes in economic policies. From the institutional standpoint, the IMF and the World Bank have real financial power, and appear increasingly willing to force change. From a dependency variant of the institutional approach, Orissa would never on its own volition,

have embarked upon these particular reforms, if it were not for the coercive power of the international financial institutions.

The net result of Orissa's institutionalist posture is that there now is greatly intensified competition among states for infrastructural investments. Increased visibility and the apparent ability to influence change in Orissa means international financial institutions are acknowledged as potential allies in earning the foreign exchange badly needed for further development.⁸³ In the world market economy, investments have unquestionably contributed to material wealth for the state. Policymakers in Orissa have developed a conception of an Orissa self-interest-only alternative that has allowed them to construct a series of policies predicated on liberalist assumptions and geared to reconciling the imperatives of their local political agenda with India's dominant strategies. Put more simply, this policy development dimension is reinforced by the literature on collective goods, in which scholars argue that the suboptimal provision of collective goods stems from the individual state's incentive to be a free rider.⁸⁴ As well, many IMF and World Bank officials have described themselves as frequently frustrated by 'intransigent' governments that sign agreements and fail to meet the performance criteria established at the time of initial agreements. Liberalization has encouraged new economic relationships, added programs, new adjustment initiatives, and revised thinking on a number of important issues. Some scholars argue however, that institutions make their resources available in exchange for commitments on reforms, but the core models from which their specific economic policy prescriptions are derived are essentially unaltered.⁸⁵

Kolkata, West Bengal

The most dramatic change in the political economy of India has occurred in West Bengal, one of the states in the Union, which stands outside of the capitalist market economy. A socialist political and economic system has dominated the state since 1977. In practice, this framework has attracted little trade and foreign direct investment. Economic change is not rapid. The system was adopted to promote rapid industrialization and, while arguably successful in achieving some aspects of this goal, the heavy industries it created have little incentive for changes that would improve performance of the system. The economic liberalization reforms have been pursued at different times and at a different speed. The national reforms initiated by the central government of India in 1991 remains incomplete, as state politics have played a powerful role in shaping the pace and extent of economic reforms in West Bengal.

Against this backdrop, both political and economic insulation have influenced attitudes towards economic development and the degree of liberalization in West Bengal. The national reforms have both revealed the widening gap between standards of living for social groups under socialism, and encouraged economic changes amiable to the global marketplace.

The specific measures that brought transformation about can be generally framed around three main components: to reduce the importance of central planning, to decentralize economic decision-making authority, and to encourage the growth of

market-based transactions.⁸⁶ The reforms were initiated with the implementation of an anti-poverty program, and a specific amendment of the land-reform laws to transfer the burden of proof of land-sharing arrangements from the sharecropper to the landowner. The bulk of the rural poor in West Bengal are sharecroppers and landless laborers. In addressing land control, the Communist Party of India, Marxist (CPM), challenged historical landlord domination, and effectively built new alliances with landless laborers and sharecroppers (*bargadars* in Bengali).⁸⁷

Second, to decentralize economic decision-making authority, CPM adopted a partial open door policy through which it began to open the state to the global economy by encouraging investment in core public service sectors. The use of nonstate actor investment in health, education, agriculture and transportation, for example, represented a shift away from state-owned enterprises operating with various objectives, toward a parallel track of managing all sectors by a social agenda. Investment in the public sector was also considered important because it could provide political advantages, which can be broadly identified as strategic, adaptive and symbolic.⁸⁸ They are strategic in the sense that they serve as instruments of the structural strategies of socialist West Bengal. They are considered adaptive in that they allow the state to enjoy both economic growth and political autonomy. In addition, they are viewed as symbolic in that they partially satisfy liberal criteria's without major change to the socialist framework.

Third, to encourage growth of market-based transactions, partial trade liberalization became a second component of the open door policy. CPM reduced the

role of the plan in determining imports and exports and began shifting the authority to trade to nonstate actors. In connection with the decentralization of foreign trade, the government created a new trade regime, and an administrative system through which to regulate trade based on tariffs and an import licensing system. Initially, the systems were quite restrictive. Over the past 19 years however, the government of West Bengal has made a gradual and ongoing transition from a centrally planned economy to a market-oriented economy, and it has engineered a transition from an inward looking, import-substitution based development strategy to a strategy that is much more akin to the export oriented development strategies perused in other states. Have these reforms transformed West Bengal into a complete market economy? Yes and no. Meaningful economic reforms require government to decentralize economic decision making, to allow the markets to guide decisions, and to reward the efficient use of inputs and hard work.⁸⁹ If one looks at the mechanisms through which resources have been allocated in core public sectors, for example, West Bengal has developed socially oriented economic framework, which similar to the Soviet Union, has not produced wide-reaching and sustainable reforms.

Change initiated in West Bengal, though considerably more reform-minded than many communist countries, has not allowed a complete erection of capitalist principles. Instead, CPM believing that socialism can work has maintained a heavy leash on central planning. Even though they are conducting planning in a more decentralized fashion, they are not giving full autonomy and decision-making authority to enterprises.⁹⁰ For example, West Bengal decreased public sector spending on health, reducing the overall

percentage of the total budget allocations as well as a percentage of the state GDP. The bulk of public spending on primary care is thinly spread and thus not fully effective because local governments do not have the necessary funds to invest in infrastructure development. The 75-90 percent shift in state responsibility for public healthcare spending has come to mean that even if West Bengal could invest through externally aided projects such improved facilities would likely run down rapidly in the absence of adequate funds for maintenance and management. According to a report published by the international consulting firm McKinsey and Company, the largest component of health care spending is from the private sector, and by 2012, it is expected to rise from the current level of Rs. 69,000 crore to Rs. 156,000 crore. Public spending will double from the current Rs. 17,000 crore, but only if the government reaches its target spending level of 2 percent of GDP up from 0.9 percent in 2004.⁹¹

Many of the social strains generated pre-reforms continue to pose large challenges that, if not addressed rapidly, could provoke economic and political tensions in West Bengal. Post reforms, the public health investment in the country have been comparatively low, and as a percentage of GDP have declined from 1.3 percent in 1990 to 0.9 percent in 1999, among the lowest in the world. However, a study based on National Sample Survey (NSS-52nd Round) data estimated private per capita spending on health services at private and public facilities in West Bengal was Rs.90/in 1995-1996, which was higher than that of the national average of Rs.30-. A similar study published by McKinsey and Company, suggests 80 percent of out of pocket expenditure will continue to go towards private facilities through 2012.⁹² There is substantial evidence

that despite massive investment by the state governments in health care, for example, the users of services are still spending huge amount either directly or indirectly to avail the services privately.

By inviting private investments into core public service sector, the CPM reform did not directly threaten the prerogatives of the ministries that controlled heavy industry. However, economic reform has been slow because the reformers were unwilling to make compromises that protect the government ministries that controlled heavy industry. These ministries, whose very existence depended upon the continuation of the central planning system, openly opposed market reforms. Their support was acquired only through compromises that preserved the position of state-owned industries. The impact of this need to compromise is evident in West Bengal's economy. State-owned enterprises continue to monopolize industry.

CPM's reform strategy therefore represents a more gradual approach to liberalization. This means that the economy is divided between state-owned enterprises, and market oriented enterprises. Each must acquire a portion of their inputs through the planning channel and sell a portion of their output to the state, and, each must acquire a portion of their inputs through market channels and sell a share of their output in markets. Ideally and over time, the share of inputs and outputs established by central plans will be reduced while the share acquired and sold through markets increase.⁹³

The West Bengal reform experience is therefore especially unique, as it provides insight into the possibilities and limitations of a socialist strategy for economic liberalization. Within this broad picture, the state economy features an economic system in which challenges related to caste-class relations and market issues are addressed. In addition to controlling land, landlords have dominated economic life through money lending and control of markets. Small landowners, sharecroppers, or hired landless laborers have carried out actual cultivation. These cultivators generally have been members of lower castes, untouchables, tribals or Muslims. Demographic pressures have obviously swelled the ranks of the rural poor. Changing modes of production have brought about some shifts in the proportion of the poor who are sharecroppers or laborers. Some organized lower castes have also successfully raised their status in the ritual hierarchy. None of these changes, however, have altered the overwhelming historical continuity: the majority of the population belonging to the lower castes, and without access to property or gainful employment has lived under conditions of abject poverty at the bottom of the socio-economic pyramid.⁹⁴

Addressing economic liberalization will not be easy for West Bengal. The government must, by necessity allow state-owned enterprises to shut down. Closing state owned enterprises, however, will raise unemployment even further, particularly in urban areas, and rising unemployment can in turn provoke social unrest that will threaten political stability.⁹⁵ A closer look at the health sector for example, reveals that in the next ten years the cost of caring for primary care patients alone could be crippling for health sector financing.⁹⁶ In this instance, it will be difficult for West Bengal to maintain

allocations and spending on healthcare while dealing with increasing pressure to enhance public investment in this sector. In addition, most multi and bilateral donor organizations do not wish to invest in tertiary medical care services provided by the government of India.⁹⁷

Significance of the Subject Matter and Justification for Research

The fundamental issue, therefore, is whether nonstate actors in India do in fact govern aspects of the political economy: has the economic policy of allowing nonstate actor investment in infrastructure and public sector disinvestment been central to varying governance efforts to liberalize the political economy and integrate into the world markets? This question is clearly complicated, suggesting further questions and requiring data beyond the scope of a single study.

One of these questions concerns the multiplicity of multinational corporations, nongovernmental organizations, and international institutions, which challenge structural accounts in international relations, which say that international structural relations play a decisive role in determining internal governmental organization and practice. Liberalized nations, whose economies are strongly involved with others, are pressed to adopt norms, practices and cultural institutions different from than those shielded from political and economic competitors by distance or geographic impediment.⁹⁸ Nonstate actors, if they play any contributory role at all in this narrative, are theorized to serve only intermediate purposes, mediating between international structures and domestic institutions. Otherwise, they are mere rationalizations for changes that would have occurred

anyway.⁹⁹ Such an account might, for example, point to the decisive argument that both domestic and international politics are a struggle for power, modified only by the different conditions under which this struggle takes place in the domestic and in the international sphere.¹⁰⁰ Regardless of particular social conditions, however, the struggle for power is not a mere historic accident derived from volatility that accompanies large-scale transformation.¹⁰¹

To take another perspective, the dimension of governance seemed to point to collective action problems in India, and even before independence. In some respects, earlier economic and political tensions between the states and central planning seemed to place India in a structural circumstance similar to those faced during colonialism. Yet, in the face of earlier pressures, Indian governance practices changed incrementally and the state certainly seemed in little danger of withering. The argument here is that nonstate actors do not necessarily threaten order. The incompleteness of statist explanations points to the need to acquire a more legitimate explanation for fundamental changes. For this reason, I developed postinternational hypotheses that emphasize the role of nonstate actors in generating and supporting economic arrangements.

The view taken here is different in most respects from the dominant theoretical models used to explicate economic governance. This study emphasizes the emergence of varying authority structures and the normative changes accompanied by economic liberalization. Although it is true that the entrance of nonstate actors have created new

challenges, it is of no empirical value to attribute these consequences to an internal crisis or withering of the state. Explanations that are more specific are required and will be provided in the three parts of this study.

The three states of this study - Punjab, Orissa and West Bengal - constitute approximately 13.9 percent of the total population of India.¹⁰² The experiences here alone means that the study is well placed to begin contextualizing post-reform experiences and begin shifting understanding on measures taken to accommodate the new political economy. The literature on governance in civil society emphasizes the need for practitioners to consider the important role of nonstate actors in the state system. Oran Young similarly suggest civil society is effective to the extent that its operations can be shown to impel state actors to behave differently than they would have behaved in the absence of the institutions or under the influence of a significantly different institution.¹⁰³ The argument here is that the causal nexus is best established, by looking at 'hard cases' or those situations that are unfavorable to the operation of social institutions. Several critical variables go a long way toward explaining the relative effectiveness of institutions across a range of cases.

Another important backdrop to this argument is that state and nonstate systems represent two aspects of socio-economic order. In his early works, Gramsci writes that civil society is not subordinate to the state, nor is it superior to it.¹⁰⁴ Rather, an integrated system of governance is at work, reinforcing itself through multiple institutions and organizations. By presenting its own interests as universal, a given class is capable of

eliciting the consent of schools, religious organizations, media, and NGOs, as well as other actors of the state. The agency of civil society is recognized as essential to the unity and coherence of hegemonic social orders.¹⁰⁵ At other times, the state is captured by a given class that fails to define its interests universally and is therefore unable to win the consent of the organizations and institutions of civil society. The presuppositions of such ideas are that certain modalities of economic power exist in civil society and that their activation and mobilization are potent forms of governance.¹⁰⁶

In sum, the study of the role of nonstate actors in the governance of the political economy embraces difficult issues in global affairs. Scholars want theories of global affairs to offer empirical explanations of events in the same sense that ideological explanations of state power politics phenomena seem to do. At the same time, we want global affairs to give normative explanations and provide reasoning for social change. We want to know not only what caused the agent to perform some act but also the agent's reasons for taking the action. These widely shared expectations are supposed to show how it is that action makes sense or is comprehensible, but such accounts may be incomplete.

This study attempts to reconcile these demands, by seeking to connect new agents with the changing structure, justifying the interpretive contribution of nonstate actor to the discourse.

Conclusion

Although there are, and always will be, difficult issues in relation to the effective division of responsibilities and allocation of resource between states and central government, the unequivocal position of nation-states as a governing entity means that it has no choice but to negotiate with nonstate actors on these questions. The post-reform experiences of Punjab, Orissa and West Bengal have been marked by an increase in emphasis on cooperation between nonstate actors and state governments. This new relationship between diverse actors and in the new political economy is an emerging norm in economic governance.

As this study moves the discourse forward, there are several crucial entry points through which the analysis presented here has implications for the international political economy. The first lies in understanding why actors behave the way they do. An argument can be made that the behavior of actors is a consequence of widespread dissatisfaction with large-scale collectivities and the performance of existing authorities underscores the need to look for organizations that are more fully embracing. Relevant here is the fact that the process of globalization has also given citizens more access to information, which in turn has enabled them to join in collective actions that serve as avenues for expressing their discontent.¹⁰⁷ On the one hand, the government is promoting a system of agreement making with nonstate actors and even with groups of communities within regions, but on the other hand, it is not recognizing the role of nonstate actor governing aspects of the reform process. Whatever its faults, the 1991 reforms contains the core attributes necessary for a framework on the study of economic

governance. The rise of new authority structures has given shape to a philosophical framework, which calls into question the fundamental characterization of Westphalian sovereignty. As a theoretical approach to understanding the social space of nonstate actors, micro and macro actors must be collected, as Rosenau describes, under the rubric of “sovereign”, instead of focusing attention on the historical conditions whereby authority is created, legitimacy sustained and compliance achieved.”¹⁰⁸

Second, the predicament that has mangled state power politics has stimulated multiple dimensions of authorities in domestic and international politics.¹⁰⁹ “All of these actors devote themselves exclusively to guiding behavior with regard to public issues, thus clearly indicating the important social function of governance.”¹¹⁰ This study re-evaluates the reasons for the exponential increase in actors, by accounting for its activity within and between states. An argument can be made that there is good sense in formally recognizing and facilitating new forms of governance so that policy is targeted appropriately at the points of contact between the different types of actors. Reform outcomes will be more successful if policies acknowledge the importance of nonstate actors to the proper functioning of the political economy. If state governments are committed to the social, cultural and economic well being of its citizens, it must be drawn on governance practices of states, as a central source of knowledge on what is the nature and extent of need. This chapter has argued that the recognition of new forms of governance is necessary not only to maximize policy outcomes, but also to establish healthy and sustainable arrangements.

In conclusion, the proliferation of varying authority structures is epiphenomenal of the power relationships which already exist in international relations. The pages above sufficiently underscore the scope of the analysis, and framework for probing the interconnectedness between norms, economic governance, public action and social progress. This research study will contribute to two major theoretical literatures. In addition, it introduces a geographic perspective that broadens our understanding of economic liberalization reforms in emerging states, and an appraisal of the framework may redefine in terms of interests, power structures and core IR values. States may be both the source and exclusive location of legitimate public authority,¹¹¹ from whichever source “authority” derives. However, India, in common with an increasing number of states is witnessing new response to issues produced by uneven economic development and social change through a variety of nonstate actors who either powerfully confirms or challenge a particular pattern of governance. Keeping all these developments in view, this study could not have been more appropriately timed.

¹ Ahluwalia, Montek S. “India’s Economic Reforms: An Appraisal” in India in the Era of Economic Reforms, Edited by Jeffery D. Sachs et. al. New Delhi: Oxford University Press, 1999. p. 28.

² National Health Policy 2002 (India), (Section 2.1). Source: Ministry of Health and Family Welfare online. [www.http:mohfw.nic.in/](http://mohfw.nic.in/) Uploaded June 2008.

³ Nonstate actors, in this study, are actors on the national and international level that are not states. This includes non-governmental organizations, multi-national corporations, media, businesses, religious groups, criminal organizations, academic institutions, and international organizations as well as individuals.

⁴ National Health Policy 2002 (India), (section 2.6) Source: Ministry of Health and Family Welfare online. [www.http:mohfw.nic.in/](http://mohfw.nic.in/) Uploaded June 2008.

⁵ As particular components of the politico-economic system are relocated to nonstate actor governance, Saskia Sassen argues there is simultaneously a denationalization of state functions. This study develops this discourse by assessing the authority, legitimacy, and strategies of nonstate actors in states after liberalization. See Saskia Sassen, “The State and Globalization” in The Emergence of Private Authority in Global Governance (Edited by Rodney Bruce Hall and Thomas J. Biersteker). Cambridge: Cambridge University Press, 2002. p. 93.

⁶ The discourse on nonstate actors is heavily weighted on the empirical evidence from the literature on civil society actors in the environmental arena and wider social movements. See Paul Wapner “Governance in Global Civil Society” in Global Governance: Drawing Insights from the Environmental Experience (Edited by Oran Young). Cambridge: MIT Press, 1997. p.67.

⁷ Muslim women in Bangladesh have become increasingly mobilized by the activities of predominantly secular NGOs, political and religious groups. See Elora Shehabuddin, Reshaping the Holy: Democracy, Development, and Muslim Women in Bangladesh. New York: Columbia University Press, 2008.

⁸ Lake, David A. “*Hierarchy in international relations: authority, sovereignty, and the new structure of world politics*.” Presented at the annual meeting of the American Political Science Association, Chicago, IL, September 2-5-, 2004, and the Peace Sciences Society (International), Houston, TX, November 13-14, 2004. (Received written permission to cite August 4, 2008.) p. 2.

⁹ Saskia Sassen research similarly conceptualizes a politico denationalization which relocates national public governance functions to private actors within both national and transnational domains. This study focuses on liberalized states. See “The State and Globalization” in The Emergence of Private Authority in Global Governance (Edited by Rodney Bruce Hall and Thomas J. Biersteker). Cambridge: Cambridge University Press, 2002. pp. 91-114.

¹⁰ Rosenau, James N. Turbulence in World Politics: A Theory of Change and Continuity. Princeton: Princeton University Press, 1990. p. 7.

¹¹ See also James N. Rosenau. Turbulence in World Politics: A Theory of Change and Continuity. Princeton: Princeton University Press, 1990. p. 117.

¹² See also the First Annual Report by the Executive Directors of the World Bank, which discusses the purposive principles of international organization. Washington, DC, September 27, 1946 – Archived material – Public disclosure authorization #20061. Source: World Bank, Delhi Office. Accessed September 10, 2008.

¹³ James Rosenau along with Ernst-Otto Czempiel is editors of a book dedicated to understanding the central features of governance without government. The noted contributors to this 1992 study are K.J. Holsti, Mark W. Zacher, Thomas J. Biersteker, Robert W. Cox, Oran R. Young, Janice E. Thomson, Linda Cornett, and James A. Caporaso. The study explores the ideological bases, behavioral patterns, and institutional arrangements as well as the pervasive changes at work within and among states. (See Governance Without Government: Order and Change in World Politics, 1992)

¹⁴ Fukuyama, Francis. America at the Crossroads. Connecticut: Yale University Press, 2006. pp. 183-184.

¹⁵ Mark W. Zacher uses historical comparisons to construct an analysis of the “decay” of the “Westphalian temple.” See Governance Without Government: Order and Change in World Politics. Edited by James N. Rosenau and Ernst-Otto Czempiel. New York: Cambridge University Press, 1992. pp. 58-101.

¹⁶ Lake, David A. “*Hierarchy in international relations: authority, sovereignty, and the new structure of world politics*.” Presented at the annual meeting of the American Political Science Association, Chicago, IL, September 2-5-, 2004, and the Peace Sciences Society (International), Houston, TX, November 13-14, 2004. (Received written permission to cite August 4, 2008.)

¹⁷ The main purposes of all strategies of foreign economic policy are to make domestic policies compatible with the international political economy. However, for Krasner, central decision-makers (the state) must be concerned simultaneously with domestic and international pressures. See Stephen D. Krasner, “Westphalia and All That” in Ideas and Foreign Policy: Beliefs, Institutions and Political Change. Edited by Judith Goldstein and Robert O. Keohane. Ithaca: Cornell University Press, 1993. p. 22.

¹⁸ Krasner, Stephen D. “Westphalia and All That” in Ideas and Foreign Policy: Beliefs, Institutions and Political Change. Edited by Judith Goldstein and Robert O. Keohane. Ithaca: Cornell University Press, 1993. p. 22.

¹⁹ Elliott, Lorraine, “Global Environmental Governance” in Global Governance: Critical Perspectives, Edited by Rorden Wilkinson and Steve Hughes. New York: Routledge, 2002. p. 59.

²⁰ See also James N. Rosenau, Turbulence in World Politics: A Theory of Change and Continuity. Princeton: Princeton University Press, 1990. pp. 92-96.

²¹ Morgenthau, Hans J. Politics Among Nations: The Struggle for Power and Peace, Sixth Edition. New York: McGraw-Hill Publishing, 1985. p. 36.

²² Morgenthau, Hans J. Politics Among Nations: The Struggle for Power and Peace, Sixth Edition. New York: McGraw-Hill Publishing, 1985. p. 36.

²³ Postinternational theory develops the argument that nonstate actors share the governance arena and are a legitimate framework for managing the political order. See James N. Rosenau Turbulence in World Politics: A Theory of Change and Continuity. Princeton: Princeton University Press, 1990. p. 37.

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- ²⁴ Sassen, Saskia. "The State and Globalization" in The Emergence of Private Authority in Global Governance (Edited by Rodney Bruce Hall and Thomas J. Biersteker). Cambridge: Cambridge University Press, 2002. p. 95.
- ²⁵ For the purposes of this study, authority structures are expressions of convergent interests, made by a variety of actors combined, to confirm or challenge a particular pattern of governance already in existence.
- ²⁶ Gramsci, Antonio. Selections from the Prison Notebooks. Edited by Quintin Hoare and Geoffrey Nowell Smith. New York: International Publishers, 1971. p. 208.
- ²⁷ Tharpar, Romila. History and Beyond. New Delhi: Oxford University Press, 2000. p. 128.
- ²⁸ According to Tharpar, the Vedic texts refer to this process as the *Danda*, which has been interpreted as the army or the access to legitimate physical force. In other instances, it is treated more broadly as coercive power and related even to the power of lay and of authority. See Tharpar's History and Beyond. New Delhi: Oxford University Press, 2000. p. 122.
- ²⁹ Khilnani, Sunil. The Idea of India. New York: Farrar Straus Giroux, 1999. p. 17.
- ³⁰ Tharpar, Romila. History and Beyond. New Delhi: Oxford University Press, 2000. p. 126.
- ³¹ Weiner, Myron. The Politics of Scarcity: Public Pressures and Political Response in India. Chicago: The University of Chicago Press, 1962.
- ³² A succession of acts granted Indians representative institutions before independence: the Morley-Minto reforms of 1909, the Montague-Chelmsford reforms of 1919, the Government of India Act of 1935, and finally, the Indian Independence Act of 1947. See also Myron Weiner's "The Regionalization of Indian Politics" in India in the Era of Economic Reforms. Edited by Jeffrey D. Sachs et. Al. New Delhi: Oxford University Press, 1999. pp. 261-298.
- ³³ See also Myron Weiner's "The Regionalization of Indian Politics" in India in the Era of Economic Reforms. Edited by Jeffrey D. Sachs et. Al. New Delhi: Oxford University Press, 1999. pp. 261-298.
- ³⁴ See Myron Weiner's "The Regionalization of Indian Politics" in India in the Era of Economic Reforms. Edited by Jeffrey D. Sachs et. Al. New Delhi: Oxford University Press, 1999. p. 267.
- ³⁵ Wapner, Paul "Govern in global civil society" in Global Governance: Drawing Insights from Environmental Experience (Edited by Oran Young). Cambridge: MIT Press, 1997. p. 81.
- ³⁶ Rosenau, James. N. "Governance, Order, and Change in World Politics," in Rosenau and Czempiel, eds., Governance Without Government, pp. 4-5.
- ³⁷ Skocpol, Theda, "Bringing the State Back In: Strategies of Analysis in Current Research," in Peter B. Evans, Dietrich Reuschemeyer, and Theda Skocpol, Eds., Bringing the State Back In. Cambridge: Cambridge University Press, 1985, p. 20.
- ³⁸ Skocpol, Theda, "Bringing the State Back In: Strategies of Analysis in Current Research," in Peter B. Evans, Dietrich Reuschemeyer, and Theda Skocpol, Eds., Bringing the State Back In. Cambridge: Cambridge University Press, 1985. p. 20.
- ³⁹ Sachs, Jeffrey D. India in the Era of Economic Reforms. New Delhi: Oxford University Press, 1999. p. 1.
- ⁴⁰ Using the Australian foreign economic policy as a case study Richard Higgott examines how policy is determined by a developed middle power in the international political economy. The Indian experience similarly demonstrates the fundamental need to construct a series of policies geared to reconciling the imperatives of their domestic political agenda with the changing position in the international political economy. See Richard Higgott "Australia and the Pacific Region: The Political Economy of Relocation" in Political Economy and the Changing Global Order (Edited by Richard Stubbs and Geoffrey R. D. Underhill). New York: St. Martin's Press, 1994. p. 530.
- ⁴¹ Ahluwalia, Montek S. "India's Economic Reforms" in India in the Era of Economic Reforms, Edited by Jeffrey D. Sachs et.al. New York: Oxford University Press, 1999. p. 26.
- ⁴² In the World Bank's 2006 Development Policy Review, healthcare, education, water, power and transport are identified as the core public services for India's development strategy.
- ⁴³ Interview with Satya Mishra, Policy Analyst, World Bank, Delhi Office. September 12, 2008.
- ⁴⁴ During fieldwork in Punjab, I learned that privatization of commercially viable hospitals became an important development strategy for the Ministry of Health, particularly because they needed to increase access to specialty services in districts. James Rosenau suggests this type of activity relocates authority to nonstate actors. See James N. Rosenau, "Governance, Order and Change in World Politics" in Governance Without Government (Edited by James N. Rosenau and Ernst-Otto Czempiel). New York: Cambridge University Press, 1992. p.2.

⁴⁵ Crore is a unit in the traditional Indian numbering system, equivalent to ten million. For example, Rs 8400 crore is equivalent to about \$1.74 billion USD.

⁴⁶ See Montek S. Ahluwalia "India's Economic Reforms: An Appraisal" in India in the Era of Economic Reforms, Edited by Jeffrey D. Sachs et.al. New York: Oxford University Press, 1999. p. 62.

⁴⁷ See Montek S. Ahluwalia "India's Economic Reforms: An Appraisal" in India in the Era of Economic Reforms, Edited by Jeffrey D. Sachs et.al. New York: Oxford University Press, 1999. p. 62.

⁴⁸ For example, Ranbaxy International owns and operates previously public hospitals in Chandigarh, Punjab.

⁴⁹ Interview with Satya Mishra, Policy Analyst, World Bank, Delhi Office. September 12, 2008.

⁵⁰ Manmohan Singh's 1992 Budget Speech, Lok Sabha Debates, 29 February 1992, p. 20. Accessed from World Bank Delhi archives, September 2008.

⁵¹ Jeffrey D. Sachs, Ashutosh Varshney and Nirupam Bajpayee (Eds), India in the Era of Economic Reforms, New York: Oxford University Press, 1999, p. 273.

⁵² Jeffrey D. Sachs, Ashutosh Varshney and Nirupam Bajpayee (Eds), 'Introduction' to India in the Era of Economic Reforms, New York: Oxford University Press, 1999, p. 15.

⁵³ Wapner, Paul "Govern in Global Civil Society" in Global Governance: Drawing Insights from Environmental Experience (Edited by Oran Young). Cambridge: MIT Press, 1997. p. 81.

⁵⁴ Biersteker, Thomas J. "The Triumph of Neoclassical Economics" in Governance Without Government: Order and Change in World Politics. New York: Cambridge University Press, 1992. p. 113.

⁵⁵ Biersteker, Thomas J. "The triumph of Neoclassical Economics" in Governance Without Government: Order and Change in World Politics. New York: Cambridge University Press, 1992. p. 112.

⁵⁶ This argument emerges from the constructivists discourse. See also Richard Higgott, "Australia and the Pacific-Region" in Political Economy and the Changing Global Order, edited by Richard Stubbs et. al. New York: St. Martin's Press, 1994. p. 531.

⁵⁷ Higgott, Richard. "Australia and the Pacific-Region" in Political Economy and the Changing Global Order, edited by Richard Stubbs et. al. New York: St. Martin's Press, 1994. p. 531.

⁵⁸ Cox, Robert W. Production, Power and World Order: Social Forces in the Making of History. New York: Columbia University Press, 1987. p. 253.

⁵⁹ ULBs are full-fledged institutions of local self-government, a key part of democratic decentralization in the country.

⁶⁰ Ministry of Finance. Government of India. Annual Report: 2007-2008. Delhi, India.

⁶¹ Jeffrey D. Sachs, Ashutosh Varshney and Nirupam Bajpayee (Eds), India in the Era of Economic Reforms, New York: Oxford University Press, 1999, p. 232.

⁶² Published in India in the Era of Economic Reforms, 1999, p. 233. (For detailed 1997-8 figures, See Ahluwalia, 1999). For 1996-7 figures, Center for Monitoring Indian Economy, Monthly Reports on Indian Economy, May 1997, for all other years, The World Bank, India: Country Economic Memorandum, 8 August 1996, p. 7.)

⁶³ About one-third of this expenditure is on secondary and tertiary in-patient care. The rest is divested towards meeting curative needs at the primary level. See also Punjab State Development Report, 2002 "Chapter on Health."

⁶⁴ Private healthcare facilities represent the nonstate actor investments that flooded the state after the implementation of liberalized economic policy. See also Punjab State Development Report, 2002 "Chapter on Health." Accessed from Center for Research in Rural & Industrial Development (CRRID) Archives, Chandigarh, Punjab. September 2008.

⁶⁵ Punjab State Development Report, 2002 "Chapter on Health." Accessed from Center for Research in Rural & Industrial Development (CRRID) Archives, Chandigarh, Punjab. September 2008.

⁶⁶ See Susan Strange "States, Firms and Diplomacy" in International Political Economy: Perspectives on Global Power and Wealth Fourth Edition (Edited by Jeffrey A. Frieden and David A. Lake). United States: Thomson Wadsworth, 2000. pp. 60-67.

⁶⁷ Strange, Susan. "Rethinking Structural Change" in The International Political Economy: State, Firms and Diplomacy in Political Economy and the Changing Global Order (Edited by Richard Stubbs et. al.) New York: St. Martin's Press, 1994. pp. 103-115.

⁶⁸ As a corollary of this, this analysis follows Susan Strange's concern that macroeconomic management and the industrial policies in the era of economic liberalization may often be as or even more important for

governments than conventional foreign policies as conventionally conceived. Orissa's so-called backwardness no longer exists in a coalition of backward states. Instead, Orissa, now acutely aware of the potential of liberalization must wrangle with socio-economic weaknesses through a complete reorientation of development strategy. See article "Rethinking Structural Change" in The International Political Economy: State, Firms and Diplomacy in Political Economy and the Changing Global Order (Edited by Richard Stubbs et. al.) New York: St. Martin's Press, 1994. pp. 103-115.

⁶⁹ Stein, Arthur A. "Coordination and Collaboration" in International Regimes (Edited by Stephen D. Krasner). Ithaca: Cornell University Press, 1989. p. 120.

⁷⁰ There are situations, however, in which all the actors have an incentive to eschew independent decision making: situations, that is, in which individualistic self-interested calculation leads them to prefer joint decision making because independent self-interested behavior can result in undesirable or suboptimal outcomes. See also Arthur A. Stein's "Coordination and Collaboration" in International Regimes (Edited by Stephen D. Krasner). Ithaca: Cornell University Press, 1989. pp. 115-140.

⁷¹ Sen, Tapas K. et. Al. Fiscal Reforms, Persistent Poverty and Human Development. New Delhi: National Institute of Public Finance and Policy, July 2008.

⁷² Sen, Tapas K. et. Al. Fiscal Reforms, Persistent Poverty and Human Development. New Delhi: National Institute of Public Finance and Policy, July 2008.

⁷³ Sen, Tapas K. Et.al. Fiscal Reforms, Persistent Poverty, and Human Development. New Delhi: National Institute of Public Finance and Policy, July 2008. p. 53.

⁷⁴ See Chapter 5, and also Tapas K. Sen's Fiscal Reforms, Persistent Poverty, and Human Development: The Case of Orissa. New Delhi: National Institute of Public Finance and Policy, July 2008. p. 46.

⁷⁵ Government of Orissa: Report on Activities of Health and Family Welfare Department, Bhubaneswar-2003-2004. Addendum – Private Partnership (PPP) in Health Sector, Scheme 1-Management of PHC, A Guideline. p. 1.

⁷⁶ Sen, Tapas K. Et.al. Fiscal Reforms, Persistent Poverty, and Human Development. New Delhi: National Institute of Public Finance and Policy, July 2008. p. 53.

⁷⁷ Interview, Dr. Nina Singh, Head Manager NRHM. Bhubaneswar, Orissa: November 7, 2008.

⁷⁸ Sachs, Jeffrey et.al. (Editors). India in the Era of Economic Reforms. New Delhi: Oxford University Press, 1999. p. 245.

⁷⁹ In conceptualizing the changing global order, Geoffrey Underhill stresses the importance of the relationship between the political and economic domains in contemporary international society and the unique relationship it bears between the domestic and the international domains of policymaking. See also Geoffrey R. D. Underhill's "Conceptualizing the Changing Global Order" in Political Economy and the Changing Global Order (Edited by Richard Stubbs and Geoffrey R. D. Underhill). New York: St. Martin's Press, 1994. pp. 17-44.

⁸⁰ This is not to suggest that Bharatiya Janata Party (BJP) have been unsupportive of liberal economic policies, but simply to demonstrate how deep passions can run for officials. All evidence point to the fact that BJP supports reforms. See Atal Bihari Vajpayee, BJP, Lok Sabha Debates, March 23, 1992. pp. 1015. Archived material accessed from World Bank Delhi, September 2008.

⁸¹ Singh, V.P. Lok Sabha Debates, X Series, February 29, 1992. p. 1. Accessed from World Bank Delhi archive, September 2008.

⁸² Chandra Sekhar, former Prime Minister, Lok Sabha Debates, March 25, 1992, pp. 962. Accessed from World Bank Delhi archives, September 2008.

⁸³ Interview with Satya Mishra, Policy Analyst, World Bank. Delhi Office. September 12, 2008.

⁸⁴ See also Arthur A. Stein's "Coordination and Collaboration" in International Regimes (Edited by Stephen D. Krasner). Ithaca: Cornell University Press, 1989. pp. 122-123.

⁸⁵ See Thomas J. Biersteker "The Triumph of Neoclassical Economies" in Governance Without Government: Order and Change in World Politics. Edited by James N. Rosenau and Ernst-Otto Czempiel. New York: Cambridge University Press, 1992. pp. 102-131.

⁸⁶ This analysis draws on Thomas Oatley's research on the creation, operation, and transformation of socialist systems. See International Political Economy: Interests and Institutions in the Global Economy. New York: Pearson Longman, 2004. pp. 361-401.

⁸⁷ This effort also marginally improved class-caste institutional power, and access by the center into the periphery. See Atul Kohli "The Rise of Reform Communism in West Bengal" in Dominance and State

Power in Modern India: Decline of a Social Order, Volume II. (Edited by Francine R. Frankel and M.S.A. Roa). Delhi: Oxford University Press, 1990. p. 380.

⁸⁸ For a more extended discussion on the political purposes served by nonstate actors, see Susan Strange “Cave? Hic dragones” in International Regimes (Edited by Stephen Krasner). Ithaca: Cornell University Press, 1989. p. 342.

⁸⁹ Oatley, Thomas. International Political Economy: Interests and Institutions in the Global Economy. New York: Pearson Longman, 2004. p. 374.

⁹⁰ In the Soviet Union, the communist party similarly inhibited meaningful economic reform. Mikhail Gorbachev was appointed to the position of General Secretary of the Communist Party in 1985. However, political change never manifested, as he wanted to retain central planning. See also Thomas Oatley in International Political Economy: Interests and Institutions in the Global Economy. New York: Pearson Longman, 2004. p. 374

⁹¹ These figures have implications for states struggling financially. Figures cited from “Healthcare in India: The Road Ahead, A Report by CII.” Published by McKinsey & Company. Report accessed during fieldwork at Center for Studies in Social Sciences Library, Kolkata, and West Bengal. December 2008.

⁹² “Healthcare Expenditure to Double in India by 2012.” India Abroad, Rediff News. Article published October 26, 2002. Archive uploaded from www.rediff.com 10/2008.

⁹³ The characteristics and features of the political economy of socialist and post-socialist societies are examined by Thomas Oatley in International Political Economy: Interests and Institutions in the Global Economy. New York: Pearson Longman, 2004. pp. 361-401.

⁹⁴ Kohli, Atul “The Rise of Reform Communism in West Bengal” in Dominance and State Power in Modern India: Decline of a Social Order, Volume II. (Edited by Francine R. Frankel and M.S.A. Roa). Delhi: Oxford University Press, 1990. p. 412.

⁹⁵ Oatley, Thomas. International Political Economy: Interests and Institutions in the Global Economy. New York: Pearson Longman, 2004. p. 399.

⁹⁶ Interview, Dr. M. Maji, General Practitioner for NGO in Howrah District, West Bengal. December 2, 2008.

⁹⁷ Draft Policy for Public Private Partnerships (PPP) in the Health Sector. Strategic Planning and Sector Reform Call. Department of Health and Family Welfare: Government of West Bengal, October 6, 2004.

⁹⁸ Ferejohn, John. “Structure and Ideology” in Ideas and Foreign Policy: Beliefs, Institutions and Political Change. Edited by Judith Goldstein and Robert O. Keohane. Ithaca: Cornell University Press, 1993. p. 208.

⁹⁹ Ferejohn, John. “Structure and Ideology” in Ideas and Foreign Policy: Beliefs, Institutions and Political Change. Edited by Judith Goldstein and Robert O. Keohane. Ithaca: Cornell University Press, 1993. pp. 207-231.

¹⁰⁰ Morgenthau, Hans J. Politics Among Nations: The Struggle for Power and Peace, Sixth Edition. New York: McGraw Hill Publishing Company, 1985. p. 39.

¹⁰¹ Rosenau, James N. Turbulence in World Politics: A Theory of Change and Continuity. Princeton: Princeton University Press, 1990. p. 9.

¹⁰² National Population Policy 2000 data: Punjab 23.3 million; West Bengal 78.0 million; Orissa 35.5 million.

¹⁰³ Rosenau, James N., Ernst-Otto Czempiel. Governance Without Government: Order and Change in World Politics. Cambridge: Cambridge University Press, 1992. p.27.

¹⁰⁴ Gramsci, Antonio. Selections from the Prison Notebooks. Translated by Quintin Hoare and Geoffrey Nowell Smith. New York: International Publishers, 1971.

¹⁰⁵ See Antonio Gramsci, Selections from the Prison Notebooks. Translated by Quintin Hoare and Geoffrey Nowell Smith. New York: International Publishers, 1971. pp. 181-182.

¹⁰⁶ Wapner, Paul “Govern in Global Civil Society” in Global Governance: Drawing Insights from Environmental Experience. (Edited by Oran Young). Cambridge: MIT Press, 1997. p. 79.

¹⁰⁷ James D. Rosenau and Mary Durfee. Thinking Theory Thoroughly: Coherent Approaches to an Incoherent World, Second Edition. Oxford: Westview Press, 2000. p. 62.

¹⁰⁸ Rosenau, James N. Turbulence in World Politics: A Theory of Change and Continuity. Princeton: Princeton University Press, 1990. p. 117.

¹⁰⁹ Rosenau, James D. and Mary Durfee. Thinking Theory Thoroughly: Coherent Approaches to an Incoherent World, Second Edition. Oxford: Westview Press, 2000. p. 62.

¹¹⁰ Wapner, Paul "Governance in Global Civil Society" in Global Governance: Drawing Insights from the Environmental Experience. Oran Young (Editor). Massachusetts: MIT Press, p. 80.

¹¹¹ Hall, Rodney Bruce and Thomas J. Biersteker. The Emergence of Private Authority in the International System. Cambridge: Cambridge University Press, 2002. p. 3

Chapter Two: Research Design

Introduction

This chapter develops a framework for assessing the ways in which nonstate actors participate in governing aspects of a liberalized economy organized around investments in infrastructure and public sector disinvestments. Building on earlier scholarly research on the implication of state withdrawal from regulating the economy, it attempts to identify the range of governance mechanisms available in newly liberalized states, as well as the role of nonstate actors in creating norms embodied in the formal institutional setting of states. The specific policy measures generally associated with economic liberalization are of less significance in this analysis, since they are ordinarily measures designed principally to reverse acute balance of payment deficits by generating large trade surpluses. Of greater interest and importance is the implication of the strategic alliances formed during the reforms, and the type of governance, which unfolds. Strategic alliances are relevant for two reasons: First, in many instances they are an indicator that the scale of development has grown to the point where it is beyond the reach of even the strongest nation-states. Second, alliances are a manifestation of geographically ordered economic governance;¹ they represent a change in the mode of organization of economic transactions.² According to Stephen Corbin, the motivations for strategic alliances are complex and varied. The most important of which, is the increasing cost, gains, risk and complexity of political and economic development in states.³ A growing number of nonstate actors, the argument continues, have taken on authoritative roles in the political system of states, and this explains the rising number of individual and collective civil society groups.⁴ In contrast, Susan Strange, representing

what is probably the model position for international relations scholars, and rejecting any significance of norms, new rules and decision-making procedures, argues in part that the multiplicity of nonstate actors forming strategic alliances in the international system does not change the basic economic power relationships.⁵

The purpose here then is to identify the particular mechanisms, which emerge in liberalized state settings, and specify how they govern the politico-economic system. Disaggregating the central role of the state from nonstate actors in the post-liberalization era brings into focus the macro-economic characteristics of states and the incentives they generate at different levels of the system.⁶ Since as Sassen has shown in her research, there is an incipient formation of a type of authority and state practice that entails a partial denationalizing of what has been constructed as historically national,⁷ then each of these actions must be strategic and intentional. Nonstate actors within these states must interact and react to the national economic regime in widely different ways. In this regard, then, my research does not take on traditional conceptions of the state, but postulate a postinternational assertion which places emphasis on the collective good of a multiplicity of processes, which contribute to devolution, and engages activity levels of organizations less encompassing than the nation-state.⁸

Identifying and, even more so, assessing patterns of governance are extremely difficult. The core problem is that legitimacy, central to the distinction between governance and other forms of power, is inherently unobservable, particularly in domestic political systems where the interplay of constraints and opportunities created by

state and nonstate actors are sometimes difficult to decipher. The inevitable interaction of varying authority structures demonstrates both the question, which concerns the economic causes and effects of liberalization, and the question of the significance of external market linkages to the domestic economies they represent. The first question is concerned with the cause and effects of liberalization. On this issue, theorists of different schools have profoundly conflicting views. Economic liberals believe that expanding webs of economic interdependence create a basis for peace and cooperation in the competitive and anarchical state system.⁹ Traditional statist argue that economic interdependence, by necessity, has a political foundation, which increases national vulnerability and creates yet another arena for interstate conflict.¹⁰ Postinternational theorists, on the other hand, argue that the state is no longer the manager of national economies, and has become, instead, an instrument for adjusting the national economy to the exigencies of an expanding world economy.¹¹ Liberalization of national economies have internationalized groups and deeply enmeshed networks that have superseded the traditional political jurisdictions of national scope. “Such a transformation has served to loosen the ties of producers to their states and workers to their firms, to expand the horizons within which citizens pondered their self-interests, and to foster the formation of transnational organizations that could operate on a global scale to protect and advance the economic interests of their members.”¹² The research design focuses on the second question, which probes the postinternational explanations, which illuminates the profound shifts in economic and political governance taking place.

In the first section, I will introduce the framework for this analysis, which includes not only the configuration of authority and its alliances, but also the very structure of the politico-economic system changing before our very eyes. Having described as well as possible the observed pattern of authority, I will introduce evidence that can be used to assess the extent to which the pattern of authority allows nonstate actor participation in governance and the types of nonstate actors as well.¹³ The second section will discuss the environment for framing effective policies and texture of economic policy across and between states. The basic method ascribes to the congruence testing format which proceeds in three steps: (1) re-states the hypotheses; (2) state expectations about what we should observe if it is false; and (3) explore the evidence looking for congruence or incongruity between expectations and observation.¹⁴ The third and fourth sections will draw out the particular content of ideas and conditions for identifying the authority structures. The empirical focus for much of the examination is confined to Punjab, Orissa and West Bengal, which demonstrate three different trajectories of economic liberalization reforms in India.

Combined, the theoretical and methodological approach developed here, releases a crucial advantage: it enables the researcher to tease out information about mechanisms and feedback loops that cannot be captured by more quantitative indicators. Given the complex context of economic liberalization reforms in a country where both liberal and radical scholars attribute the failures of India's developmental trajectory to its centrally constraining policy framework, information could not only be found through detailed or even persistent questioning. Such information would never appear in formal statistics

even if it were possible to collect. That said the aim is not to produce statistically significant data, as the responses are not directly comparable in scale of the population of India or the population of the cities where the surveys were administered. Statistically significant assessments on the manifestation of geographically ordered governance must become routine before it can be used regularly with confidence for policymaking. Participants have simply responded to questions about general feelings about three broad categories of questions on governance, and after the economic reforms. The main advantage of this approach is that the results serve as more of an informative indicator of observations.¹⁵ Both interviewees and survey participants provide a unique perspective on how the economic liberalization reforms are leading to the manifestation of geographically ordered governance in India.

Framework

The government of India clearly had powerful reasons to liberalize their economic policies in the 1990s. An appraisal of economic performance under the 1991 reforms and bolder efforts at removing controls on private investment not only show a mobilization of large volumes of resources, which have helped to increase wealth and reduce fiscal deficit, but also signals that new forms of governance may have been directly linked to strategic alliances developed during the economic policy reform process. At the most general level, the reforms offer useful corrections to the limitations of an earlier development strategy based on pervasive government control over the private sector. The economic objective was the removal of a wide array of neo-protectionist barriers

embodied in national standards and policies to facilitate the free movement of capital.¹⁶ However, the critical issues are why the particular institutional arrangements were chosen and how these new alliances are working to change national governance. Numerous policy prescriptions could have been used as the basis for centralizing the authority structure under liberalization, including an even more encompassing set of regulations and standards than the license-raj, designed in the early 1950s as an autonomous regulatory system for nonstate actors, but which did not realize its anticipated effects.¹⁷ The formation of the Planning Commission in 1950, the enactment of the Industrial Development and Regulation Act in 1951, and the declaration of the Industrial Policy resolution in 1956, placed authority and the responsibility for establishing strategic alliances into the hands of central government. As stated in the First-Five Year Plan, “Without coordination of policies and timely concerted action, there is danger of waste and misdirection of efforts, which may have consequences extending far beyond the responsibility of any single authority, and this, it must be recognized, places special responsibility on the Center.”¹⁸ However, no centralizing measures were considered.

So why then diverge from central government’s “iron fist of controls”?¹⁹ It seems the long constrained economy of states also needed to pull back from an approach, which imposed high entry and regulatory costs through licensing regulation.²⁰ Liberalization encouraged new interactions between state and nonstate actors, and liberated states to negotiate their own terms for decentralization and public sector disinvestments. Rather than having a uniform effect however, liberalization triggered varying authority structures and encouraged a model with various efforts to coordinate state-nonstate

alliances. In this milieu, as long as nonstate actors realized gains with substantial incentives for states, they were free to govern, as they like. The expanded role of nonstate actors in economic life of the nation after the reforms is an important point of departure for the framework of this study. Punjab, Orissa and West Bengal, share some common economic characteristics, and diverge in important ways.

In Chandigarh, Punjab constitutional amendments liberalized economic and social arrangements, which also decentralized the governing responsibilities within and between state municipalities. Specific mandates shifted urban planning, protocol for governance of key sectors, and created a multi-tier and multi-functioning banking system to increase access to credit, as discussed earlier. Nonstate actors of particular significance in Punjab emerged from the private sector, and largely include domestic and international multinational corporations (MNC), who prior to 1991 could not have majority ownership, acquire or dispose of physical assets without government permission. MNCs today occupy a prominent and often controversial role in the political economy. The largest of these firms are familiar names such as GlaxoSmithKline Pharmaceuticals Limited²¹ India's leading research-based international MNC, and Ranbaxy Laboratories Limited,²² an internationally renowned Indian firm and the largest domestic pharmaceutical company. When compared with all-India averages, Punjab's strong corporate community, agricultural sector, and burgeoning professional middle class hold sophisticated portfolios whose foreign investments are sought for access to closely held technology and global marketing linkages.²³ Benefits are not uniform throughout the state however, as high wages do not necessarily spill over to poorer and more rural

areas.²⁴ In Bhubaneswar, Orissa institutionalized cooperation through international organizations and global financial agencies have been a significant aspect of the liberalized economic policy-making process. This neo-liberal institutionalist approach gained momentum as policy makers considered the potential reach of public nonstate actors to the 88 percent of the population classified as rural.²⁵ The urban population registered an increase from 8.4 percent to 11.8 percent during the decade of the last census. Sophisticated policy prescriptions by international financial and development agencies, including IMF, DFID, The Friends of Children of Orissa UK, The Japan International Cooperation Agency (JICA), and World Bank all promised to engage the more than 75 percent of the workforce engaged in agriculture and other elements of the rural economy classified as backward.²⁶

Finally, the specific nonstate actors that have brought transformation about in Kolkata, West Bengal can be generally framed around combined efforts of the public and private sector. State agency efforts are buoyed by selected MNCs to improve central planning efforts and to encourage growth in industry specific market-based transactions. The most influential of which include the Siemens Group in India, a unique player in the field of electrical electronics engineering;²⁷ Wockhardt Hospital and Kidney Institute, an associate hospital of Harvard Medical International, and part of a premier chain of super specialty healthcare providers for patients with urology and nephrology diseases;²⁸ and, Indian Council of Social Science Research (ICSSR), established in 1969 by the Government of India to promote research in social sciences across the country.²⁹ Liberalizing the political economy of West Bengal has not been very different, in broad

terms, to the experience of other states in India. However, here, the local government had to implement policy behind the walls that have insulated the economy, and strategies had to be created to deconstruct the land control arrangement that was imposed by inequities embedded in caste-class biases.

The above discussion suggests that liberalization through nonstate actor participation proceeds in two important ways. First, it explains how nonstate actors settle on particular rules of the game, based on political regime type and including the relevant organizing principles and supporting institutions, from among the many sets that are available in the state. Second, it shows the impact of public or private sector specific strategic alliances and otherwise unanticipated contingencies on states: nonstate actor governance varies rules across sectors, and between states.

To test the three central hypotheses in this study, I tried to ascertain relative values of the independent variable (IV), and dependent variables (DV), using surveys applied in case study format, known as congruence procedure.³⁰ For example, to test the hypothesis ‘if authority structures have resources to operate, then they can build legitimate consensus,’ I framed questions exploring the IV, resources/no resources to operate; and explore questions on legitimate (consensus/no consensus), using the DV. These questions are congruent with the categories on ‘Legitimacy and Voice’ and ‘Direction and Performance.’ To test the hypothesis, ‘if an authority structure reflects local and regional characteristics, then they will manage issue areas more effectively,’ I framed questions exploring the IV, reflection/non reflection of local and regional

characteristics; and the DV, which assessed governance (effectiveness/ineffectiveness). These questions are then congruent with the category on 'Performance and Direction.' To test the final hypothesis, 'if society is open, then an authority structure will have positive impact on local prosperity and quality of life,' I framed questions exploring the IV, which is the level of openness/non-openness of society; and the DV, which assessed the impact (positive/negative). These questions were congruent with the category on 'Accountability and Fairness.' Therefore, in the study results chapter, average responses to questions in the first two categories (Legitimacy and Voice, Direction and Performance) will be congruent with assessments made on political governance. The economic governance assessment will be congruent with responses to questions in the category on Accountability and Fairness.

With respect to the types of nonstate actors assessed in this study, some important qualifications have to be made. To begin, the survey is constructed around twenty-eight questions, between the three categories. The limits of the demographic information (age, sex, religion, caste or tribe, home city and work place city), primary language, and area of work are defined below. First, the age, sex, religion, caste or tribe, home city and work place city serves to draw the boundaries tightly around the profile of each respondent. The social, cultural, and political (and sometimes economical) demographics of India are heavily weighted on gender, religion and caste or tribe. The demographic profile is also used to build important social, cultural, as well as political insights. Second, the primary language of respondents helps to build the historical profile of respondents. The primary language reflect the mother tongue, and gives insights into the background characteristics

and regional variation of participants. It also helps to verify earlier questions on religion, caste or tribe.

In this study, there are eight types of generic actors, three of which are located at the micro level, and five at the macro level. The three types of micro-level actors are citizens, official leadership and private actors who carry out actions in the national or global arena. The variety and types of macro level actors on the world stage is greater than that of micro-level actors. There are five broad macro level clusters: three involve states, subgroups and transnational organizations, or collectivities with hierarchies of authority. Nine broad macro level actors were identified as the initial focus of the study: government, nongovernmental organizations, multinational corporations, media, business, religious group, criminal organizations, academic institutions, and international organizations. The fourth and fifth, macro level clusters, which will not be discussed here, are organized leaderless publics and movements. Movements are not based on organizationally conferred authority as discussed in this study, but on the moral importance of individual goals.³¹ The question on the area of work helps to identify the presence of generic actors, and their location in the political economy. Post-survey questions were added, as a proxy for categories not included in this analysis.³² Each survey is identified numerically to maintain confidentiality and anonymity of individuals in sensitive cultural and political regions. These refinements will, I hope, reflect the diversity of participants.

Method

The assertion that nonstate actors govern leads us to the question of how this occurs: where is the evidence? The methodology developed here explicates two charges consistent with postinternational analysis. First, nonstate actors play important role in liberalization because state economic policy encourages the habits and practices from which nonstate actors derive their legitimacy in a turbulent world.³³ Nonstate actors, as an authority structure challenge the particular pattern of governance already in existence. Second, nonstate actors are given the leeway by local governments who need to arrive at a common understanding of economic problems and viable reform solutions. Put simply, states are likely to get what they want when authority is delegated to nonstate actors. The analysis below proceeds in three steps: a review of the hypothetical causal claims; the expected observation; and, exploration of the evidence.

To begin, the first basic step here is to establish the hypothetical causal claim, by linking the structure of the international political economy to changes exhibited at the level of national societies and economies.³⁴ Because the scope, autonomy and capacities of all nation-states have been lessened, the complexity and dynamism of the environment for framing effective policies and creatively adapting to change become important.³⁵ Illustrative in this regard are the problems that India has encountered with respect to national public governance and the elaborate techniques for containing policy crises. First, the original landmark in official health policy of independent India was the acceptance of the Bhore Committee recommendations of 1946, which laid the foundation of comprehensive rural health services through the concept of primary health centers. In

1952, India became the first country in the world to launch a national program on family planning, to the extent that emphasis was placed on reducing birth rates and ‘stabilizing the population level consistent with the requirement of national economy.’³⁶ Since then, the Indian family planning program has gone through several changes. At times, it has integrated with different programs like minimum needs program, Maternal and Child Health (MCH), and Child Survival and Safe Motherhood (CSSM). The goals have changed, from reducing the birth rates and the rate of population growth by the induction of method contraception, to specific contraceptive targets. The 1978 Declaration at Alma-Ata, which received a full-fledged commitment from the Indian government, called for a change in thinking in relation to health, healthcare, and development. This declaration was important in proposing a broad philosophy towards a strategic relationship between primary health care and economic development. Of central importance was ‘equity’ as a component to health. It called on the national government to recognize the need for community participation in decision-making, the need for a multi-sectoral approach to health problems, and the need to ensure the adoption and use of techniques flexible in the hands of policy makers.

Second, the International Conference on Population and Development (ICPD) at Cairo in 1994 also bears significance as it has been described as a watershed in the history of thinking on population development issues.³⁷ ICPD is said to have brought about a significant shift in socio-economic policies and political strategies, as well as acknowledging the inter-linkages between poverty, patterns of production and

consumption, environment, social equity, gender equality, and sustainable human development.

Formulated in this way, the early policy-planning period reflect significant political constraints, weak economic resources, and overall poor coordination of the national public governance. There was too much internal division and too much dynamism underlying health to allow the nation-state to exercise full control over the course of events.³⁸ The authority of the government weakened as a result of policy failures, and efforts to integrate the national economy into one single liberal global market economy. Consequently, the nation-state developed, through liberalization, institutions and adopted policies that increased their ability to cope with internal and external challenges.³⁹

In this view, only when the three central hypotheses are brought forth and the economic liberalization reform policies joined, can substantial progress made toward understanding the conditions under which nonstate actors have been influential.

In the second charge, the expected observation during fieldwork was then dependent on the very same institutions and policies described above. Since the shrinking economic, social and political distances that have transnationalized global affairs have greatly increased the vulnerability of domestic economies to external influence,⁴⁰ I should observe that nonstate actors are given the leeway by local governments who need to arrive at a common understanding of economic problems and

viable reform solutions, and in one of following three hypothetical claims. If an authority structure has resources to operate, then they can build legitimate consensus; if an authority structure reflects local and regional characteristics, then they will manage issue areas more effectively; if society is open, then an authority structure will have positive impact on local prosperity and quality of life.

In what follows, I summarize aspects of viable reform solutions that I expect will affect the probability that nonstate actors will be associated with governance of the politico-economic system. The most straightforward way to assess the extent to which the three central hypotheses presented above are associated with viable reform solutions in the health sector is through a governance assessment survey. By this criterion, respondents in states that have proportionally greater investment outlays by nonstate actors should perceive shift in governance in a different way. In other words, governance indicators should be associated with overall regional differences in responses to the three categories of questions testing the three central hypotheses. Once again, emphasizing these observations is not to downplay the importance of other potentially contributory explanations including complex economic, political, and sociological considerations.

The politics of liberalized investment are largely organized around two broad issues. The first is the size of the investment. The second relates to how the investment is to be allocated. In this context, the relationship between actors is one of outcome guided by the policies and regulations promoted by the Planning Commission.⁴¹ In the field, I expected to observe nonstate actor reform solutions addressing issues raised by

the Planning Commission. First, the solutions to the problem of investment in infrastructure, and second, financial solutions for public sector disinvestments that is politically acceptable and economically desirable⁴² for local government officials.

To incorporate, the two dimensions of liberalized investments I combined three baseline governance indicators in the survey to assess general perceptions on economic performance and political governance of nonstate actors since the reforms.⁴³ I combined Voice and Accountability, Government Effectiveness and Regulatory Quality to create my own broad categories for analysis. ‘Legitimacy and Voice’ category assesses the extent to which citizens are able to participate in selecting their government, as well as freedom of expression, freedom of association, and a free media. ‘Accountability and Fairness’ combined, assess the quality of health services, the quality of state actors, the quality of the formulation and implementation, and the credibility of nonstate actor’s commitment to health. In addition, the ‘Direction and Performance’ category assesses the ability of state and nonstate actors to formulate and implement sound policies and regulations that permit and promote private sector development.⁴⁴

Each survey was composed of 28 questions. Five questions on legitimacy and voice; thirteen questions on accountability and fairness; and, ten questions on direction and performance. Questions were designed with three choice answers: high, moderate, or low. Space was made available for explanatory comments. Demographic information on age, sex, religion, caste or tribe, home and workplace city, primary language was also collected to build a profile of each respondent. Areas of work included: government,

NGO, MNC, media, business, religious group, criminal organization, academic institution and international organization. In addition, I gathered general information on agendas, funding, activities, rhetoric, and affiliations of state and nonstate actors. This section of the survey set the parameters of micro and macro actors who participated in the study.

Survey participants and interviewees were identified using a convenience sampling technique. To assess the hypotheses I will look for congruence or incongruity between expectations and observations in survey responses from study participants in Punjab, Orissa and West Bengal.

In sum, it matters a great deal which paradigm one chooses to infuse order into the phenomena that make up world politics. A postinternational perspective clarifies the decentralizing tendencies, at both the national and sub-national levels, where newly fragmented, long-established hierarchies presided over by narrowly based elites have been replaced with a multiplicity of organizations that have more pluralistic leadership. This new arrangement means that actors are more interdependent, that they have a need for and relations with a widening array of other actors, and that consequently the patterns of interaction that mark their daily lives encompass more extensive networks than was the case in previous eras.⁴⁵ The competence of states is both widening and withering with each nonstate actor function, and as the dynamics of global life intensify both the centralizing and decentralizing tendencies already at work.⁴⁶ The postinternational approach forces scholars to come to grips with the complex dimensions of economic

liberalization.⁴⁷ Though an important aspect of this study, investments are certainly not the only productive element of economic development. Consideration must be given to the political and sociological landscape of the development environment,⁴⁸ as well as the networks formed through strategic economic alliances to organize transactions.⁴⁹ Networks described as “social units with relatively stable patterns of relationships over time,” represent a type of arrangement with its own specific distinctive features, which must be considered in its own right.⁵⁰ I expect the two dimensions of liberalization will affect the probability that nonstate actors will be associated with overall regional governance.

Convenience Sampling

Convenience sampling was the strategy employed for identifying survey participants and interviewees. Convenience sampling, also known as opportunity sampling, is a type of non-probability sampling which involves the sample being drawn from that part of the population which is close at hand. That is, a sample population selected because it is readily available and convenient. Generally, using such a sample, commentary and interpretation for the results cannot scientifically generalize about the total population because it would not be representative enough. In addition, convenience sampling does not make inferences about larger populations but rather, studies the relationship that exists in a unique sample.⁵¹

To begin, I created a list of prospective study participants in both state and nonstate organizations in each capital city and contacted them randomly. I was

discouraged by refusals and unproductive interviews. State officials refused to meet, and nonstate actors though more inclined to meet, were very concerned about the implications of answering questions on record. Academic and personal connections were more productive. These consisted of professors, researchers, social movement activists, and fieldworkers working with grassroots organizations and international agencies like the World Bank and World Health Organization's Global Fund. Through these contacts, I was able to find people willing to speak about economic reforms and its impact on the role of nonstate actors in the area of governance. I approached some nonstate actors without referral, however, the success rate for interviews was very low, and the interviews granted, especially in Chandigarh, Punjab were on the surface very shallow. I tried to prevent a bias by relying more on contacts developed through academic contacts and when possible by using more than one resource to gain access. Convenience sampling was the strategy employed in the field.⁵² In hindsight, and considering the complexity and difficulties in the field, this was the best and most appropriate strategy.

Overall, convenience sampling yielded mix results. I was interested in various perceptions, processes linking locational decisions, and political rules and questions about the shifting orientation transforming authority relations after the reforms. Even with contacts developed through convenience sampling, I made no headway on politically sensitive questions. Efforts to interview nonstate actors such as the Sikh militants in Punjab, Hindu or Islamic fundamentalists in West Bengal, with known alliances in core public services, were generally discouraged due to national security issues. However, some introductions from acquaintances yielded mix responses.

In the selection process, I was guided by the need to evaluate comparative experiences of government versus NGO, and MNC versus religious groups, for example. Thus, I used two major criteria in choosing respondents: first, those whose area of work spanned the period before and after the economic liberalization reforms; second, those who had a long relationship with relevant state or nonstate actors. In addition, I traveled to rural districts in all three states: Dera Bassi, Amritsar and Morinda in Punjab; Koraput, Puri, Cuttak, Jaipur, Nabarangpur, Khordha and Bhubaneswar in Orissa; and, Howrah, North 24 Parganas, South 24 Parganas and Medinipur in West Bengal, to interview a diverse array of micro and macro actors. In each state, I was especially interested in finding out about the infrastructural divisions across rural and urban districts. Repeated visits to these rural districts allowed me to observe the quality of life, and assess access to services provided by state and nonstate actors. The overall experience yielded good data for analyzing the governance of core public health services after the reforms.

Surveys and Interviews

The strategy for engaging survey participants was simply to interest people in my project, and to convince them of the importance of their voice in chronicling the experiences of Indians, and their overall contribution to the academic debates. Personal contacts developed in the United States and India was an important advantage. Without proper guidance or cultural and political correctness, response rate can be very, very low. This was especially true as I was seeking sensitive demographic information to build a profile of each participant. For example: age, sex, religion, caste or tribe, home city, work place city, primary language and area of work. The surveys also requested very

personal opinions on the legitimacy and voice, accountability and fairness, and the direction and performance of state and nonstate actors in the communities where people live. I had to assure respondents and interviewees of the confidential nature of the study, as well as assure them that the digital recording was simply a mechanism inducted in the project for quality assurance.

Survey participants were encouraged when they were given the opportunity to relax, drink chai, and talk about their personal and private hardships. Many people were intrigued by the idea that a foreign scholar was interested in documenting their viewpoints. A few disagreed, especially in West Bengal, suggesting the state is the only relevant actor in India. Most generally, felt that the role of nonstate actors is more critical after the reforms.

The data collected reflect the perceptions of a very diverse group of respondents. Participants shared their expansive knowledge of the governance situation in the country before and after reforms. I also captured the perceptions of country analysts at the major multilateral development agencies or international organizations. These include the World Bank, WHO Global Fund, UNICEF (Delhi office), and DFID (Delhi office), which gave insights into an individual's in-depth experience working in a country they regularly assess. Respondents were generally reluctant to indicate their area of work if it fell under the category of criminal organization. In such instances, respondents with these known associations, left it blank or selected 'other.' Effort was made to evenly distribute surveys to similarly placed officials, and across the three states.

Interviews were supplemented by archival data collected in the field. Because statistical information is not available in a consistent way across states, multiple sources were used to provide as complete a picture as possible. For example, to compensate for the shortcoming of information, my first stop after academic resources was the Voluntary Health Associations (VHA), as well as other “Mother NGOs” offices located in each capital city. The Government of India and state governments have a number of health schemes for implementation through NGOs. Through VHA and “Mother NGOs,” funds are distributed from central government for the implementation of official government health projects.⁵³ Collectively these organizations maintain a master database of micro and macro actors active in each state.

Ninety-three surveys and 30 interviews were completed in total. Thirty-three surveys were completed in Punjab; 30 surveys in Orissa; and, 30 surveys in West Bengal. Interviews included: 12 in Punjab; 12 in Orissa; 4 in West Bengal; and, 2 in Delhi. I built an excel database to aggregate responses gathered in the field. These aggregate responses are weighted averages of responses to the surveys, with weights reflecting the average responses across three broad categories, and in each state. For example, the average responses to questions in the first two categories (Legitimacy and Voice, Direction and Performance) are congruent with assessments made on political governance. The economic governance assessment is congruent with average responses to questions in the category on Accountability and Fairness. Average responses of the first two categories (legitimacy and voice and direction and performance) are referred to as

political/democratic governance.⁵⁴ The responses do not produce a statistically significant data, as the responses are not directly comparable in scale of the population of India or the population of the cities where the surveys were administered.

Finally, careful attention has been given to the sociological histories of survey participants and interviewees for it is easy to draw misleading conclusions outside of the cultural and political context. I made special effort to meticulously record and transcribe interviews at the end of each day in the field. Taken together, the surveys and interviews have drawn liberally from a variety of sources as well as from notable historical studies on Punjab, Orissa and West Bengal.

Conclusion

In conclusion, the research design attempts to relocate nonstate actors in liberalized economies. Economic liberalization reforms have produced interactions located at different levels of the system. As an authority structure, attention must be given to the multiplicity of roles and processes in which nonstate actors are engaged in governance. The choices and behaviors of nonstate actors, and hence their developmental impact on the national political economy, emerge as significant to the direction and performance of the liberalization strategy. Thus, in undertaking an inquiry of this nature, the analysis considers the extents to which inferences can be made on the findings, and whether the empirical work is sufficiently extensive to provide similar cases against which to evaluate theories.

Nonstate actors within liberalized states interact and react to the national economic regime in widely varying ways, but each of these actions is strategic and intentional. Robert Gilpin speculates that a minimal degree of convergence of liberal economic policy and interests may indeed be a prerequisite for the formation of a liberal international economy,⁵⁵ for it encourages a multiplicity of processes, which contribute to devolution, and refocusing of activity levels of organizations less encompassing than the nation-state.⁵⁶ Similarly, a postinternational approach to understanding the relationship between actors in liberalized states brings into focus the new characteristics of states and the incentives nonstate actors generate at different levels of the system.⁵⁷ The state's capacity to adapt to change and the nonstate actors readiness to meet demands is creating a paralyzing effect on the norms, habits and practices of central government. If the states studied here continue through the dimensions highlighted and processes described, all indicators are they will likely fall into an even more varied system of governance.

¹ Korbin, Stephen J. "Economic Governance in Global Economy" in The Emergence of Private Authority in Global Governance (Edited by Rodney Bruce Hall and Thomas J. Biersteker). New York: Cambridge University Press, 2002. p. 50.

² Korbin, Stephen J. "Economic Governance in Global Economy" in The Emergence of Private Authority in Global Governance (Edited by Rodney Bruce Hall and Thomas J. Biersteker). New York: Cambridge University Press, 2002. p. 49.

³ Korbin, Stephen J. "Economic Governance in Global Economy" in The Emergence of Private Authority in Global Governance (Edited by Rodney Bruce Hall and Thomas J. Biersteker). New York: Cambridge University Press, 2002. p. 49.

⁴ Korbin, Stephen J. "Economic Governance in Global Economy" in The Emergence of Private Authority in Global Governance (Edited by Rodney Bruce Hall and Thomas J. Biersteker). New York: Cambridge University Press, 2002. p. 49.

⁵ Susan Strange elaborates a conventional structural critique. See also "Cave! Hic dragones: a critique of regime analysis" in International Regimes (Edited by Stephen Krasner). Ithaca: Cornell University Press, 1983. pp. 337-354.

⁶ Sinha, Aseema. The Regional Roots of Developmental Politics: A Divided Leviathan. Bloomington: Indiana University Press, 2005. p. 116.

⁷ Sassen, Saskia. "The State and Globalization" in The Emergence of Private Authority in Global Governance (Edited by Rodney Bruce Hall and Thomas J. Biersteker). Cambridge: Cambridge University Press, 2002. pp. 91-114.

⁸ Rosenau, James N. Turbulence in World Politics: A Theory of Change and Continuity. Princeton: Princeton University Press, 1990. p. 135.

⁹ This approach has three core assumptions on how societal actors produce change. First, the fundamental actors in international politics are individuals and private groups, who are on the average rational and risk averse and who organize exchange and collective action to promote differentiated interests under constraints imposed by material scarcity, conflicting values and variations in societal influence. Second, state represent some subset of domestic society, on the basis of whose interests state officials define state preferences and act purposively in world politics. Third, the configuration of interdependent state preferences determines state behavior. See Andrew Moravcsik, "Taking Preferences Seriously: A Liberal Theory of International Politics." *International Organizations*, Volume 51 (Autumn 1997).

¹⁰ The state and market, whatever their theoretical origins, have independent existences which impact the system. See Robert Gilpin discussion of nature of the political economy in The Political Economy of International Relations. Princeton: Princeton University Press, 1987. Pp.11-15.

¹¹ Rosenau, James (N) and Mary Durfee. Thinking Theory Thoroughly: Coherent Approaches to an Incoherent World Second Edition. Oxford: Westview Press, 2000. pp. 64-65.

¹² The three parameters conceived to be primary include the overall structure of global politics (a macro parameter), the authority structures that link macro collectivities to citizens (a macro-micro parameter), and the skills of citizens (a micro parameter). According to this perspective, all three parameters are presently undergoing extensive complexity and dynamism and the world is experiencing its first turbulence since the era that culminated with the Treaty of Westphalia some 350 years ago. See James N. Rosenau and Mary Durfee. Thinking Theory Thoroughly: Coherent Approaches to an Incoherent World Second Edition. Oxford: Westview Press, 2000. pp. 50-51.

¹³ According to leading World Bank statistician, Daniel Kaufmann, there is no one accepted methodology for quantifying governance indices. Here, I combine diverse measures used by scholars to assess economic performance and perceptions of political governance and which can be assigned to three broad categories: legitimacy and voice, direction and performance, and, accountability and fairness. Each unique category serve as the focal point for all interviews and surveys, and also serve as a different evaluative indicator of authority structures, defined here as nonstate actors that govern core public service sectors. In addition, an average of six governance indicators of World Bank, UNDP's five principles of good governance, and the World Health Organization's 26-baseline indicators of good governance was used to compose my own assessment survey. See Daniel Kaufmann, Daniel et. al. Governance Matters: Aggregate and Individual Governance Indicators. Washington: World Bank Policy Research Working Paper 4280, July 2007. (World Bank 's Worldwide Governance Indicators 2006 www.wb.org)

¹⁴ On congruence procedure, see Stephen Van Evera's Guide to Methods for Students of Political Science. New York: Cornell University Press, 1997. pp. 55-56.

¹⁵ Readers should not try to compare demographic profiles with that found in Census 2001 report on states. There is no relationship between actual demographic data derived from Census 2001 in cities, districts or state, and survey assessment results, as the surveys address related but different attributes of the demographic information presented here.

¹⁶ The reforms also included a reduction and transformation of state economic intervention, an increased reliance on market mechanism, frequent use of monetarist policy instruments, and an overall greater support for shifting authority relations among actors on the national stage.

¹⁷ In the domain of economic policy, both statist and societal theories tend to assume that the state is a third-party enforcer. While the statist approach may suggest viewing the state as the principal unit of analysis, it may be more realistic to view the state as an ensemble of actors that allow regional states and societal actor's room to maneuver. For example, in India the license-raj was designed in the early 1950s as an autonomous regulatory system for nonstate actors. This power over the private sector embodied in the license-raj was designed to ensure some level of regional uniformity and central direction; it thus went hand in hand with the power of the central government over regional units. Societal approaches such as Marxism displace analytical attention onto the power of societal actors to shape state action. Both statist and societal accounts fail to adequately address the agency problems generated in the political structure of a liberalized economy. However, in developing a postinternational framework here, nonstate actors provide potential room to maneuver around strictures of the political system. See Aseema Sinha, The Regional Roots of Developmental Politics: A Divided Leviathan. Bloomington: Indiana University Press, 2005. p. 16.

¹⁸ Former Prime Minister, Jawaharlal Nehru, chaired first Five Year Plan. The report was published December 7, 1952. See "First Five Year Plan: Planning Commission, Government of India: Chapter 1,

Economic and Social Aspects.” Published December 7, 1952. Para (11). Accessed at World Bank Delhi archives, September 2008.

¹⁹ Aseema Sinha analyzes the deductive logic behind India’s “iron fist of controls” in The Regional Roots of Developmental Politics: A Divided Leviathan. Bloomington: Indiana University Press, 2005.

²⁰ See Jagdish Bhagwati and Padma Desai’s discussion in India: Planning for Industrialization. London: Oxford University Press, 1970. p. 252.

²¹ GlaxoSmithKline Pharmaceuticals Limited (GSK) has a formidable presence in the domestic pharmaceuticals market with a share of above 5.9 percent. GSK India represents one of thirteen major multinational corporations working in Punjab. The firm markets a wide range of ethical formulations and is the leader in therapeutic areas of respiratory, dermatology and vaccines, besides having a significant presence in areas of gastroenterology, dietary supplements, gynecology, neurology, cardiovascular and intensive care. GSK is also the undisputed leader in the animal and fine chemicals business. Other international firms located in Punjab include: Nestle; Pepsico; GEC, USA; Ollivetti, Italy; Nippon; Hitachi; Fujitsu; OKI of Japan; Kenwood; Motorola; and ICI (See also <http://www.gsk.com/worldwide/in.htm> for details on GlaxoSmithKline, Uploaded 12/1/2009; and, <http://punjabgovt.nic.in/WELCOME.html> for details on Government of Punjab economic infrastructure and industry and investment strategy, Uploaded 12/1/2009).

²² Ranbaxy Laboratories is one of thirteen internationally renowned Indian companies working in Punjab. Ranbaxy is India’s largest pharmaceutical company with an integrated research based, pharmaceutical division focused on producing generic medicines. Ranbaxy’s continued focus on R & D has resulted in several approvals in developing markets and significant progress in New Drug Discovery Research. The Company’s foray into Novel Drug Delivery Systems has led to propriety “platform technologies,” resulting in a number of products under development. The company is serving customers in over 125 countries and has an expanding international portfolio of affiliates, joint ventures and alliances, ground operations in 49 countries, and manufacturing operations in 11 countries. Other internationally renowned Indian companies working in Punjab include: Hero Cycles, Avon Cycles; Punjab Tractor Limited; Oswal Wollen Mills; Oswal Knit India, Limited; JCT Textiles, DCM; Birla_VXL (OCM); JIL; Gujarat Ambuja; Godrej; ACC; SIEL; Abhishek. (See also www.ranbaxy.com for details on Ranbaxy Laboratories, Uploaded 12/1/2009; and, <http://punjabgovt.nic.in/WELCOME.html> for details on Government of Punjab industry and investment, Uploaded 12/1/2009).

²³ Ahluwalia, Montek S. “India’s Economic Reforms: An Appraisal” in Dominance and State Power in Modern India: Decline of a Social Order, Volume II. Edited by Francine R. Frankel and M.S.A. Roa. Delhi: Oxford University Press, 1990. p. 52.

²⁴ During fieldwork, I traveled to Dera Bassi, Punjab (September 2008), where pockets of Dalit community live in deep poverty. See also Vandana Shiva examination of the negative impact of Punjab’s Green Revolution. The Violence of the Green Revolution. New York: Zed Books, 1991.

²⁵ This figure was taken from 2001 State Development Report of Orissa. Orissa’s social profile is the high percentage of Scheduled Tribes (37 percent) and Scheduled Caste (31.6 percent) population. The tribal population is concentrated in the inland districts, particularly Koraput, where the problem of regional disparity is a source of constant tension in Orissa. The four coastal districts, Cuttack, Puri, Balasore and Ganjam, have had major socio-economic improvements, largely attributed to the geographic location.

²⁶ The World Bank is a vital source of financial and technical assistance to India. In Orissa, it provides resources, share knowledge, build capacity and forge partnerships in the public and private sectors. This includes low interest loans, interest-free credits and grants for a wide array of projects ranging from investment in education, health, public administration, infrastructure, private sector development, agriculture, and environment and natural resources management. Established in 1944, the Bank is made up of two unique development institutions, owned by 186 member countries. This includes International Bank for Reconstruction and Development (IBRD) and International Development Association (IDA). See also www.worldbank.org and “Orissa State Development Report of 2001 (Bhubaneswar, Orissa).”

²⁷ The Siemens Group in India’s operations includes 17 manufacturing plants and an extensive network of Sales and Service offices. The company is part of a vast global network of 475,000 people operating in over 190 countries, with a complete range of business operations. This includes: energy sector expertise which ranges from power plants to turbines; industry sector, which builds airports as well as produce contractors; transportation sector delivers complete high speed trains; lighting sector manufactures light

bulbs; health care and information technology sectors. See also www.siemans.co.in (Uploaded December 23, 2009)

²⁸ The Wockhardt Hospital, Kolkata is the first and the only super specialty Kidney Hospital in Eastern India, established in 1988. Some of the key clinical departments are urology, nephrology and eye care. The network of hospitals is based in Mumbai, Kolkata, and Bangalore. See also www.wockhardthospitals.net/kolkata (Uploaded December 23, 2009)

²⁹ The Indian Council of Social Science Research (ICSSR) advises state and national government on all matters pertaining to social science research and may be referred to it from time to time to take measures the Government deems necessary to promote research and utilization. For example, undertaking publication of journals and books, organizing and sponsoring finance seminars and workshops, developing and supporting centers for documentation services and supply of data. See also www.icssr.org (Uploaded December 23, 2009)

³⁰ Case studies offer three formats for testing theories: controlled comparison, congruence procedures, and process tracing. Congruence procedures are of two types, with one type using comparative observations across cases to test theories, the other using observations within cases. Process tracing tests theories using observations within cases. Congruence procedures and process tracing are stronger test methods than controlled comparison. On congruence procedure, see Stephen Van Evera's Guide to Methods for Students of Political Science. New York: Cornell University Press, 1997. pp. 57-67.

³¹ This study ascribes to postinternationalisms eight types of generic actors, three of which are located at the micro level, and five at the macro level. Organized leaderless publics and movements are not discussed in this study because from the perspective of the three types of macro collectivities, their activities serve to intensify the complexity and dynamism of the political environment. See also James N. Rosenau's Turbulence in World Politics: A Theory of Change and Continuity. Princeton: Princeton University Press, 1990. pp. 118-126.

³² Additional archives, national and sub-national data were collected in their raw form from: World Bank; Ministry of Health and Family Welfare (Delhi, Chandigarh, Bhubaneswar, and Kolkata offices); Planning Commission (Delhi); Indian Council of Social Science Research (Kolkata); Center for the Studies in Social Sciences (Kolkata); Center for Research in Rural and Industrial Development (CRRID, Chandigarh); Reagan Library South Asian Collection at the University of Chicago; Census Commission of India; Population Foundation of India; Punjab University Population Research Center; Xavier Institute of Management (Bhubaneswar); The Global Fund (Bhubaneswar); CYSD (Bhubaneswar); Voluntary Health Association (Delhi, Chandigarh, Bhubaneswar and Kolkata offices); UNICEF (Delhi); DFID (Delhi); American Institute of Indian Studies (Delhi); Delhi University Developing Countries Research Center, as well as research conducted on previous travels to India, between 2003-2005. See also Framework and Method section of this chapter.

³³ See also James N. Rosenau's Turbulence in World Politics: A Theory of Change and Continuity. Princeton: Princeton University Press, 1990. p. 127.

³⁴ This subsumes Old Order, 1914-1920; Challenges to the Old Order (II), 1919-1945; Towards a New World Order, 1945-1995 and beyond. See also James N. Rosenau Turbulence in World Politics: A Theory of Change and Continuity. Princeton: Princeton University Press, 1990. p. 127.

³⁵ See James N. Rosenau Turbulence in World Politics: A Theory of Change and Continuity. Princeton: Princeton University Press, 1990. pp. 127-129.

³⁶ Interview, Dr. Almas Ali, Senior Policy Advisor, Population Foundation of India, Delhi. September 16, 2008.

³⁷ Interview with A. R. Nanda, Executive Director, Population Foundation of India, Delhi; and, former Secretary, Department of Family Welfare, Ministry of Health and Family Welfare, Government of India, Delhi, September 16, 2008.

³⁸ See James N. Rosenau Turbulence in World Politics: A Theory of Change and Continuity. Princeton: Princeton University Press, 1990. p. 129.

³⁹ See James N. Rosenau Turbulence in World Politics: A Theory of Change and Continuity. Princeton: Princeton University Press, 1990. p. 130.

⁴⁰ See James N. Rosenau Turbulence in World Politics: A Theory of Change and Continuity. Princeton: Princeton University Press, 1990. p. 131.

⁴¹ The Indian Planning Commission, which takes formal responsibility for formulating and framing the implementation of the Five-Year (economic) Plans, was established on March 15, 1950. Fundamentally,

the Planning Commission engages in two basic decisions: (1) what was to be the size of the investment (savings); and, (2) how was the investment to be allocated among the alternative uses. See Jagdish Bhagwati and Padma Desai's India: Planning for Industrialization. London: Oxford University Press, 1970.

⁴² Bhagwati, Jagdish and Padma Desai. India: Planning for Industrialization. London: Oxford University Press, 1970. p. 114.

⁴³ I combined three of the six baseline governance indicators constructed by the World Bank to develop survey and interview questions to assess general perceptions on economic performance and political governance of nonstate actors. The three broad category of questions in the health governance assessment survey include: legitimacy and voice, direction and performance, and, accountability and fairness.

⁴⁴ Since this study is focused on creating a new theoretical and methodological framework for assessing perceptions on governance, I was reluctant to use the traditional indicators developed by the World Bank. Instead of using all six indicators, I used three. The three remaining World Bank categories of governance: Political Stability and Absence of Violence; Rule of Law; or Control of Corruption are not discussed in this study, and were excluded because they are not included in the theoretical and methodological framework.

⁴⁵ Rosenau, James. Turbulence in World Politics: A Theory of Change and Continuity. New Jersey: Princeton University Press, 1990. p. 102.

⁴⁶ See James N. Rosenau Turbulence in World Politics: A Theory of Change and Continuity. Princeton: Princeton University Press, 1990. p. 132.

⁴⁷ Rosenau, James (N) and Mary Durfee. Thinking Theory Thoroughly: Coherent Approaches to an Incoherent World Second Edition. Oxford: Westview Press, 2000. p. 93.

⁴⁸ Bhagwati, Jagdish and Padma Desai. India: Planning for Industrialization. London: Oxford University Press, 1970. p. 125.

⁴⁹ This is not to suggest that investors do not consider state environment. Such may be the case, but is not likely as it may collectively undermine the investor. According to Stephen J. Korbin's research these authoritative new roles represent important strategic economic alliances. "Economic Governance in Global Economy" in The Emergence of Private Authority in Global Governance (Edited by Rodney Bruce Hall and Thomas J. Biersteker). New York: Cambridge University Press, 2002. p. 49.

⁵⁰ Korbin, Stephen J. "Economic Governance in Global Economy" in The Emergence of Private Authority in Global Governance (Edited by Rodney Bruce Hall and Thomas J. Biersteker). New York: Cambridge University Press, 2002. p. 54.

⁵¹ See Chapter Six: Study Results.

⁵² Convenience sampling is a method of sampling in which sample elements are selected, as successive informants or interviewees identify them. See also Daniel F. Chambliss and Russell K. Schutt. Making Sense of the Social World: Methods of Investigation. Thousand Oaks: Sage Publication, 2003.

⁵³ Interview with P.H. Vaishnav (Chairman), Society for Service to Voluntary Agencies (SOSVA) North Chandigarh: September 2008. See also SOSVA Annual Report (2007-08).

⁵⁴ See also Daniel Kaufmann's "Governance Matters: Aggregate and Individual Governance Indicators." Washington: World Bank Policy Research Working Paper 4280, July 2007.

⁵⁵ Gilpin, Robert. Political Economy of International Relations. Princeton: Princeton University Press, 1987. p. 393.

⁵⁶ Rosenau, James N. Turbulence in World Politics: A Theory of Change and Continuity. Princeton: Princeton University Press, 1990. p. 135.

⁵⁷ Aseema Sinha does not necessarily develop a postinternational approach in her analysis; however, in deconstructing micro-institutional characteristics of states and the incentives they generate at different levels of the system, parallels can be drawn in the argument developed. She writes, "This investment hunger necessitates vertical coordination with the center in industrial governance. Regional states adopt diverse vertical strategies to reregulate central industrial policy. Despite the influence of these common vertical compulsions, state-level institutions mediating central policies and investors' choices not only affect the level and pattern of investment flows to the relevant region, but may create new investment performing crucial roles." See Aseema Sinha's The Regional Roots of Developmental Politics: A Divided Leviathan. Bloomington: Indiana University Press, 2005. p. 116.

Chapter Three: Literature Review

Introduction

The major overhaul of national public governance during the 1991 reforms transformed domestic state relations, and even further cast the political economy of a nation-state in a very different mold from the one that existed centuries ago. Within this structure is new evidence that the various transnational, multinational, transgovernmental, and other nonstate actors associated with the process of liberalization, have ultimately shifted the power and interests of states.¹ What is even more striking is the emerging pattern of governance outside the center, in regions, which have undertaken the far more difficult task of reorganizing economic controls over a given territory. The actual content of sovereignty and the scope of the authority that states can exercise have been contested by the creation of new institutional forms that can better meet specific material needs.² It is here where the implementation of economic policy have liberated limits set by Westphalian ideology, where nonstate organizational factors intervene, where new coalitions have formed strategic alliances, and where the reform has directly affected the political-economic discourse.

This chapter unpacks the institutional and behavioral manifestations of nonstate actors in liberalized states. The question becomes one of understanding the specific type of authority nonstate actors carry, or more precisely, the political reality of the particular state where nonstate actors gain legal expression. How does the authority of nonstate actors legitimate the economic strategies of sovereign structures? My argument is that authority rests on the nonstate actors' ability to deliver the "goods" demanded by the

state, and the latter's willingness to recognize as legitimate the status of the former. Nonstate actors, to the extent that they exist at all, follow rather than drive the economic process. This conception focuses on the exchange of economic order for consent, and opens the possibility that numerous authorities can exist at different levels. Recent research, especially by David Lake, demonstrates clearly that authority can be shared between public and private spheres, with the former sometimes governed by "private authorities."³ Even though a far more fluid concept than that envisioned by international law, nonstate actors have had a considerable impact on the behavior of sovereign liberalized states by virtue of its embodiment in the political economy and of its functional utility.⁴ This conceptualization emphasizes the authority changing capacity of nonstate actors in the economy of sovereign liberalized states.

The purpose here is then, to understand and specify a particular aspect of the liberalization process, which in practice, leads to a form of sovereignty that favors creating multiple apexes of authority within a state.⁵ While nonstate actors may vary in the authority they possess, there is nothing inherent in the concept of sovereignty that ultimate authority cannot be shared.⁶ In this regard, this study accepts the traditional view that there can be an ultimate and exclusive authority surrounding an issue; however, it also recognizes that there can be multiple authorities defined by policy area operating in and over any given society.⁷

An important assumption here is also that liberalization policy in states may be confirming or challenging a particular pattern of governance (authority structure) already

in existence precisely because, in strengthening the legitimacy and claims of nonstate actors, it adds to and renders visible their regional work, accommodating their rights and contracts in what remain basically national economies.⁸

In the first section, I will introduce a number of conceptual issues, which arise out of the presence of nonstate actors in the liberalization process, beginning with the crumbling of the pillars erected around the Westphalia system. The traditional statist or nationalist perspective view nonstate actors as useless, if not misleading concepts that obscure economic power relationships.⁹ This nationalist perspective is concerned with the dimension of sovereignty lost due to weak authority structures, the large-scale and long-term impact of mass contention on elite coherence and state power. However, the discourse overlooks the pressures put on the system through emerging norms, and views nonstate actors as an ill conceived threat rather than a conduit or contributor to change.¹⁰ In the second section, I address the debate over the effects of nonstate actors on a liberalized structure, which may or may not be accompanied by explicit governing arrangements? A number of postinternational scholars have addressed various dimensions of authority espoused with the participation of nonstate actors. For some, it is acceptable that the changed regional pattern of economic activity transcends sovereign boundaries.¹¹ In this literature, nonstate actors have developed means to extend their economic reach, while the state fights to keep its commitment to the project of development.¹² On a whole they may also be conceptualized as middle class activists, a critical dimension of civil society organization. According to John Harriss, nonstate actors increase opportunities for political participation through civil organization.¹³ In

short, nonstate actors are not entirely exogenous. Rather, if local government officials intentionally select themselves into one or another type of relationship with nonstate actors, we must control for the possible determinants of this selection decision to appropriately estimate the effect of nonstate actors on governance efforts.¹⁴

In the third section, I discuss the challenges of theorizing dimensions of sovereignty, varying degrees of authority, and its correlates with relative shifts in governance after liberalization. This discussion is confined to the particular transformations underway in Punjab, Orissa and West Bengal. These states mark a shift from a system where authority was secured by the center to one where states have developed institutions and adopted policies that increase their ability to engage with competence, new economic arrangements. Seen in this perspective, the analysis in the pages ahead engages a comparative evaluation of the new economic order and governance.

The Nationalist Perspective

The economic liberalization reforms in India, is a powerful metaphor for understanding how emerging components of the political economy, though similar, interacts in an anarchic environment. If we begin with the political context of the nation-state, we are drawn into the rigid definition of sovereignty and the dimension of authority within the traditional state structure. Sovereignty is the supreme legal authority of the nation to give and enforce the law within certain territory and, in consequence, independence from the authority of any other nation and equality with it under

international law.¹⁵ Nonstate actors, a central aspect of the politico-economic system of liberalized nation-states, are theorized to be incompatible with maintaining sovereignty, as scholars argue they impair the nation's authority and destroy independence. In this view, depreciation in political power occurs when nonstate actors are given final authority over lawgiving and law-enforcing functions within a sovereign territory. Sovereignty is lost, and the state survives in name and in appearance only, while nonstate agents perform the actual functions of government.¹⁶ This classical 'realist' scenario, circumscribed in legal terms, characterizes the political framework of the nationalist perspective.

Economic nationalism, both in the political context described above and in the functioning and organization of the international system today, ascribes to national self-sufficiency and policy competitiveness rather than economic interdependence. In a world of competing states, the nationalist considers relative gain more important than mutual gains. Thus, nations continually try to change the rules or regimes governing international economic relations in order to benefit themselves disproportionately with respect to other economic powers.¹⁷

India, in common with many former colonial states, embraced economic nationalism in its more benign or defensive form, attempting to protect the economy against untoward external economic and political forces after independence.¹⁸ For nationalists, domination of the world economy by industrial powers seemed assured, until the mid-1980s, when reform-minded economic policy altered the seemingly invincible

position of the world economy. A more developed form of liberalization emerging in 1991 demonstrated that preservation of the state is not dependent on economic nationalism. More importantly, political and economic sovereignty may well depend upon gradual shifts in the exercise of political power from one government to another.¹⁹ However, sovereignty over the same territory may not reside in one type of authority.

The political reality of India is that the location of sovereignty may be in temporary suspense if the actual distribution of power within a territory remains unsettled. However, the type of economic authority nonstate actors carries profoundly influence the ultimate success of the countries themselves and the applicability of their development strategy.²⁰ This realization has challenged whatever intrinsic merit of economic nationalism existed, precisely because some less developed countries, including India, have gained considerably from foreign direct investment.²¹ The balance of power shifted decisively to emerging economies in the 1990s. India has successfully pursued policies that increased internal benefit to strategic nonstate actor alliances, through greater participation and changed terms of foreign investments, including but not limited to greater local participation and more joint ventures, expanded technology transfers, the exporting of locally manufactured goods, increased local content in final products, and restrictions on the repatriation of profits.²²

Nonstate actors gain legal expression in the process of liberalization. Their appraisal is determined in the interpretation of the specific political situation and economic issue. Authority rests on the nonstate actors' ability to deliver the "goods"

demanding by the state, and the latter's willingness to recognize as legitimate the status of the former. Morgenthau himself admitted a nation cannot lose its sovereignty by limiting its freedom of action through the conclusion of a great number of international treaties.²³

The legal determination of nationalism returns to a theme that runs throughout the eighteenth and nineteenth centuries. Its usefulness depends critically on what the Organization for Economic Cooperation and Development (OECD) euphemistically calls "past trajectories."²⁴ The future successes of economies like India, writes Gilpin, lies not in their ability to emulate the nationalist perspective, rather, it may depend on openness, the economic language of the modern era.

The Postinternational Perspective

Postinternational theory frames the debate differently. To begin, all collectivities are located within states.²⁵ The specifiable authority of nonstate actors owe something to the weakening of states, whose diminished capacities create, as it were, an authority vacuum into which nonstate actors have moved. But it is not only the reduced authority of states that promotes the proliferation and growing importance of nonstate actors, these changes also stem from the very nature of global economic interdependence.²⁶

Economic liberalization emerged as a key dynamic in the formation of a transnational system of power, which lies in good part outside the formal interstate system.²⁷ To some extent, national public governance functions have been relocated to nonstate actors, which represent a partial disembodying of specific state operations from broader institutional world of the state that had been geared exclusively to national

agendas.²⁸ The privatization or denationalization of government functions, as it were, deregulates major sectors of the economy, scales down welfare commitments, and resets economic policies to the demands of nonstate actors.²⁹ What is of particular concern here is that states are not unitary actors. The sovereignty of the state is undergoing erosion as the foreign-domestic boundary renders itself porous. To be sure, the decisions that get made in the state-centric world are those of leaders who act on behalf of their countries, but post-internationalist are too sensitive to the operation of societal variables to ignore evidence that governmental decision-making processes consist of bureaucratic and top level conflicts fueled by groups within the society. In instances such as economic reforms, they would concede, nonstate actors may be mostly bystanders unable to exert direct influence, because economic policies are developed independently. Even so, post internationalist might contend that the leaders are mindful of the political and societal implications of their decisions.³⁰

This is not to imply, however, that post internationalist theory is oblivious to territorial boundaries. Its adherents do not posit a borderless world so much as they conceive of its boundaries as fluctuating from issue to issue and as being crossed readily by a host of actors on both sides of the legally established lines that separate states.³¹

In analyzing the process of liberalization, the postinternational perspective reconceptualizes the conditions that have sustained the false features of the Westphalian system. The first feature was the central ordering principle or the state's obligation to respect each other's sovereignty. The second feature is the behavior of states, which is

circumscribed around a formal-legal framework. The behavior of states carries a formal-legal framework for governance in the system.³² The political reality however, is that nonstate actor gains legal expression through habitual legitimacy. According to Stuart Corbridge, the social and economic problems in poor countries, as in all countries, must be addressed by particular forms of government and non-government intervention.

“Governability is not something that can be escaped from at least not if a person, group or country wants to participate in generalized forms of production, exchange and rule.”³³

He suggests that what matters is the way in which these commitments are achieved.

Where legitimacy was once derived from habitual and traditional norms perpetuated by macro structures and processes, liberalization has enlarged analytic skills and capabilities of actors increasingly enabling them to ascribe legitimacy based on performance and strategic alliances they perceive as appropriate.³⁴

The Challenges of Liberalization in Punjab, Orissa and West Bengal

Both in number and sheer power, nonstate actors have made a qualitative change to the economic world,³⁵ however, it is clear that liberalization and other measures of economic development do not collectively benefit all in India. Punjab, Orissa and West Bengal are among the states that began early, shifting or moving beyond the specific national policy measures generally associated with governance from the center.

Economic policy emerged with rules designed to enhance the process towards more inclusive growth, and improve the capability of public sector institutions in ensuring the effective delivery of core public services.³⁶ Liberalization however, has not been limited by its assumptions that exchange is always free and occurs in a competitive market

between equals who possess full information and are thus enabled to gain mutually if they choose to engage each other.³⁷ This line of argument suggests the principles, norms, rules and procedures carried forward by nonstate actors do not always conform to the preferences of states. Over time, the two can drift apart, which means ultimately state and nonstate actor power and interests together condition both new authority structures and related behavior, but there may be a wide area of leeway.³⁸

What we are seeing today in Punjab, for example, is a new grid of economic transactions superimposed on the old geo-economics patterns.³⁹ The scale of markets has broadened, and the complexities of economic organizations are transforming districts within the state. The Punjab economic policy departs sufficiently from long-standing nationalist presumptions of stressing the importance of security and political interests in the organization and conduct of economic relations towards one that posits nonstate actors as inhabitants of separate worlds that interacts in such a way as to make their coexistence possible.⁴⁰ The politico-economic system, which moves beyond investment in infrastructure and public sector disinvestments, has essentially “rejected de-linkage and import substitution industrialization and embraced export promotion industrialization, thereby imbricating their economies even more closely with the global economy.”⁴¹ The interplay of state and nonstate forces in the process of liberalization has not robbed the state of its sovereign power. Rather, the high degree of specializations, which have emerged, encourages flexibility, which captures the benefits of competition of national economies along lines of comparative advantage.⁴²

International institutions have facilitated the reach and intensity of global economic norms and standards in Orissa. The politico-economic system runs counter to the nationalist mode, which presumes that over time the state-centric system either subsumes alternatives to it or fragments or collapses as the rival alternatives come to prevail.⁴³ Keohane and Nye consider a system of overlapping authority and multiple loyalties. “State power will remain crucially important, as will the distribution of power among states.”⁴⁴ Decentralization has transformed the authority and decision-making powers of nonstate actors. This type of multi-level governance, as described earlier, reconceptualizes the structure in which actors are legitimized. In this context, authority then becomes a contingent relationship in which the nonstate actor provides the order demanded by the state, and the state’s consent to the authority of nonstate actors to exert restraints on their behavior necessary to provide that social order. Legitimate authority is not law, but contract.⁴⁵

Socialist policies vary the degree of social autonomy and independence of actors in West Bengal. Whereas nationalists are concerned primarily with the international distribution of wealth, and post-internationalist tend to ignore the issue of distribution, the socialist economy of West Bengal focus on both the domestic and international effects of a market economy on the distribution of wealth. They call attention to the ways in which the rules or regimes governing investment, and other economic relations affect the distribution of wealth among groups and districts within the state. Economic arrangements are marked by considerably less interdependence than those in other states, and the distribution of potential economic power is operationalized around the authority

and directives of the center. The tendency is for economics to be subordinated to the formal-legal political institutions and the nationalist goals of the state.⁴⁶

Dependency theorists provide a similar account of actors in socialist environments. The theory itself suggests that underdevelopment is not the fault of these nations and their traditional values, but rather stemmed from foreign domination and exploitation. Sovereignty is mortgaged because “there is no other way.”⁴⁷ As John Harriss argues with reference to the “informal working class” in India, the overarching symbols of the middle class draw attention away from the political economy of poverty.⁴⁸ On the one hand, questions are raised over the exploitative capacities of nonstate actors and the relative levels of development. On the other hand, the dynamic of growing disparity challenges whether foreign aid is really the only formula for international politics. The oligarchies cynical alibis, writes Latin American journalist Eduardo Galeano, confuse the impotence of a social class with the presumed empty destinies of their countries.⁴⁹

In sum, and drawing on both these fields, this chapter challenges the relevant power structures erected in nationalist perspective. Power structures are those patterns of a collectivity wherein only exclusive members are accorded the right to make decisions, set rules, allocate resources, and formulate policies.⁵⁰ In a modern era, nonstate actors reconceptualizes the rules, re-allocate resources and formulate new policies for a wide range of members in the system, which complies with decisions, rules, and policies of the liberalized state system. “The international.... system does not move in lockstep with

changes in the distribution of potential power among states.”⁵¹ Instead, the emerging economy of India combines relative cost-gains advantages and entrepreneurial energy, enabling the state to compete.⁵² For better or worse, “the functioning of the politico-economic system is determined primarily by considerations of nonstate actor efficiency.”⁵³ Whether we are discussing conceptions of formal-legal authority, structural patterns of dominance or the resultant behavior or processes inherent to the system, nonstate actors represent deep anxieties about the adequacy and capacity of state-centric institutions, practices, and ideologies in the face of economic challenges.⁵⁴ This new power structure across and between states in India, is mobilizing legitimate collective action,⁵⁵ and may be a key indicator for cooperation and collective benefits worldwide.

Conclusion

In unpacking the institutional and behavioral manifestations of nonstate actors in liberalized states, the question become one of understanding the specific type of authority nonstate actors carry, or more precisely, the political reality of the particular state where nonstate actors gain legal expression. I have attempted to answer both these questions with evidence that rests on the likely context in which nonstate actors’ ability to deliver the “goods” demanded by the state, and the latter’s willingness to recognize as legitimate the status of the former.

How does the authority of nonstate actors legitimate the economic strategies of sovereign structures? Drawing on two fields, the state system and relevant power

structures emphasize diverging realities in modern liberalized world. The notion of multiple authority structures has reduced the possibility that any single collectivity, including the state, can dominate the politico-economic system. Power structures are those patterns of a collectivity wherein only exclusive members are accorded the right to make decisions, set rules, allocate resources, and formulate policies.⁵⁶ Authority structures, as described above, are expressions of convergent interests, made by a variety of actors, to confirm or challenge a particular pattern of governance already in existence. Accordingly, the emergence of a variety of authority structures in the political economy, have reflected and affected the efficacy of the economic liberalization reforms in India, and does not have implication on the sovereign structure of the state system.

There is strong agreement in the literature that varying authority structures has affected the operational meaning of state sovereignty. However, while power and authority are closely related, authority is used to refer to institutionalized forms or expressions of power. What differentiates authority from power is the legitimacy of claims of authority. That is, there are both rights claimed by some superior and obligations recognized as legitimate on the part of subordinates or subjects to that authority.

Having legitimacy implies that there is some form of normative un-coerced consent or recognition of authority on the part of the regulated or governed. This chapter has discussed the historical evolution of the concept of sovereignty and an attempt has been made to relocate sovereignty in a liberalized politico-economic system. In

reviewing some significant theoretical formulations that have shaped the discourse, I first examined the inherent attributes of nationalist perspective, where sovereign states and emerging trends in a liberalized politico-economic system interact. The dominant self-governing arrangements and perceptions of national interests are juxtaposed to shifts in power or interests after economic liberalization reforms. The second and third sections focused on the main parameters for political, economic and social transformations, developed a framework for evaluating the significance of multiple decision makers of roughly equal power within strong nation-states.

¹ According to Krasner, the Peace of Westphalia, in absolute 1648 terms, no longer applies to the state structure, or notions of political and economic sovereignty of states. See Stephen D. Krasner, "State Power and the Structure of International Trade" in Karen Mingst and Jack Snyder (eds.) Essential Readings in World Politics. New York: W.W. Norton & Company, Inc., 2001. p. 306.

² See Krasner, Stephen D. "Westphalia and All That" in Ideas and Foreign Policy: Beliefs, Institutions and Institutional Change. (Edited by Judith Goldstein and Robert O. Keohane). Ithaca: Cornell University Press, 1993. p. 235.

³ According to Lake there are two types of authority: formal-legal authority and relational authority. Formal-legal authority is based on official contracts and treaties, and has traditionally been given too much weight in explaining international relations. Relational authority is based on less formal alliances and economic ties among other things, is actually responsible for strengthening inter-state ties. In my interpretation, nonstate actors gain formal-legal authority after gaining legitimacy, by way of relational authority with states. Lake, David A. Hierarchy in International Relations. Ithaca: Cornell University Press, 2009. pp. 43-44.

⁴ Krasner, Stephen D. "Westphalia and All That" in Ideas and Foreign Policy: Beliefs, Institutions and Political Change. Edited by Judith Goldstein and Robert O. Keohane. Ithaca: Cornell University Press, 1993. p. 22.

⁵ Grotius recognizes that unequal treaties can lead to a division of sovereignty that favors the superior party. "He who has the vantage in a treaty, if he is greatly superior in respect to power, gradually usurps the sovereignty properly called," he observes, and unless the weaker party resists over time "the part of the weaker passes over into the right of ruling on the part of the stronger...then either those who had been allies become subjects, or there is at any rate a division of sovereignty." Quoted in David A. Lake. "*Hierarchy in international relations: authority, sovereignty, and the new structure of world politics*." Presented at the annual meeting of the American Political Science Association, Chicago, IL, September 2-5-, 2004, and the Peace Sciences Society (International), Houston, TX, November 13-14, 2004. (Received written permission to citation August 4, 2008.)

⁶ David Lake argues that ultimate authority does not imply a singular authority. See also "*Hierarchy in international relations: authority, sovereignty, and the new structure of world politics*." Presented at the annual meeting of the American Political Science Association, Chicago, IL, September 2-5-, 2004, and the Peace Sciences Society (International), Houston, TX, November 13-14, 2004. (Received written permission to cite August 4, 2008.)

⁷ David A. Lake develops this argument in "*Hierarchy in international relations: authority, sovereignty, and the new structure of world politics*." Presented at the annual meeting of the American Political Science Association, Chicago, IL, September 2-5-, 2004, and the Peace Sciences Society (International), Houston, TX, November 13-14, 2004. (Received written permission to citation August 4, 2008.)

⁸ This study build's on Saskia Sassen's analysis of denationalization of specific forms of state authority. See "The State and Globalization" in The Emergence of Private Authority in Global Governance (Edited by Rodney Bruce Hall and Thomas J. Biersteker) Cambridge: Cambridge University Press, 2002. p. 92.

⁹ Strange, Susan. "Cave! Hic dragones: A Critique of Regime Analysis" in International Regimes (edited by Stephen Krasner). Ithaca: Cornell University Press, 1983. pp. 337-354.

¹⁰ Kurt Schock develops this argument around the forcefulness and effectiveness of pro-democracy social movements in changing the political structure of states. See publication Unarmed Insurrections: People Power Movements in Nondemocracies, Volume 22. Minneapolis: University of Minnesota Press, 2005. pp. 25-26.

¹¹ Ferguson, Yale H. and Richard W. Mansbach. Remapping Global Politics. New York: Cambridge University Press, 2004. p. 184.

¹² Khilnani, Sunil. The Idea of India. New York: Farrar Straus Giroux, 1999. p. 10.

¹³ Harriss, John. "Middle-Class Activism and the Politics of the Informal Working Class: A Perspective on Class Relations and Civil Society in Indian Cities." Critical Asian Studies. 38:4 (2006), pp. 445-465.

¹⁴ Lake, David A. "*Hierarchy in international relations: authority, sovereignty, and the new structure of world politics*." Presented at the annual meeting of the American Political Science Association, Chicago, IL, September 2-5-, 2004, and the Peace Sciences Society (International), Houston, TX, November 13-14, 2004. (Received written permission to cite August 4, 2008.) (p. 27)

¹⁵ Realist scholar Hans Morgenthau develops this definition of sovereignty. He also describes a world where the sovereign structure can be thus lost in two different ways. First, Nation A can lose its sovereignty by conceding to Nation B the right to veto any piece of legislation by its own constitutional authorities or any act of law enforcement to be performed by its own executive agencies. In this case, the government of Nation A remains the only lawgiving and law-enforcing authority, actually functioning within the territory of Nation A, but it is no longer supreme, since it is, in turn, subject to the control of the government of Nation B. Through the exercise of that control, the government of Nation B becomes the supreme authority and hence, sovereign within the territory of Nation A. Second, sovereignty can be lost through the activities of nonstate actors. Here the government of Nation A can be superseded as the lawgiving and law-enforcing authority through nonstate agents, which perform the lawgiving and law-enforcing functions within the territory of Nation A. See Politics Among Nations, Sixth Edition. New York: McGraw-Hill Publishing Company, 1985. p. 334.

¹⁶ "How Sovereignty is Lost" in Hans Morgenthau, Politics Among Nations, Sixth Edition. New York: McGraw-Hill Publishing Company, 1985. pp. 334 – 338.

¹⁷ Gilpin, Robert. The Political Economy of International Relations. Princeton: Princeton University Press, 1987. p. 33.

¹⁸ For nationalist, history matters. Gilpin explores the characteristics of governments such as India. Defensive economic nationalist, he writes, pursue protectionist and related policies to their nascent or declining industries and to safeguard domestic interests. See The Political Economy of International Relations. Princeton: Princeton University Press, 1987. pp. 25-64.

¹⁹ Morgenthau, Hans. Politics Among Nations, Sixth Edition. New York: McGraw-Hill Publishing Company, 1985. p. 336.

²⁰ Gilpin, Robert. The Political Economy of International Relations. Princeton: Princeton University Press, 1987. p. 303.

²¹ Gilpin, Robert. The Political Economy of International Relations. Princeton: Princeton University Press, 1987. p. 251.

²² Despite the significant economic gains in India, however, as a group not all states have gained from liberalization, nor have they all succeeded in engaging international corporations that would change the terms of investment to their advantage. See Robert Gilpin The Political Economy of International Relations. Princeton: Princeton University Press, 1987. p. 251.

²³ Morgenthau, Hans. Politics Among Nations, Sixth Edition. New York: McGraw-Hill Publishing Company, 1985. p. 337.

²⁴ John Ruggie is quoted in Robert Gilpin's The Political Economy of International Relations. Princeton: Princeton University Press, 1987. p. 303.

²⁵ Turbulence in World Politics: A Theory of Change and Continuity. Princeton: Princeton University Press, 1990. p. 132.

²⁶ James Rosenau develops a framework for analyzing the role and functioning of nonstate actors within the nation-state. Nonstate actors are a sub-group of actors, distinguished from unorganized actors and social movements, by virtue of having enduring memberships and specifiable authority relationships in which their members and leaders are located in a hierarchy of roles. The hierarchy is, in some respects, subject to the sovereignty, tolerance and policies of the state, but on day to day nonstate actors are in charge of their own affairs and can act with considerable autonomy to preserve their integrity and move towards their goals. See Turbulence in World Politics: A Theory of Change and Continuity. Princeton: Princeton University Press, 1990. pp. 132-134 (Para. 1-3).

²⁷ Sassen, Saskia. "The State and Globalization" in The Emergence of Private Authority in Global Governance (Edited by Rodney Bruce Hall and Thomas J. Biersteker). New York: Cambridge University Press, 2002. p. 107.

²⁸ Sassen, Saskia. "The State and Globalization" in The Emergence of Private Authority in Global Governance (Edited by Rodney Bruce Hall and Thomas J. Biersteker). New York: Cambridge University Press, 2002. p. 106.

²⁹ Ferguson, Yale H. and Richard W. Mansbach. Remapping Global Politics. New York: Cambridge University Press, 2004. p. 181.

³⁰ James N. Rosenau and Mary Durfee. Thinking Theory Thoroughly: Coherent Approaches to an Incoherent World Second Edition. Oxford: Westview Press, 2001. pp. 134-135.

³¹ James N. Rosenau and Mary Durfee. Thinking Theory Thoroughly: Coherent Approaches to an Incoherent World Second Edition. Oxford: Westview Press, 2001. p. 135.

³² Zacher, Mark W. "Decaying Pillars of the Westphalia Temple" in Governance without Government: Order and Change in World Politics. Cambridge: Cambridge University Press, 1992. p. 60.

³³ Corbridge, Stuart. "The (im) possibility of Development Studies." *Economy and Society*, Volume 36, Number 2, May 2007. P. 180.

³⁴ Rosenau, James N. Turbulence in World Politics: A Theory of Change and Continuity. Princeton: Princeton University Press, 1990. p. 381.

³⁵ Chandler, Alfred D. Jr. and Bruce Mazlish (eds.) Leviathans: Multinational Corporations and the New Global History. Cambridge: Cambridge University Press, 2005. p. 2.

³⁶ "India Inclusive Growth and Service Delivery: Building on India's Success," Development Policy Review. Document of the World Bank, Report No. 34580-IN, May 29, 2006. p. 1.

³⁷ Gilpin, Robert. The Political Economy of International Relations. Princeton: Princeton University Press, 1987. p. 45.

³⁸ According to Krasner, there is not always congruity between underlying power capabilities, regimes, and related behavior and outcomes. However, in his framework, the most common proposition remains hegemonic state because the hegemon has the ultimately has the resources to provide the collective goods needed to make such a system function effectively. See Stephen D. Krasner, "Regimes and Limits of Realism" in *International Regimes*. Ithaca: Cornell University Press, 1983. p. 357.

³⁹ Sassen, Saskia. "The State and Globalization" in The Emergence of Private Authority in Global Governance (Edited by Rodney Bruce Hall and Thomas J. Biersteker). New York: Cambridge University Press, 2002. p. 99.

⁴⁰ Rosenau, James. N. Turbulence in World Politics: A Theory of Change and Continuity. New Jersey: Princeton University Press, 1990. pp. 246-247.

⁴¹ According to Philip Cerny, the notion of an international economic system no longer imply a states system; rather, it is becoming increasingly characterized by a plural and composite – or what he calls 'plurilateral' – structure, as evidenced in Punjab. See Philip G. Cerny's "Globalization and the Changing Logic of Collective Action" in Jeffrey A. Frieden and David A. Lake (eds.) International Political Economy: Perspectives on Global Power and Wealth. United States: Thomson Wadsworth, 2000. p. 455.

⁴² Cerny, Philip G. "Globalization as Politics" in James Busumtwi-Sam and Laurent Dobuzinkis (eds.) Turbulence and New Directions in Global Political Economy. New York: Palgrave Macmillan, 2003. p. 17.

⁴³ Rosenau, James. N. Turbulence in World Politics: A Theory of Change and Continuity. New Jersey: Princeton University Press, 1990. p. 248.

⁴⁴ Keohane, Robert and Joseph S. Nye Jr. "Governance in a Globalizing World" (Chapter 9) in Robert O. Keohane's Power and Governance in a Partially Globalized World. London: Routledge, 2002. p. 207.

⁴⁵ Lake, David A. "Hierarchy in international relations: authority, sovereignty, and the new structure of world politics." Presented at the annual meeting of the American Political Science Association, Chicago,

IL, September 2-5-, 2004, and the Peace Sciences Society (International), Houston, TX, November 13-14, 2004. (Received written permission to cite August 4, 2008.) (p. 6)

⁴⁶ See also Robert Gilpin The Political Economy of International Relations. Princeton: Princeton University Press, 1987. p. 50.

⁴⁷ Galeano, Eduardo. Open Veins of Latin America: Five Centuries of the Pillage of a Continent. New York: Monthly Review Press, 1997. p. 4.

⁴⁸ Harriss, John. "Middle-Class Activism and the Politics of the Informal Working Class: A Perspective on Class Relations and Civil Society in Indian Cities." *Critical Asian Studies*, 38:4 (2006). p. 448.

⁴⁹ Galeano, Eduardo. Open Veins of Latin America: Five Centuries of the Pillage of a Continent. New York: Monthly Review Press, 1997. p. 4.

⁵⁰ Rosenau, James. Turbulence in World Politics: A Theory of Change and Continuity. New Jersey: Princeton University press, 1990. p. 186.

⁵¹ Krasner, Stephen D. "State Power and the Structure of International Trade" in Karen Mingst and Jack Snyder (eds.) Essential Readings in World Politics. New York: W.W. Norton & Company, Inc., 2001. p. 305.

⁵² Richard Florida levels the playing field in "The World is Spiky: Globalization has changed the economic playing field, but hasn't leveled it." *The Atlantic Monthly* (pp. 48-51): October 2005, p. 51.

⁵³ Krasner, Stephen D. "State Power and the Structure of International Trade" in Karen Mingst and Jack Snyder (eds.) Essential Readings in World Politics. New York: W.W. Norton & Company, Inc., 2001. p. 295.

⁵⁴ Elliott, Lorraine. "Global Environmental Governance" in Global Governance: Critical Perspectives, Edited by Rorden Wilkinson and Steve Hughes. New York: Routledge, 2002. p. 59.

⁵⁵ Rosenau, James. Turbulence in World Politics: A Theory of Change and Continuity. New Jersey: Princeton University Press, 1990. p. 186.

⁵⁶ Rosenau, James. Turbulence in World Politics: A Theory of Change and Continuity. New Jersey: Princeton University press, 1990. p. 186.

Chapter Four: Postinternational Theory

Introduction

One of the most important characteristics of liberalized India is the multiplicity of state and nonstate actors engaged in the governance of the politico-economic system since 1991. To varying degrees, sharp reversals of long-standing institutional patterns and policies have been abandoned and replaced by structural changes unthinkable a short time earlier. Each new development shifts loyalties, reconceptualizes authority relations, and engages simultaneity of activities decentralizing states and changing who governs what. Denationalization of public governance, for example, arising out of the greater need for new arrangements to address economic interests of the nation-state, have widened the realm in which governance is undertaken and implemented in its doing, a new form of governance, which transfers authority downward to sub-national levels or upward to supranational levels.¹ There is no obvious relationship between the location of authority and sovereignty, instead both state and nonstate actors gain legitimacy and source authority through performance.² On the one hand, this process has involved “downward” relocation toward the macro level, including local government, international organizations, NGOs, religious, linguistic groupings, MNCs, and the like. On the other hand, the relocation process has moved in the opposite direction toward more encompassing collectivities that transcend national boundaries. The beneficiaries of this “upward” relocation of authority range from supranational organizations like Association of South-East Asian Nations (ASEAN), from nongovernmental organization like Population Foundation of India (PFI) to professional organizations and inchoate social movements that share social ideologies.

To begin, this argument involves several claims. First, the underlying economic interests of states and power position of nonstate actors in India helped to reset authority relations after reforms. Authority is structurally layered such that varying actors may have autonomy over issues within a jurisdiction without possessing sovereign powers. To be clear however, “authority is simply one form of power.”³ It is a form of power, which according to Lake, both requires legitimacy and promotes legitimacy. Authority requires legitimacy in that the subordinate actor must respect the dominant actor before it will honor the agreement or perform the duty the dominant actor’s request. Lake argues that this respect must be present in order for the subordinate and dominant actor to truly cooperate.⁴ Once the subordinate actor begins to respect the dominant actor (usually because a dominant actor is using its abilities to help the subordinate actors) legitimacy grows and only then is authentic authority established. Authority, relocated in this prism, moves issues downward and upward, to facilitate the underlying turbulence presently at work in India.

Associated with this transformation of authority relations, is a shift in the role of micro and macro actors within states. The state, incapable of bridging broad societal divisions sufficiently to undertake the decisive actions necessary to address and resolve intractable problems, have devolved authority to more effective bodies.⁵ In effect, the orientations, practices, and the patterns through which actors engage at the micro level are linked to collectivities at the macro level.⁶ To achieve economic liberalization, the nation-state adheres to this new system of rules, which serve as steering mechanisms

through which nonstate actors frame issues and move toward national goals. Some steering mechanism may have wider scope for influencing the course of events than do others, for example the World Bank, but none is likely ever to be capable of alone dominating the entire politico-economic system.⁷ Instead, the system treats all authorities the same. Prompting suggestions, that structural change at the macro level and fundamental transformation at the micro level may be causally operative.⁸

The second claim to my argument here is that in its focus on clearly defined and separate issue areas, governance, after the reforms, is operationalized around clearly defined spaces or regions, suggesting that nonstate actors have come into being as instruments of economic change.⁹ Governance, at both the macro and micro levels of the polity, focuses on resolving tensions between localizing and globalizing dynamics. In short, the pattern of governance is symbolic of the complex power relationships. Well beyond liberalization however, as actors begin to question the legitimacy of their national system and redirect their loyalties toward subsystem level, postinternational theory predicts that tendencies towards sub-groupism will be accelerated by the increasingly clear-cut structures of the multi-centric world. State and nonstate actors are so closely linked that even slight change in one can produce or reinforce changes in the other.¹⁰

Another important aspect of governance experience in this environment is that governance is by necessity tentative and accomplished only in small (regional) increments, and this is directly because of the huge degree to which authority has been decentralized at every level of the nation-state. In addition, even though the overall

structure of world politics has been founded on an anarchic system of sovereign nation-states, states are clearly not the only actors on the world stage. The sovereignty-free actors¹¹ of the multi-centric world have emerged replete with structures and decision-rules of its own. Individually, and sometimes jointly, they compete, conflict, cooperate, or otherwise interact with the sovereignty-bound actors of the state-centric world.¹² Across sectors and regions, it is difficult to sustain, institutionalize reforms to ensure effective delivery of core public services, and this pattern seems bound to accelerate if actions are not designed toward collectively resolving national problems.¹³

This chapter explicates the deductive logic of postinternational theory. It explains the nature of fundamental change underway, and the ubiquitous course of events, which can be used to interpret the process towards liberalized governance. The analysis proceeds in two steps. First, attention is given to the sources of change, including the history that may be shaping procedures and practices of nonstate actors after the reforms. Although Punjab, Orissa and West Bengal have overlapping elements and concerns, norms, structures and processes tend to be mutually exclusive, thus giving rise to a set of national arrangements that are new and possibly enduring, as well as extremely complex and dynamic.¹⁴ In the case of India, the long-standing patterns have been replaced by a more elaborate set of economic norms that can make the successful exercise of authority much more problematic. In other words, the decentralized structure can be fairly judged as amounting to a series of authority crises, not yet present in the minds of local government officials. Returning to the three central hypotheses of this study, the point at which nonstate actors govern validates the source of the change underway. Second,

consideration is given to the implication of the proliferation of actors in the politico-economic system. Embedded in the parametric changes underway, are the pressures of endogenous and exogenous forces on liberalization, especially when formal economic arrangements fail to achieve the desired goals. The question becomes one of understanding what happens if sovereign liberalized nation-states become feeble, nonstate actors grow in importance, and truncated regions fail to achieve economic goals.¹⁵ What then are the options for developing effective economic strategies? Moving beyond the advent of interdependence issues, Ferguson and Mansbach suggest three possibilities, which are explored in this chapter. Evidence is presented here to help local government officials contextualize the invariable challenges of governance after liberalization, problems which focus on the nature of authority relations that prevail between nonstate actors at the micro level and their macro collectivities.

Sources of Change

The liberalization of the Indian economy and the subsequent dismantling of Nehruvian state-directed planning is a variant to the conditions of the postinternational process and structure, conceived around norms, principles, rules, and procedures that operate on particular issue areas to guide the interactions among all actors who may have interests at stake.¹⁶ Although a variety of factors have contributed to the transformation of the governing structure after the reforms, some of these sources are external to the processes of national politics, and some are internal to them. That is, some of the forces at work are endogenous in the sense that they are inherent to the political processes, whereas others are exogenous in the sense that they derive from demographic, economic

and cultural processes. Together the endogenous and exogenous forces go a long way toward explaining why what seemed so anomalous a short time earlier, now appears so patterned.

The Problem with Identity Politics

To begin, identity politics has shaped and all at once defined the limits of economic liberalization.¹⁷ Elite forces, in fear that the masses might turn against their parties and India's reformers, do not fully unveil economic policies that might create doubts about privatizing public sectors, restructuring labor or agricultural laws, or reducing fiscal levels.¹⁸ These limitations potentially mean mass politics can put strictures on mass reforms, and endogenous elite concerns may well be integral parts of mass policymaking process.¹⁹

Ashutosh Varshney examined the link between economic reforms and public dissonance. The main battle line, he argues is drawn on issues such as how to avoid further escalation of ethnic conflict, whether to support or oppose political leaders if there has been an attempted coup, whether to forgive or punish the crimes of high state officials.²⁰ Paradoxically, it may be easier to push through reforms in a tenuous political context, when matters they consider more critical preoccupy the electorate. Economic reforms depends on the whether elite politics meets mass opposition, or whether elite politics meets the social development needs of ethnic groups.

First, whether elite politics meets mass opposition, is typically expressed in debates and struggles within the institutionalized settings of bureaucracy, a parliament, or a cabinet. Mass politics in contrast, takes place primarily on the streets. Whether touched off by issues that unleash ethnic passions, the characteristic forms a mass politics, which includes large-scale agitations, demonstrations and civil disobedience²¹ has profound consequences. At any given point, mass mobilization in Punjab, Orissa or West Bengal can redirect or redefine elite politics, with an accumulated expression of popular sentiments and opinions. Elite concerns, such as investment tax breaks, stock market regulations, and custom duties on imported cars however, do not necessarily filter down to mass politics.²²

For Varshney, three factors determine whether economic or political policy enters mass politics. First, how many people are affected by the policy; second, how organized they are, and; three, whether the effect is direct, obvious, and short-run, or indirect, subtle and long run. The more direct the effect of a policy, the more people are affected by it, and the more organized they are, the greater the potential for mass politics.

Whether elite politics meets, the social development needs of ethnic groups, on the other hand, depends on whether or not it isolates a whole group, or several groups on an ascribed basis. Ethnic disputes tend to directly concern political parties because they may incite vociferous defense of ethnic group membership, or make attempt to repel some ethnic groups away from their rainbow coalitions. Because groups invoke ethnic conflict, Varshney suggest the effect of cleavages and ethnically based policies are more

often than not organized quickly. Not all aspects of economic policy invoke passions and have such effects, however. For example, by affecting more or less everybody, high inflation quickly is inserted into mass politics.²³ Conversely, capital markets may directly concern only the shareholders, whose numbers are few. As a result, stock market disputes rarely enter mass politics in developing countries.²⁴

Another important aspect of identity politics is that in large part it invokes an unexplored aspect of the economic liberalization process. First, the process is provoked by ethnic conflicts. Second, the structure stems from market-oriented economic reforms. The marked dissonance between the two underlines the limits of segregating issues, and limits of restrictive economic reforms. Consider the national evidence on India. In the largest ever survey of mass political attitudes in India conducted between April-July 1996, only 19 percent of the electorate reported any knowledge of economic reforms, even though reforms had been in existence since July 1991.²⁵ Of the rural electorate, only about 14 percent had heard of reforms, whereas, the comparable proportion in the cities was 32 percent. Further, nearly 66 percent of the graduates were aware of the dramatic changes in economic policy, compared to only 7 percent of the poor, who are mostly illiterate. Close to three-fourths of the electorate, literate and illiterate, poor and rich, urban and rural were aware of the 1992 mosque demolition in Ayodhya. 80 percent expressed clear opinions about whether the country should have a uniform civic code or religiously prescribed and separate laws for marriage, divorce and property inheritance; another 87 percent took a stand on caste-based affirmative action.²⁶

According to Yadav and McMillan, authors of this study, economic reforms were not an issue in the 1996 and 1998 elections. However, ethnic and religious disputes, secularism, caste-based affirmative action, and social justice have been driving India's mass politics over the last 25 years. Expressions of India's identity politics have led mass mobilization, insurgencies, riots, assassinations, desecrations and destructions of holy places. In addition, the mass perception of identities is significant and has been far greater than the implications of economic reforms.²⁷

Yadav and Singh's research has not been repeated to date. However, an important update may be the cultural dimension of these arguments, as developed by anthropologist, John Harriss. Harriss describes the social and especially the political relationships between the urban middle class and the informal working class in the social sphere. "These relationships are actually very significant in the definition of the "middle class" and a critical dimension of the reproduction of class relationships. They show the limitations of a view of civil society that abstracts it from the field of class relations – such as appears in some contemporary arguments about the political potentials of civil organization."²⁸ Varshney suggest these types of examinations have so far been the best attempt to understand and explain why India's politicians have behaved very differently with respect to the various aspects of reform, embracing some policies warmly but showing great caution on others. The elite-mass distinction is simply to disaggregate politics and present an empirical explanation for change. In the reform literature, both on India and Latin America, the intra-elite issues, for example, conflicts between the import

substitution strategy (ISI) protected versus exporting sectors, have often been noted, but elite-mass differences have not been.²⁹

Punjab, Orissa and West Bengal

The fundamental economic policy shifts associated with the reforms have also arrested the attention of exogenous forces, which have yielded major economic improvements. The cooperation of state and nonstate actors has supported a diverse set of policies and created qualitative improvements across sectors.³⁰ Recognizing their acute circumstances, and reduced capabilities, state governments have collaborated with nonstate actors to broaden the reach of resources, and improve the policymaking process.³¹ Sagar and Qadeer suggest however, that the horizontal integration of vertical programs became viable only after the improved policymaking structure was put in place.

The National Population Policy of 2000 (NPP) is one of the most important policymaking instruments since the reforms. The policy drafted by the Population Foundation of India (PFI) for the Ministry of Health, shifted policymaking from the earlier demographically driven target-oriented coercive policy to one that addresses the multi-faceted concerns socio-economic development. Health, for example, was recognized as not wholly within India's jurisdiction, and so significantly intertwined with the international community.³² NPP 2000 asserted the centrality of human development in stabilizing India's population.

The implementation of NPP within states gained effectiveness as local government officials used the document as a ready reference for coherently addressing domestic challenges.³³ While recognizing that systemic reforms are essential for lasting and sustainable development, increased awareness and action among individuals adjusted the orientations of states and other collectivities.³⁴ The current policy, and subsequent amendments made through National Rural Health Mission (NRHM) of 2005, follows the fundamental federal government's guiding principle of 'decentralized public health', which advocates a focus on practical measures to enable need-based allocation of resources.

In sum, providing an infrastructure for policy development was a critically important step for improvements in states.³⁵ However, the new types of policies discussed here have shifted responsibilities from state to nonstate actors, prompting criticisms that it created a way for the central government to abdicate its responsibility.³⁶ Sagar and Qadeer question the accountability of nonstate actor's activity, which even with policy mandates insufficiently addresses the needs of the poor. Reformers, they continue, emphasize the increased access to private sector for outpatient department, for example, but never link to the conscious and planned withdrawal of the public sector from healthcare services.³⁷ What is needed, they argue, is a regulated and controlled private sector, with new mechanisms, which ensure they take responsibility for curative care.³⁸ Relevant here are also the need for expanded analytic skills of citizens, which will enable collective actions that serve as avenues for expressing their discontent with a failing system, and also contribute to normative changes in governance.

Implication of the Proliferation of Nonstate Actors

Economic policy in India has been marked by a proliferation of endogenous and exogenous forces, persistently pursuing change in many ways. Nevertheless, these actors alone insufficiently help us to identify or assess certain disconnects in the system, as well as the implications of a magnitudinal failure of new structures, processes, and patterns.³⁹

Two charges can be made. The first charge relates to disconnect between the inner circles of policymaking in the capital, New Delhi, and the realistic challenges in the regions. These differences have prevented effective national implementation of health policies, for example, formulated at higher levels and, weakly extended through to states. The consequences of these discontinuities for policymaking and implementation in India have been demonstrated thus far. This section begins to explore within the larger framework of this system, the implication of a proliferation of actors in the politico-economic system, future concentration of legitimate authority structures in the economic policy-making process of liberalized states.

The increase in the density of actors that sustain postinternational politics stems from a variety of sources. The proliferation of actors is not confined to the vast increase in the types of collectivities who can clamber onto the global stage and act on behalf of their membership.⁴⁰ Post-internationalists suggest a deepening density of the system is due to the organized complexity, and a host of other kinds of collectivities that share an aspiration to advance welfare and a sensitivity to the ways in which a rapidly changing world may require them to network with each other. In part it is a product of the trend toward ever greater specialization that is the hallmark of industrial and postindustrial

economies and the greater interdependence of existing authorities, a discontent that underlies the turn to less encompassing organizations that are more fully expressive of close at hand needs and wants.⁴¹

The second charge related to the multitude of actors, which have emerged with expanded roles is that the system has neither fragmented into small-scale units nor consolidated into single unitary actors. Rather, as Wallerstein tries to elucidate, “alongside the economic distortions that state intervention brings to the market and hence to the likelihood of innovation, one must place the face of coercive power which permits government to undertake policies even though they may be strongly objected to be a part of society.”⁴² The question becomes one of understanding the options for developing effective strategies to manage the politico-economic system. On the one hand, the postinternational order assigns specific economic roles, and develops varying authority structures. On the other hand, the different roles in the economy have challenged long-standing patterns, with little guidance for future understanding future relations.⁴³

If this system fails, however, what then are the options for developing effective economic strategies? Moving beyond problems related to the advent of interdependence issues, three possibilities, developed by Ferguson and Mansbach are explored in this section.⁴⁴ The first choice includes a substantial restructuring of the state, in response to the failure posed by the nonstate actors. The second alternative involves attempting to restructure the entire global system with greater roles for interstate institutions. The third possibility is one of escalating chaos due to incapacity of the system to cope.⁴⁵

Globalization of Regional Economies

The rapid growth and maturation of the multi-centric world can in good part be traced to the extraordinary dynamics described as the postinternational order. Nonstate actors have viscerally propelled the former British colony from a silks and tea commercial trading post of the seventeenth century, to a “developed country, with a developed intellectual capability”⁴⁶ in the twenty-first century. Just as “there is a natural affinity of some states to trade with others because of geographical propinquity or comparative advantage,”⁴⁷ nonstate actors in Punjab, Orissa and West Bengal are the new structures for economic activity and international commerce. Within these regions, nonstate actors are “distinct features of transformations.”⁴⁸

“The goal of economic activity is the optimum or efficient use of the world’s scarce resources and the maximization of world wealth.”⁴⁹ The postinternational perspective concentrates on legitimate state and nonstate actors, and focuses on the specific authority the latter carries to the liberalization process. The functioning of the regional economies is determined primarily by considerations of efficiency.⁵⁰ The economic structure has many “institutional and behavioral manifestations.”⁵¹ The reforms, rooted in the historical relationship between the potential economic power of the national structure and the viability of its regions, begins with the assumption that the interests and power of states acting to maximize national goals determine the structure of international political economy.⁵²

Nonstate actors are a “new kind of Leviathan,”⁵³ where nonstate actors are the ‘firm’ or key “allocator of goods and services,”⁵⁴ operationalizing change between nation-states, as well as inside nation-states.⁵⁵

If the System Fails

Long before the advent of modern economic interdependencies, Jean-Jacques Rousseau’s, *Social Contract* (1762), assumed a community of citizens united by a commitment to collective good, distinct from the private interests of its members, would improve basic infrastructure, enhance competitiveness and assure citizens of equality of opportunity. Collective good was characterized as the general will, and it endowed the state with absolute power over all its members.⁵⁶ Taking this direction in the argument of economic liberalization reforms and the proliferation of nonstate actors in the governing realm, what would happen to the community, if the system fails?

In Rousseau’s scheme of affairs, there was no distinction between the state and nonstate actors. Collective good is the responsibility of the community.⁵⁷ No one assumes responsibility for the collective bad. The potentially tyrannical implication of a collective bad, is not very different from the powerful debate that may soon engulf the literature on postinternational theory if we do not consider the implication of governing problems. If nonstate actors are governing aspects of the politico-economic system as developed in my central hypotheses, we need to evaluate the opposing ends of economic liberalization in this situation.

Since this challenge is essentially the by-product of shrinking social and geographic distances that separate peoples, it can appropriately be called an economic interdependence issue. Ferguson and Mansbach problematize the interdependent relationship between nonstate actors and the authority of sovereign states. The proliferation of nonstate actors, they argue, increases the potential of postinternational violence, which may contribute to three scenarios of the “failed states.”⁵⁸ Although readers might object that Ferguson and Mansbach’s contribution could be used here, their argument is really about the role expanded upon nonstate actors. The political unit is different, but the perspective is useful in contextualizing the challenges, which may lie ahead within states, as we seek to better understand the dimensions of political, economic and social spheres of postinternational order.

The first possibility if the multi-dimension postinternational structure fails is for the state to assume a purely utilitarian role, maintaining and trying to improve basic infrastructure, taking back full control of the economy, and redefining jurisdictional boundaries of state and nonstate actors. The state has the limited function of managing the distribution of some economic resources within an environment, distributing good and services, while protecting the right to dissent.⁵⁹ This proposal alters and challenges the decentralization of the politico-economic system in that liberal makes the dubious assumption that individuals will abandon sub-national and transnational identities.⁶⁰ Postinternational theory however, focuses on the importance of the shifting micro and macro actors in validating the new orientations in states.

A second option is a world in which the most influential of nonstate actors actively intervene to restore order of the politico-economic system. This is certainly not a new proposal.⁶¹ However, what is different about the context of this proposal, is that intervention legitimated by IMF, World Bank, WTO treaties and agreements assumes that the norms which now exist for the management of the politico-economic system will be validated and not threaten old authority structures. According to Ferguson and Mansbach not only the absence of institutional authority and enforcement capacity that make it difficult to realize this option, we must also predict and consider future political will of states to allow non-sovereign institutions to act authoritatively.⁶²

A third scenario is that of complete failure of the politico-economic system, drawn from what Ferguson and Mansbach describe as a “non-territorial apocalyptic chaos.” Because states are forced to share authority with or surrender it to other polities, governance arrangements could lose considerable democratic potential to manage functional entities.⁶³ Converging on the present, failure of the politico-economic system could shock future spheres of authority or polities that are already unconnected with territorial space or are “out of place.”⁶⁴ Notwithstanding the myths of economic liberalization reforms, the system generally provided stability, which enabled governance. A failure of this magnitude erodes states sharply, and may reduce the role of one set of authorities by substituting others that enjoy an equivalent range or scope of authority over others.⁶⁵

Conclusion

This chapter has examined how and why new authority structures are changing the prevailing discourse on the state system and relevant power structures in a postinternational order. Norms associated with the state decay, at least in the short run, and the polities that may emerge are more highly specialized than the multifunctional leviathans that characterized Westphalian system.⁶⁶ However, such a framework represents a resurfacing of spheres of authority unconnected to territorial space.

Post-internationalism is predicated on the proliferation of state and nonstate actors. Long-standing patterns have been replaced by a more elaborate set of economic norms that can make the successful exercise of authority much more problematic. The arresting realities of endogenous and exogenous forces reconceptualize the networks of authorities and the sources of change. India then, is increasingly characterized by horizontal identities that distinguish economic and political elites from other citizens.⁶⁷ Drawing distinctions between mass politics and elite politics, Varshney's study helps to contextualize fundamental endogenous issues. Mass politics tends to be more pressing in a democracy like India, than elite politics, as politicians must periodically renew their mandates, a requirement with which authoritarian governments are not routinely burdened. However, popular consideration may be compelling in a democracy, since it has the capacity to mobilize and press the government against reforms, which, though providing benefits to the masses in the end, may entail short-run costs. Paradoxically, the relegation of reforms to a secondary political status can work to the advantage of

reformers, for mass preoccupation with ethnic issues provides political room to push reforms.

In sum, theory and economic logic alone cannot explain the process towards economic liberalization reforms. Punjab, Orissa and West Bengal have overlapping elements and concerns, norms, structures and processes, which tend to be mutually exclusive, however this arrangement may not be enduring. Given its origin and scope, economic interdependencies through economic liberalization reforms can still produce a failed state. This magnitudinal issue is complex, and transcends the sovereign boundaries of states. A new perspective has been added to the debates, with hypothetical's that may help local government officials conceptualize the invariable challenges that may prevail between nonstate actors at the micro level and their macro collectivities.

¹ This conception of the nature of governance is elaborated in James N. Rosenau Distant Proximities: Dynamics Beyond Globalization. Princeton: Princeton University Press, 2003. p. 393.

² Rosenau, James N. and Mary Durfee. Thinking Theory Thoroughly, 2nd Edition. Colorado: Westview Press, 2001. p. 54.

³ Lake, David A. Hierarchy in International Relations. Ithaca: Cornell University Press, 2009. p.21.

⁴ Lake, David A. Hierarchy in International Relations. Ithaca: Cornell University Press, 2009. p. 24-34.

⁵ Rosenau, James N. and Mary Durfee. Thinking Theory Thoroughly, 2nd Edition. Colorado: Westview Press, 2001. p. 55.

⁶ Rosenau, James N. and Mary Durfee. Thinking Theory Thoroughly, 2nd Edition. Colorado: Westview Press, 2001. p. 54.

⁷ Rosenau, James N. Distant Proximities: Dynamics Beyond Globalization. Princeton: Princeton University Press, 2003. p. 392.

⁸ Rosenau, James N. Turbulence in World Politics: A Theory of Change and Continuity. Princeton: Princeton University Press, 1990. p. 30.

⁹ Rosenau, James N. Distant Proximities: Dynamics Beyond Globalization. Princeton: Princeton University Press, 2003. p. 391.

¹⁰ Rosenau, James N. Turbulence in World Politics: A Theory of Change and Continuity. Princeton: Princeton University Press, 1990. p. 106.

¹¹ James Rosenau's postinternational theory breaks from the ubiquitous frameworks, which defines the characteristics of a state-centric world. To void attaching an unwarranted preeminence to states in the postinternational, multi-centric world, and to differentiate among collectivities that are states, and those that are not, a new nonhierarchical structure is conceived. States are conceived to be sovereignty-bound actors, while multinational corporations, ethnic groups, bureaucratic agencies, political parties, sub-national governments, transnational societies, international organizations, and a host of other types of collectivities are called sovereignty-free actors. See also James N. Rosenau Turbulence in World Politics: A Theory of Change and Continuity. Princeton: Princeton University Press, 1990. pp. (36), (108).

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- ¹² Rosenau, James N. and Mary Durfee. Thinking Theory Thoroughly 2nd Edition. Colorado: Westview Press, 2001. p. 57.
- ¹³ Rosenau, James N. Distant Proximities: Dynamics Beyond Globalization. Princeton: Princeton University Press, 2003. p. 392.
- ¹⁴ See also, James N. Rosenau Turbulence in World Politics: A Theory of Change and Continuity. Princeton: Princeton University Press, 1990. p. 11.
- ¹⁵ Ferguson and Mansbach develop this argument, questioning the capacity, legitimacy and authority of nonstate actors to respond to political violence in the future of sovereign states. Using the same analogy, I reconstruct their argument to consider possible solutions for the state if nonstate actors fail catastrophically to develop liberalized economies. See also Yale H. Ferguson and Richard W. Mansbach in Remapping Global Politics: History's Revenge and Future Shock. New York: Cambridge University Press, 2004. p. 314-321.
- ¹⁶ Rosenau, James N. Turbulence in World Politics: A Theory of Change and Continuity. Princeton: Princeton University Press, 1990. p. 245.
- ¹⁷ Varshney, Ashutosh. "Mass Politics or Elite Politics? India's Economic Reforms in Comparative Perspective" in India in the Era of Economic Reforms (Edited by Jeffrey Sachs, et. al.) New York: Oxford University Press, 1999. p. 225.
- ¹⁸ Varshney, Ashutosh. "Mass Politics or Elite Politics? India's Economic Reforms in Comparative Perspective" in India in the Era of Economic Reforms (Edited by Jeffrey Sachs, et. al.) New York: Oxford University Press, 1999. p. 225.
- ¹⁹ Varshney, Ashutosh. "Mass Politics or Elite Politics? India's Economic Reforms in Comparative Perspective" in India in the Era of Economic Reforms (Edited by Jeffrey Sachs, et. al.) New York: Oxford University Press, 1999. p. 226.
- ²⁰ Varshney, Ashutosh. "Mass Politics or Elite Politics? India's Economic Reforms in Comparative Perspective" in India in the Era of Economic Reforms (Edited by Jeffrey Sachs, et. al.) New York: Oxford University Press, 1999. p. 223.
- ²¹ Varshney, Ashutosh. "Mass Politics or Elite Politics? India's Economic Reforms in Comparative Perspective" in India in the Era of Economic Reforms (Edited by Jeffrey Sachs, et. al.) New York: Oxford University Press, 1999. p. 223.
- ²² Varshney, Ashutosh. "Mass Politics or Elite Politics? India's Economic Reforms in Comparative Perspective" in India in the Era of Economic Reforms (Edited by Jeffrey Sachs, et. al.) New York: Oxford University Press, 1999. p. 223.
- ²³ Varshney, Ashutosh. "Mass Politics or Elite Politics? India's Economic Reforms in Comparative Perspective" in India in the Era of Economic Reforms (Edited by Jeffrey Sachs, et. al.) New York: Oxford University Press, 1999. p. 224.
- ²⁴ Varshney, Ashutosh. "Mass Politics or Elite Politics? India's Economic Reforms in Comparative Perspective" in India in the Era of Economic Reforms (Edited by Jeffrey Sachs, et. al.) New York: Oxford University Press, 1999. p. 224.
- ²⁵ Yadav and Singh on behalf of the Center for the Study of Developing Societies (CSDS), India's premier research institution for election studies conducted the survey. For the larger audiences the findings were summarized in India Today, August 31, 1996. See also Ashutosh Varshney, Ashutosh. "Mass Politics or Elite Politics? India's Economic Reforms in Comparative Perspective" in India in the Era of Economic Reforms (Edited by Jeffrey Sachs, et. al.) New York: Oxford University Press, 1999. p. 224.
- ²⁶ Yadav and Singh on behalf of the Center for the Study of Developing Societies (CSDS), India's premier research institution for election studies conducted the survey. For the larger audiences the findings were summarized in India Today, August 31, 1996. See also Ashutosh Varshney, "Mass Politics or Elite Politics? India's Economic Reforms in Comparative Perspective" in India in the Era of Economic Reforms (edited by Jeffrey Sachs, et. al.) New York: Oxford University Press, 1999. p. 224.
- ²⁷ Varshney, Ashutosh. "Mass Politics or Elite Politics? India's Economic Reforms in Comparative Perspective" in India in the Era of Economic Reforms (Edited by Jeffrey Sachs, et. al.) New York: Oxford University Press, 1999. p. 224.
- ²⁸ This study highlights observations on the character of citizen-state relations in India, drawing on survey findings from Delhi – in comparison with those from São Paulo and Mexico City. See John Harriss, "Middle Class Activism and the Politics of the Informal Working Class: A Perspective on Class Relations and Civil Society in Indian Cities." *Critical Asian Studies*, 38:4 (2006), pp. 449-450.

²⁹ Varshney, Ashutosh. "Mass Politics or Elite Politics? India's Economic Reforms in Comparative Perspective" in India in the Era of Economic Reforms (edited by Jeffrey Sachs, et. al.) New York: Oxford University Press, 1999. p. 226.

³⁰ In addition, they emphasize the importance of diverse policies, as well as the negative consequences of cutbacks in spending on the social sector in general and healthcare in particular. Sagar, Alpana and Imrana Qadeer. "Health." Magnifying Mal-Development: Alternative Economic Survey, India. Alternative Survey Group. London: Zed Books Ltd., 2004. p. 140.

³¹ National Population Policy, 2000. New Delhi: Government of India, 2000. p. 10.

³² NPP 2000 formed the blueprint for national population and development programs. NPP was developed by the Population Foundation of India, an independent, non-governmental organization and very important research resource in India.

³³ National Health Policy of 2002 followed NPP 2000, and fully denationalized health in 2002 (nine years after reforms). National Health Policy 2002 (India), (section 2.1). Source: [www.http:mohfw.nic.in/](http://www.mohfw.nic.in/)

³⁴ Rosenau, James N. Turbulence in World Politics: A Theory of Change and Continuity. Princeton: Princeton University Press, 1990. p. 13.

³⁵ Sagar, Alpana and Imrana Qadeer. "Health." Magnifying Mal-Development: Alternative Economic Survey, India. Alternative Survey Group. London: Zed Books Ltd., 2004. p. 142.

³⁶ Responsibility has been shifted to individuals and private practitioners, undermining the importance of the secondary and tertiary care in primary healthcare. See Alpana Sagar and Imrana Qadeer. "Health." Magnifying Mal-Development: Alternative Economic Survey, India. Alternative Survey Group. London: Zed Books Ltd., 2004. p. 143.

³⁷ Sagar, Alpana and Imrana Qadeer. "Health." Magnifying Mal-Development: Alternative Economic Survey, India. Alternative Survey Group. London: Zed Books Ltd., 2004. p. 142.

³⁸ Sagar, Alpana and Imrana Qadeer. "Health." Magnifying Mal-Development: Alternative Economic Survey, India. Alternative Survey Group. London: Zed Books Ltd., 2004. p. 142.

³⁹ Rosenau, James N, Mary Durfee. Thinking Theory Thoroughly, 2nd Edition. Colorado: Westview Press, 2000. p. 48.

⁴⁰ Rosenau, James N. and Mary Durfee. Thinking Theory Thoroughly, 2nd Edition. Colorado: Westview Press, 2001. p. 62.

⁴¹ Rosenau, James N. and Mary Durfee. Thinking Theory Thoroughly 2nd Edition. Colorado: Westview Press, 2001. p. 62.

⁴² This way of formulating the issue alerts us to seeing the functions of statism for capitalism in terms of the cost-benefit analysis. For those deriving their income through the maximization of the economic efficiency of the firm, the state machinery was sometimes extremely useful, sometimes a major impediment. See also Immanuel Wallenstein The Modern World-System I: Capitalist Agriculture and the origins of the European World-Economy in the Sixteenth Century. New York: Academic Press, 1974, pp. 161-2.

⁴³ Though not definitive, the multi-centric world is structurally determined by turbulence. See Immanuel Wallenstein The Modern World-System I: Capitalist Agriculture and the Origins of the European World-Economy in the Sixteenth Century. New York: Academic Press, 1974, p. 162.

⁴⁴ My analysis here devolves from Ferguson and Mansbach's framework, however departs slightly in the second possibility, which suggests increasing the role of non-sovereign structures. See Yale H. Ferguson and Richard W. Mansbach. Remapping Global Politics: History Revenge and Future Shock. New York: Cambridge University Press, 2004. p. 314.

⁴⁵ For Ferguson and Mansbach, different countries or regions within countries may be able to address these challenges differently. The first two options would require some kind of redrawing of the boundaries of moral community within the state, and with regard to the state system, which would entail both reconceptualizing state sovereignty and a struggle for the inclusion of non-Western perspectives in the construction of world order. See also Ferguson and Mansbach's Remapping Global Politics: History Revenge and Future Shock. New York: Cambridge University Press, 2004. p. 314.

⁴⁶ Friedman, Thomas L. The World is Flat: A Brief History of the Twenty-First Century. New York: Farrar, Straus and Giroux, 2005. p. 106.

⁴⁷ Krasner, Stephen D. "State Power and the Structure of International Trade" in Karen Mingst and Jack Snyder (Eds) Essential Readings in World Politics. New York: W.W. Norton & Company, Inc., 2001. p. 302.

⁴⁸ Cerny, Philip G. *Power, Markets and Accountability: The Development of Multi-Level Governance in International Finance*. (Chapter prepared for Andrew Baker, David Hudson and Richard Woodward, eds., Money, Finance and Multi-Level Governance.) p. 3.

⁴⁹ Gilpin, Robert. "The Nature of Political Economy" in Essential Readings in World Politics. Edited by Karen Mingst and Jack Snyder. New York: W.W. Norton & Company Inc., 2001. p. 293.

⁵⁰ Krasner, Stephen D. "State Power and the Structure of International Trade" in Karen Mingst and Jack Snyder (Eds.) Essential Readings in World Politics. New York: W.W. Norton & Company, Inc., 2001. p. 295.

⁵¹ Krasner, Stephen D. "State Power and the Structure of International Trade" in Karen Mingst and Jack Snyder (Eds.) Essential Readings in World Politics. New York: W.W. Norton & Company, Inc., 2001. p. 297.

⁵² A thorough analysis of the nationalist perspective is offered in Chapter Three. See also Stephen D. Krasner "State Power and the Structure of International Trade" in Karen Mingst and Jack Snyder (Eds.) Essential Readings in World Politics. New York: W.W. Norton & Company, Inc., 2001. p. 297.

⁵³ Chandler, Alfred D. Jr. and Bruce Mazlish (Editors) Leviathans: Multinational Corporations and the New Global History. Cambridge: Cambridge University Press, 2005. p. 2.

⁵⁴ Wilkins, Mira. "Multinational Enterprise to 1930: Discontinuities and Continuities" in Leviathans: Multinational Corporations and the New Global History. Edited by Alfred D. Chandler Jr. and Bruce Mazlish Cambridge: Cambridge University Press, 2005. p. 45.

⁵⁵ In effect, liberalization of the politico-economic system has meant greater cooperation through "openness" at the regional level. See Stephen D. Krasner "State Power and the Structure of International Trade" in Karen Mingst and Jack Snyder (Eds.) Essential Readings in World Politics. New York: W.W. Norton & Company, Inc., 2001. p. 297.

⁵⁶ Rousseau, Jean-Jacques. The Social Contract, Translated by Maurice Cranston. New York: Penguin Books, 2004.

⁵⁷ Rousseau, Jean-Jacques. The Social Contract, Translated by Maurice Cranston. New York: Penguin Books, 2004.

⁵⁸ Failed states are here defined as states without the ability to manage its political, economic and social life. Instead of postinternational violence however, I am here focusing on catastrophic failure of the postinternational politico-economic system, beginning in states. The reason for this is that there is limited empirical evidence on economic governance and even less data on the implication of its failure in the politico-economic system. See Yale H. Ferguson and Richard W. Mansbach. Remapping Global Politics: History's Revenge and Future Shock. New York: Cambridge University Press, 2004. p. 313.

⁵⁹ Since allocating resources presumes agreement over values, this version of the limited state requires an informed citizenry with access to multiple channels of political discourse and a pluralistic constellation of mediating associations. See Yale H. Ferguson and Richard W. Mansbach in Remapping Global Politics: History's Revenge and Future Shock. New York: Cambridge University Press, 2004. p. 314.

⁶⁰ Ferguson and Mansbach suggest that in the eventuality of system failures, states cannot assume that the nation-state can or will have the wherewithal to accommodate identity groups for whom there exist irreconcilable differences regarding the values that underlie resource allocation. See Remapping Global Politics: History's Revenge and Future Shock. New York: Cambridge University Press, 2004. p. 314.

⁶¹ UN security operations after the cold war have increased, and are mandated to respond to system threats. See Thomas G. Weiss et.al. The United Nations and Changing World Politics. Boulder: Westview Press, 2001. pp. 65-110.

⁶² See Yale H. Ferguson and Richard W. Mansbach. Remapping Global Politics: History's Revenge and Future Shock. New York: Cambridge University Press, 2004. p. 317.

⁶³ See Yale H. Ferguson and Richard W. Mansbach. Remapping Global Politics: History's Revenge and Future Shock. New York: Cambridge University Press, 2004. p. 319.

⁶⁴ See Yale H. Ferguson and Richard W. Mansbach. Remapping Global Politics: History's Revenge and Future Shock. New York: Cambridge University Press, 2004. p. 319.

⁶⁵ See Yale H. Ferguson and Richard W. Mansbach. Remapping Global Politics: History's Revenge and Future Shock. New York: Cambridge University Press, 2004. p. 321.

⁶⁶ See Yale H. Ferguson and Richard W. Mansbach. Remapping Global Politics: History's Revenge and Future Shock. New York: Cambridge University Press, 2004. p. 321.

⁶⁷ See Yale H. Ferguson and Richard W. Mansbach. Remapping Global Politics: History Revenge and Future Shock. New York: Cambridge University Press, 2004. p. 198.

Chapter 5: Punjab, Orissa and West Bengal

Introduction

Given the substantial role of states in economic development [liberalization], it is clear that policies and priorities, whether they relate to stabilization and structural adjustment or to longer-term development, will depend crucially for their realization on the political will and administrative competence of state governments.¹

The politico-economic system described above, departs from the ubiquitous framework, which has defined the characteristics of a state-centric world, and moves toward a new, multi-centric world, where regional economic activity is playing a decisive role in the liberalization process.² The reforms initiated by the central government of India have largely been realized with the commitment of states.³ State policies are aimed at making effective use of the market with policies that are sensitive to changing norms, as well as consistent with liberal international regimes that promote economic development. Some regions continue to compete with one another for private capital, as well as for investments by central government.⁴ However, the rise of the “competition state”⁵ have generally reduced central government subsidies and encouraged states to invite nonstate actor investment in sectors previously reserved to the public sector to cut their fiscal deficits. This distribution of power and resources between the central and state governments means governance is by necessity tentative, and is being accomplished only in small increments due to the huge degree to which authority has been decentralized at every level of the nation-state.

The whole question of shifting governance is, as noted earlier, linked to the changing roles within states. After independence, Indian economic policies in the industrial sector degenerated into an extravagant display of bureaucratic controls and restrictions, with these means turning planning for industrialization into de facto ends.⁶ A shift towards more efficient policies was to become apparent in the mid-1980s, but these changes were themselves run into difficulties, which were generated in the main by the inefficient economic regime of the earlier formative period of planning.⁷ Against this backdrop, several observations should be stressed at this point concerning the move towards liberalization.

First, very few people had anticipated that India's economy, infamous by the late 1970s and 1980s for weak central planning, oppressive regulations, and inward-looking policies, would be transformed into a liberal orientation. Though economic arguments against central planning had been raised and had become increasingly plausible by the late 1970s, political recognition of the necessity of change was overall missing in India. Prime Minister Rajiv Gandhi at the time tried to break free of protectionism, but did not succeed in changing India's economic direction decisively. Second, while reforms have clearly been significant for infrastructural investment and public sector disinvestments, change has not been uniform. Liberalization of investment rules for nonstate actors has largely, lengthened the payoff structure through privatization of public sector firms⁸ in some states. Third, the norms for how state governments deal with the central government have changed. Much of investment as well as budgetary support in the pre-1991 era used to come routinely from New Delhi. Since 1991, budgetary constraints are

no longer as soft as they used to be, and reliance on central planning for investment has dramatically decreased. In the changed environment, states compete for private investment. Lastly, though state governments since 1991 have demonstrated a systematic approach towards economic reforms, a full blown, strategy for nation-wide reforms has not been articulated in politics. India has had several parliamentary elections however no political party, including the Congress that initiated reforms in 1991, has thrust reforms into electoral politics as a major issue.⁹

In analyzing the process of liberal economic change that has been developing quite rapidly in the recent period and is likely to continue, it is important to understand what conditions sustained the central features of the politico-economic system described earlier. As noted above, one feature is the decentralized ordering of authority relations – namely the denationalization of central governance. The other is the behavioral pattern of states, and the high level of state autonomy in economic affairs. First, the decentralized ordering of authority relations in India began with the manifestation of regionalism.¹⁰ States, realizing a concentration of economic and political power in the central government was incongruous with addressing state economic interests, began lobbying central government to adjust or alter rules and decision-making procedures. As Krasner describes it, increased economic needs/capabilities changed underlying principles and norms.¹¹ Nonstate actors were added to the fray to transform an assortment of bureaucratic regulations and improve revenue-generating strategies that failed to cover the costs of reforming inefficient sectors.¹² The new empowered relationship with nonstate actors, changed the behavioral pattern of states, and solidified a

structure, which shifted conduct. Various subsidies were added and offered to nonstate actors to sweeten the deal, thereby making investment attractive and stimulating investments in infrastructure.¹³

In practice then, the decentralization of political authority in India has been in line with the methodological assumptions of post-internationalism. The nation-state is the sovereignty-bound actor. However, nonstate collectivities or sovereignty-free actors¹⁴ have emerged both as agents and ammunition for economic change.¹⁵ Decentralization has also given way to nonstate actors who can interpret and apply some general international rules to the liberalization process. Although this theory ensures a simpler and more focused analysis, they have had two potentially troubling implications. First, unlike the state-centric literature, analysis of sovereignty-free actors considers only processes related to disaggregating aspects of states after major shifts. For example, how do states grapple with the many tensions, ambiguities and contradictions to which fluid boundaries challenge reforms?¹⁶ Second, linkages between sovereignty-free and sovereignty-bound actor interaction have not been adequately explored after reforms, and lack of empirical evidence means uncertainties remain about whether mechanisms found to be relevant to the processes of the state politico-economic system are likely to shape international ones as well. As a result, it is arguable that state-centric system has not changed. The nation-state, through territorial regions is still only interested in maximizing the power economy, by any means. In this sense, regional economic success is relative. One state's increase in economic capability may inevitably decrease the capability of others states in the union. However, if liberalization is zero-sum, states only

act to arrange nonpolitical behavior if this would enhance their relative economic capabilities in the nation-state.¹⁷

The analysis developed in this chapter proceeds in three steps. It begins with the observation that India faced a classic collective action problem after independence, and up until the mid-1980s, when government began rethinking its economic policy and development strategy. The national government wanted to reduce barriers to trade, and stimulate economic performance, but there were strong temptations for individual states to set their own agenda. Second, and hypothetically speaking, Punjab, Orissa and West Bengal were tempted to set rules consistent with their diverse economic needs. It was impossible for the central government to know whether the agenda they set would cover every type of development issue that might arise in each state. Third, and as a result, the government had to consider decentralizing political authority, giving way to nonstate actors who could interpret and apply international norms. The question addressed is not whether the economic policy of investment in infrastructure and public sector disinvestment was a good or bad strategy for the politico-economic system, but whether the reforms would have been likely without nonstate actors. We will return the three central hypotheses to pinpoint the framework within which nonstate actors were prompted by the state, and the policy instruments, which were deployed to regulate this process. The argument here is that nonstate actors facilitate a form of governance unique for the realization of economic gains, and more precisely, the existing relocation of power in states may accelerate the economic reform process.

Since political factors have influenced nearly every area of liberalization, in some degree or other,¹⁸ this chapter merely briefly reviews the important facets of the Indian political scene, which had a bearing on the process of liberalization and then outlines the principal respects in which they have done so.

After Economic Independence

In many respects, India's overall economic performance in the modern period has been impressive, even if inadequate to its needs.¹⁹ After Independence, and in between 1951-66, economic policy with respect to the relative importance of the public and private sectors in industrial investments, as outlined in the first three Five-Year Plans, had been directly affected by political and ideological considerations.²⁰ In this section, consideration is given to what resulted with government appropriating a significant share of public sector dollars in the growth of brick industries,²¹ and to the detriment of core public services. Furthermore, in view of the sizable public sector investments in industry, we will take a cursory look at the policies governing this sector and determining its efficiency.²² Apart from the overall framework of bureaucratic controls, which, in the sphere of domestic economic policy instruments, contributed to the inefficiencies in the public sector, the next important set of inefficiencies has related to the private sector. Between them, these inefficiencies reduced the productivity of investment in the economy up until the mid-1980s however they have also significantly shaped attitudes towards the 1991 reforms. The growth and industrialization of the Indian economy, however, was promoted and regulated within a planning framework, which will now be described in its main elements.

The economy of India is based in part on planning through Five-Year Plans, developed, executed and monitored by a central Planning Commission. The Plans oversee economic transformations. There have been many precursors to the five-year plans, for which India has used to embark on liberalization reforms in 1991.²³ When economic reforms were introduced, first by Prime Minister Rajiv Gandhi and Finance Minister V.P. Singh, then in a more comprehensive fashion by Prime Minister Narasimha Rao and former Finance Minister Manmohan Singh, the central government made no special effort to explain the new economic policies to state governments.²⁴ Bureaucratic controls were in the hands of the central government. Liberalization policies ‘trickled down,’ as it were, from the Prime Minister, secretariat, and the Finance Minister to the Cabinet, from the Cabinet, to the Congress party, from the government to the opposition parties, and from the central governments to states.²⁵ Beyond the scarcity of information, the general political attitudes towards liberalizing the economy were met with resistance on two major fronts. First, India’s political leaders resisted globalization on the grounds of creating an internally protected market regulated by the central government. Second, the trend towards openness, challenged India’s political elite to choose market-oriented change. Though the rhetoric of India’s elite was progressive, the reality was that expansion and exposure to the markets, along with democratic socialism, social and economic equality, secularism, and economic growth was thorny domestic business.²⁶

In what follows, I will discuss the conditions under which collective action problems emerged in India. The collective action problem refers to the fact that rational

self-interested states will not act to achieve the common or group interests of the union, even if all of the states in the union bear rational self-interested concerns. India faced a classic collective action problem after Independence and up until the mid-1980s when government began rethinking its economic policy and development strategy. The argument here is that “even if they (states) acted to achieve their common interest or objective, they will still not voluntarily act to achieve those common or group interests.”²⁷ Even though all states are assumed beneficiaries from central government planning, it was impossible to achieve a preferred state economic policy outcome. The collective action problem arises from a phenomenon called free riding. Free riding describes situations in which the central government relies on states to bear the costs of a program from which few states derive benefits.²⁸ Collective action problems are a major component of explanations in India, particularly in literature considering distributional effects, and indeed the costs or disturbances that internal redistributions may bring.²⁹ This section helps us to answer questions raised in the introduction of this study: would states govern differently across regions than they would if they were just pursuing national interest in a narrowly utilitarian sense?

*Chandigarh, Punjab*³⁰

“With great effort, and many sacrifices we got this freedom. We broke the shackles, chains of subjugation. Now tell the government, don’t mortgage my land again.”³¹

Punjabi poet, Sant Aram Udasi’s meditative chant (above) provides an apt metaphor for examining the context for collective action problem, especially from the perspective of states. To begin, subjugation for Udasi is the marginal economic benefits from national economic policies.³² As an aggregate, Punjab statistics are very impressive

when compared with all-India averages today, but long before the reforms, benefits have not been uniform throughout the state.³³ For Udasi and others what was needed for Punjab was a political faction, which would construct economic alliances to protect, advance or achieve policy outcomes in the interests of the state. According to Vandana Shiva, policies supporting the Green Revolution have contributed to local conflicts, for example. The distant central government, have disillusioned the local farming community,³⁴ with policies that promote ecological scarcity not sustainable development, she writes. “It offers quick fixes for social and political problems, but delinks itself from the real social and political problems it creates. Reflecting the priorities and perceptions of particular class, gender, or cultural interest, new age scientific thought organizes and transforms social order.”³⁵

Another important regional consideration for understanding state interests in India is the role played by domestic policy instruments in economic performance. The Punjab Alienation of land Act (1900) that came into force on June 8, 1901 enshrined and institutionalized the strictures encircling land ownership in the state. The Act placed restrictions on the disposal of agricultural land,³⁶ and in so doing, identified on a district basis each grouping as agriculturalist or non-agriculturalist. Acquisition of land by non-agriculturalists had to be prevented, according to the government, so that it could maintain the support of the agricultural groups. Otherwise, there would be a ‘serious political danger.’³⁷ Society consequently, was not defined simply as those who lived in a rural or urban setting, but as particular social groups so classified by the government. An earlier example of such a policy occurred in 1866 when higher school fees were assessed

on the sons of non-agriculturalists, 'the first recognition of the necessity of encouraging the education of the peasantry.'³⁸

Punjabi state economic policies have consistently targeted and benefited the exclusive agricultural sector.³⁹ By the time of the Land Alienation Act of 1900, a structural transformation in the nature of agricultural production had already been in progress. The issue was seen as 'prosperity and loyalty,' to use the language of the Paul Wallace, in contrast to what contemporary social scientists would be more inclined to emphasize as resource development and regime legitimacy. During colonialism, Wallace points out Punjab did not have a major perennial canal. However, by the end of the nineteenth century, 'all major Punjab Rivers were harnessed for bringing water to their respective doabs,'⁴⁰ land reclamation was underway, rural mobility to canal areas improved, and economic and social development was generally or at least symbolically moving upward.⁴¹ These political factors have broadly affected the governance in two ways. First, agriculturalist are conceived broadly as an exclusive economic class reinforced by conscious political targeting, in this case, irrespective of whether the individuals involved lived in rural areas.⁴² Second, in terms of efforts to organize economic interests, the wealthier members of the society of a class essentially lead Punjab landowners,⁴³ which create distributional consequences in domestic politics.

*Bhubaneswar, Orissa*⁴⁴

Economic policy in Orissa has been an odd mix of pro-poor and poverty inducing elements, possibly reflecting the various complexities of development in India. At the

macro level, centrally sponsored schemes prompted the state to devote scarce resources for poverty alleviation. However the same scarce funds had to be equally appropriated towards health, education, agriculture etc.⁴⁵ For Orissan's benefits are all at once concentrated as costs are distributed.⁴⁶ This financial insecurity created a collective action problem, for the state found it costlier to mobilize key sectors of the economy from the center, New Delhi. The fundamental issue is that economic policy outcomes are probabilistic. The state cannot realize benefits from centralized planning, and sees their efforts as insignificant to the local political outcome, which sees their contribution as a non-negligible impact on the likelihood that a central policy will be enacted in their favor, and therefore will make their contribution to the state.⁴⁷

After Independence, the Orissan economy was pegged to indigenous enterprises.⁴⁸ Central government did all the planning. The problem was not economic policy per se but the environmentally destructive character of national legislation on widespread alienation of communities due to acquisition of land for development and industrial projects.⁴⁹ For Orissa, there were really two interactive problems of organizing or taking collective action agenda from the center to protect measures, which benefit a small number of people. First, there was no fundamental contradiction between economic growth and sustainability. For central government, growth in economic activity may occur simultaneously with either an improvement or deterioration in environmental quality.⁵⁰ The second argument is that poverty in Orissa has largely been responsible for environmental degradation, and removal of poverty was deemed necessary for sustainability. As Sharachandra Lélé argues, if central planning by itself leads to neither

environmental sustainability nor removal of poverty, it is clearly a “non-objective” for sustainable economic development⁵¹ in Orissa.

At the local level, it was difficult to implement central policy. Considering the problem as one purely of collective action, local government officials could not advance central government schemes designed for revenue generation. In other words the expected benefit of central government planning disadvantaged groups and concentrated poverty in certain districts. As a construct however, Kütting argues that perhaps the negative socio-economic experiences may be the intrinsic forces, which complement economic processes.⁵² She argues that the nature and many form of capitalism are socially informed. While the economic literature concentrates on analyzing factor-based approaches to political coalitions, what may be driving progress, may be the variable of social relations, which is a natural extension of a hierarchical structure, rather than a social force or activity in its own right.⁵³

*Kolkata, West Bengal*⁵⁴

Aside from the usual opportunistic reasons and leadership conflicts that have contributed to or been dominant factors in revolutionary movements in India, two central themes have influenced the economic policy and development strategies of West Bengal.⁵⁵ First, economic performance, after independence, fell into the national trap of “excessively detailed, physical-targets-oriented planning.”⁵⁶ According to Bhagwati and Desai, the ‘pre-take-off’ problems of independence are largely associated with economic development strategies, which were outside the traditional economic framework. States

had neither agent (entrepreneurs in the private or public sector) to make rational decisions from among central projects, or to respond to a framework of 'correct' economic policies, nor were there the facts to make choices from.⁵⁷ This single principle can be said to have created West Bengal's political splintering off from the center.

A second issue, which also piggybacks on the political splintering of the state, concerns the place of agrarian reform and reorganization within the overall economic development strategy of West Bengal.⁵⁸ Contrary to the proclaim goal of all post-Independence land reform legislation, both the number and proportion of marginal landholdings were principally targeted towards elites. Because of the elite influence of members of the Communist (Marxist) movement, there were moderately effective measures of agrarian reform to benefit to the poor farmers and agricultural laborers. Rather than bringing to power new political leaders representing societal interests that could gain from rapid political and economic reform, elections merely allowed the communist party elite to consolidate its power under new institutional framework.⁵⁹ The industry-agriculture policy in effect had no firm establishment. Instead, planning became a process of competition, and struggles over resources, goals and strategies and patronage without an overall design, a piece of patchwork rather a coherent structure. In that process, investments have lagged behind.⁶⁰

The incentive to free ride on the contribution of others has made collective action in pursuit of a common goal very easy in West Bengal.⁶¹ The Communist party developed considerable economic and political strength. Lack of clear differentiation

among India's rural classes combined with the continued economic-political predominance at the local level of the elite and middle class landed caste has led most Left parties to peruse multi-class strategies rather than focusing solely on the poor peasantry and the landless.⁶² As the drive to centralize political power in New Delhi intensified, the political support for economic policy declined as West Bengal made it impossible to transfer sufficient land to the rural poor to turn measurable numbers of them into 'economically viable' cultivators.⁶³

Addressing State Economic Interests

The justification then for decentralization from central allocation of resources was that it would promote equity among the regions and ensure the least developed states would not be left behind. The policy also rested on the notion that central allocations were messy, and unnecessary for maintaining a balance of economic power among the states, or providing legitimacy to the central government.⁶⁴ This section examines the move towards prioritizing state agendas. Critics of this framework may point to the inefficiencies. Supporters will point to India's success at keeping the country intact, when so many other multiethnic countries are threatened with dissolution.⁶⁵

To begin, among the orientations that link actors to their environment, authority, legitimacy of leaders and the loyalty of members are especially important. Authority, derived from such sources as cultural traditions, constitutional documents, religious precepts, and the way in which individuals respond to local government officials exercising authority, is the source of official action.⁶⁶ Ordinarily, acts of authority

however, are clothed in some degree of claimed legitimacy.⁶⁷ These theoretical sentiments hold true for India, where the legitimate issue of addressing economic interests of states, as it were, aggregated around the call for redrawing the political map of India so that the major linguistic groups could be consolidated into sovereign states of their own. Language became the source of official authoritative action.⁶⁸ The demands, initially resisted by the central government for fear the politics engendered by the linguistic movement threatened secession, were accepted as less dangerous than resisting the demand. However, the reorganization of states proved to be a political pilot for prioritizing loyalties. Once the central government acquiesced, local government officials quickly called for the restructuring of economic decision-making powers as well.⁶⁹

Throughout Punjab, Orissa and West Bengal, disenfranchised locals clothed their claims around a set of policies, which turned against central authority.⁷⁰ To weaken regional demands, the central government embarked on a series of economic policies to increase the regulatory powers of New Delhi, including tightening controls over foreign exchange, nationalizing banks, abolishing privy purses and privileges of the former princes, imposing restrictions on economic expansion of large corporations and banning corporate financing of political parties.⁷¹ These measures weakened the financial ties between the private and public sector in states. However, the legitimacy of leaders and the loyalty of members became especially important as state governments, worked to remove barriers and provide incentives to the expansion of private industries.⁷²

The balance of power shifted after these events and the center began showing signs of fraying with the parliamentary elections of 1967, and state assembly elections in 1969. Under stable conditions, it would not have been difficult to know which collectivity commanded the highest loyalty and where the others fit in an order of priority when two or more pull in different directions.⁷³ Weak central authority and decentralization of legal functions however, eventually fragmented power. The center could not rule without the states, and though the government prevented open opposition, the politico-economic system had become too disorderly.⁷⁴

Returning now to the impact of the decentralizing as well as centralizing dynamics on traditional authority relations, the argument will be advanced that such turbulence transformed the legitimacy sentiments in India, especially after the reforms.⁷⁵

Decentralizing Political Authority

Having conceptualized the political factors that influenced liberalization, in some form or other, this section now move beyond the simple assertion those profound transformations occurred, to narrowing the systematic parameters which have rendered the governing arena into the hands of nonstate actors. Among the domestic causes for this shift, two are particularly relevant: the roles of nonstate actors and the authority structure they have created.

As early as the Third Plan, nonstate actor's investment represented economic political contradiction for India's gradualist approach. Nonstate actors had the means to

invest and change the efficiency of whole range of industries, but nationalist sentiments and protectionist policies ignored the realities of comparative advantage and pushed forward high barriers.⁷⁶ The powerful domestic pressures that resulted in extensive protectionist legislation during the earlier period simply do not exist today.⁷⁷ The expansion of economic interdependence, as evidenced by postinternational order, means state and nonstate actors must collaborate in structural arrangements that preserve the larger context.

The role of nonstate actors has been a prime stimulus for investment in infrastructure and public sector disinvestments. According to the Ministry of Finance Annual Report for 2007-08, nonstate actor's investments have generated growth of nearly 6 percent in core economic sectors.⁷⁸ A study published in Economic and Policy Weekly, January 7, 2006, indicates that overall, in this period there was a significant decrease for most states in public health expenditure. State expenses decreased in between 1990-96, but increased slightly during the period 1996-2002 for all states except Uttar Pradesh and Assam.⁷⁹ The same study shows that in almost all states, public health expenditure as per cent of gross state domestic product has not increased much during the past decade. During the period 1994-2002, healthcare expenditure as a percentage of gross state domestic products shows a declining trend. Between 1990-96, all states public health expenditure as a percentage of gross state domestic products also decreased, among which Orissa, Punjab and West Bengal are exceptions. This shows that government priority for healthcare expenditure is decreasing over the years in all the states since the liberalization reforms.⁸⁰

As one astute observer put it:

“The fact that some states are growing faster than others does not mean the instruments of fiscal federalism are opportunities for the lagging states to accelerate their growth as well. The fact that some regions are not prospering implies the need for strategies for these regions. The fact that some people might be prospering more than others does not suggest limiting opportunities to those, but rather aggressively expanding the equality of opportunity for all to access labor markets, assets, and product markets on fair terms and to expand the equality of opportunity for investing in health, nutrition, and education of the next generation.”⁸¹

A second important feature of the complexity has been the profound transformation of authority relations, originally reset by state leaders in attempting to address local economic interests, and then reset by nonstate actors, who needed legitimate compliance to realize state objectives.⁸² This bifurcated conception of authority runs counter to the prevailing analytical mode, which presumes that, over time, the state-centric system either subsumes to it or fragments or collapses as the rival alternatives come to prevail.⁸³ Authority created by legitimacy, lends itself easily to hierarchical relationships because it is a natural expression or next step when legitimacy-induced authority is present. States are willing to relent some of their authority because it is actually in their best economic interest.⁸⁴ States also benefit from the power, authority and influence of nonstate actors.

How efficient has been the decentralization of political authority to the economic liberalization reforms? This question has become critically relevant to India's economic performance and in view of the prospects of continuing investment in the future. Fifty years ago, local government officials had two major sources of worry: (1) the gross economic inefficiencies of the public sector, as reflected in its productivity; and (2) the

growing infiltration of nonstate actors in making the prospects of improved public sector productivity seem even more remote.⁸⁵ Today, scholars portend the need for state and nonstate actors that together concentrate on authority and facilitate collective action in an ever-increasing bifurcated world:

“The foreseeable future is likely to be one in which nation-states survive, limping along, buffeted by the internal and external forces that drive the norms, habits and practices relevant to their capacities for cooperation to the brink of transformation, and yet managing to sustain their essential structures and undertake collective action legitimately.”⁸⁶

The role of nonstate actors and the changing authority relations they created have contributed to the success of the liberalized arrangement.⁸⁷ The decentralization of political authority has not only increased the scope and authority of nonstate actors, but has also been a source of widening the economic competence of states.⁸⁸ It is difficult for the central government to now capture national priorities and reduce regional disparities, however, the process is in place, and new authorities have a “legal basis” for their conduct and the maintenance of its hierarchical structures.⁸⁹

Conclusion

In conclusion, this chapter has provided a functional analysis of the role of nonstate actors in national as well as state economic policy. The distribution of power between the center and states is in fact the cornerstone of India’s reforms, and clearly characterize the process towards liberalization. State politics, as we have seen, are being drawn in two directions. However, the centralizing and decentralizing tendencies, as described by post-internationalist, begins to paint a more realistic picture of the liberalization process, highlighting potential alignments and economic cleavages.⁹⁰

Nonstate actors, in practice legitimate aspects of the governing structure with new rules of governance, strategic alliances, and other viable arrangements through which issues can be contested and managed. However, nonstate actor powers do not necessarily threaten the polity, but rather adds a new resource that the nation-state can draw upon to produce a local social order and, in turn, authority.⁹¹

Three important findings emerge from this analysis. First, after Independence, collective action problems have become a major component of explanations in India, particularly in literature considering distributional effects, and indeed the costs or disturbances that internal redistributions may bring.⁹² Second, states decisively achieved their goal of resetting the politico-economic system, by pushing forward legislation that would loosen central government fiscal controls, and support strategies, which engaged their diverse economic needs. Third, the decentralization of political authority has been a crucial factor in determining the economic governing arrangements in liberalized India. The argument is that a reform strategy based on decentralized planning neither could not have emerged in the mid-1980s nor would it have been likely in 1991, without nonstate actors. Because states had, and continue to have divergent preferences, nonstate actors facilitate a form of governance unique for the realization of economic gains.

Although virtually all states in India are moving in the same direction, they are not pursuing identical policies, and ultimately economic strategies are not likely to be the same. As discussed in this chapter, different states started the process at different points, and their movements, even in the same general direction interacts with particular events,

historical as well as socio-cultural and development experiences.⁹³ This direction has possible implications for governance of the politico-economic system.

The economic liberalization process has in some fundamental ways shifted the balance of power between the states and the central government. As the role of the central declines as a source of public investment, state governments must now look not to New Delhi, but to nonstate actors for investment. I will return to the implication of this shift in chapter seven.

¹ Weiner, Myron. "The Regionalization of Indian Politics" in India in the Era of Economic Reforms (Ed. Jeffrey D. Sachs et. al.) New Delhi: Oxford University Press, 1999. p. 262.

² See Myron Weiner's discussion of the implication of regionalization on Indian politics. "The Regionalization of Indian Politics" in India in the Era of Economic Reforms (Ed. Jeffrey D. Sachs et. al.) New Delhi: Oxford University Press, 1999. p. 262.

³ Weiner, Myron. "The Regionalization of Indian Politics" in India in the Era of Economic Reforms (Ed. Jeffrey D. Sachs et. al.) New Delhi: Oxford University Press, 1999. p. 261.

⁴ State governments have considerable regulatory authority and major responsibilities in the fields of agriculture, rural development, urban services, education, public health, and social services. Ninety-percent of government expenditure, on education and health, for example, is by State governments. See Myron Weiner "The Regionalization of Indian Politics" in India in the Era of Economic Reforms (Ed. Jeffrey D. Sachs et. al.) New Delhi: Oxford University Press, 1999. p. 262.

⁵ Philip Cerny is quoted in Yale H. Ferguson and Richard W. Mansbach. Remapping Global Politics: History's Revenge and Future Shock. New York: Cambridge University Press, 2004. p. 198.

⁶ Bhagwati, Jagdish N., and Padma Desai, India: Planning for Industrialization: Industrialization and Trade Policies Since 1951. London: Oxford University Press, 1970. p. 7.

⁷ Bhagwati, Jagdish N., and Padma Desai, India: Planning for Industrialization: Industrialization and Trade Policies Since 1951. London: Oxford University Press, 1970. pp. 7-8.

⁸ According to rationalist cooperation theorists, Axelrod and Keohane, three situational dimensions were studied and found to affect the propensity of actors to cooperate. Mutuality of interests of payoff structure, the shadow of the future, and the number of actors in the system. See Robert Axelrod and Robert O. Keohane, "*Achieving Cooperation Under Anarchy: Strategies and Institutions*," *World Politics*, Vol. 38 (October 1985). pp. 226-54.

⁹ Governance after the economic liberalization reforms has been tentative, accomplished in fits and starts across regions and sectors, and the electoral agenda are generally dominated by identity politics. See Chapter four, section on "Sources of Change" for complete discussion on the variety of endogenous and exogenous factors that have been transforming the governing structure.

¹⁰ This is especially in state government elections, where identity politics is important. Caste affiliation, for example, is a politically volatile and complex issue rooted in both structural and cultural peculiarities. The politics engendered by regional identity has served to enrage some local leaders to turn against the central government where ideology differs. The disintegration of party politics, for example, has fragmented the social base and support for central government initiatives pulled away. See Myron Weiner "The Regionalization of Indian Politics" in India in the Era of Economic Reforms (Ed. Jeffrey D. Sachs et. al.) New Delhi: Oxford University Press, 1999. pp. 273-274.

¹¹ Economic policy, for instance, is not an end in itself; it is a device for enhancing the power of the state. See Stephen Krasner, "Regimes and the limits of realism" in International Regimes. Ithaca: Cornell University Press, 1989. p. 357.

¹² Consider, for example, the task of improving the health care system. Though inadequate healthcare remain a hindrance to economic development indicators, states have not been encouraged to develop, nor have they developed a public health policy to complement the central government's plan to reform the public health sector. According to the Population Foundation of India (PFI) Punjab, Orissa and West Bengal, for example, have varied responses to address the needs of this critical social sector.

¹³ Custom duties were reduced from 12.5 to 7.5 percent on medical equipments. See also Annual Report 2007-08, Ministry of Finance. New Delhi: Ministry of Finance Government of India, 2007-08. p. 70.

¹⁴ See also James N. Rosenau Turbulence in World Politics: A Theory of Change and Continuity. Princeton: Princeton University Press, 1990. pp. 36,108.

¹⁵ Acknowledgement of this fact rarely shows up in actual international relations theorizing. See Oran R. Young Global Governance: Drawing insights from the environmental experience. Massachusetts: The MIT Press, 1997. p. 29.

¹⁶ Rosenau, James N. Distant Proximities: Dynamics Beyond Globalization. Princeton: Princeton University Press, 2003. p. 392.

¹⁷ Krasner problematizes the issue of states concerned solely with only enhancing the economic interests of their sovereign territory, for example. States only act to structure nonpolitical behavior if this would enhance their relative power capability. See Stephen Krasner, "Regimes and the limits of realism" in International Regimes. Ithaca: Cornell University Press, 1989. p. 356.

¹⁸ Bhagwati, Jagdish N., and Padma Desai, India: Planning for Industrialization: Industrialization and Trade Policies Since 1951. London: Oxford University Press, 1970. p. 126.

¹⁹ Bhagwati, Jagdish N., and Padma Desai, India: Planning for Industrialization: Industrialization and Trade Policies Since 1951. London: Oxford University Press, 1970. p. 61.

²⁰ The economy of India is based in part on planning through its five-year Plans, developed, executed and monitored by the Planning Commission. The Plans oversee economic transformations and human security issues. According to Bhagwati and Desai, historical traditions and new institutions accelerated Indian industrialization in the modern period. This corresponds to national income, production and occupational structure, agricultural production, savings and investment, taxation, infrastructure and social services, and price behavior. See Jagdish N. Bhagwati and Padma Desai, India: Planning for Industrialization: Industrialization and Trade Policies Since 1951. London: Oxford University Press, 1970. pp. 61-83.

²¹ There brick industries of India mostly consist of enterprises with low capital investment.

²² These policies – relating to choices of projects, location, staffing, political and audit control, pricing etc., have been of central importance in reducing the economic efficiency of public sector investments.

²³ For details of the evolution, and the further changes over time in the composition and powers, of the Planning Commission, See Jagdish N. Bhagwati and Padma Desai, India: Planning for Industrialization: Industrialization and Trade Policies Since 1951. London: Oxford University Press, 1970. pp. 111-122.

²⁴ Weiner, Myron. "The Regionalization of Indian Politics" in India in the Era of Economic Reforms (Ed. Jeffrey D. Sachs et. al.) New Delhi: Oxford University Press, 1999. p. 265.

²⁵ Weiner, Myron. "The Regionalization of Indian Politics" in India in the Era of Economic Reforms (Ed. Jeffrey D. Sachs et. al.) New Delhi: Oxford University Press, 1999. p. 265.

²⁶ To put this in political context, the economic reforms were initiated at a time when the governing Congress party was losing popular political support. The social classes on which the Congress had build its electoral strength, scheduled castes, scheduled tribes, Muslims, and sections of the other backward castes (OBC), were defecting. The Hindu Nationalist Bharatiya Janata party (BJP) expanded its electoral base, which had previously been largely confined to urban upper castes. The BJP won key electoral support in rural regions of UP, Bihar, Rajasthan, Madhya Pradesh, Maharashtra, and Gujarat, though unable to displace the declining Congress party in the four southern States or in India's northeast. Smaller regional parties emerged, several successfully mobilizing the schedule caste and other backward castes, which were then able to fill the electoral space left by the declining Congress party. The rise of the regional parties did not simply reflect an upsurge in regional sentiment, State-based parties proved more effective at mobilizing India's lower castes, which demanded a greater share of admissions into schools and colleges, more representation in the bureaucracy, and the social status that comes with holding cabinet positions in the state and central governments. In several states, regional parties won office by holding the balance of

power, and in 1996 and 1998, when neither Congress nor the BJP won a majority of seats in parliamentary elections a coalition government was formed each time with the help of regional parties. See Myron Weiner "The Regionalization of Indian Politics" in India in the Era of Economic Reforms (Ed. Jeffrey D. Sachs et. al.) New Delhi: Oxford University Press, 1999. pp. 265-297.

²⁷ In this context, Thomas Oatley argues in his definition of collective action that states don't always mobilize because of the collective action problem. See International Political Economy: Interests and Institutions in the Global Economy. New York: Pearson Longman, 2004. pp. 94-96.

²⁸ The severity of the collective action problem that a country faces depends upon the size of the state. See Thomas Oatley International Political Economy: Interests and Institutions in the Global Economy. New York: Pearson Longman, 2004. p. 94.

²⁹ See James E. Alt and Michael Gilligan "The Political Economy of Trading States" in International Political Economy: Perspectives on Global Power and Wealth (Fourth Edition). Edited by Jeffrey A. Frieden and David A. Lake. California: Wadsworth Thomson Learning, 2000. pp. 327-342.

³⁰ Punjab 12,134 villages (17 districts), Population Foundation of India, September 2008.

³¹ Dr. Areet Kaur translated verse of Sant Aram Udasi poem, "Freedom" from Urdu to English in an interview conducted October 9, 2008 at Miranda District Hospital. Miranda, Punjab.

³² Wallace describes the plight of landless laborers, menial servants, and what is perhaps best categorized as a lumpen proletariat in urban areas. See Paul Wallace, "Political Mobilization in Punjab" in Dominance and State Power in Modern India: Decline of a Social Order (Edited by Francine Frankel) Volume I. Delhi: Oxford University Press, 1989. p. 417.

³³ Wallace, Paul. "Political Mobilization in Punjab" in Dominance and State Power in Modern India: Decline of a Social Order (Edited by Francine Frankel) Volume I. Delhi: Oxford University Press, 1989. p. 417.

³⁴ Shiva, Vandana. The Violence of the Green Revolution. Penang, Malaysia: Zed Books, 2002. p. 12.

³⁵ Shiva, Vandana. The Violence of the Green Revolution. Penang, Malaysia: Zed Books, 2002. p. 21.

³⁶ Wallace, Paul. "Political Mobilization in Punjab" in Dominance and State Power in Modern India: Decline of a Social Order (Edited by Francine Frankel) Volume I. Delhi: Oxford University Press, 1989. p. 418.

³⁷ Wallace, Paul. "Political Mobilization in Punjab" in Dominance and State Power in Modern India: Decline of a Social Order (Edited by Francine Frankel) Volume I. Delhi: Oxford University Press, 1989. p. 418.

³⁸ Wallace, Paul. "Political Mobilization in Punjab" in Dominance and State Power in Modern India: Decline of a Social Order (Edited by Francine Frankel) Volume I. Delhi: Oxford University Press, 1989. p. 418.

³⁹ See Ministry of Finance Annual Report 2007-08 Section on "Agricultural Sector Credit." New Delhi: Ministry of Finance Government of India, 2007-08. p. 164.

⁴⁰ Doab regions represent the meeting of two bodies of waters, or the area between two rivers.

⁴¹ Wallace, Paul. "Political Mobilization in Punjab" in Dominance and State Power in Modern India: Decline of a Social Order (Edited by Francine Frankel) Volume I. Delhi: Oxford University Press, 1989. p. 418.

⁴² Wallace, Paul. "Political Mobilization in Punjab" in Dominance and State Power in Modern India: Decline of a Social Order (Edited by Francine Frankel) Volume I. Delhi: Oxford University Press, 1989. pp. 416-481.

⁴³ As observed during fieldwork in 2008, regional interests seem to interact with rural-urban landowning and communal factors suggesting the possibility that these issues culminate to have a role in State, social and economic policies.

⁴⁴ Orissa 51,000 villages (30 districts), Population Foundation of India, September 2008.

⁴⁵ Lélé, Sharachandra M. "Sustainable Development" in Green Planet Blues, Third Edition (Edited by Ken Conca and Geoffrey D. Dabelko). Oxford: Westview Press, 2004. p. 254.

⁴⁶ See James E. Alt and Michael Gilligan "The Political Economy of Trading States" in International Political Economy: Perspectives on Global Power and Wealth (Fourth Edition). Edited by Jeffrey A. Frieden and David A. Lake. California: Wadsworth Thomson Learning, 2000. p. 328.

⁴⁷ James E. Alt and Michael Gilligan consider the problem of the political economy as purely collective action. They explain under what circumstance political coalitions will take the form of broad classes, as

predicted by Rogowski, and under what circumstance they will organize along the lines of specific industries. The authors then examine how collective action costs (costs incurred by groups in organizing for political action) and domestic political institutions influence the formation of economic coalitions. See James E. Alt and Michael Gilligan "The Political Economy of Trading States" in International Political Economy: Perspectives on Global Power and Wealth (Fourth Edition). Edited by Jeffrey A. Frieden and David A. Lake. California: Wadsworth Thomson Learning, 2000. pp. 328-334.

⁴⁸ According to Bhagwati and Desai, this foreshadowed the immense concentration of industrial investments in a few industrial houses or groups which was to characterize even the period of planned growth from 1951-1966. The primary sector includes agriculture, animal husbandry, forestry and fishing. The growth of none of these empires has been studied in depth from social and economic viewpoints, and this represents an important lacuna in Indian economic history. See Jagdish N. Bhagwati and Padma Desai, India: Planning for Industrialization: Industrialization and Trade Policies Since 1951. London: Oxford University Press, 1970. pp. 47-50.

⁴⁹ Amitabh Behar discusses the impact of Forest Laws on Orissa. See Amitabh Behar and colleagues analysis, "Chapter 1: The Indian Parliament and the Grammar of Anarchy" in Citizen's Report on Governance and Development 2007: Social Watch India. New Delhi: Sage Publications, 2007. p. 33.

⁵⁰ The argument is that governments "concerned with the long-term sustainability need not seek to limit growth in economic output so long as they stabilize aggregate natural resource consumption." See Sharachandra M. Lélé, "Sustainable Development" in Green Planet Blues, Third Edition (Edited by Ken Conca and Geoffrey D. Dabelko). Oxford: Westview Press, 2004. p. 259.

⁵¹ See Sharachandra M. Lélé, "Sustainable Development" in Green Planet Blues, Third Edition (Edited by Ken Conca and Geoffrey D. Dabelko). Oxford: Westview Press, 2004.

⁵² Kütting, Gabriela. Globalization and the Environment. New York: State University of New York Press, 2004. p. 43.

⁵³ Kütting's analysis contrasts James Alt and Michael Gilligan drawn from Ronald Rogowski's analysis which explains how collective action costs mobilize political action. Kütting also maintains the global political economy needs to take more account of the institution of consumption from an eco-holistic perspective, as the study of consumption has been neglected and is one of the least understood economic activities. See Gabriela Kütting Globalization and the Environment. New York: State University of New York Press, 2004. p. 45-46.

⁵⁴ West Bengal 56,000 villages (April 2008); 56,000 Gram Panchayat Jalat (blocks); 18-districts. Population Foundation of India, September 2008.

⁵⁵ Radical parties and politics have constituted an important style of politics in India, to differing degrees of importance. The Left itself has been broadly divided since the 1930s into two main streams – Socialist and Communist. After Independence, the Communist Party of India (Marxist) or CPM, achieved dominance in West Bengal. Scholars attribute this to a philosophical stance taken against the ruling Congress party of the time. This section draws heavily from Paul R. Brass, The Politics of India Since Independence Second Edition. Cambridge: Cambridge University Press, 2001. p. 79-82.

⁵⁶ See Jagdish N. Bhagwati and Padma Desai, India: Planning for Industrialization: Industrialization and Trade Policies Since 1951. London: Oxford University Press, 1970. p. 6.

⁵⁷ See Jagdish N. Bhagwati and Padma Desai, India: Planning for Industrialization: Industrialization and Trade Policies Since 1951. London: Oxford University Press, 1970. p. 7.

⁵⁸ See Paul R. Brass, The Politics of India Since Independence Second Edition. Cambridge: Cambridge University Press, 2001. p. 278.

⁵⁹ See Thomas Oatley International Political Economy: Interests and Institutions in the Global Economy. New York: Pearson Longman, 2004. p. 387.

⁶⁰ According to Brass, virtually everywhere land ceiling legislation was a farce and land redistribution, a critical component of economic development, was practically nonexistent or cruel to those who benefited from it by receiving barren, unproductive, or alkaline soil to farm without resources to make use of it. See Paul R. Brass, The Politics of India Since Independence Second Edition. Cambridge: Cambridge University Press, 2001. p. 279.

⁶¹ See Thomas Oatley International Political Economy: Interests and Institutions in the Global Economy. New York: Pearson Longman, 2004. p. 95.

⁶² According to Brass' research, the Communist party has tended in power to be more effective in implementing measures of agrarian reform such as land ceilings, land redistribution, protection of tenants

and sharecroppers, and programs for the poor to provide them with employment opportunities, but this has not shifted the adverse impact of landlessness. See Paul R. Brass, The Politics of India Since Independence Second Edition. Cambridge: Cambridge University Press, 2001. p. 82.

⁶³ See Paul R. Brass, The Politics of India Since Independence Second Edition. Cambridge: Cambridge University Press, 2001. p. 279.

⁶⁴ Weiner, Myron. "The Regionalization of Indian Politics" in India in the Era of Economic Reforms (Ed. Jeffrey D. Sachs et. al.) New Delhi: Oxford University Press, 1999. p. 271.

⁶⁵ Weiner, Myron. "The Regionalization of Indian Politics" in India in the Era of Economic Reforms (Ed. Jeffrey D. Sachs et. al.) New Delhi: Oxford University Press, 1999. p. 271.

⁶⁶ See also James N. Rosenau Turbulence in World Politics: A Theory of Change and Continuity. Princeton: Princeton University Press, 1990. p. 236.

⁶⁷ This is the contention that the policies or actions are being undertaken by appropriate officials, who are conforming to recognized principles and generally accepted rules. See also James N. Rosenau Turbulence in World Politics: A Theory of Change and Continuity. Princeton: Princeton University Press, 1990. p. 237.

⁶⁸ As is well known, the British drew State boundaries that did not coincide with the distribution of the major linguistic communities in the country. However, in the early 1950s, political groups representing divided linguistic communities called for the redrawing of state boundaries.

⁶⁹ Weiner, Myron. "The Regionalization of Indian Politics" in India in the Era of Economic Reforms (Ed. Jeffrey D. Sachs et. al.) New Delhi: Oxford University Press, 1999.

⁷⁰ Mrs. Gandhi further sought to undermine the non-Congress parties in the States by supporting factions within these parties, a strategy which in time served to strengthen the forces of regionalism. Where there were regional parties of any importance, for example Akali Dal in Punjab, she threw her political weight behind dissenters within these parties. Many casual observers of the unrest at the time point to the growth of secessionist movements in Punjab to the highhanded manner in which Mrs. Gandhi centralized her political power. See also Myron Weiner "The Regionalization of Indian Politics" in India in the Era of Economic Reforms (Ed. Jeffrey D. Sachs et. al.) New Delhi: Oxford University Press, 1999. pp. 261-295.

⁷¹ Mrs. Gandhi of the ruling Congress Party at the time, suspended internal elections within the Congress party and instead appointed the President of Pradesh Congress Committees and Congress State Chief Ministers. All this was intended to weaken the Hindu Nationalist BJP. See Myron Weiner "The Regionalization of Indian Politics" in India in the Era of Economic Reforms (Ed. Jeffrey D. Sachs et. al.) New Delhi: Oxford University Press, 1999.

⁷² To ensure delivery of basic public services, some states moved to nationalize failing local enterprises. State governments expanded employment and wages in government and in state-run public sector enterprises leaving little funds for development activities or for promoting the development of human capital. With the eventual weakening of the center's electoral position, state leaders turned against the center's New Delhi's control.

⁷³ See also James N. Rosenau Turbulence in World Politics: A Theory of Change and Continuity. Princeton: Princeton University Press, 1990. p. 237.

⁷⁴ When Mrs. Gandhi ended the emergency eighteen months later and called national elections, the results were a massive increase in voter turnout and a devastating defeat for the Congress party. Though the Congress party subsequently won parliamentary elections, the disintegration of the party during this time continues to have ill effects on the social base of support, electoral voting patterns, especially in effort to explain the new economic policies to state governments.

⁷⁵ See James N. Rosenau. Turbulence in World Politics: A Theory of Change and Continuity. Princeton: Princeton University Press, 1990. pp. 88-89.

⁷⁶ See James N. Rosenau. Turbulence in World Politics: A Theory of Change and Continuity. Princeton: Princeton University Press, 1990. p. 423.

⁷⁷ See James N. Rosenau. Turbulence in World Politics: A Theory of Change and Continuity. Princeton: Princeton University Press, 1990. p. 433.

⁷⁸ The overall index of six core industries having a direct bearing on infrastructure registered a growth of 5.7 percent during April-December 2007. This is lower than the 8.9 percent growth registered during April-December 2006. All the core sectors except coal, crude petroleum, petroleum, refinery products,

electricity, cement and finished steel, recorded lower rates of growth, 0.3, 7.5, 6.6, 7.2, and 5.6 percent during April-December 2007, as compared with 6, 13.2, 7.5, 10.3, and 11.4 percent respectively during the corresponding period of the previous year. However, there is acceleration in growth of coal of 4.9 percent during the April – December 2007 as compared to 4.6 percent in the corresponding period of the previous year. See the Annual Report 2007-08, Ministry of Finance. New Delhi: Ministry of Finance Government of India, 2007-08.

⁷⁹ This figure excludes Assam, Gujarat, Orissa and Uttar Pradesh. However, in observing per capita health expenditures as a percent of per capita gross state domestic product, in real terms, for the same period, a different picture emerges. The percentage of state governments shows a declining trend. It is important here to note that the Economic and Policy Weekly Journal is an independent Kolkata, West Bengal based publication.

⁸⁰ Bhat, Ramesh and Nishant Jain. "Analysis of Public and Private Healthcare Expenditure." Economic and Political Weekly (A Sameeksha Trust Publication), January 7, 2006. Vol. XLI No. 1.

⁸¹ In addition to subsidizing however, several state governments also provide incentives to attract investors. See India Development Policy Review: Inclusive Growth and Service Delivery. Report no. 34580-IN. Document of World Bank, May 29, 2006. pp. 17-18.

⁸² See James N. Rosenau. Turbulence in World Politics: A Theory of Change and Continuity. Princeton: Princeton University Press, 1990. p. 186.

⁸³ That both the system and the alternative can co-exist is thus not viewed as a meaningful possibility momentary and transitional condition, to be sure, but highly improbable as an enduring form of world order. See also James N. Rosenau. Turbulence in World Politics: A Theory of Change and Continuity. Princeton: Princeton University Press, 1990. pp. 247-248.

⁸⁴ Lake, David A. Hierarchy in International Relations. Ithaca: Cornell University Press, 2009. p. 172.

⁸⁵ See Jagdish N. Bhagwati and Padma Desai, India: Planning for Industrialization: Industrialization and Trade Policies Since 1951. London: Oxford University Press, 1970. p.147.

⁸⁶ See James N. Rosenau. Turbulence in World Politics: A Theory of Change and Continuity. Princeton: Princeton University Press, 1990. p. 132.

⁸⁷ In 1986, the gross fiscal deficit of the states was 89 billion rupees. By 1990-1, it had risen to 179 billion rupees and by 1994-5 to 333 billion rupees. The deficits have grown most rapidly since 1992, when expenditures by the states increased more than their revenue receipts. The deficits of state governments have largely been financed by the central government with the result that loans from the center to states have grown from a total of Rs. 170 billion in 1980-1, to Rs. 741 billion in 1990-1, to Rs. 1028 billion in 1993-4. Another Rs. 262 billion was owed to the Provident Fund and Rs. 25 billion to the Reserve Bank of India. One factor in the rise of state government deficits, according to the World Bank is that periodic central government loan forgiveness and refinancing, without conditionality, have created an expectation of future debt relief. See also India Development Policy Review: Inclusive Growth and Service Delivery. Report no. 34580-IN. Document of World Bank, May 29, 2006.

⁸⁸ See James N. Rosenau. Turbulence in World Politics: A Theory of Change and Continuity. Princeton: Princeton University Press, 1990. p. 131.

⁸⁹ See James N. Rosenau. Turbulence in World Politics: A Theory of Change and Continuity. Princeton: Princeton University Press, 1990. p. 186.

⁹⁰ See Yale H. Ferguson and Richard W. Mansbach. Remapping Global Politics: History's Revenge and Future Shock. New York: Cambridge University Press, 2004. pp. 154-157.

⁹¹ Lake, David A. "Hierarchy in international relations: authority, sovereignty, and the new structure of world politics." Presented at the annual meeting of the American Political Science Association, Chicago, IL, September 2-5-, 2004, and the Peace Sciences Society (International), Houston, TX, November 13-14, 2004. (Received written permission to cite August 4, 2008.)

⁹² See James E. Alt and Michael Gilligan "The Political Economy of Trading States" in International Political Economy: Perspectives on Global Power and Wealth (Fourth Edition). Edited by Jeffrey A. Frieden and David A. Lake. California: Wadsworth Thomson Learning, 2000. pp. 327-342.

⁹³ Biersteker, Thomas J. "The Triumph of Neo-classical Economics" in Government Without Government: Order and Change in World Politics (Edited by James N. Rosenau and Ernst-Otto Czempiel. Cambridge: Cambridge University Press, 1992. p. 107.

Chapter 6: Study Results

Introduction

The results of this study provide insight into the relationship, between an economic reform policy of denationalized planning and a reorientation of the roles of nonstate actors in transforming the orientation of domestic authority relations within states. A governance assessment survey was conducted on the role of nonstate actors in the health sector of the economy. Using this survey, a suggestion is made on how to proceed for a more systematic analysis of regional governance across India. Probing postinternational explanations, this chapter returns to the question of the significance of strategic nonstate actor alliances, and illuminates the profound shifts in politico-economic governance. Postinternational theory is used to examine how the formal arrangements of economic liberalization reforms aggregate or disaggregate relations that have been developing between actors in terms of governing states.

This chapter examines the overall regional differences in the politico-economic orientation of Punjab, Orissa and West Bengal, and assesses the perceived behavior of nonstate actors in governance after reforms. The analysis proceeds in three steps. First, an empirical reconceptualization of how we may begin to address questions over long-standing structures of authority weakening is undertaken; second, consideration is given to how national loyalties are being redirected; and third, an examination of why subgroups may become more powerful is undertaken. The important question is the

extent to which decentralized planning, or the manner in which liberalization unfolds affect governance under circumstances that are otherwise similar.

Comparative data is used to evaluate the conditions under which nonstate actors govern aspects of the political economy. Recognizing that an exploratory investigation such as this one will at best provide preliminary evidence, considerable uncertainty surrounds the fieldwork. A key problem is that no scholarship exists on this issue, and the role of nonstate actors have never been linked to the governing structure of liberalized states in this context. A scholar must interpret perceptions of governance, reflecting subjective attempts to create meaning in the discourse. Thus, descriptions of perceptions require inferences, which need, insofar as possible to be empirically assessed.

The evidence offered here is imperfect. First, the point of view is indeterminate because the assessments are not representative of the region as it is a convenience sample. Data for this study is drawn from national and sub-national sources, and intensive fieldwork conducted in three state capitals, and completed December 2008. Repeated visits were made to numerous state and nonstate actors in urban and rural districts. One hundred twenty-four surveys and interviews were completed, focusing on similarly placed officials and across three diverse states. In addition, national-level data collected was from archives in the capital, New Delhi. Second, the empirical work is not sufficiently extensive to provide a large number of similar cases against which to evaluate postinternational theory. All that is to be expected at this stage is a framework

to begin evaluating the plausibility that nonstate actors matter for the economic governance of liberalized states.

Case Selection

India is experiencing liberalization, the process of which is being determined largely by regional states and nonstate actors. The long-standing structures of authority have weakened, and states, in collaboration with nonstate actors have reoriented domestic authority relations. Variation in governance patterns has emerged across India in response to the systemic utility functions of nonstate actors.¹ Nonstate actors increased in importance as they have had consistent, ordered preferences, calculated costs and benefits of an alternative course of action.² In the section below, I argue that the states selected for this analysis have indeed changed long-standing patterns; and, in a critical and interrelated respect, have had significant impact.

To begin, the Indian census is considered the most accurate mirror of socio-economic, cultural factors operating at a given point of time,³ however, it has only provided traditional demographic data by gender on various socio-cultural, and economic and aspects. The census gives insights into the existing imbalance in the society between men and women and between different groups vital for policy and planning, but not evidence on the political and economic orientations that have been transforming authority relations among actors within and between states. According to the Office of the Registrar General and Census Commission, the census is the only source in India that provides the basic counts of males and females right up to the village level for the rural

areas and the ward level for the urban areas-lowest administrative unit. However, the economic liberalization reforms of 1991 by necessity moved the policy and planning framework from unit-level to systemic level. As discussed earlier, analyzing state behavior from inside out alone leads observers to ignore the context of action and the pressure exerted on all states by the competition among them.⁴ Practices such as seeking to balance the power of potential adversaries may be accounted for based on distinctive characteristics of the government in question when they could be explained more satisfactorily based on enduring features of the political economy.

The governance assessment surveys administrated in Punjab, Orissa and West Bengal examine the underlying tendencies towards decentralization, intermittent patterns of reforms, and the role of nonstate actors. In each state, sovereignty-free and sovereignty-bound actors coexist to varying economic ends, and each state provides a distinct perspective. The demographic data collected is a vital aspect of the survey component, as it summarizes the background of each individual in the survey, as well as present evidence on the overall regional differences in responses to how governance meet the needs of a territorially divided politico-economic systems, and this divide may be reconciled with liberalization.

Administrative map of India, below, show divisions of states and union territories.⁵

Map of India



Source: Office of the Registrar General and Census Commission (Delhi, 2008).

Summary Statistics and Exploratory Data Analysis

The postinternational argument developed earlier, suggests a strong two level logic in the relationship between micro and macro actors in the politico-economic system. Here, the political rules for engagement in a liberalized economy are linked, in essence, to the strategic economic compulsions and alliances of nonstate actors who since 1991 have been organizing territorially specific sectors of the political economy. This intercourse of ideas, principles, norms, rules, procedures and processes fits into broader patterns described in my three central hypotheses: if an authority structure has resources to operate, then they can build legitimate consensus; if an authority structure reflects local

and regional characteristics, then they will manage issue areas more effectively; if society is open, then an authority structure will have impact on local prosperity and quality of life. It is here nonstate actors liberate the traditional state structure, as they become increasingly involved in authoritative decision-making:

Accordingly, although states may not be about to exit from the political stage, and they may even continue to occupy the center of the stage, they do seem likely to become increasingly vulnerable and impotent. In addition, as such, as ineffective managers of their own affairs, they will serve as stimuli to turbulence in world politics. Their difficulties in responding to local and global challenges will prompt more autonomy in the multi-centric world as more skillful citizens demand more effective performances from their leaders and thus further weaken the capacity of states to respond to problems.⁶

Put simply, the choices, behavior and solutions of nonstate actors, for example, depends on national economic policy, the political organization of states, and the characteristics of macro-collectivities. Geographically ordered economic governance has important implications for cooperation, and these new strategic alliances must be understood in the light of attempts made by nonstate actors to cope with the complexity and the interrelatedness of different fields and their wider efforts to gain time and reduce uncertainty in joint undertakings during a period of turbulence.⁷ The potential importance of this shift is even greater in the context of the restructuring of loyalties, as Rosenau makes clear:

This is not to say that traditional national loyalties are being widely abandoned. Plainly, such attachments do not suddenly collapse. Rather, it is only to take note of subtle processes whereby what was once well established and beyond question is now problematic and undergoing change. Even more relevant, it seems reasonable to presume that the diminished competence of states to act decisively, combined with the processes of loyalty transformation, serves as a significant

source of the dynamics that are rendering more complex each of the three prime parameters of world politics. Clearly, the viability of the multi-centric world, the persistence of authority crises, and the analytic skills of individuals are all intensified the more the capabilities of states decline and the more the loyalties of citizens become problematic.⁸

If then, the authority of nonstate actor's legitimate structures, which affect strategies, embedded in the international political economy, it is important to ask: how do they do this in the first place? As Rosenau emphasizes, their viability is contingent upon the turbulence in world politics. Their capacity for adapting to change has been constricted by the inadequacy of resources for accomplishing all they might want to and by an increasing dependence on favorable circumstances abroad and the cooperation of foreign actors.⁹ In effect, the liberalization of national economies lessens the capacity of states to govern effectively,¹⁰ but it is in such situations that nonstate actors play an important role in governing aspects of the politico-economic system. In the absence of state resources, nonstate actors reconstruct whole range of mechanisms, and by making, them known to local government officials arrive at a common understanding of the problem and of a viable solution. Failure to accept these terms limit access to important strategic alliances. The main role of the nonstate actor in liberalized countries would thus be to enhance the competence of the states.¹¹

The evidence can now be used to assess the extent to which the pattern of authority allows nonstate actor participation in governance.¹²

Below I present the vicariate cross tabulations. Overall, fourteen of the twenty-eight survey questions are statistically significant, which is summarized in Table 1.

Legitimacy and Voice (Questions 1 through 5)

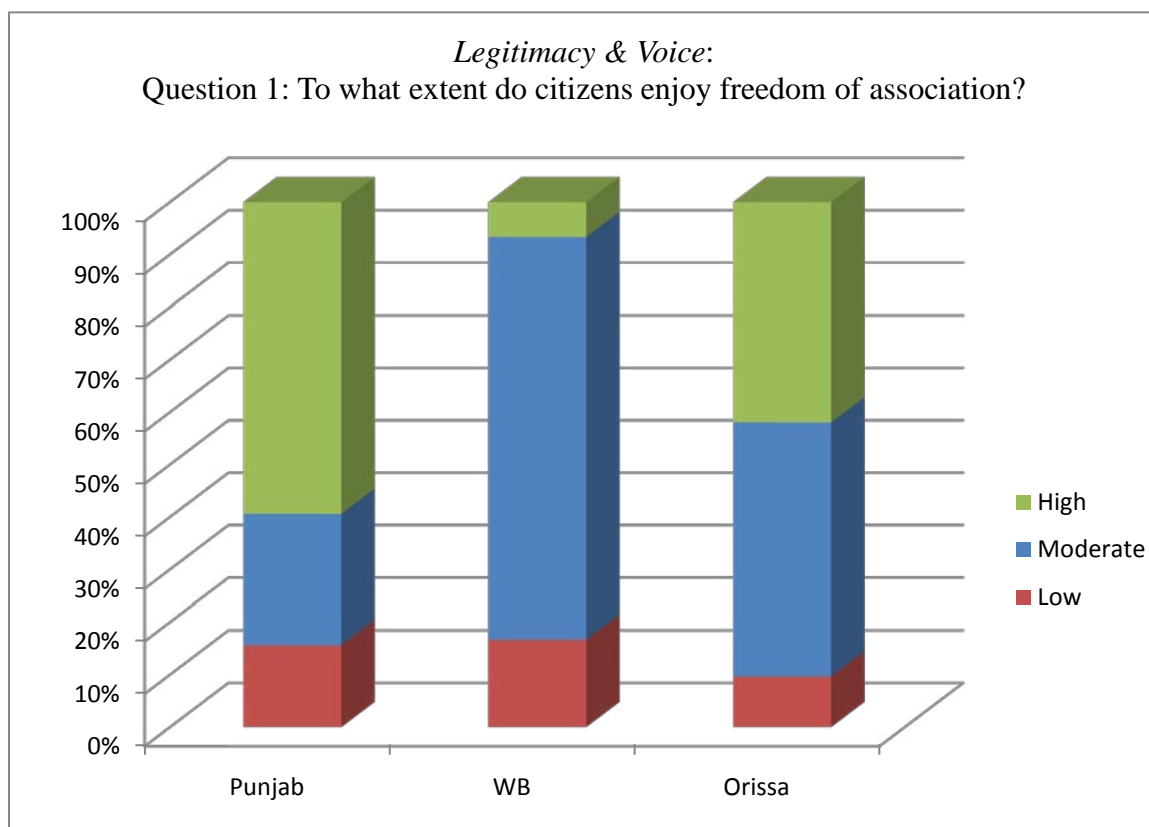


Figure 1: Legitimacy and Voice, Question 1

Sample population (n) = 93

Chi-square = 21.1288

P-value = 2.00E-04

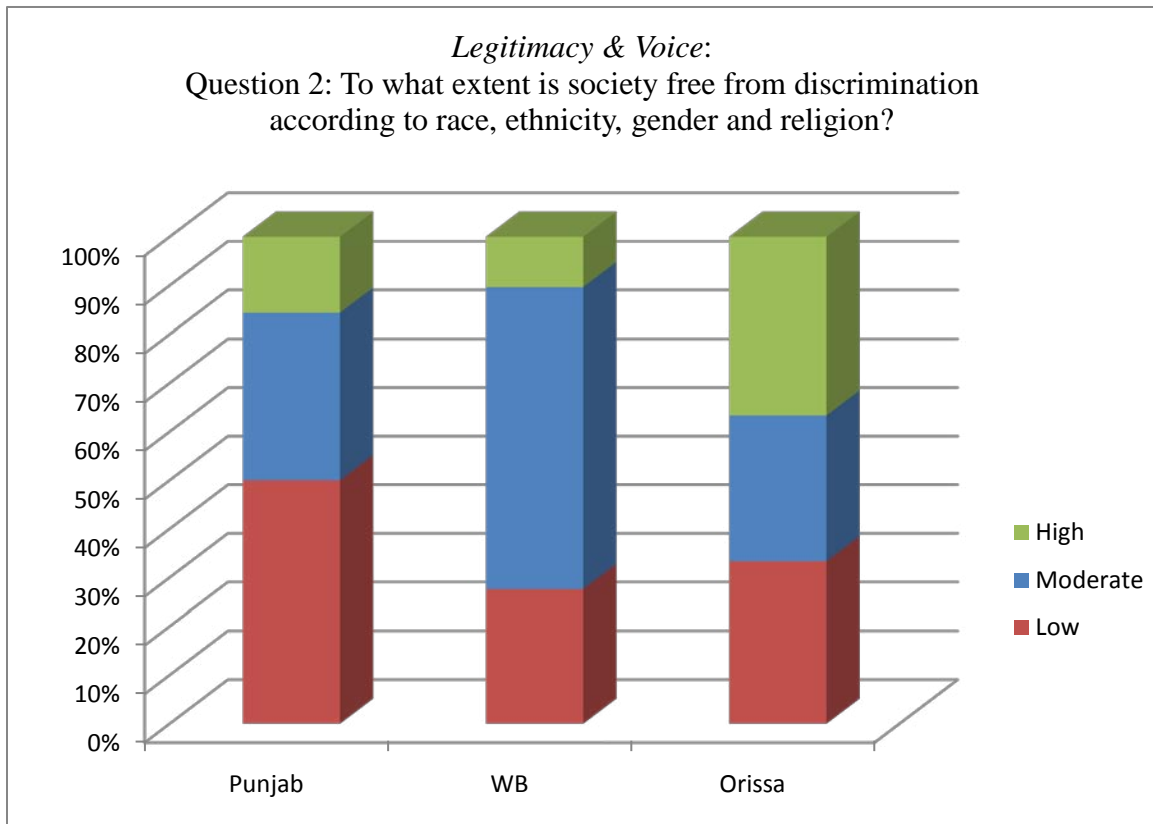


Figure 2: Legitimacy and Voice, Question 2

Sample population (n) = 93

Chi-square = 11.0845

P-value = 0.0181

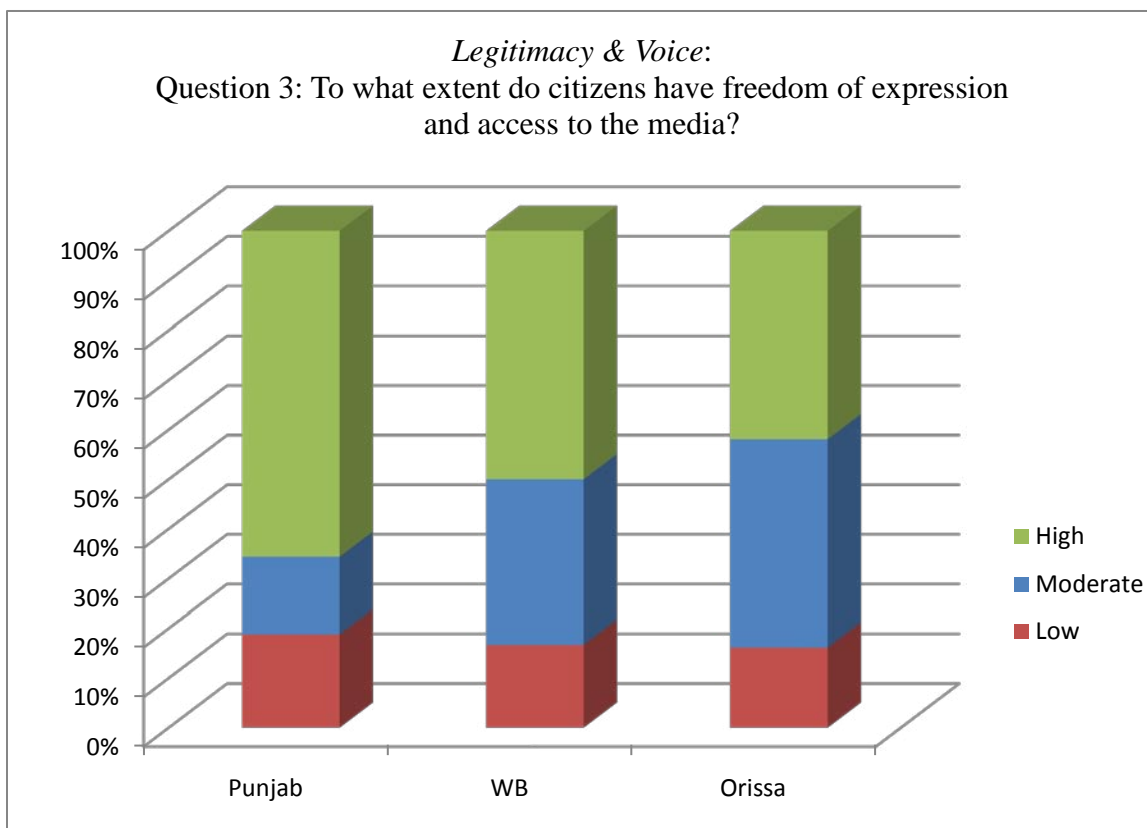


Figure 3: Legitimacy and Voice, Question 3

Sample population (n) = 93

Chi-square = 5.8205

P-value = 0.2186

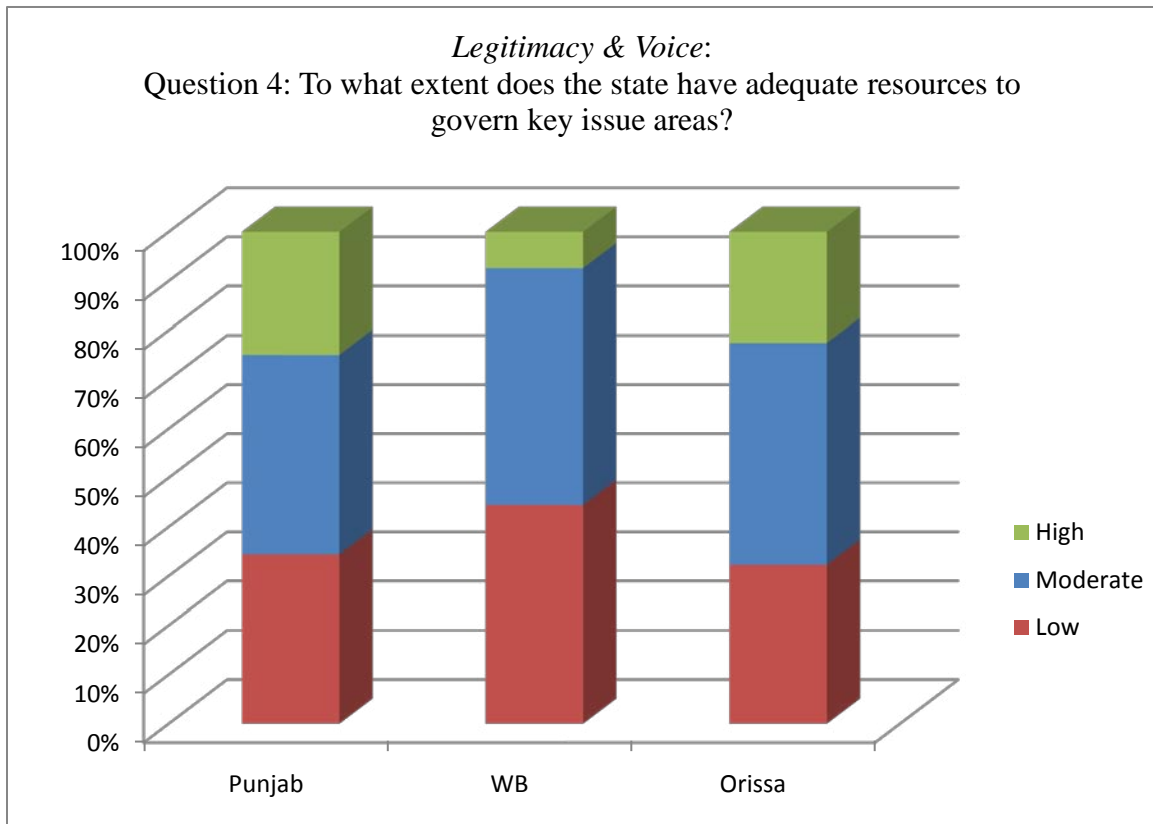


Figure 4: Legitimacy and Voice, Question 4

Sample population (n) = 93

Chi-square = 3.5882

P-value = 0.4757

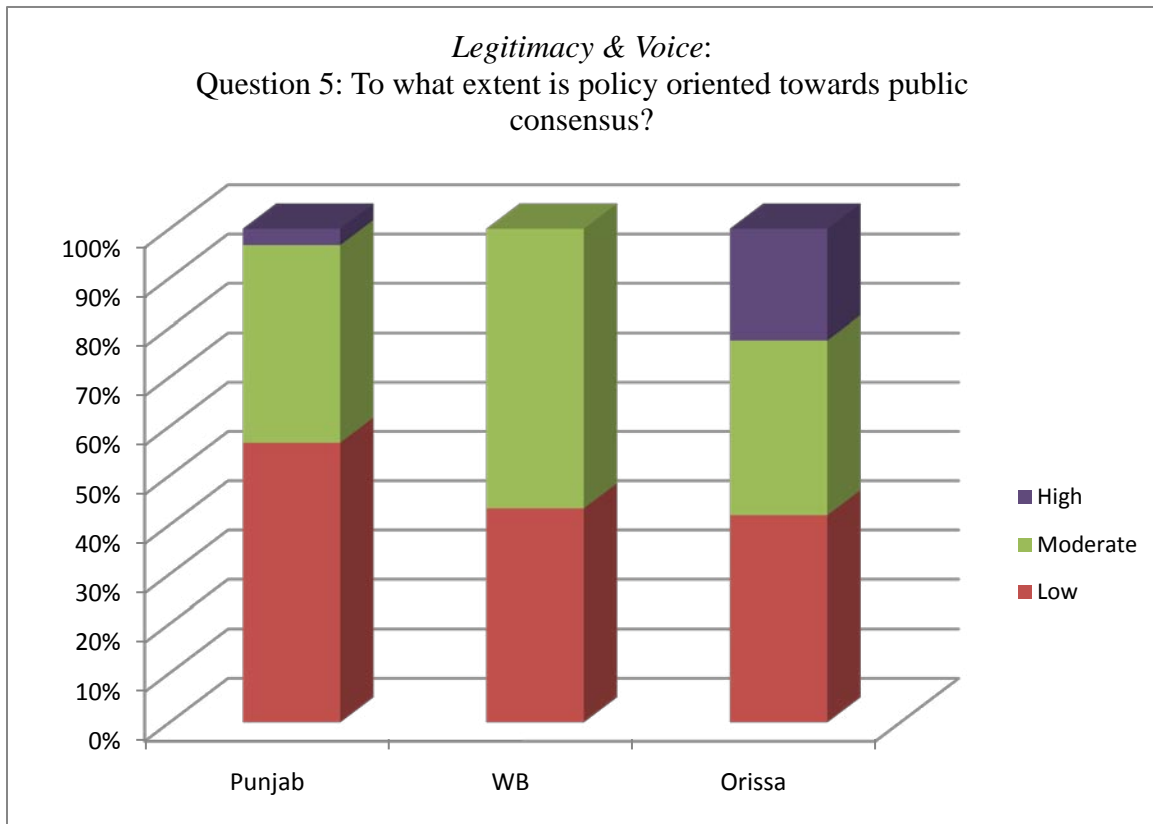


Figure 5: Legitimacy and Voice, Question 5

Sample population (n) = 93

Chi-square = 13.3973

P-value = 0.0078

Accountability and Fairness (Questions 1 through 13)

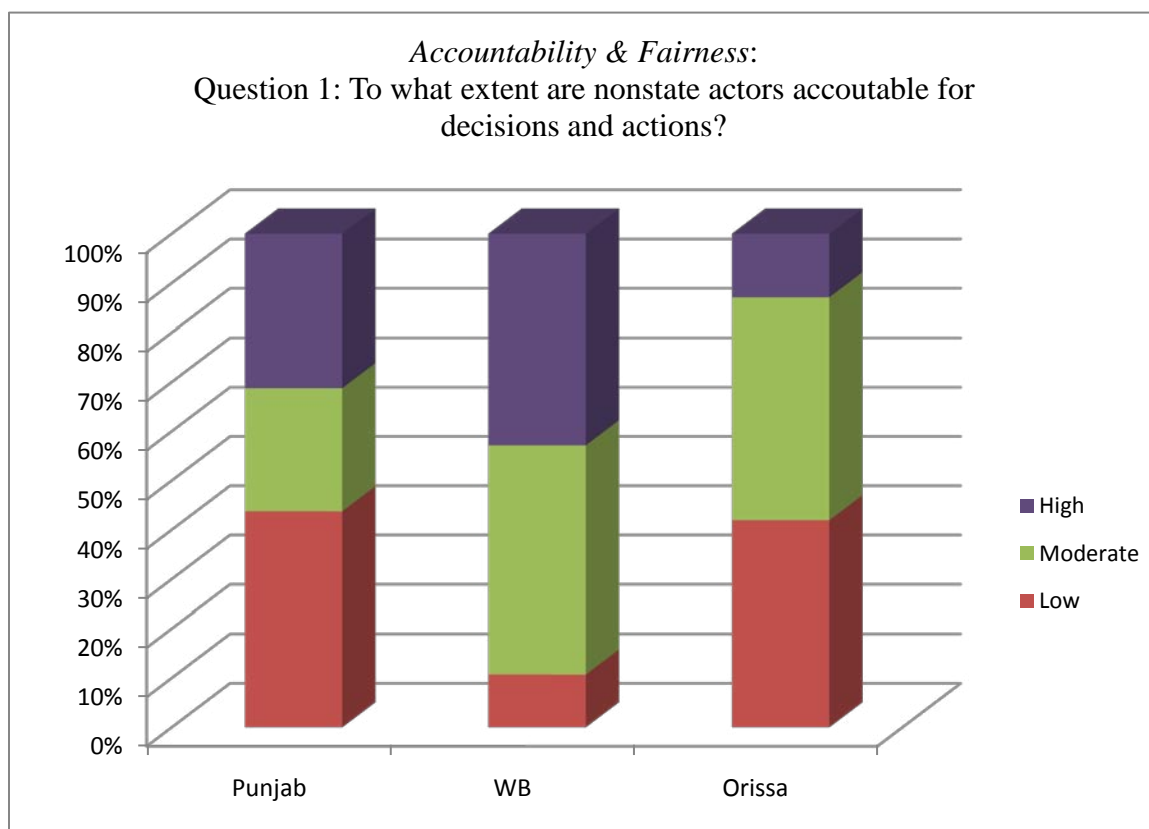


Figure 6: Accountability and Fairness, Question 1

Sample population (n) = 93

Chi-square = 13.1662

P-value = 0.0099

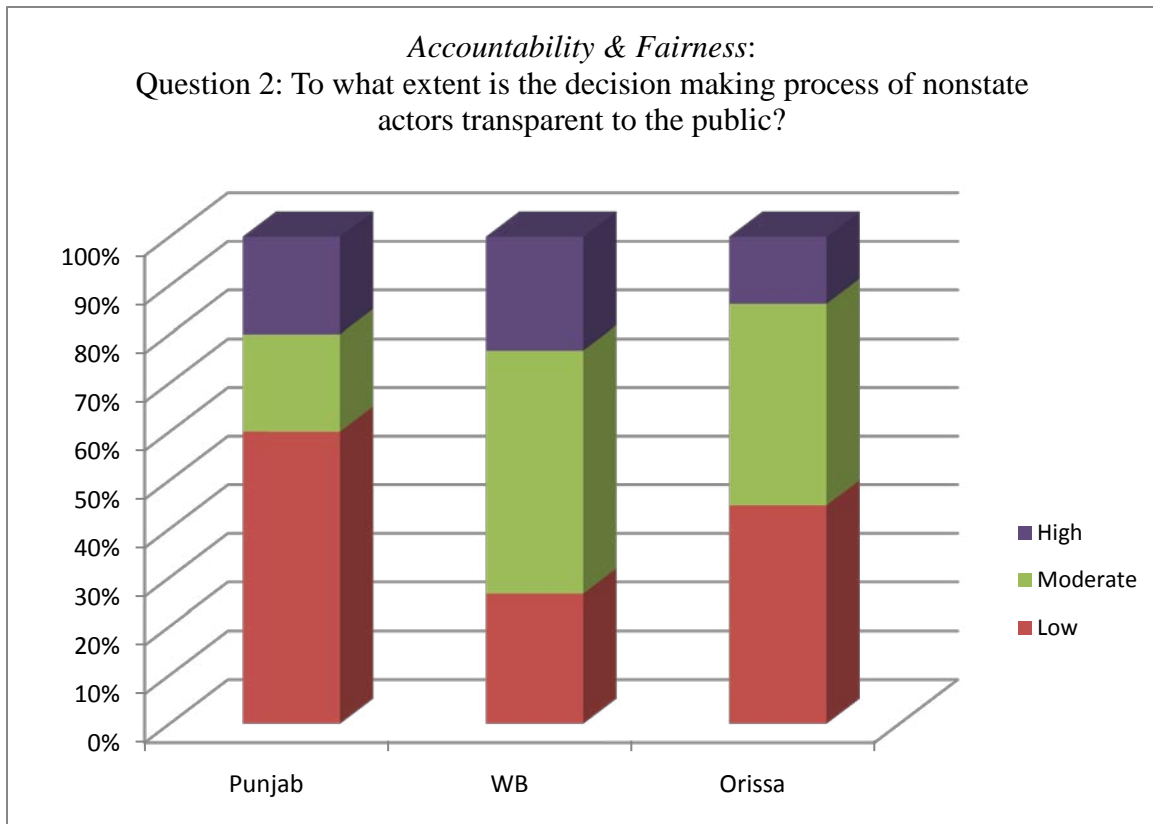


Figure 7: Accountability and Fairness, Question 2

Sample population (n) = 93

Chi-square = 8.6109

P-value = 0.0719

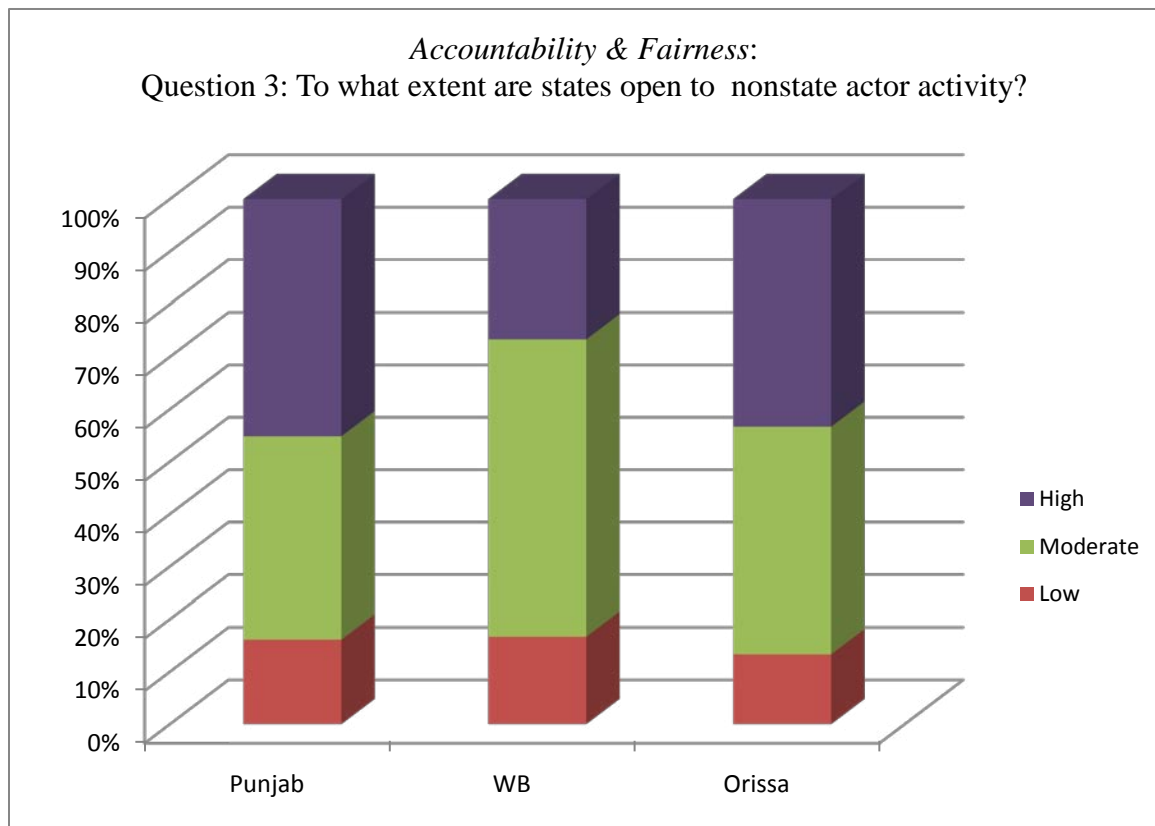


Figure 8: Accountability and Fairness, Question 3

Sample population (n) = 93

Chi-square = 2.8011

P-value = 0.612

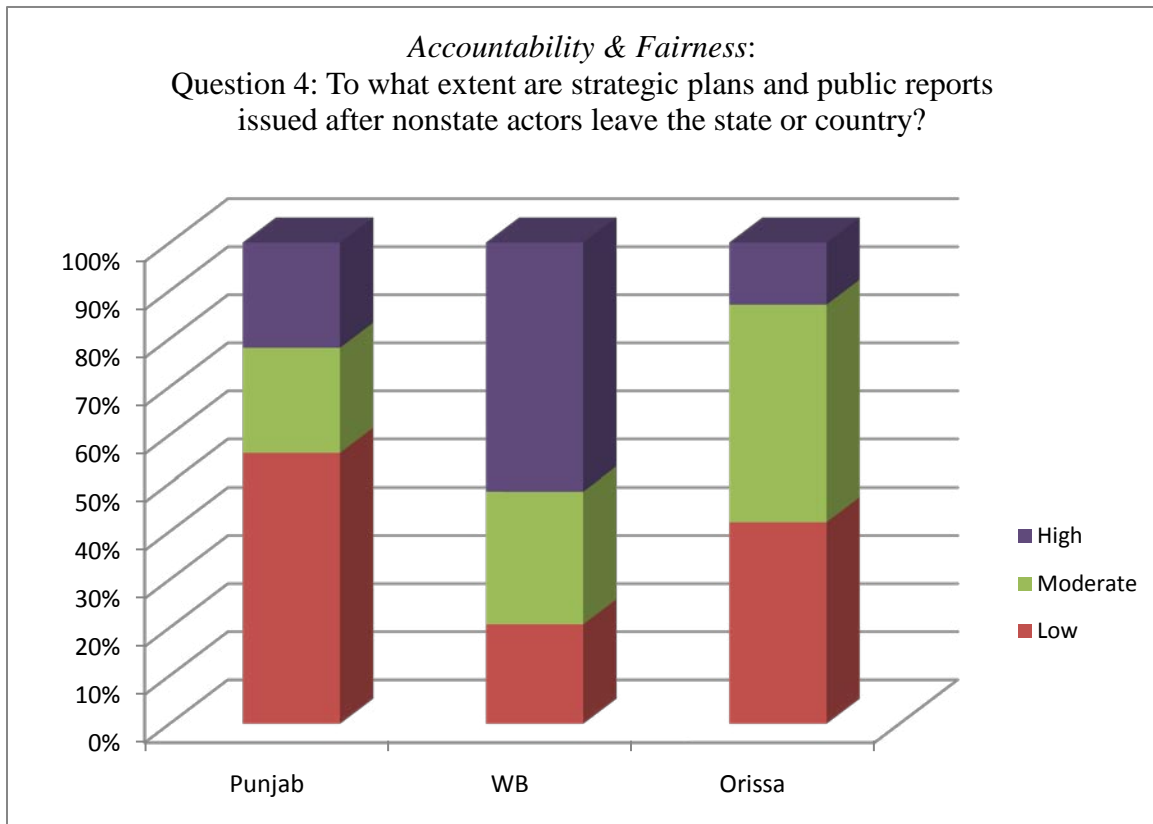


Figure 9: Accountability and Fairness, Question 4

Sample population (n) = 93

Chi-square = 16.4327

P-value = 0.0023

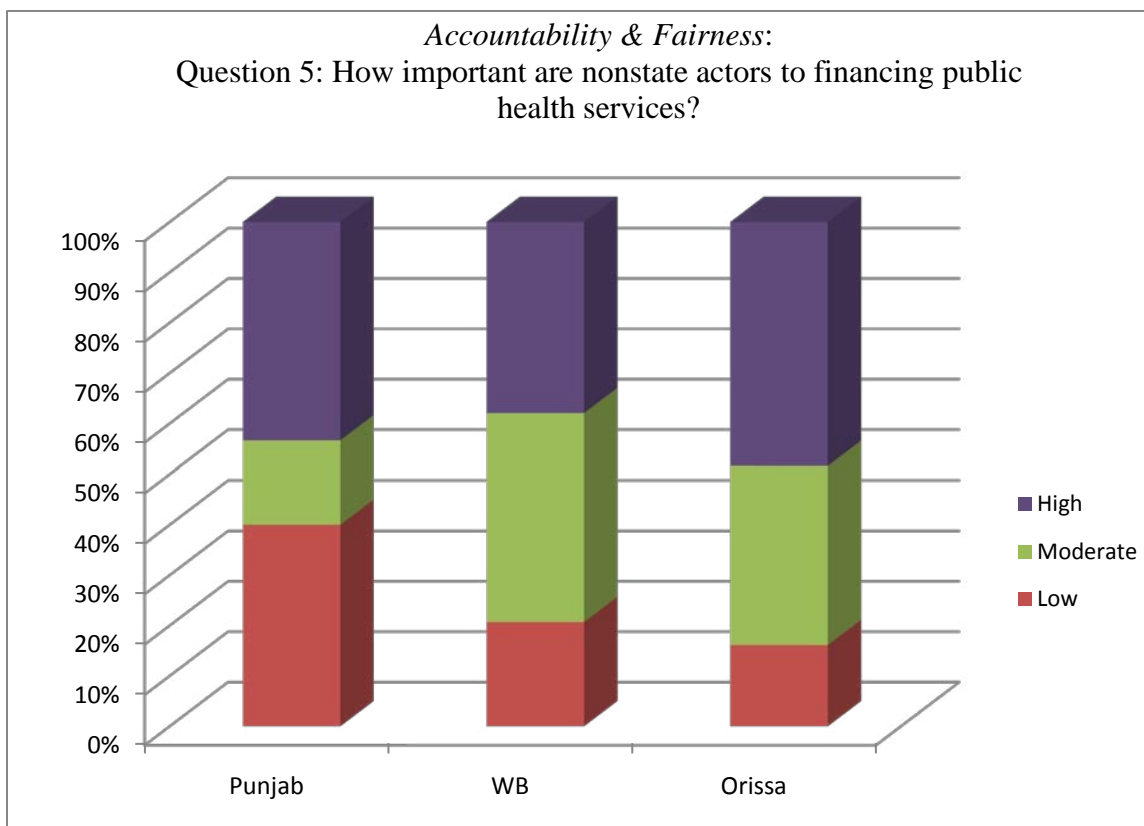


Figure 10: Accountability and Fairness, Question 5

Sample population (n) = 93

Chi-square = 7.3591

P-value = 0.1205

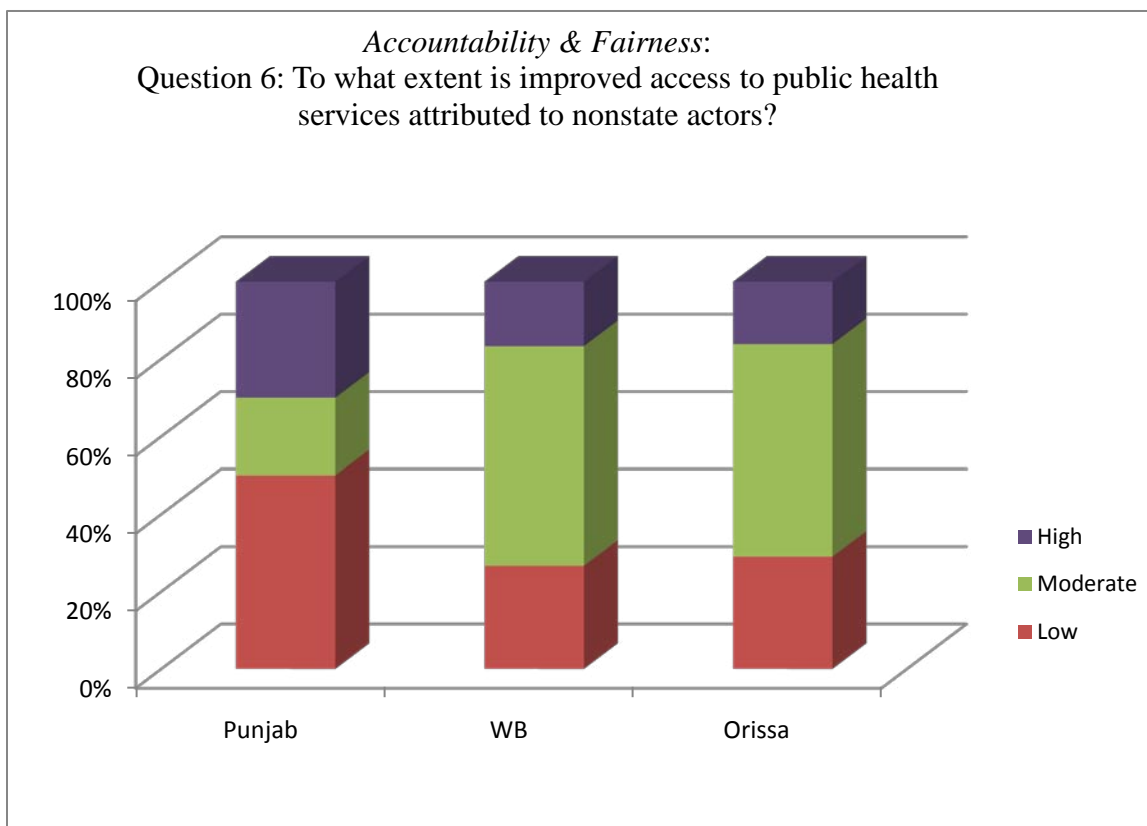


Figure 11: Accountability and Fairness, Question 6

Sample population (n) = 93

Chi-square = 10.4652

P-value = 0.0329

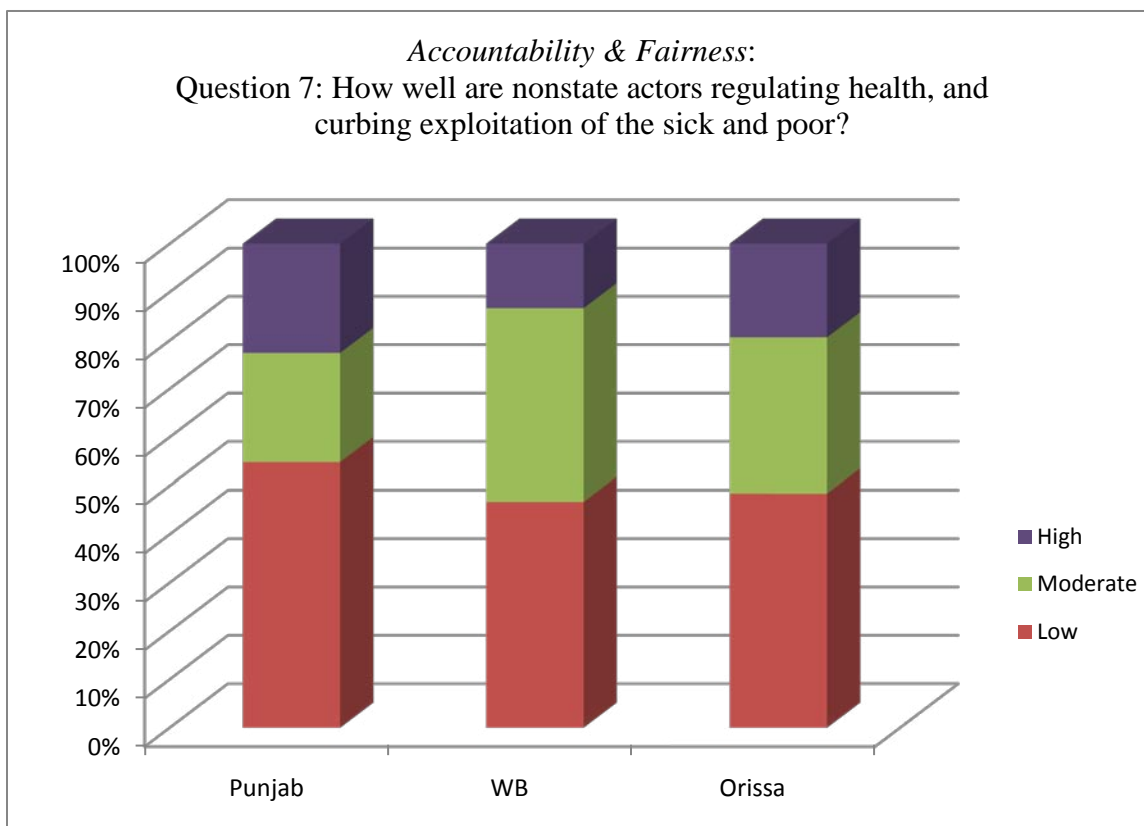


Figure 12: Accountability and Fairness, Question 7

Sample population (n) = 93

Chi-square = 1.9044

P-value = 0.7582

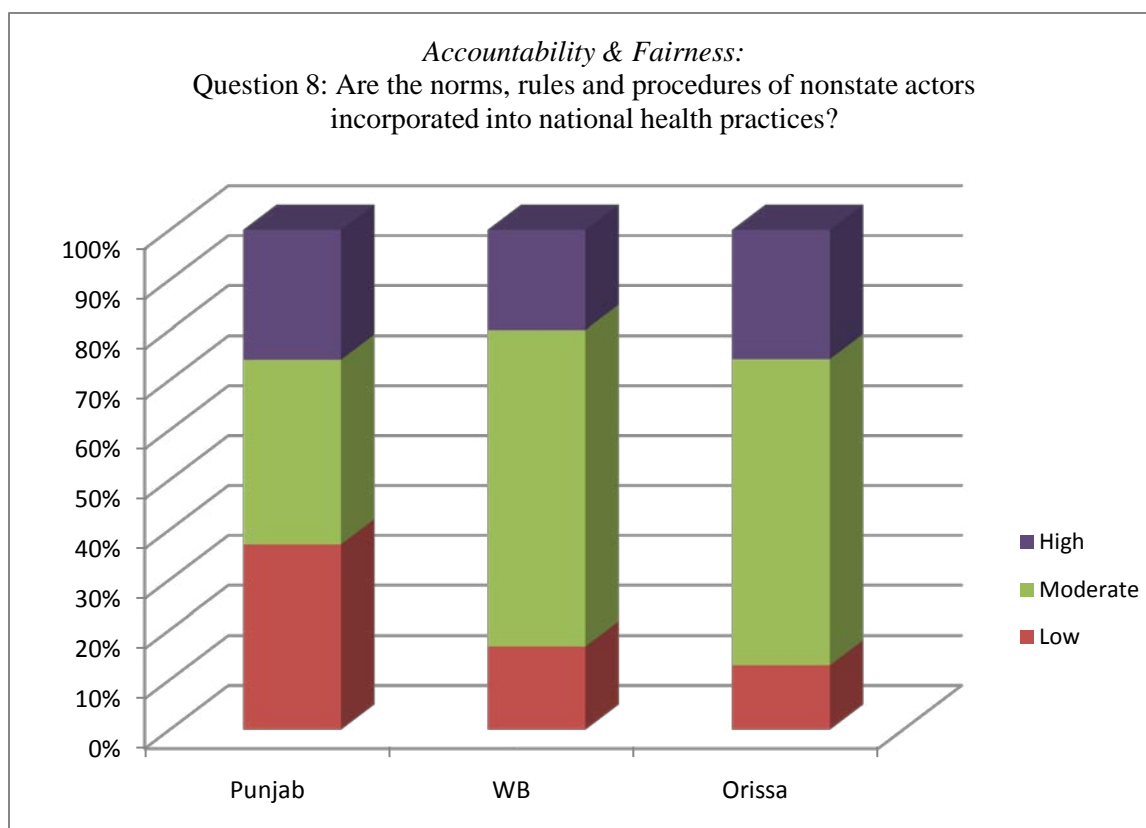


Figure 13: Accountability and Fairness, Question 8

Sample population (n) = 93

Chi-square = 7.0296

P-value = 0.1372

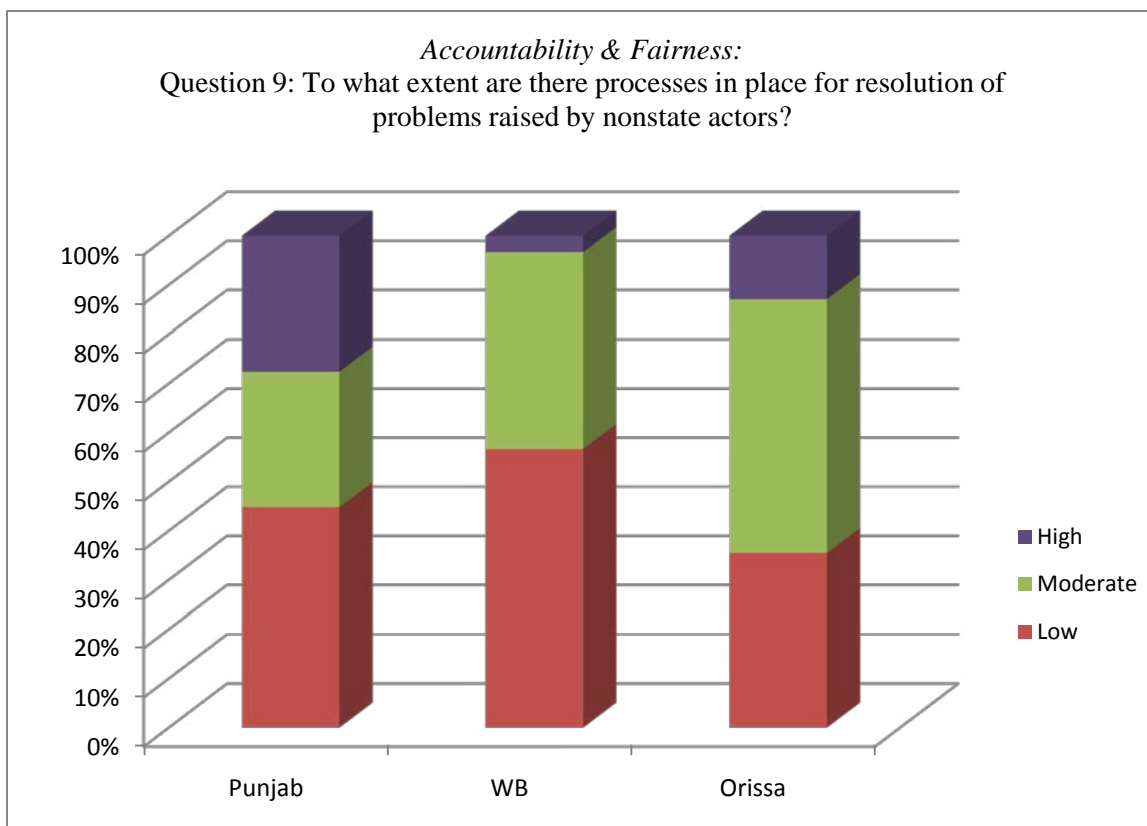


Figure 14: Accountability and Fairness, Question 9

Sample population (n) = 93

Chi-square = 9.7515

P-value = 0.0441

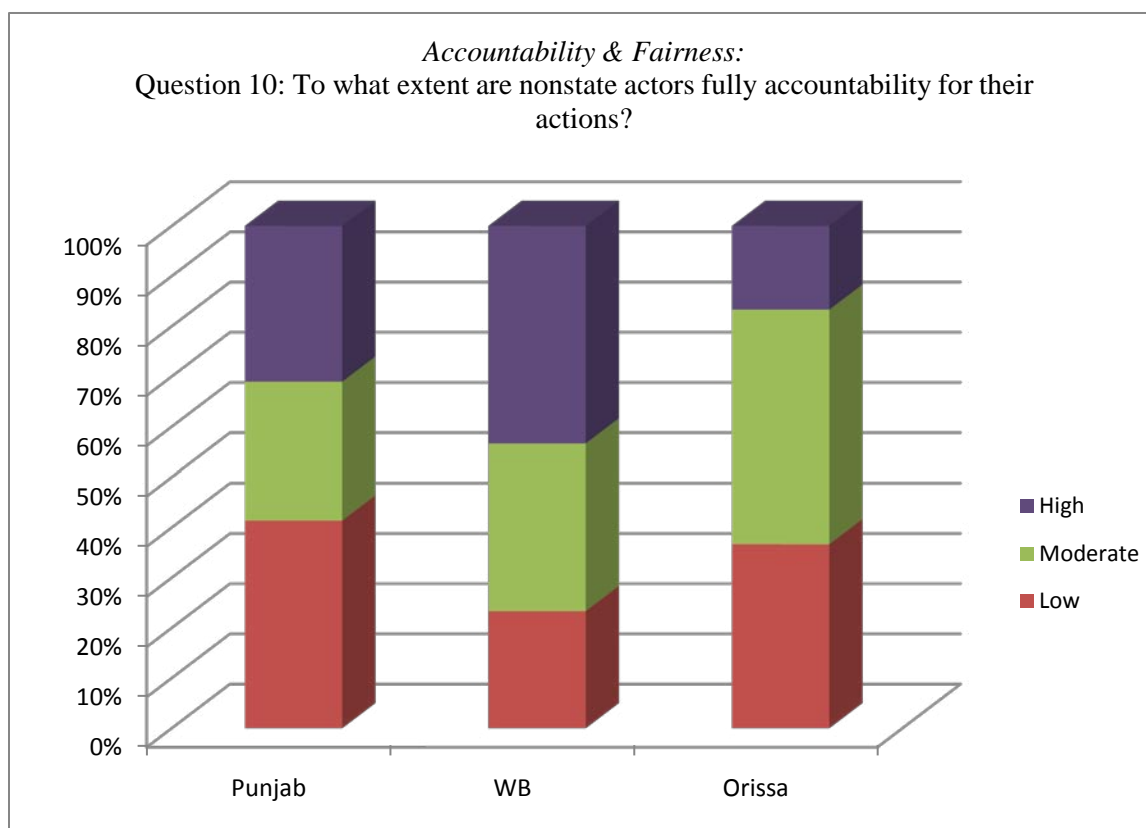


Figure 15: Accountability and Fairness, Question 10

Sample population (n) = 93

Chi-square = 8.951

P-value = 0.0628

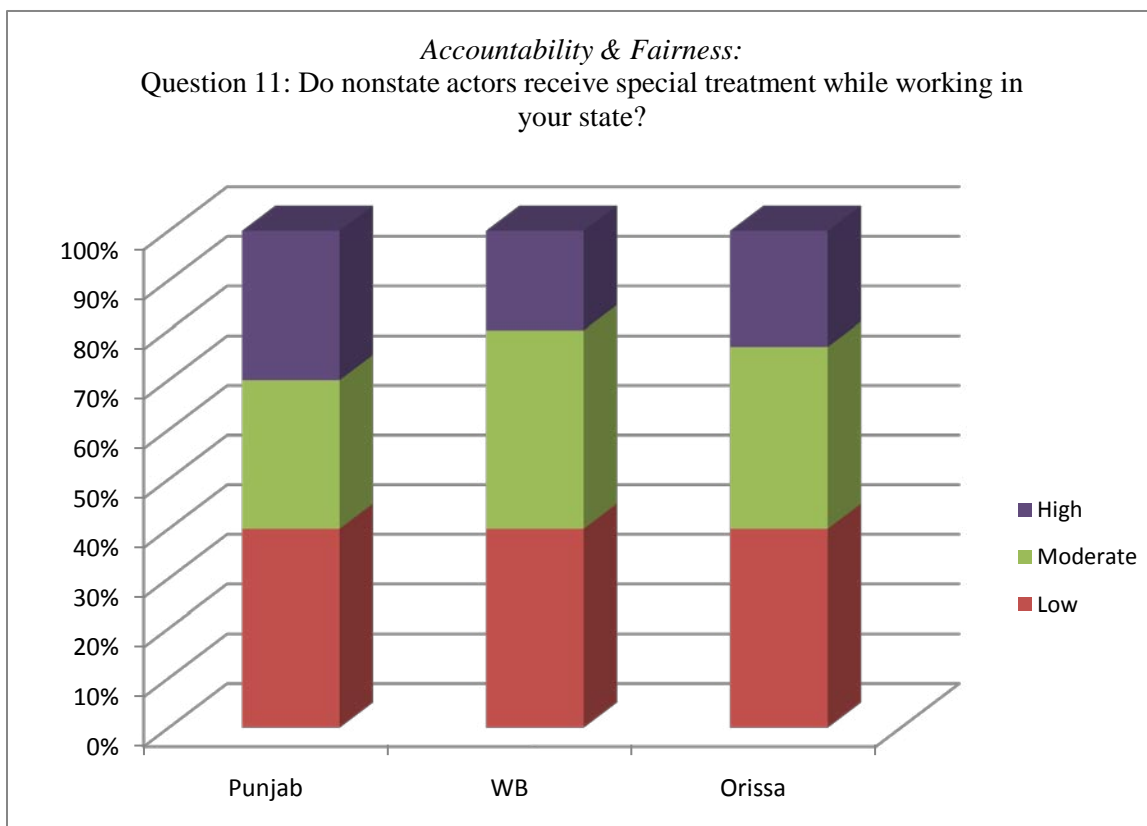


Figure 16: Accountability and Fairness, Question 11

Sample population (n) = 93

Chi-square = 1.0739

P-value = 0.9027

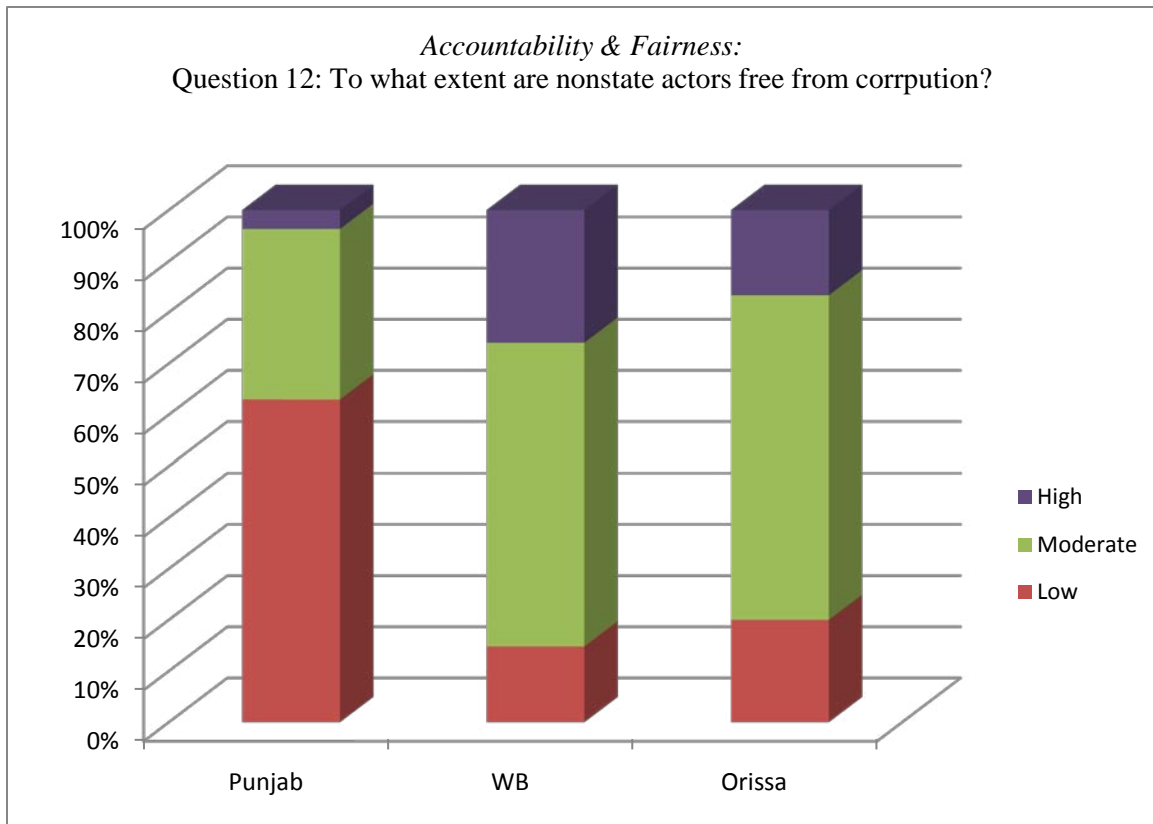


Figure 17: Accountability and Fairness, Question 12

Sample population (n) = 93

Chi-square = 18.0702

P-value = 9.00E-04

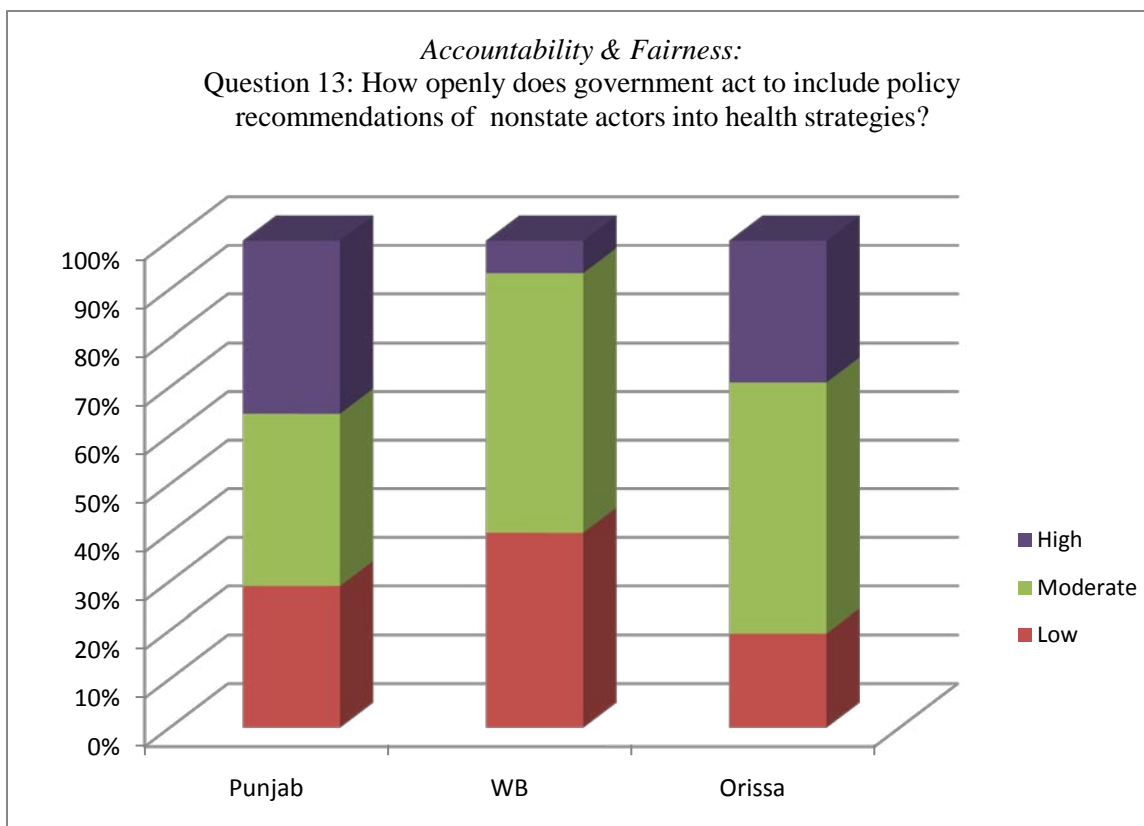


Figure 18: Accountability and Fairness, Question 13

Sample population (n) = 93

Chi-square = 9.2995

P-value = 0.0554

Direction and Performance (Questions 1 through 10)

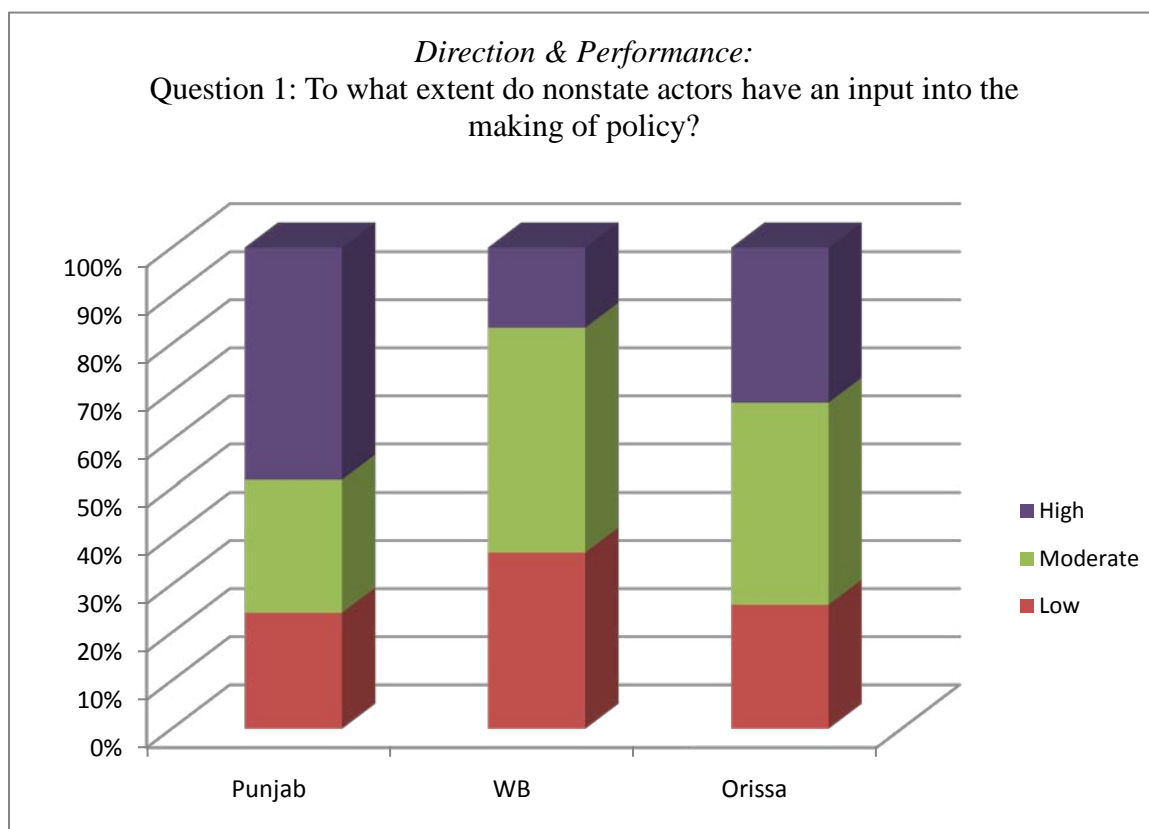


Figure 19: Direction & Performance, Question 1

Sample population (n) = 93

Chi-square = 7.0224

P-value = 0.137

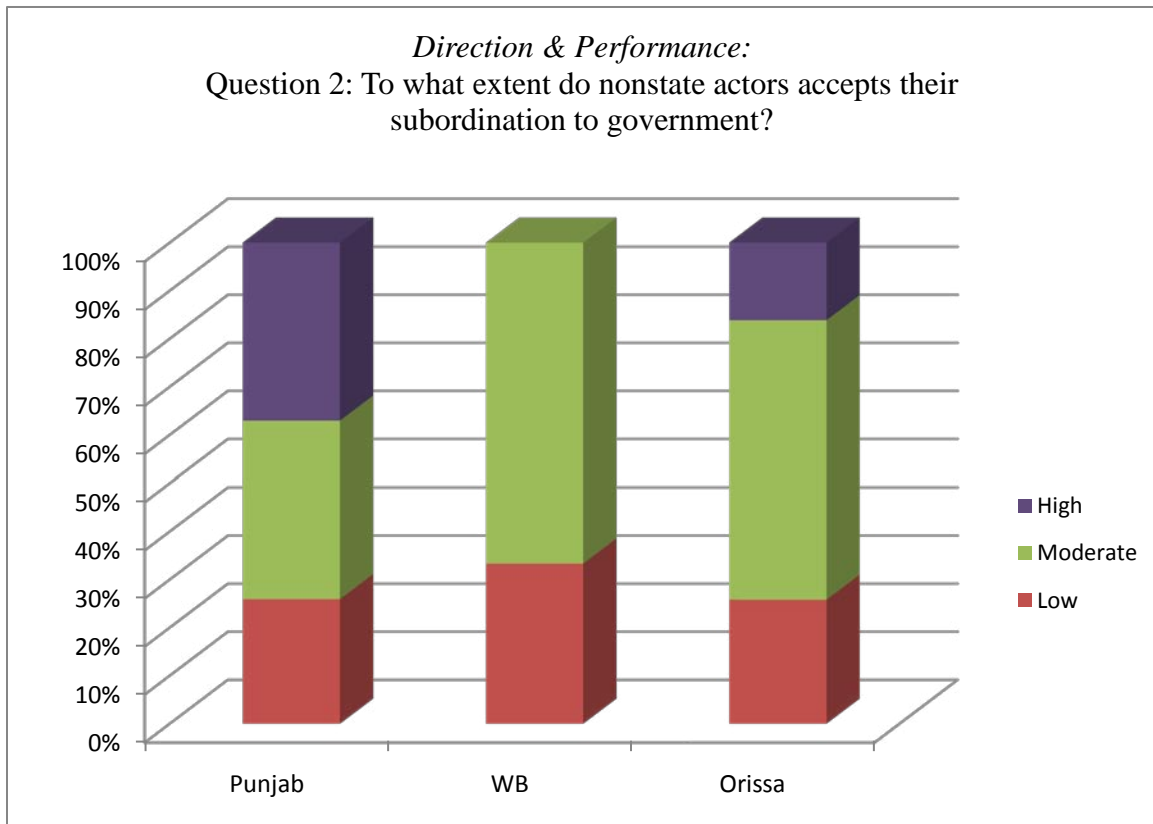


Figure 20: Direction & Performance, Question 2

Sample population (n) = 93

Chi-square = 14.224

P-value = 0.0058

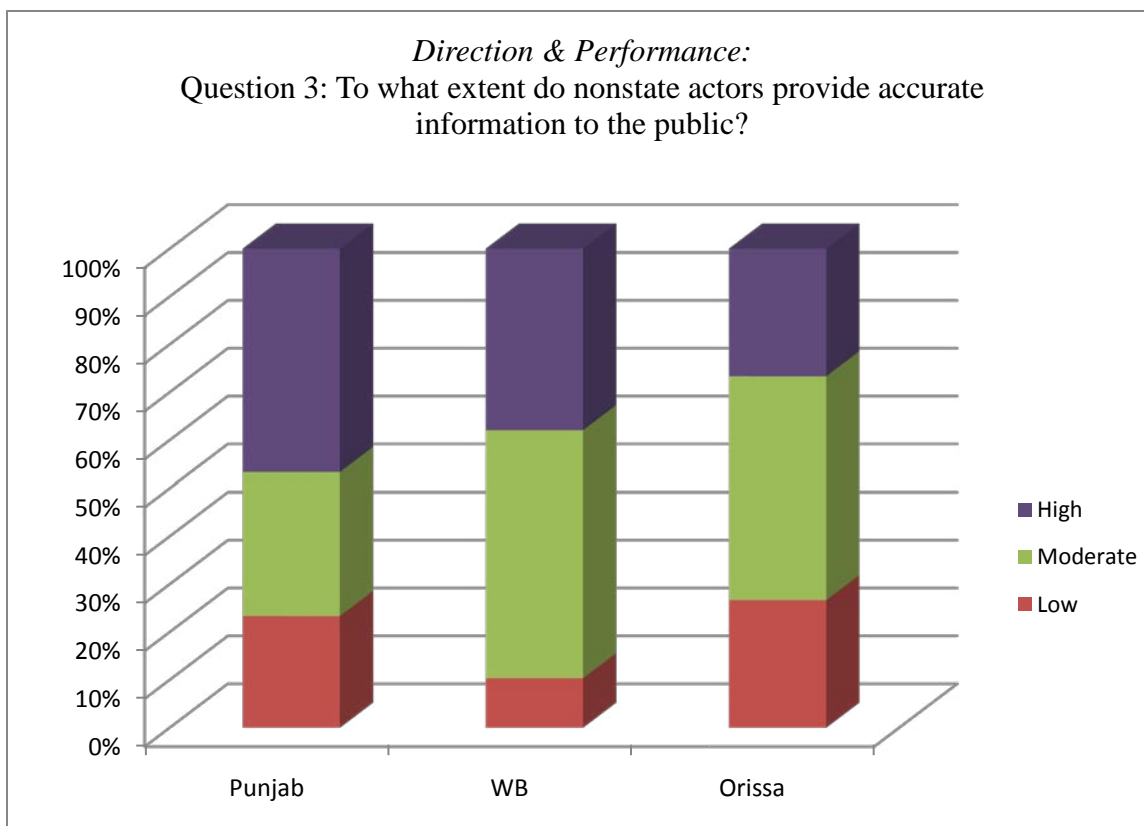


Figure 21: Direction & Performance, Question 3

Sample population (n) = 93

Chi-square = 5.5821

P-value = 0.2413

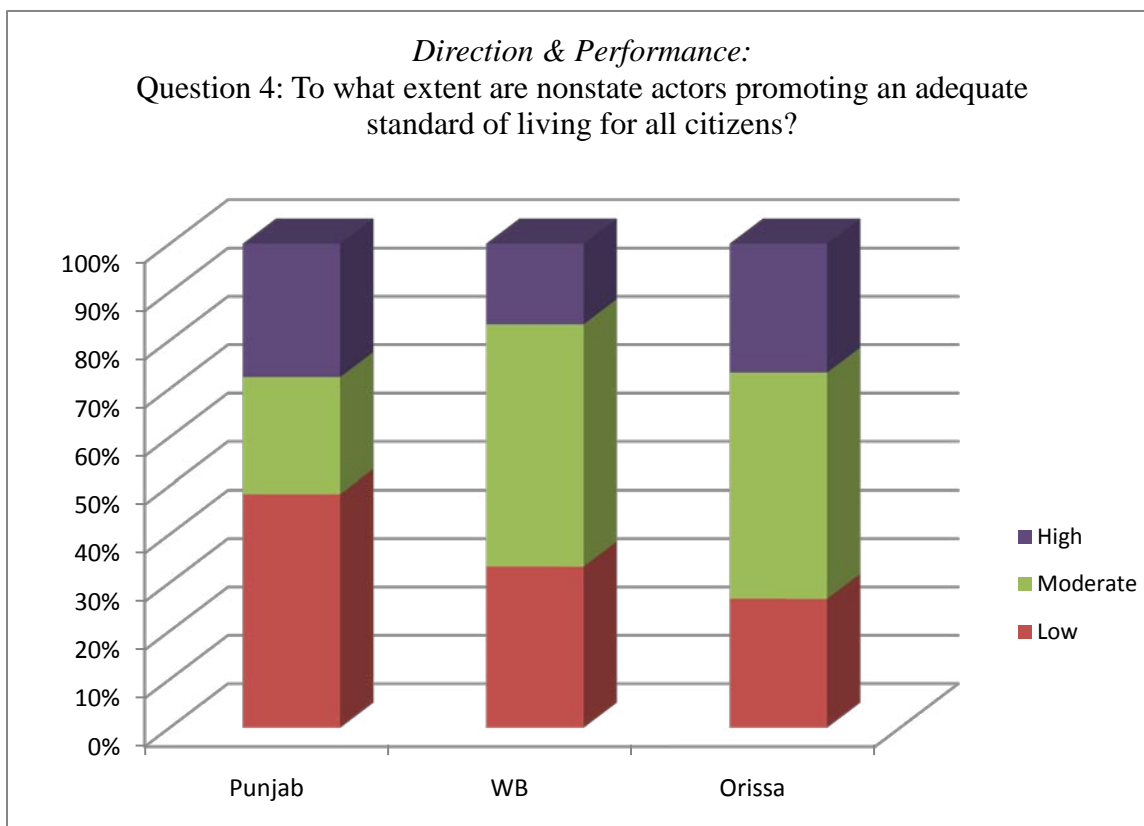


Figure 22: Direction & Performance, Question 4

Sample population (n) = 93

Chi-square = 6.0755

P-value = 0.197

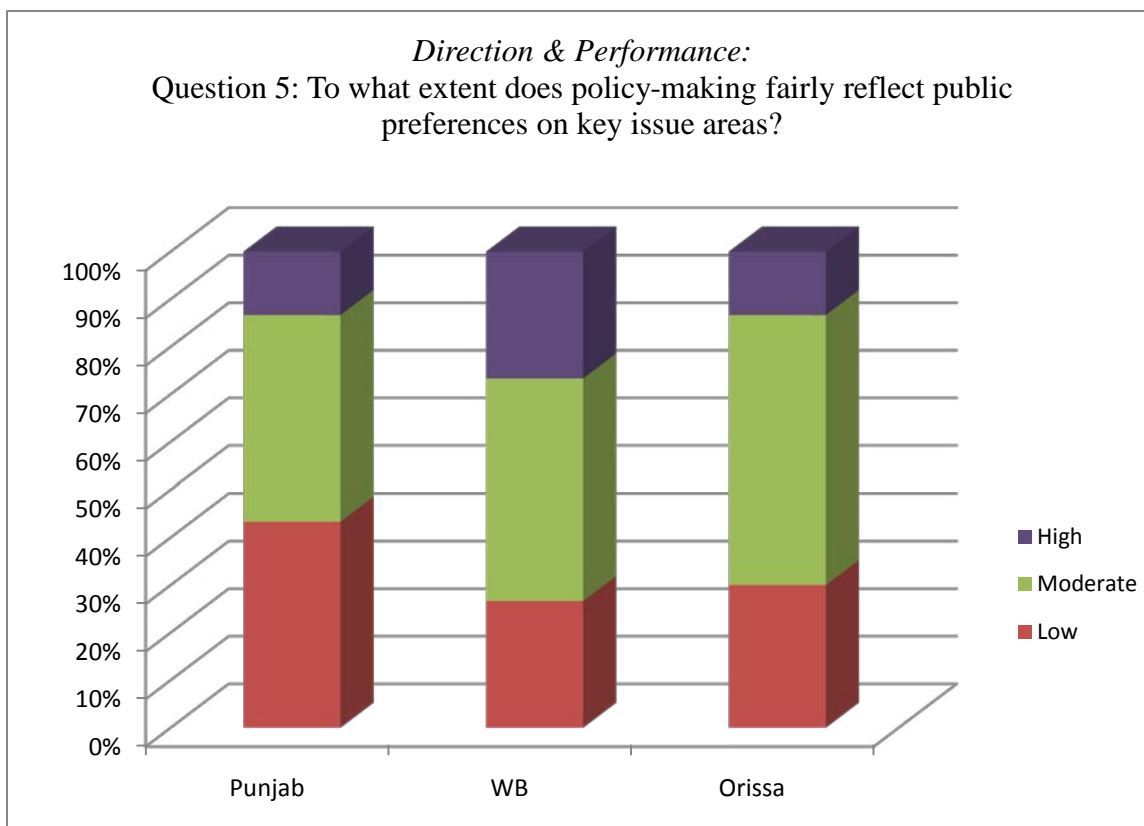


Figure 23: Direction & Performance, Question 5

Sample population (n) = 93

Chi-square = 3.463

P-value = 0.4959

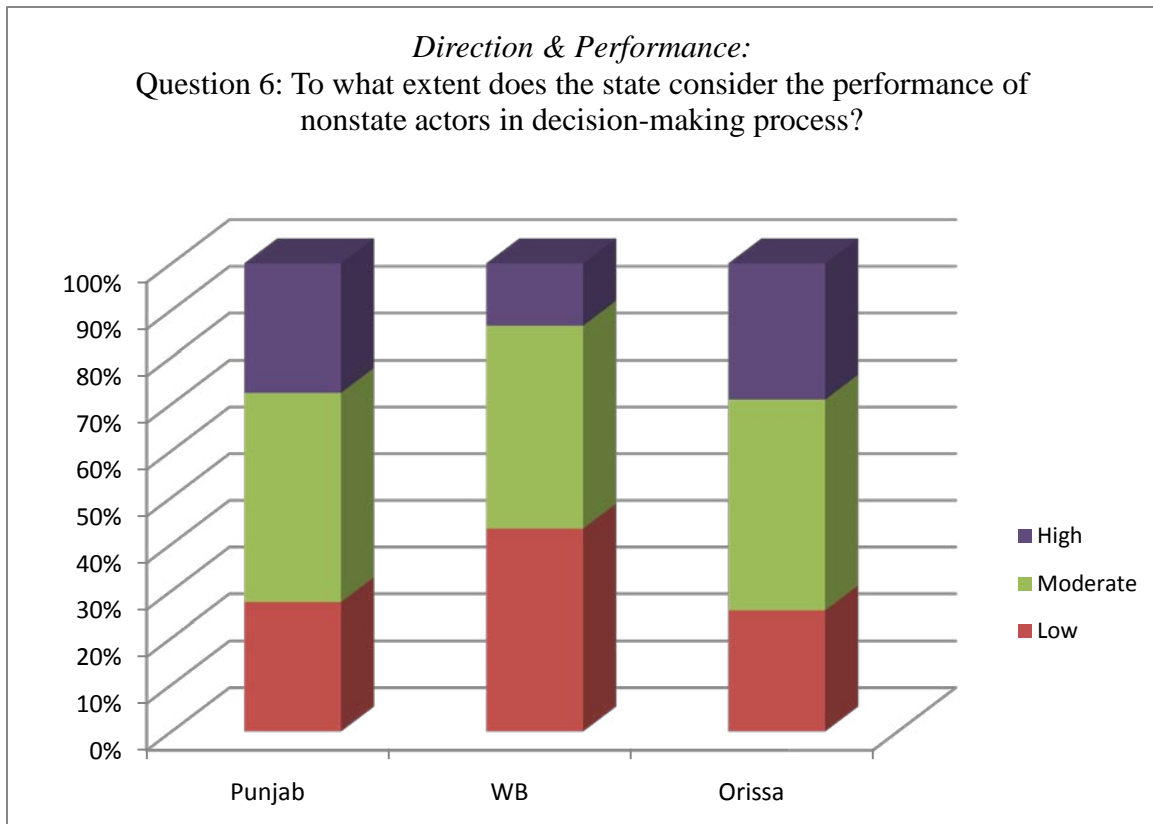


Figure 24: Direction & Performance, Question 6

Sample population (n) = 93

Chi-square = 3.4643

P-value = 0.4939

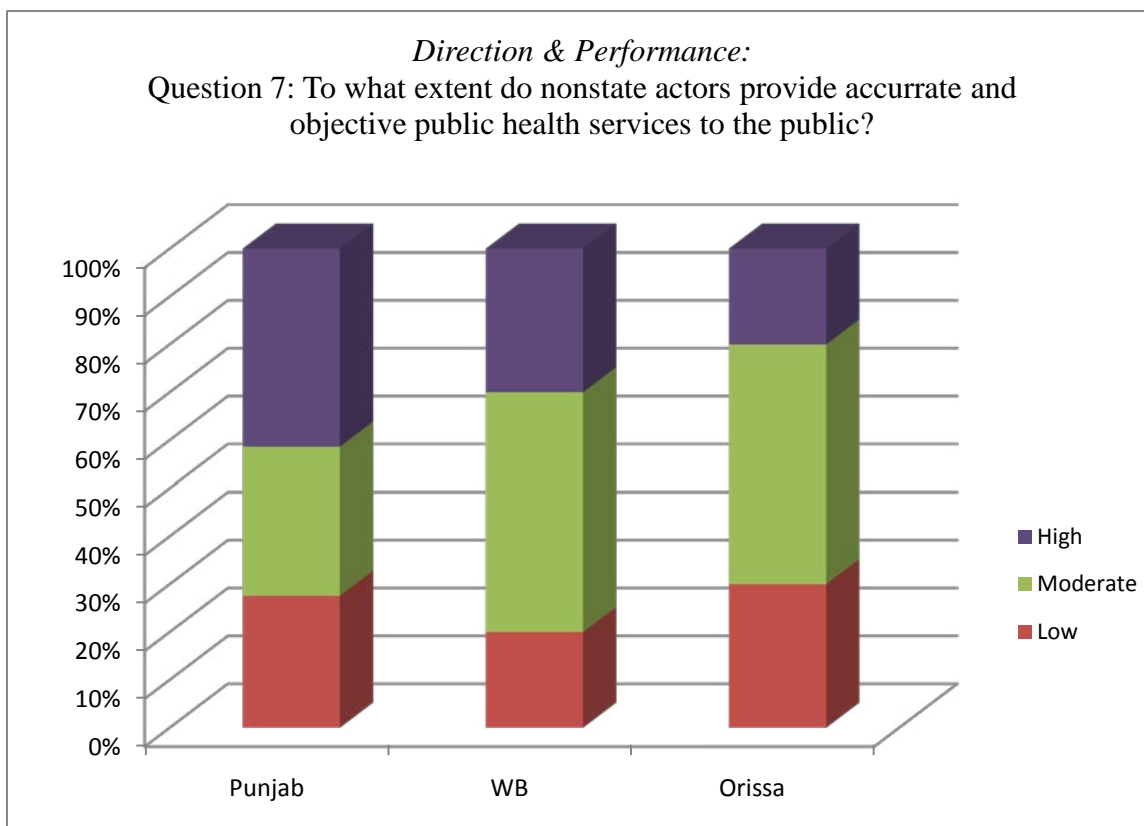


Figure 25: Direction & Performance, Question 7

Sample population (n) = 93

Chi-square = 5.8073

P-value = 0.4461

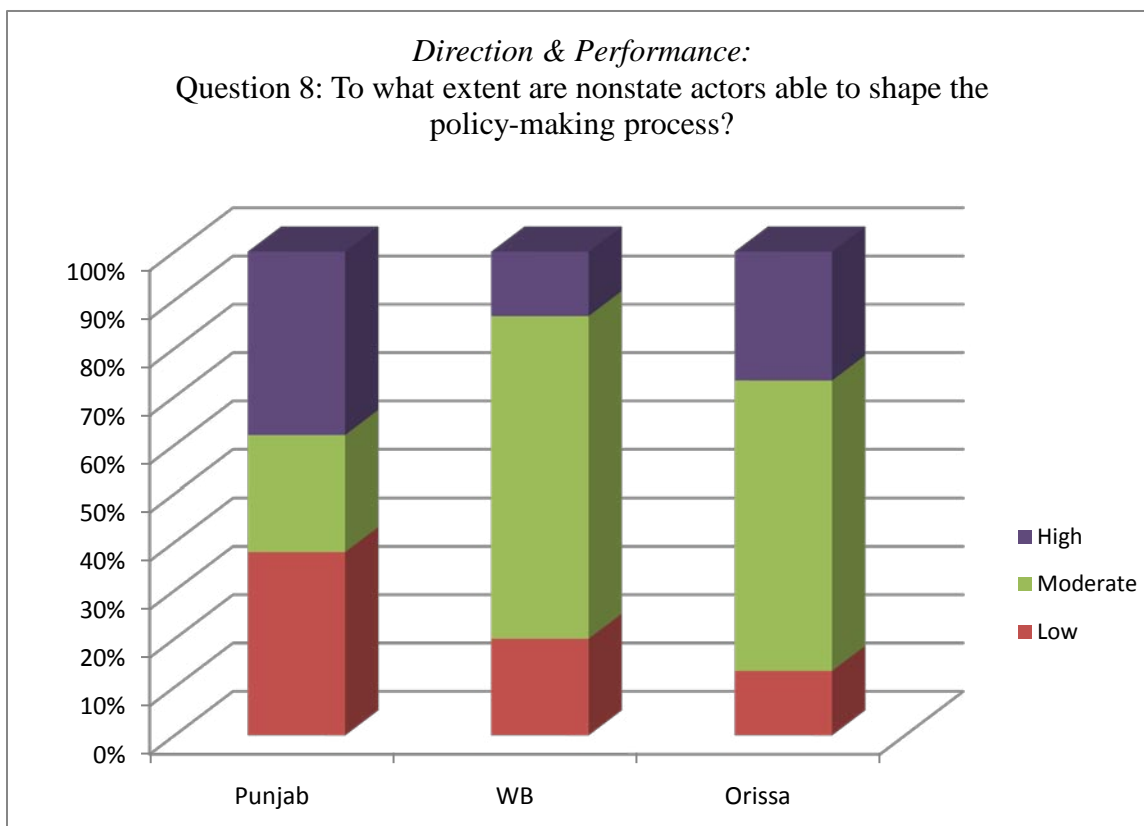


Figure 26: Direction & Performance, Question 8

Sample population (n) = 93

Chi-square = 13.5655

P-value = 0.008

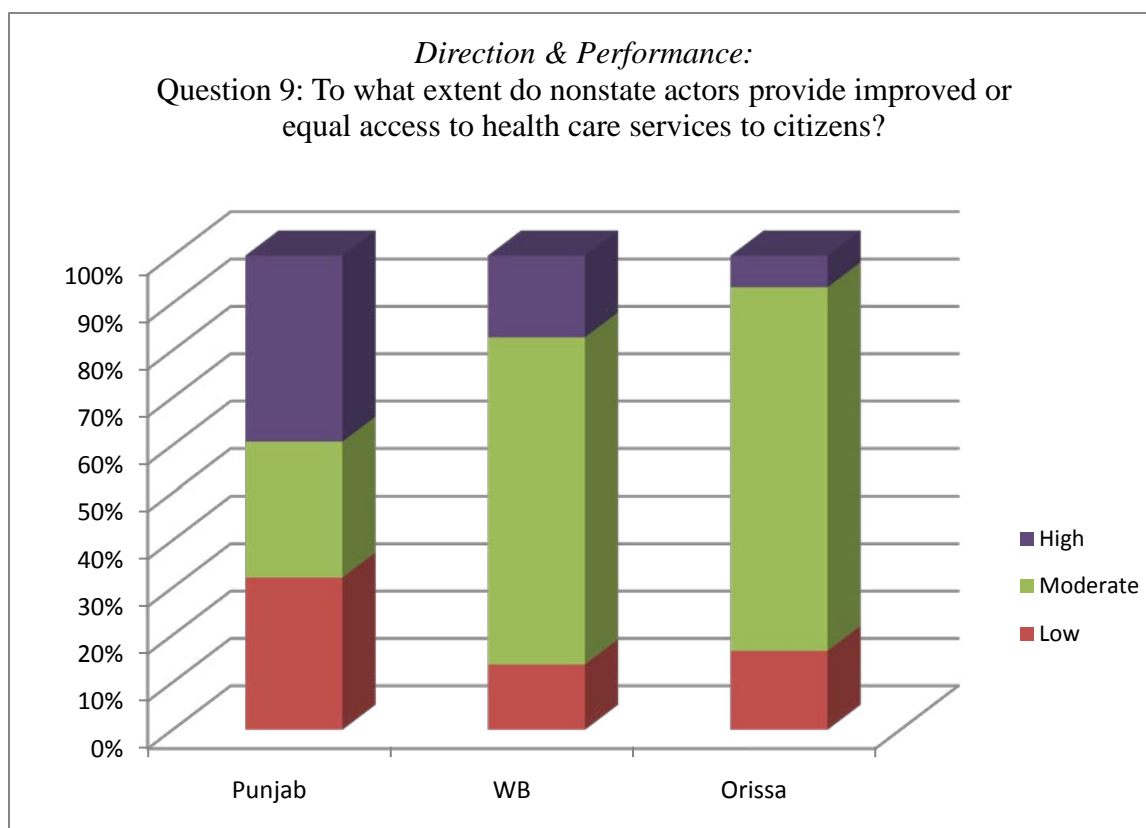


Figure 27: Direction & Performance, Question 9

Sample population (n) = 93

Chi-square = 15.2351

P-value = 0.0036

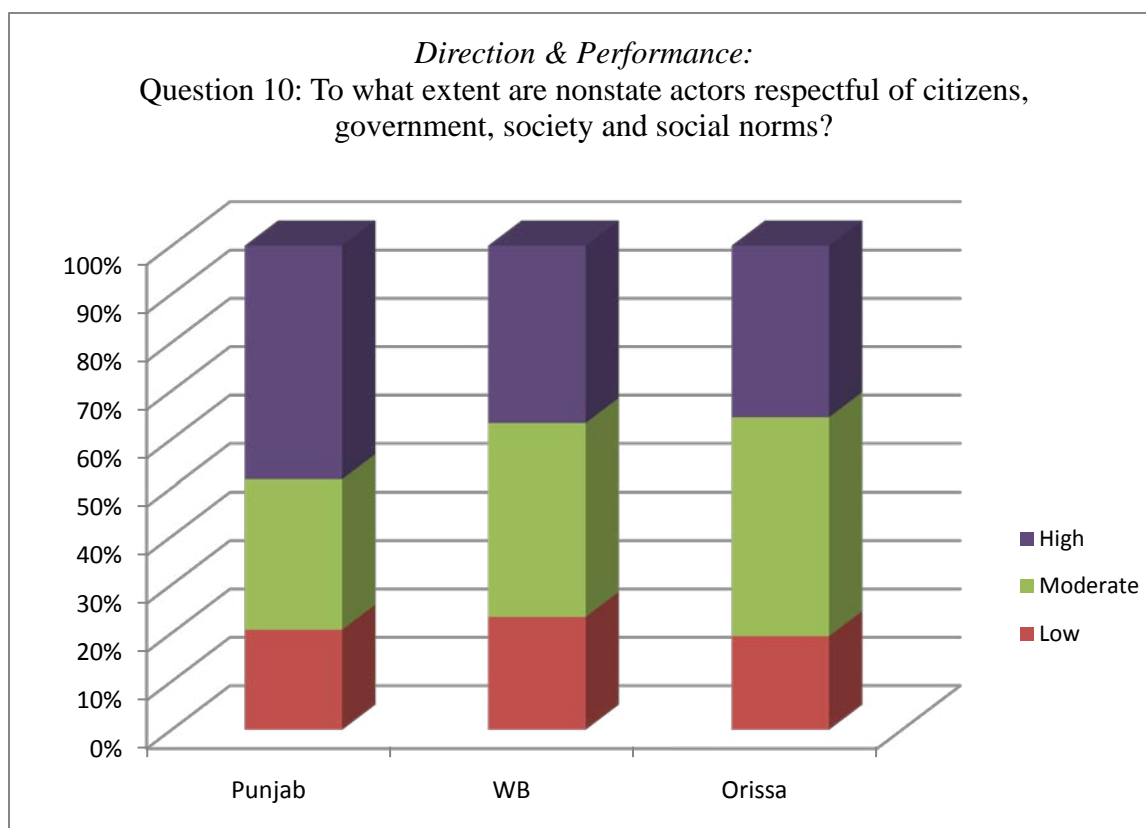


Figure 28: Direction & Performance, Question 10

Sample population (n) = 93

Chi-square = 1.639

P-value = 0.8025

Analysis of Indian Governance Survey

This section reports on the survey findings. Returning to the central argument, the survey examines the validity of the hypotheses by assessing six dimensions of governance, checking and asking questions about perceptions in the legitimacy and voice, accountability and fairness and direction and performance of nonstate actors in one sector of the economy, and after reforms. These indicators are based on disaggregated individual variables measuring various dimensions of governance, taken from numerous data sources provided by three different organizations.¹³ The main consideration here is whether the strategic alliances formed by nonstate actors have become more powerful, to which the data reflect respondent's perception on national public governance since 1991. This point of comparison allows the three central hypotheses to be tested and comparative evidence brought forth to evaluate the conditions under which nonstate actors govern aspects of the political economy.¹⁴ In the main questions on legitimacy and voice, were asked to assess the extent to which citizens are able to participate in selecting their government, as well as freedom of expression, freedom of association, and a free media. Second, questions on accountability and fairness combined, makes an assessment of the quality of health services, the quality of state actors, the quality of the formulation and implementation, and the credibility of nonstate actors commitment to health. Third, questions on direction and performance assess the ability of state and nonstate actors to formulate and implement sound policies and regulations that permit and promote private sector development.

Overall Regional Differences

The chi-square test of independence was conducted to assess overall regional differences in responses. Responses to the three categories of questions tested the significance of the hypotheses. To calculate the probability that there is a relationship between the two variables in the sample, I adopted by convention, what researchers regard a probability of .05 (i.e., 1 in 20) or smaller as reasonable probability for determining statistical significance.¹⁵ According to Fox, “if the probability of getting an observed relationship in sample data is .05 or less, and yet we observe the relationship, we feel reasonably confident that the relationship ‘really’ exists and is not due merely to chance.”¹⁶ The chi-square testing procedure was selected based on the characteristics of the data.

The chart below summarizes the results of the analysis.

Table 1: Overall Regional Differences

Question (s)	Chi-Square	P-Value	State	Significance (High)
L1	21.1288	0.0002	Punjab	***
L2	11.8045	0.0181	Orissa	**
L3	5.8205	0.2186		
L4	3.5882	0.4757		
L5	13.3973	0.0078	Orissa	***
A1	13.1662	0.0099	West Bengal	***
A2	8.6109	0.0719	West Bengal	*
A3	2.8011	0.612		
A4	16.4327	0.0023	West Bengal	***
A5	7.3591	0.1205		
A6	10.4652	0.0329	Punjab	**
A7	1.9044	0.7582		
A8	7.0296	0.1372		
A9	9.7515	0.0441	Punjab	**
A10	8.951	0.0628	West Bengal	*
A11	1.0739	0.9027		
A12	18.0702	0.0009	West Bengal	***
A13	9.2995	0.0554	Punjab	*
D1	7.0224	0.137		
D2	14.244	0.0058	Punjab	***
D3	5.5821	0.2413		
D4	6.0755	0.197		
D5	3.463	0.4959		
D6	3.4643	0.4939		
D7	5.8073	0.4461		
D8	13.5655	0.008	Punjab	***
D9	15.2351	0.0036	Punjab	***
D10	1.639	0.8025		

* = $P < .10$

** = $P < .05$

*** = $P < .01$

L=Category 1 questions: Legitimacy and Voice, A= Category 2 questions: Accountability and Fairness, D= Category 3 questions: Direction and Performance

The chi-square statistics measures the difference between the observed and the expected cell counts. Because I used the Monte Carlo method, the p-values are the proportion where the simulated chi-square is more extreme than the observed value. For

each p-value calculated, 500,000 tables were simulated, which means for each time I tested a hypothesis, I sampled 500,000 tables, which had the same marginal structures.

The questions assess the extent to which there are differences in responses across the three regions. A substantial number depart from the model of independence, meaning 14 of the 28 questions yielded significance, suggesting respondents answered the questions differently in each of the regions. Monte Carlo randomization is one way to quantitatively evaluate observed data and test statistics. P-values are calculated by comparing the observed statistic to the referenced distribution. The chi-square test was conducted, but rather than use the traditional asymptotic null distribution we used Monte Carlo to calculate the p-value. Put simply, I used the chi-test but used Monte Carlo to calculate the p-value for the chi-square test.¹⁷

The answers to the three sets of questions tended to vary across the three states with regards to responses to questions on legitimacy and voice, accountability and fairness, and direction and performance. Table 1 above represents the extent to which the regional differences in responses could be assessed as having significance at $p < .01$, $.05$, or $.01$. Questions on legitimacy and voice had the highest responses from participants in Orissa, in two of the three questions with significance. For questions on accountability and fairness, the highest responses tended to come from West Bengal. In five of the eight questions indicating significance, the p-values are (A1), (A4), (A12); (A6), (A9); and (A2), (A10), (A13). For questions on direction and performance, the highest responses

are from Punjab. The p-values are strong in response to three questions (D2), (D8), and (D9).

The data finding and analysis given here is significant for two reasons. First, it develops a link between my three hypotheses and the central argument developed in this study: nonstate actors have been governing aspects of the political economy since the liberalization reforms in 1991. In the first instance, I hypothesized that if nonstate actors had the resources to operate then they could build legitimate consensus. The high responses to, and significance of responses from survey participants in Orissa, to questions on legitimacy and voice, proposes a more significant relationship may indeed exist between the type of nonstate actors earlier described (See Chapter 2 for discussion on types of nonstate actors in Orissa, namely, international financial and development agencies), and the extent to which they gain legitimate consensus/no consensus. Orissa's willingness to engage nonstate actors may also in fact be a reflection of the need for the type of infrastructural development these types of agencies support. For example, development agency commitments to projects in power system improvements, poverty initiatives, water supply and sanitation, Orissa State Road Project or Orissa Rural Livelihoods Project may be indicative of the wide array of infrastructural needs required to improve investments in education, health, public administration, financial and private sector development, agriculture, environmental and natural resources management.

In the second instance, the hypothesis developed underscores the importance of nonstate actors in reflecting local and regional characteristics. The highest responses to

questions on accountability and fairness are found in West Bengal, where the political regime encourages central planning, and the growth of MNC and international organizations – but only to the extent they do not interfere with state agency efforts. The industrial sector in the state is witnessing structural change. However, capital-intensive industries (i.e. iron, steel, agriculture, power, roadways, ports) is the exclusive prerogative of the state, which means the flow of nonstate actor investments is structured in commercial activities, including hotel, restaurant, and real estate sector. The high responses to these questions also here suggest a relationship exists between the types of nonstate actors engaged in economic governance (state versus nonstate), and the effectiveness/ineffectiveness of these actors therein.

In the third instance, I hypothesized the level of openness determines the extent to which nonstate actors will have a positive impact on local prosperity and quality of life. Punjab shows the highest and most significant responses to questions on performance and direction, and in a state where constitutional amendments liberalized traditional economic arrangements and encouraged global market linkages through the investments of multinational corporations. Punjab has three well defined infrastructural sectors: a primary sector for which nonstate actors can engage in commercial cropping and agro-processing; a secondary sector for the development of speedy transport, assured power, broad-band telecom connectivity, food, coal, or other mineral processing activities; and, a third sector, which support investments in trade, transport, banking insurance, IT services etc. Keeping this in view, nonstate actors may have evolved for various kinds of social sector development. The state's openness is supported by a comprehensive study of key

issues, functions and obligations, requirements for public good, and expectations of the public. The findings then suggest that to the extent that there is openness/non-openness, the nonstate actors described earlier (namely MNCs in Punjab) will have a positive/negative impact.

Second, the data findings and analysis clarifies the perceived impact of nonstate actors on the behavior of sovereign liberalized states. To be clear, the impact of nonstate actors is predicated on the hypothesized relationships described above, but it also relies on demography. The overall sample size was 93 completed surveys, and additional 30 interviews with similarly placed individuals in various areas of work, across the state capitals and area districts of three states. The sample size of each demographic region was used to assess the overall regional differences in governance since the economic liberalization reforms. The focus is not on generalizing to a population but rather to assess the structure within the survey. It is here, consideration is given to how perception of governance may be redirecting the political economy as a whole.¹⁸

In summary, this assessment of the overall regional differences, first establishes that there is strong evidence for regional differences in responses. Second, in examining the results, I looked within regions to establish what might drive regional differences, and there is very little evidence of systematic difference within regions, which may suggest subgroups (nonstate actors) have a role to play. Third, since we have evidence of systematic regional differences we have two regional options and one individual state option. The first regional option is to explore regional level variables in more detail, or second, explore individual state and regional interactions to assess what is driving

regional differences. The individual state option is to conduct a more granular analysis at the individual level differences.

Limitations of Analysis

Since there is no one accepted methodology for assessing normative changes in governance, this study uses a multidisciplinary approach. It begins with postinternational theory, which accepts the presence of a multiplicity of actors. Thus, the role of nonstate actors is a function of arrangement in the politico-economic system. As a corollary, the politico-economic system has no hierarchy. In adopting this theoretical approach to understanding the social space of nonstate actors, the fieldwork has focused on the links between micro and macro actors in domestic authority relations.

Micro and macro actors are the principal unit of analysis in the politico-economic system. To examine the extent to which this framework of analysis explains normative changes in governance, after liberalization, a survey was administered to citizens across three states, and across one sector of the economy, health.¹⁹ The choice of postinternational theory as a place to begin analysis does not however imply that I regard it as completely satisfactory even as a ‘first cut.’ Before going forward therefore, it is necessary to indicate some of its limitations.

The prevailing model for systemic analysis (postinternational theory) emerges from the discourse on economics and microeconomic theory, in particular. Such a

framework posits the existence of nonstate actors as functionaries to a system, which can then explain patterns and behaviors based on environmental factors such as the competitiveness of the markets.²⁰ It is systemic rather than unit-level theory because its propositions depend on variations in attributes of the system, not of the units.²¹ The problem with this framework for analysis is that some organization theories also employ microeconomic theory to argue that the condition of high complexity and high dynamism eventually leads not to turbulent environment, but to a placid-randomized environment.²² This reasoning invariably means that the interaction between the nonstate actors are not merely responders to environmental factors such as the competitiveness of the markets after reforms organization, rather they are impelled to take steps towards creating oligopolistic and monopolistic conditions, over which they can more effectively exercise control.²³ These new mechanisms of governance are assumed to act as rational egoists. Rationality means that they have consistent, ordered preferences, and that they calculate costs and benefits of alternative courses of action in order to maximize their utility in view of those preferences.²⁴ According to Waltz, this proposition bends variations in attributes of the systems, not of the units.²⁵

Another limitation of this study is return to the usefulness of the governance assessment survey in assessing variations in attributes of the system. Surveys are good; however, a convenient sample does not offer conclusive interpretations of results. Moving forward, a more systematic sample representative of the larger population is needed. In addition, a re-coding of demographic variables would be needed for ordered logistic regression on high, moderate of low responses in order to compare within/across regions and individual state differences systematically.

Conclusion

In this chapter, I have examined the study results of the survey conducted during fieldwork. The approach to postinternational theory developed here begins by examining how incentives or constraints contained under the framework of economic liberalization may lead to the manifestation of geographically ordered economic governance. The research questions assess insofar as possible, the extent to which evidence exists to establish regional differences in the analysis of Indian governance.

In the final analysis, disaggregating the central role of the state from nonstate actors in the post-liberalization era brings into focus the macro-economic characteristics of nonstate actors and the incentives they generate at different levels of the system.²⁶ Nonstate actors within states interact and react to the national economic regime in widely varying ways, but each of these actions is strategic and intentional. Robert Gilpin speculates that a minimal degree of convergence of liberal economic policy and interests may indeed be a prerequisite for the formation of a liberal international economy,²⁷ for it encourages a multiplicity of processes, which contribute to devolution, and refocusing of activity levels of organizations less encompassing than the nation-state.²⁸

Since there is no one accepted methodology for assessing governance, I adopted diverse research measures used by scholars to assess economic performance and perceptions of governance and which can be assigned to three broad categories: legitimacy and voice, direction and performance, and, accountability and fairness. Respondents answered the questions differently in each of the regions, which may mean

that divergent trajectories within a centralized liberalization framework, unleashes diverse regional responses encompassing strategic choices about economic principles as well as new, well-defined exogenous preferences. Such a perspective challenges the expectations of both supporters and opponents of state centric theories, but links the postinternational phenomenon of micro and macro actors and the conditional authority they carry.²⁹

Post-internationalism releases valid explanations for, and this study confirms, it is indeed possible to speculate what might be possible after state choose to liberalize their economies. The postinternational order suggests continued decentralization, and nonstate actors could end up playing important roles as poorly funded states become marginalized due to costs and the competition of emerging strategic alliances in other states. If the states studied here continue through the process of economic reform, all indicators are they will likely fall into an even more varied system of governance.

Finally, although comprehensive data on governing alliances do not exist, Stephen Corbin suggests the most important motivation for state and nonstate actors lies in a cost-benefit economic analysis.³⁰ For this reason, I agree with Thomas Biersteker that states undertaking significant reforms, should endeavor to first improve technical and financial positioning, and then implement measures to manage nonstate actors and other civil society group's activity, both individually and collectively.³¹ Nonstate actors can be described as "units with relatively stable patterns of relationship over time." Nonstate actors that engage longer-term sequential transactions and in the absence of authoritative

control relationship with states, can affect the nature of international integration and interdependence.³²

¹ It is systemic rather than unit-level theory because its propositions depend on variations in attributes of the system, not of the units. See also Robert O. Keohane. After Hegemony: Cooperation and Discord in the World Political Economy. Princeton: Princeton University Press, 2005. p. 27.

² Nonstate actors are effective because they maximize their utility in view of preferences. See Robert O. Keohane After Hegemony: Cooperation and Discord in the World Political Economy. Princeton: Princeton University Press, 2005. p. 27.

³ Interview A. R. Nanda, Executive Director, Population Foundation of India. New Delhi: September 2008.

⁴ Waltz, Kenneth. Theory of World Politics. Massachusetts: Addison-Wesley, 1979, Chapters 4-5.

⁵ India is a federal union of states comprising twenty-eight states and seven union territories. Each state and union territory is subdivided into districts. States include: Andhra Pradesh, Arunachal Pradesh, Assam, Bihar, Chhattisgarh, Goa, Gujarat, Haryana, Himachal Pradesh, Jammu and Kashmir, Jharkhand, Karnataka, Kerala, Madhya Pradesh, Maharashtra, Manipur, Meghalaya, Mizoram, Nagaland, Orissa, Punjab, Rajasthan, Sikkim, Tamil Nadu, Tripura, Uttar Pradesh, Uttarakhand, and West Bengal. Union Territories include: Adaman and Nicobar Islands, Chandigarh, Dadra and Nagar Haveli, Daman and Diu, Lakshadweep, National Capital Territory of Delhi, Puducherry. Parts of Jammu and Kashmir are considered disputed territory claimed by India, Pakistan and China with each country administering a part of the former Kashmir. In addition, part of Arunachal Pradesh is claimed by China as South Tibet.

⁶ Rosenau, James (N) and Mary Durfee. Thinking Theory Thoroughly: Coherent Approaches to an Incoherent World Second Edition. Oxford: Westview Press, 2000. p. 68.

⁷ Korbin, Stepehn (J). "Economic governance in global economy" in The Emergence of Private Authority in Global Governance (Edited by Rodney Bruce Hall and Thomas J. Biersteker). Cambridge: Cambridge University Press, 2002. p. 50.

⁸ Rosenau, James (N) and Mary Durfee. Thinking Theory Thoroughly: Coherent Approaches to an Incoherent World Second Edition. Oxford: Westview Press, 2000. p. 70.

⁹ See James N. Rosenau. Turbulence in World Politics: A Theory of Change and Continuity. Princeton: Princeton University Press, 1990. p. 127.

¹⁰ See also James N. Rosenau and Mary Durfee's Thinking Theory Thoroughly: Coherent Approaches to an Incoherent World Second Edition. Oxford: Westview Press, 2000. p. 68.

¹¹ See James N. Rosenau. Turbulence in World Politics: A Theory of Change and Continuity. Princeton: Princeton University Press, 1990. p. 127.

¹² Three central hypotheses are: if an authority structure has resources to operate, then they can build legitimate consensus; if an authority structure reflects local and regional characteristics, then they will manage issue areas more effectively; if society is open, then an authority structure will have positive impact on local prosperity and quality of life. See chapter one, pp. 1-9.

¹³ Since there is no one accepted methodology for assessing changes in governance I draw on the multidisciplinary approaches developed for assessing governance, relying on the World Bank's Worldwide Governance Indicators (WGI) project, World Governance Assessment, UNDP's five principles of good governance, and the World Health Organization's 26-baseline indicators of good governance to compose my own assessment survey. See also Research Design chapter.

¹⁴ The three central hypotheses are: 1) if an authority structure has resources to operate, then they can build legitimate consensus; 2) if an authority structure reflects local and regional characteristics, then they will manage issue areas more effectively; 3) if society is open, then an authority structure will have positive impact on local prosperity and quality of life.

¹⁵ See William Fox "The Logic of Tests of Statistical Significance" in Social Statistics: A Text Using Micro Case Fourth Edition. United States: Thomson Wadsworth, 2003, p. 135.

¹⁶ Fox also suggest that by convention social science researchers should exercise caution, since there is nothing absolute or fixed about this .05 level. It is just the level conventionally used to decide on statistical significance. See William Fox, Social Statistics: A Text Using Micro Case Fourth Edition. United States: Thomson Wadsworth, 2003, p. 135.

¹⁷ The chi-square test while good at summarizing overall divergence from independence could not identify differences within a table. The differences are specific to different categories only.

¹⁸ See also Appendix 3 – Demographic Data Collected for Each Individual in the Survey.

¹⁹ This aspect of the study relied on data collection approaches developed by the World Bank's Worldwide Governance Indicators (WGI) project, World Governance Assessment, UNDP's five principles of good governance, and the World Health Organization's 26-baseline indicators of good governance.

²⁰ Keohane, Robert O. After Hegemony: Cooperation and Discord in the World Political Economy. Princeton: Princeton University Press, 2005. p. 27.

²¹ Waltz, Kenneth. Theory of World Politics. Massachusetts: Addison-Wesley, 1979. p. 27.

²² Keohane, Robert O. After Hegemony: Cooperation and Discord in the World Political Economy. Princeton: Princeton University Press, 2005. p. 27.

²³ Keohane, Robert O. After Hegemony: Cooperation and Discord in the World Political Economy. Princeton: Princeton University Press, 2005. p. 27.

²⁴ Keohane, Robert O. After Hegemony: Cooperation and Discord in the World Political Economy. Princeton: Princeton University Press, 2005.

²⁵ Waltz, Kenneth. Theory of World Politics. Massachusetts: Addison-Wesley, 1979. pp. 89-91, 93-95, 98.

²⁶ Sinha, Aseema. The Regional Roots of Developmental Politics: A Divided Leviathan. Bloomington: Indiana University Press, 2005. p. 116.

²⁷ Gilpin, Robert. Political Economy of International Relations. Princeton: Princeton University Press, 1987. p. 393.

²⁸ Rosenau, James N. Turbulence in World Politics: A Theory of Change and Continuity. Princeton: Princeton University Press, 1990. p. 135.

²⁹ Rosenau, James N. Turbulence in World Politics: A Theory of Change and Continuity. Princeton: Princeton University Press, 1990. p. 117.

³⁰ Korbin, Stephen J. "Economic Governance in Global Economy" in The Emergence of Private Authority in Global Governance (Edited by Rodney Bruce Hall and Thomas J. Biersteker). New York: Cambridge University Press, 2002. p. 49.

³¹ Korbin, Stephen J. "Economic Governance in Global Economy" in The Emergence of Private Authority in Global Governance (Edited by Rodney Bruce Hall and Thomas J. Biersteker). New York: Cambridge University Press, 2002. p. 49.

³² Korbin, Stephen J. "Economic Governance in Global Economy" in The Emergence of Private Authority in Global Governance (Edited by Rodney Bruce Hall and Thomas J. Biersteker). New York: Cambridge University Press, 2002. p. 54.

Chapter Seven: Implication of Study

Introduction

Effective state intervention is assumed an integral part of successful capitalist development.¹

In the last half of the twentieth century, the relationship of states to the international political economy has changed.² Formerly, the state's role was conceived as a buffer protecting the domestic economy from harmful exogenous influences. Lately however, the state's role has been understood more as helping to adjust the national economy to the perceived exigencies of the world economy.³ Economic liberalization, the key terms of this study, is an important parameter for understanding this shift in perspective. The economic liberalization reforms, for example, has enabled multiple processes and structures to emerge, engaging politico-economic system of states, and resulting in new and diverse governance patterns across the nation-state. Nonstate forces straddle state boundaries to express their identities and develop their autonomy through opportunities of a deregulated economic environment. On the one hand, state economies have internationalized and the process of adaptation has created great unevenness.⁴ On the other hand, states have been seized captives of nonstate actors, who through the liberalized environment create opportunities to advance their own competitive economies.⁵

In India, nonstate actors exert authority over the politico-economic system, and actors exercise governing authority beyond borders and territorial jurisdictions. First, the state cannot escape being an instrument of domination. The inter-relations between

various parts of the state apparatus, on the one hand, and the most powerful classes or class fractions, on the other, are determining the character of the overall “pact of domination.”⁶ Territoriality, which has long been the defining feature of the Westphalian state, is retained, but its importance has diminished in relation to non-territorial power.⁷ State and nonstate actors struggle for market and investment opportunities, including the domestic regions of the rival centers of power. The new political economy then achieves a favorable balance as each of these regional powers has a stake within the other. In addition, the issue of non-territoriality shifts the role of actor’s action in economic and political spheres where activities cross territorial boundaries.⁸ Second, the state’s role as a regional instrument of domination⁹ also underscores the willingness of countries to depart from hegemonic tradition. The nation-state has an interest in collective action, erecting the new limits of great power activity, and encouraging norms of economic behavior, which favor redistribution of resources.¹⁰ However, the configurations of effective power relations have changed the incentives facing states. The notion of collective action alters the opportunity costs for states,¹¹ within a rational-choice framework. As Reuschemeyer and Evans observes, despite the obvious interest in collective action, states are likely to be divided on substantive goals, as their ability to act in a unified way is strictly circumscribed by the fact that governance is organized in response to divergent outside forces.¹² Even more fundamentally, nonstate actors claim to represent universal interests, contradicts the state’s role as an instrument of domination.¹³

Nonstate actors have not necessarily diminished the importance of state action in Punjab, Orissa and West Bengal, but their actions have created a major reorientation of domestic authority relations. Pressing problems have gained new attention and instead of being a pervasive controller of private sector activity, and a direct producer in public sector enterprises, the state economic strategies are oriented towards enabling broad based and varied nonstate actor activity. The states, having withdrawn their role of being a controller and licensor of private enterprises in areas where market competition and nonstate actors will appropriate investments, have found investment solutions in nonstate actors.¹⁴ Attracting investments into regulated sectors was difficult, as public interests were ordinarily subject to regulatory control. However, special government efforts helped to create a policy environment in which nonstate actors were encouraged and received incentives to invest.¹⁵ Investment in infrastructure and public sector disinvestments combined have relocated authority, both outward toward supranational entities and inward toward sub-national groups.¹⁶ Critics have argued that partial privatization of this type were unlikely to yield the efficiency gains associated with full privatization including transfer of management. However, in India, nonstate actor investments ruled out budgetary subsidies to the enterprise, and became an important improvement in the incentives of the new system.¹⁷

These regional experiences provide two powerful examples of the emerging relationship between a policy of decentralized planning and nonstate actor in liberalized states. First, nonstate actor investment in infrastructure helped to create a climate in which public sector initiatives were able to carve out greater de facto autonomy from the

government. In addition, a partially privatized public sector became much more conscious of market indicators, and this created greater commercial orientation. Second, under the reforms, regional states have become a more active agent of economic liberalization. In some instances, public sector enterprises have acquired international portfolio investors,¹⁸ relocating issues of equity for raising funds for the expansion of their programs. Economic liberalization is treated primarily as capital accumulation,¹⁹ as the political economy gains exposure to greater volatility in terms of exchange rates, interest rates, and to investor's portfolio.

Eighteen years after the reforms began this study takes the first step in theoretically deconstructing the issues and challenges ahead.

What follows in this chapter is a general, but limited attempt to bring together some suggestive ideas from the existing literature regarding the ways in which variations in economic governance across India, though subtle, may enhance the capacity of emerging economies to develop holistically. I first summarize the theoretical arguments developed in this study, and then describe the key elements of the postinternational order that was established in July 1991. Next, the economic issues and challenges of reforms will be analyzed, and I argue that regardless of how subtle they appear, the changes do in fact add up to a transformation of sort. Rather, to borrow Robert Cox's phrase, scholars must give attention to the nature of transformation underway, if it is to be assumed that the role of the state and its relationship to nonstate forces may be in process of significant change.²⁰ At the level of structures and processes, nonstate actors have transformed

governance. In the final section of this chapter, I briefly consider what inferences may be drawn from the arguments challenging the expectations of both supporters and opponents of state centric theories, who share assumptions that nation-state is in control and exhausted at the state level.

Justifying Postinternational Analysis

While the nationalist perspective has the attraction of drawing a rigid definition of sovereignty and calculating the dimensions of authority therein, they seem better at accounting for change after the fact than at predicting it. We can see this by examining the shift in domestic authority relations in three distinctly unique liberalized state settings. The sovereignty of the state is undergoing erosion as the foreign-domestic boundary renders itself porous. This is not to imply however, that post-internationalist theory is oblivious to territorial boundaries. Its adherents do not posit a borderless world so much as they conceive of its boundaries as fluctuating from issue to issue and as being crossed readily by a host of actors on both sides of the legally established lines that separate states.²¹ However, changed circumstances relating to these shifts have generated a situation where the nationalist framework provides an incomplete explanation for understanding modern relations between states. The economic liberalization reforms, for example, have in some fundamental ways shifted the balance of power between states and central government, as access to the international markets have ensured mutual gains and hence aggregated benefits.²² The nationalist perspective has predictive failures in “its tendency to believe that economic relations constitute solely and at all times a zero-sum game, that is, that one state’s gain must of necessity be another’s loss.”²³

The key element of the postinternational order that was established in July 1991 is that liberalization emerged as a dynamic of a transnational system of power, which lies in good part outside the formal interstate system.²⁴ To extend this argument further into the specific case of India, national public governance functions have been relocated to nonstate actors, which represent a partial disembodying of specific state operations from broader institutional world of the state that had been geared exclusively to national agendas.²⁵ The privatization or denationalization of government functions, as it were, deregulates major sectors of the economy, scales down welfare commitments, and resets economic policies to the roles that can be fulfilled by nonstate actors.²⁶ Such an account might, point to the conditions under which there is a new struggle for power, modified only by the multiplicity of actors engaging in economic transactions, and giving it operational effectiveness and legitimacy.²⁷

Economic Reforms: Issues and Challenges

Two important issues have challenged the intellectual discourse on emerging norms in economic governance, and indeed can be explained through the analysis offered in the literature on post-internationalism. First, the wide autonomy of nonstate actors and the dispersion across sectors have added new layers of authority downward to sub-national levels or upward to supranational levels.²⁸ Second, the international relations discourse, having not yet accepted these realities, is grappling for explanations to locate the empirical condition underlying progress toward decentralized governance in sovereign states. Postinternational theory breaks from the ubiquitous frameworks, which

defines the characteristics of a state-centric world. To avoid attaching an unwarranted preeminence to states in the postinternational order, and to differentiate among collectivities that are states, and those that are not, a new nonhierarchical structure is conceived. States are conceived to be sovereignty-bound actors, while multinational corporations, ethnic groups, bureaucratic agencies, political parties, sub-national governments, transnational societies, international organizations, and a host of other types of collectivities are called sovereignty-free actors.²⁹ Sovereignty-free actors of the multi-centric world have emerged replete with structures, processes, and decision-rules of its own. These actors are interacting, conflicting, cooperating, or otherwise competing in unexplained ways with the sovereignty-bound actors of the state-centric world.³⁰ Put simply, state and nonstate actors are so closely linked that even slight change in one can produce or reinforce structural changes in the politico-economic system.³¹

The role then for local government officials, is to identify key areas for which the nation-state must take some responsibility to ensure a space is carved out for nonstate actors, beginning with the processes for recognizing an emerging authority structure, the mechanisms for resolving disputes within states, and mechanisms for adequate controls of nonstate actors. The politico-economic system requires adaptation at the levels suggested here else the systematic regional differences witnessed may eventually collapse the coherent whole.

Processes for recognizing authority structures

Recognizing that systemic reforms are essential for lasting and meaningful change, states made adjustments, which in one way or another challenged “long established norms, habits, and practices of political management.”³² The changed circumstances relating to liberalization has generated a situation where the nationalist framework does not adequately provide explanations for the emergence of nonstate actors, particularly in governing large sectors of the economy. The relation between formal political institutions and social and economic characteristics of countries, while useful in identifying the correlates of structures, tells us little about the process.³³ The emergent consensus is that the nationalist perspective is overwhelmingly concerned with the large-scale and long-term impact of mass contention on elite coherence and state power. Rather, to borrow Kurt Schick’s phrase, the nationalist discourse overlooks the initial pressures put on the system through emerging norms, and views nonstate actors as an ill conceived threat rather than a conduit or contributor to change.³⁴

The process for recognizing authority structures must include considerations of endogenous and exogenous factors. Although a variety of factors have contributed to the transformation of the governing structure after the reforms, some of these sources are external to the processes of national politics, and some are internal to them. That is, some of the processes for recognizing authority structures are endogenous in the sense that they are inherent in the political processes, whereas others are exogenous in the sense that they derive from demographic, economic and cultural processes.

Together the endogenous and exogenous sources of change go a long way toward explaining these new interests, made by a variety of actors, which confirm or challenge a particular pattern of governance already in existence. The emergence of a variety of authority structures in the political economy, has reflected and affected the efficacy of the economic liberalization reforms in India, and does require adequate attention.

Mechanisms for resolving disputes within states

In the multi-centric world, relations among actors are on more equal footing, are more temporary and ad hoc, and more susceptible to change, but are less symmetrical and less constrained by power differentials, formal authority, and established institutions. However, the overlapping system of authority and multiple loyalties must be located within the jurisdiction of a counterpart in the state-centric world.³⁵ The lack of processes for recognizing authority structures also brings into focus the question of what is needed to regulate and or control disputes within the nonstate actor community. Relevant here is the need for expanded analytic skills of local government officials, to address collective action disputes, and clarify appropriate mechanisms that can be used for expressing discontent. To borrow Immanuel Wallerstein's phrase, "one must place the face of coercive power which permits government to undertake policies even though they may be strongly objected to be a part of society."³⁶

In the emerging framework, Ronnie Lipschutz and Cathleen Fogel offer a conception for regulation for keeping the politico-economic system together and working.

“While deregulation is the mantra repeated endlessly in virtually all national capitals and by all international capitalists, it is domestic deregulation that capitals and capitalists desire, not the wholesale elimination of all rules. Selective deregulation at home may create a lower-cost environment in which to produce, but uncontrolled deregulation everywhere creates uncertainty and economic instability.”³⁷

The argument here is that regulatory harmonization “eliminate politics” from shifting regulatory authority out of the domestic sphere and into the international one.³⁸ There, the negotiation of policy under the pressure of ratification is appropriately outside of the two-level game context. Attention is given to two level games in domestic politics however here the question is the implication of such games for both the national and domestic audiences for their policies. Policy must satisfy both domestic and national conditions. State and nonstate actors must consider what agreement can be ratified when they negotiate, else they do not have complete freedom to pursue interests as they define it.³⁹

In sum, the functioning of the politico-economic system must then, by necessity be determined primarily by considerations of efficiency.⁴⁰ If those engaged in exchange in the markets do not feel they are getting a fair deal, or those observing the workings of the markets believe that externalized costs are excessively high the legitimacy of markets will be impaired to the detriment of the economy as a whole.⁴¹

Adequate control of nonstate actors

Nonstate actors, without adequate controls, have potentially tyrannical implications on the sovereign governance of the nation-state. Since this challenge is

essentially the product of the shrinking social and geographic distances that separate peoples, they can appropriately be called “interdependence” issues. Nonstate actors disentangle the polity, emphasizing a new link between authority, identities and change. In *Politics*, Ferguson and Mansbach identify ideal polity types, and contend that while individuals possess loyalties to many compatible polities, issues may force invidious choices, as exemplified by the post-Cold War reawakening of “nations”, tribes, and clans. Globalization in this sense, has changed the character of the polity, and transformed its alliances, markets, or communities.⁴²

In a legal sense, globalization has closely intertwined⁴³ national structures in the international community, and this requires a system for control. In a political context, Philip Cerny suggest, the “benefits of these changes are the competition of national economies along lines of comparative advantage.”⁴⁴ While “relative anarchy still prevails,”⁴⁵ the agenda-setting machinery can influence practices.⁴⁶ Conversely, “progress toward more effective governance must perforce be halting and accomplished in small increments, given the huge degree to which authority has been decentralized at every level of the community.”⁴⁷

Conclusion

Collecting all authority under a sovereign rubric instead of focusing attention on the conditions whereby authority is created, legitimacy sustained and compliance achieved,⁴⁸ is not only a effect of the rapid transformation of global society, but an important framework for viewing the dramatic new relationship between territorial states

and economic markets.⁴⁹ According to Ferguson, more and more states, regardless of history or culture, are privatizing government functions, deregulating major sectors of their economies, scaling down or reneging on welfare commitments, willingly and unwillingly tailoring their policies to the demands of intergovernmental and private financial institutions.⁵⁰ Indeed, the economic liberalization reforms in India have buffeted the territorial restraints and challenged the role of state governments than has been the case hitherto,⁵¹ bringing to the fore three dimensions of world politics, excluded from the discourse and explored by postinternational theory, as the main parameters for political, economic and social transformations.

In the main, this analysis challenges the expectations of both supporters and opponents of state centric theories, who share assumptions that states are in control and exhausted at the national level. An argument can be made that the behavior of actors is a consequence of widespread dissatisfaction with large-scale collectivities and the performance of existing authorities underscores the need to look for actors that are more fully embracing. Relevant here is the fact that the process of globalization has also given citizens more access to information, which in turn has enabled them to join in collective actions that serve as avenues for expressing their discontent.⁵² This study tries to make a case for why the emerging pattern of governance in India then reinforces the need for new processes, which recognize authority structures, mechanisms for resolving disputes within states, and more adequate control of nonstate actors.

Second, the authority crisis has stimulated the evolution of new authority structures.⁵³ “All of these actors devote themselves exclusively to guiding behavior with regard to public issues, thus clearly indicating the important social function of governance.”⁵⁴ This study then re-evaluates the reasons for the exponential increase in actors in a multi-centric world. The case of India also provide an avenue for debates on governing principles and from a unique geographic perspective, governance issues at two levels, and the political as well as economic commitments to key sectors.

In conclusion, the proliferation of varying authority structures looms large as described in this chapter. The outlines above sufficiently underscore the scope of the analysis, and framework for probing the interconnectedness between norms, national health, public action and social progress. This study introduces a regional perspective that broadens our understanding of authority structures in developing countries, and an appraisal of the framework, which may redefine in terms of interests, power structures and core international relations values. States are both the source and exclusive location of legitimate public authority,⁵⁵ from whichever source “authority” derives. However, India, in common with an increasing number of states is witnessing new response to issues produced by uneven economic development and social change through a variety of nonstate actors who either powerfully confirms or challenge a particular pattern of governance.

¹ Rueschemeyer, Dietrich and Peter B. Evans. “The State and Economic Transformation” in Bringing the State Back In (Edited by Peter B. Evans et. al.) New York: Cambridge University Press, 1985. p. 44.

² Cox, Robert W. and Timothy Sinclair. Approaches to World Order. Cambridge: Cambridge University Press, 1999. p. 154.

³ Cox, Robert W. and Timothy Sinclair. Approaches to World Order. Cambridge: Cambridge University Press, 1999. p. 154.

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- ⁴ Cox, Robert W. and Timothy Sinclair. Approaches to World Order. Cambridge: Cambridge University Press, 1999. p. 154.
- ⁵ Cox, Robert W. and Timothy Sinclair. Approaches to World Order. Cambridge: Cambridge University Press, 1999. p. 154.
- ⁶ Rueschemeyer, Dietrich and Peter B. Evans. "The State and Economic Transformation" in Bringing the State Back In (Edited by Peter B. Evans et. al.) New York: Cambridge University Press, 1985. p. 47.
- ⁷ Cox, Robert W. and Timothy Sinclair. Approaches to World Order. Cambridge: Cambridge University Press, 1999. p. 154.
- ⁸ Cox, Robert W. and Timothy Sinclair. Approaches to World Order. Cambridge: Cambridge University Press, 1999. p. 154.
- ⁹ Rueschemeyer, Dietrich and Peter B. Evans. "The State and Economic Transformation" in Bringing the State Back In (Edited by Peter B. Evans et. al.) New York: Cambridge University Press, 1985. p. 47.
- ¹⁰ Cox, Robert W. and Timothy Sinclair. Approaches to World Order. Cambridge: Cambridge University Press, 1999. p. 153.
- ¹¹ Opportunity costs are essentially determined by the nature of the environment as well as by the characteristics of the actor. See Robert O. Keohane. After Hegemony: Cooperation and Discord in the World Political Economy. Princeton: Princeton University Press, 2005. p. 80.
- ¹² Rueschemeyer, Dietrich and Peter B. Evans. "The State and Economic Transformation" in Bringing the State Back In (Edited by Peter B. Evans et. al.) New York: Cambridge University Press, 1985. p. 47.
- ¹³ Rueschemeyer, Dietrich and Peter B. Evans. "The State and Economic Transformation" in Bringing the State Back In (Edited by Peter B. Evans et. al.) New York: Cambridge University Press, 1985. p. 47.
- ¹⁴ In the World Bank's 2006 Development Policy Review, healthcare, education, water, power and transport are identified as the core public services for India's development strategy.
- ¹⁵ Interview with Satya Mishra, Policy Analyst, World Bank, Delhi Office. September 12, 2008.
- ¹⁶ Rosenau, James N. "Governance, Order and Change in World Politics" in Governance Without Government (Edited by James N. Rosenau and Ernst-Otto Czempiel). New York: Cambridge University Press, 1992. p. 2.
- ¹⁷ See Montek S. Ahluwalia "India's Economic Reforms An Appraisal" in India in the Era of Economic Reforms, edited by Jeffrey D. Sachs et.al. New York: Oxford University Press, 1999. p. 62.
- ¹⁸ For example, Ranbaxy International owns and operates previously public hospitals in Chandigarh, Punjab.
- ¹⁹ Rueschemeyer, Dietrich and Peter B. Evans. "The State and Economic Transformation" in Bringing the State Back In (Edited by Peter B. Evans et. al.) New York: Cambridge University Press, 1985. p. 49.
- ²⁰ See Robert W. Cox "Post Hegemonic Conceptualization of World Order" in Governance Without Government: Order and Change in World Politics (Edited by James N. Rosenau and Ernst-Otto Czempiel). Cambridge: Cambridge University Press, 1992. p. 142.
- ²¹ See James N. Rosenau and Mary Durfee. Thinking Theory Thoroughly: Coherent Approaches to an Incoherent World Second Edition. Oxford: Westview Press, 2001. p. 135.
- ²² See Robert Gilpin. The Political Economy of International Relations. Princeton: Princeton University press, 1987. pp. 43-44.
- ²³ See Robert Gilpin. The Political Economy of International Relations. Princeton: Princeton University press, 1987. p. 47.
- ²⁴ See Saskia Sassen's development of how the state becomes denationalized through globalization. "The State and Globalization" in The Emergence of Private Authority in Global Governance (Edited by Rodney Bruce Hall and Thomas J. Biersteker). New York: Cambridge University Press, 2002. p. 107.
- ²⁵ See Saskia Sassen "The State and Globalization" in The Emergence of Private Authority in Global Governance (Edited by Rodney Bruce Hall and Thomas J. Biersteker). New York: Cambridge University Press, 2002. p. 106.
- ²⁶ See Yale H. Ferguson and Richard W. Mansbach. Remapping Global Politics. New York: Cambridge University Press, 2004. p. 181.
- ²⁷ See Saskia Sassen "The State and Globalization" in The Emergence of Private Authority in Global Governance (Edited by Rodney Bruce Hall and Thomas J. Biersteker). New York: Cambridge University Press, 2002. p. 94.
- ²⁸ Rosenau, James N. Distant Proximities: Dynamics Beyond Globalization. Princeton: Princeton University Press, 2003. p. 393.

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- ²⁹ See also James N. Rosenau Turbulence in World Politics: A Theory of Change and Continuity. Princeton: Princeton University Press, 1990. pp. 36, 108.
- ³⁰ Rosenau, James N. and Mary Durfee. Thinking Theory Thoroughly 2nd Edition. Colorado: Westview Press, 2001. p. 57.
- ³¹ Rosenau, James N. Turbulence in World Politics: A Theory of Change and Continuity. Princeton: Princeton University Press, 1990. p. 106.
- ³² Rosenau, James. Turbulence in World Politics: A Theory of Change and Continuity. New Jersey: Princeton University Press, 1990. p. 127.
- ³³ Schock, Kurt. Unarmed Insurrections: People Power Movements in Nondemocracies, Volume 22. Minneapolis: University of Minnesota Press, 2005. pp. 24-25.
- ³⁴ Schock, Kurt. Unarmed Insurrections: People Power Movements in Nondemocracies, Volume 22. Minneapolis: University of Minnesota Press, 2005. pp. 25-26.
- ³⁵ Rosenau, James. Turbulence in World Politics: A Theory of Change and Continuity. New Jersey: Princeton University Press, 1990. p. 249.
- ³⁶ Wallenstein, Immanuel. The Modern World-System I: Capitalist Agriculture and the Origins of the European World-Economy in the Sixteenth Century. New York: Academic Press, 1974, pp. 161-2.
- ³⁷ See Ronnie D. Lipschutz and Cathleen Fogel "Regulation for the rest of us" in The Emergence of Private Authority in Global Governance (Edited by Rodney Bruce Hall and Thomas J. Biersteker) Cambridge: Cambridge University Press, 2002. p. 119.
- ³⁸ See Ronnie D. Lipschutz and Cathleen Fogel "Regulation for the rest of us" in The Emergence of Private Authority in Global Governance (Edited by Rodney Bruce Hall and Thomas J. Biersteker) Cambridge: Cambridge University Press, 2002. p.119.
- ³⁹ Putnam, Robert D. "*Diplomacy and Domestic Politics: The Logic of Two-Level Games*," International Organization, Vol. 42, No. 3 (Summer 1988), pp. 427-60.
- ⁴⁰ Krasner, Stephen D. "State Power and the Structure of International Trade" in Karen Mingst and Jack Snyder (Eds.) Essential Readings in World Politics. New York: W.W. Norton & Company, Inc., 2001. p. 295.
- ⁴¹ Regulatory initiatives are motivated by three somewhat different incentives which Lipschutz and Fogel label normative, functional and instrumental. Normative incentives have to do with notions about justice, equity, indigenous Rights, and so on. Functional incentives have to do with development and implementation of protection and conservation programs. And instrumental incentives have to do with the profits of 'good works' resulting from certification approval. See Ronnie D. Lipschutz and Cathleen Fogel "Regulation for the rest of us" in The Emergence of Private Authority in Global Governance (Edited by Rodney Bruce Hall and Thomas J. Biersteker) Cambridge: Cambridge University Press, 2002. pp.133-136.
- ⁴² Rosenau, James N. Distant Proximities: Dynamics Beyond Globalization. Princeton: Princeton University Press, 2003. p. 20.
- ⁴³ Cassese, Antonia. International Law. New York: Oxford University Press, 2001. p. 5.
- ⁴⁴ Cerny, Philip G. "Globalization as Politics" in Busumtwi-Sam, James and Laurent Dobuzinskis (Eds.) Turbulence and New Directions in Global Political Economy. New York: Palgrave Macmillan, 2003. p. 17.
- ⁴⁵ Cassese, Antonia. International Law. New York: Oxford University Press, 2001. p. 6.
- ⁴⁶ Rosenau, James N. Distant Proximities: Dynamics Beyond Globalization. Princeton: Princeton University Press, 2003). p. 392.
- ⁴⁷ Rosenau, James N. Distant Proximities: Dynamics Beyond Globalization. Princeton: Princeton University Press, 2003, p. 392.
- ⁴⁸ Rosenau, James N. Turbulence in World Politics: A Theory of Change and Continuity. Princeton: Princeton University Press, 1990. p. 117.
- ⁴⁹ Ferguson, Yale H. and Richard W. Mansbach. Remapping Global Politics. New York: Cambridge University Press, 2004. p. 181.
- ⁵⁰ Ferguson, Yale H. and Richard W. Mansbach. Remapping Global Politics. New York: Cambridge University Press, 2004. p. 181.
- ⁵¹ Ahluwalia, Montek S. "India's Economic Reforms" in India in the Era of Economic Reforms (Edited by Jeffrey D. Sachs et. al.) New York: Oxford University Press, 1999. p. 80.
- ⁵² James D. Rosenau and Mary Durfee. Thinking Theory Thoroughly: Coherent Approaches to an Incoherent World, 2nd Edition. Oxford: Westview Press, 2000. p. 62.

⁵³ Rosenau, James D. and Mary Durfee. Thinking Theory Thoroughly: Coherent Approaches to an Incoherent World, 2nd Edition. Oxford: Westview Press, 2000. p. 62.

⁵⁴ Wapner, Paul "Governance in Global Civil Society" in Global Governance: Drawing Insights from the Environmental Experience. Oran Young (Ed.). Massachusetts: MIT Press, p. 80.

⁵⁵ Hall, Rodney Bruce and Thomas J. Biersteker. The Emergence of Private Authority in the International System. Edited by Rodney Bruce Hall and Thomas J. Biersteker. Cambridge: Cambridge University Press, 2002. p. 3.

Chapter Eight: Conclusion

Introduction

On the road toward a more complete understanding of the politico-economic system, this study moves beyond state power politics and brings into focus the characteristics of liberalized states and the incentives or dis-incentives nonstate actors generate at different levels of the system.¹ The liberalization experiences of Punjab, Orissa and West Bengal depict the unequivocal position of nation-states as a governing entity that has no choice but to negotiate with nonstate actors on issues related to economic reforms. Even more pointedly perhaps, nonstate actors broaden aspects of the political process in which governance plays a key role by consolidating interests and the concentration of power. As the study now ends, I am in a position to look backward and forward. From evaluating early questions on the dramatic new relationship between the territorial state and the structure of the international political economy, onward, and assessing variations in the attributes of the system. In the pages to come, I have pulled together three important lessons about the functional utility of nonstate actors in the international political economy. First, using a postinternational framework of analysis, nonstate actors can necessarily be viewed as an authority structure, and this in turn helps in assessing the varying roles, and subsequent economic policy choices which legitimate the structure which affect outcomes of strategic situations embedded in international political economy. This study develops a framework to identify the range of governance mechanisms available in newly liberalized states. Second, nonstate actors have been crucial in determining the economic governing arrangements and domestic authority relations in liberalized India. However, because states continue to have divergent

preferences over the potential paths to liberalization, the varying roles of state and nonstate actors in establishing authority, setting rules, allocating resources, formulating policies, governing issue areas, and in a wide range of sectors need to be further examined. Third, and returning to the efficacy of theories on international relations, this study suggests more innovative avenues for research. It sheds important light on the weaknesses of traditional statist assumptions and advances a framework, which resets the levers of economic and political authority.

Finally, this chapter concludes with some reflections on analysis and prescription in theories of the states and their economic activities. Moving forward, the governance assessment survey, which is an important tool for assessing the variations in attributes of the system, is tentative in its findings, as convenient sampling does not offer conclusive interpretations of results, and therefore a more systematic sample representative of the larger population may be needed.

Why India? Why Liberalization?

The 1991 economic liberalization reforms of India have helped to produce unprecedented levels of regional as well as national growth. In so doing however, there are important qualifications. While the economic environment of some states is liberal and progressive, others struggle between moderate social changes and backward poverty inducing elements.

The structural reforms undertaken by India's central government initiated a new economic process by the state governments. Some regional states encouraged and promoted private domestic and foreign investments in sectors previously reserved to the public sector, cut their fiscal deficits, and reduced subsidies. Others began competing with one another for private capital, as well as for investments by the central government. With few exceptions the states significantly reduced bureaucratic regulations, privatized or reformed inefficient state-run public sector enterprises, and stimulated investment in infrastructures essential for an expansion of private investment in the social sector.²

According to Frieden and Lake, we (scholars), are in a good position to evaluate the dimension of changes in the political economy, and to identify key policy lessons by analyzing the broad strategies and policies that lie behind economic liberalization reforms.³ It may be, they argue, that the regional patterns of liberalization described in this study, is being replicated at the level of individual countries as well.⁴ Where all developing countries have seen their GNP per capita raised from 5.0 percent of the industrialized countries in 1960 to 7.0 percent in 1995, the "least" developed countries (those with a GNP per capita of \$300 or less) fell from 3.5 percent to 1.8 percent.⁵ As pointed out in chapter five, the distribution of resources of economies in development and transition as well as the output of all its nationals (GNP), captures the degree to which authority structures have decentralized every level of the nation-state in recent times. In a collaboration between Nobel Prize winning economist Joseph E. Stiglitz and Lyn Squire, the scholars argue that the mechanics of development cannot be equated solely with reductionist economic measures such as GDP or GNP however, just as aggregate

economic growth is usually associated with other dimensions of development, greater reliance on the decentralized decision of private entrepreneurs through the marketplace means investment may be necessary for growth, but it is not sufficient.⁶

The decision to focus on India, and its changing pattern of economic governance and after the reforms leans on the huge potentiality for growth in most emerging-market regions. Citing a 2006 survey by McKinsey Consulting, economist Dambisa Moyo suggests India has the potential to become a US \$500 billion market by the year 2020.⁷ In addition, and well beyond liberalization, as actors begin to question the legitimacy of their political economy and to redirect their loyalties toward subsystem level, is the question of whether the predictions of postinternational theory that sub-groupism will be accelerated by the increasingly clear-cut structures of the multi-centric world. As many scholars are likely to conclude, the crude theory of hegemonic stability makes a stronger contribution by pointing to the importance of material power.⁸ However, and as Keohane and himself points out, hegemonic regimes do not provide a general causal explanation of the changes that post-internationalism describes. Discord does not triumph over cooperation instead they coexist⁹ to provide collective benefits. This problem, which cannot be explained by one theory of the state, is comprehensible only when we combine postinternational theory's emphasis on multiple structures and processes discussed in chapter four. Postinternational theory, it will be recalled, stresses how state and nonstate actors will be so closely linked that even slight changes in one can produce or reinforce changes, which may challenge¹⁰ the processes for recognizing authority structures, create

a new need for mechanisms for resolving disputes within states, and prompt the need for more adequate control of nonstate actors.

India's reform strategy offers important lessons in four substantial areas. First, very few people had anticipated that India's economy, infamous by the late 1970s and 1980s for weak central planning, oppressive regulations, and inward-looking policies, would be transformed in its basic orientation in a matter of a few years. Though economic arguments against central planning had been raised and had become increasingly plausible by the late 1970s, political recognition of the necessity of change was overall missing in India. Prime Minister Rajiv Gandhi did try to break free of protectionism, but did not succeed in changing India's economic direction decisively. Second, while reforms have clearly been significant in some core public services, they have stalled, or barely begun, in others. Liberalization of investment rules, capital markets and the trade and exchange rate regime has, by and large, gone farther than the reform of agricultural trade, public finance or labor markets, and the privatization of public sector firms.

Third, the norms for how state governments deal with the central government have changed. India achieved higher rates of investment after the reforms, but only some states managed to translate this into increasing levels of income.¹¹ Much of investment as well as budgetary support in the pre-1991 era used to come routinely from Delhi. Since 1991, budgetary constraints are no longer as tough as they used to be, and reliance on central planning for investment has dramatically decreased. In the changed

environment, state governments must compete for private investment. Fourth, though state governments since 1991 have demonstrated a systematic approach towards economic reforms, a full blown, strategy for nation-wide reforms has not been articulated in politics. Indeed, competition is a powerful force for ensuring that investment is well directed and yields the greatest possible benefits.¹²

Punjab, Orissa and West Bengal have tried, in varying ways, to take advantage of the reform strategies. Their collective experiences specifically explain away the decentralizing tendencies, at both the national and sub-national levels, where newly fragmented, long-established hierarchies presided over by narrowly based elites have been replaced with a multiplicity of organizations that have more pluralistic leadership. By its very nature, new arrangements mean that actors are more interdependent, that they have a need for and relations with a widening array of other actors, and that consequently the patterns of interaction that mark their daily lives encompass more extensive networks than was the case in previous eras.¹³ In short, the structural arrangements of postinternational politics are marked by considerably greater density and interdependence than those they replaced, and these characteristics are the hallmark of the structure of the new international political economy.

The Growing Importance of New Forms of Governance

We began this study describing the promise of nonstate actors as mechanisms for solving problems of governance. Redefining the practices and ideologies of states, we considered whether the pressing problems of the political economy gained attention

through nonstate actors, and instead of being a pervasive controller of private sector activity and a direct producer in public sector enterprises, development strategies enable broad based and varied nonstate actor initiatives within states. In India, we have exposed the fragility of assumptions about discrete boundaries between, inside and outside states. This is not to suggest that self-interest is absent, but to point out that collective action garnered new momentum, but with old meaning. The state more than a constitution of agencies and rules and roles is embedded as well in a 'new system' of governance. Taken as a whole, states may be viewed as organizations through which different collectivities pursue collective goals.¹⁴

In international relations theory, the political economy has been in line with the methodological assumptions of structural realism that states can usefully be conceived of as unitary, rational actors and that opening the black box of domestic politics in an interactive rather than additive manner is not likely to be worth the costs involved. However, in practice, the new structural parameter consists of those rules of governance, informal regimes, formal alliances, legal conventions, and other arrangements through which the issues contested on the national stage are processed and managed by macro collectivities, state or nonstate actors, for example. Governance, in this sense, is a system of rules that is dependent on both formally sanctioned constitutions, as well as mechanisms which function effectively even though they may not be endowed with formal authority. "It embraces governmental institutions, but it also subsumes informal, non-governmental mechanisms whereby those persons and organizations within its purview move ahead, satisfy their needs, and fulfill their wants."¹⁵ Collectivities, in turn

are sustained by one or another form of hierarchical authority relations. Pluralistic and class structures in the national system and balance of power and dependency patterns are designated as the relational parameter in the postinternational liberalized world,¹⁶ as also developed by Kumar, Harriss and Rosenau.

A diverse array of nonstate actors were identified in Punjab, Orissa and West Bengal and an assessment was made of the range of governance mechanisms available in newly liberalized economies, as well as the role of nonstate actors in creating norms embodied in the formal institutional setting of states. Survey indicators, based on disaggregated individual variables measured various dimensions of governance, and the data reflected respondent's perception on governance in core public services, particularly health, after the economic liberalization reforms. The survey validated, insofar as possible, the three central hypotheses. We now know what mechanisms are used in governing aspects of the politico-economic system, and we are more acutely aware of how these structures govern. Overall, there is strong evidence for regional differences in responses. In examining the results, however, there is very little evidence of systematic difference within regions. Since we have evidence of systematic regional differences, we have two regional options and one individual state option for taking this study farther. The first regional option is to explore regional level variables in more detail, or second, explore individual state and regional interactions to assess what is driving regional differences. The individual state option is to conduct a more granular analysis at the individual level differences.

The findings of this study confirm that it is indeed possible to speculate what might be possible after state choose to liberalize their economies. The investment and trade patterns associated with reforms within states, suggest a continuation of the emergence of decentralization of core public services, beginning with the health sector. Nonstate actors could end up playing important roles as poorly funded states become marginalized due to costs and emerging strategic alliances. If the states studied here continue through the process of economic reform, all indicators are they will likely fall into an even more varied system of governance.

Theories of the State and Their Economic Activities

States are both the arbiter and exclusive location of legitimate public authority,¹⁷ from whichever source “authority” derives. However, India, in common with an increasing number of states is witnessing new response to issues produced by uneven economic development and social change through a variety of nonstate actors who either powerfully confirms or challenge a particular pattern of governance.

The paradigmatic shift in economic governance, as explored in chapter four sheds important light on the authority of nonstate actors in international relations. The case of India provides a specific avenue for new debates on governance. The discussions on Punjab, Orissa and West Bengal underscore the scope of the analysis, and framework for probing the interconnectedness between norms, public action and economic progress, and core public services sector beginning with health. According to Evans, Reuschemeyer and Skocpol, studying states through analytical induction and historically grounded

comparisons are optimal strategies for research on states. Along with other macro-social phenomenon that do not repeat themselves in each nation, basic patterns of state organization and of the relationships of states to social groups can help explain many outcomes especially unintended outcomes, of economic interests.¹⁸ In addition, regional comparisons may serve to broaden understanding of authority structures in developing countries, and in its appraisal, redefine power structures and core international relations values.

The issue of health, gives specific claims to the shift from centralized to decentralized governance, the proliferation of actors, the globalization of national economies, and the advent of interdependence issues. The postinternational framework for development, health or otherwise, is part of the fundamental shift in the structure of governance, and the processes of interaction underway¹⁹ since liberalization. The nation-state is the sovereignty-bound actor, while multinational corporations, ethnic groups, bureaucratic agencies, political parties, sub-national governments, transnational societies, international organizations, and a host of other types of collectivities are called sovereignty-free actors.²⁰ Sovereignty-free actors in India's political system have always been acknowledged both as agents and targets of governance, but that acknowledgement have never shown up much in actual theorizing.²¹

In the main, this study challenges the expectations of scholars who hold the assumption that states are in fact the principal unit of analysis in international relations, and are definitively in control. An argument can be made that the proliferation of

nonstate actors is a consequence of widespread dissatisfaction with large-scale collectivities and the performance of existing authorities underscores the need to look for actors that are more fully capable. Relevant here is the fact that the process of globalization has also given citizens more access to information, which in turn has enabled them to join in collective actions that serve as avenues for expressing their discontent.²² This study tries to make a case for why the emerging pattern of governance in India then reinforces the need for new processes, which recognize authority structures, mechanisms for resolving disputes within states, and more adequate control of nonstate actors.

Abandoning the preoccupation with state power politics, and the notion that the capacity of sovereign states to enforce decisions refocuses attention on how outcomes are produced and controlled, this framework alters the fundamental structures of national politics, and moves the discourse forward by focusing on the impact of shifting orientations on domestic and international authority relations. India departs from the ubiquitous frameworks, which defines the characteristics of a state-centric world, and helps us to clarify actors in a multi-centric system, and their decisive roles.²³

The state's capacity to adapt to change and the nonstate actors readiness to meet demands is creating a paralyzing effect on the norms, habits and practices of central government. Political decentralization and economic liberalization are compatible. Decentralization, democratization, participation, innovation, equity, sustainable development and economic reforms thus, it is argued, all go together.²⁴ State

governments have endorsed the economic reforms initiated by the center.

Decentralization then stimulates policy innovations, increase equity by providing lower income groups with greater access to political power, and may even offer opportunities for local nongovernmental and community-based organizations to prevent bureaucratic authorities from creating projects that result in forced population displacement or are ecologically damaging.²⁵

Summary

The new baseline of identifying shifts in governance is the politico-economic system, where more than ever “domestic politics matters in shaping responses”²⁶ to the changing patterns of authority. The “foundation”²⁷ that “perceives states as the most significant actors, and attributes little to the role of international organizations or non-state actors,”²⁸ all at once embraces the understanding that governance is “a function of the distribution of power, or as a result of behavioral practices, norms, rules and decision-making procedures that have developed over time.”²⁹ According to Langhorne, the problems emanate both internally and externally. In the *Coming of Globalization*, the British scholar agrees that societies, governments and the global economy bear the weight for the erosive nature of the system. The nation states is “no longer the sole players because of the weakened position of their sponsoring bodies and because they, too, have to live in a more pluralistic world.”³⁰

Two perspectives explain the power of these events in shaping; transforming and changing the order of the political economy. First, Susan Strange has argued that with

globalization, states have indeed lost their power. “While realist’s traditions have overemphasized political structure - change in information, communications, and financial technologies have altered the basic relationship between authority and markets in any political economy.”³¹ Power is not located in a single apex. Instead, international networks of power have relocated authority. For nationalists, this international environment is not pragmatic for it resembles a condition in which there is not much to gain from multiple actors engaged in governance. Cooperative efforts like those seen in global governing systems are entirely unproductive for the state, as “new actors.... are seen as threatening to overwhelm the state.”³²

Second, the principles of state relations also fall under the rubric of a legal construct. At the national level, “legal systems are highly developed.”³³ However, “in the international community no state or group of states has managed to hold the lasting power required to impose its will on the (economic) community.”³⁴ Power is “fragmegrative.”³⁵ Institutional “alliances...set up for a strong convergence of interests between two or more members of the community...however these have not hardened into a permanent power structure.”³⁶ The underlying consequence for economic governance is that “states pursue their own interests.”³⁷ States ultimately “decide how to settle disputes or to impel compliance with law that is whether to iron out disagreements peacefully or enforce the law unilaterally or collectively.”³⁸ From a legal standpoint, there are no international courts with enforceable power. In addition, “this state of affairs has long favored powerful nation states.”³⁹

The general political attitudes towards liberalization have thus been met with some resistance, and on two major fronts. First, some local government officials resisted liberalization on the grounds of creating an internally protected market regulated by the central government. Second, the trend towards openness challenged India's political elite to choose market-oriented change. According to Myron Weiner, who has studied this issue extensively, though the rhetoric of India's elite was progressive, the reality is that expansion and exposure to the markets, along with democratic socialism complicates the realities of social and economic equality, secularism, and economic growth.⁴⁰ In this regard, the practical problems of the economic governance, like environmental governance "may represent a harbinger of more complex and more comprehensive international relations within an interactive structure that will involve numerous public and private actors in large number of international regimes."⁴¹ The structure of the political economy "has not been designed according to central principles,"⁴² and from a strictly legal perspective, the need to take action to protect the nation-state is imperative.⁴³

In a larger context, international political economy has affected economic governance of states by fragmenting market forces.⁴⁴ At best, state and nonstate actors need a manageable space for dialogue.⁴⁵ Like our friends in environmental circles, the system must be understood as a sphere of association that is located above the individual and below the state but also across state boundaries where actors organize themselves to pursue various aims.⁴⁶ Regulations must similarly be offered to creatively manage and maintain the political economy. The overarching issue of regulation suggests an

appropriate structure for resolving conflicts in a manner that is acceptable to all concerned.⁴⁷ Regulations provide “a useful nexus for the convergence of discourse (s) allowing parties with conflicting interests to address shared interests.”⁴⁸ For the scope of the politico-economic system, the concerns are complex and a classification tool is needed to address the practical problems in this analysis.

Therefore, we have two things happening here. Political economies of scale are in competition for transformative change associated with globalization.⁴⁹ This “independent ordering”⁵⁰ is pluralistic by its very nature. Strong states, whether relatively liberal in the British mould or absolutist in the continental European mould...are the most effective...not so much to realize pure economic efficiency but rather to achieve the most productive mix of politics and markets through the development of national markets and productive national economies in a competitive world.⁵¹ “The nation-state is the most important actor on the state of political economy, but it is not the only important actor.”⁵² Second, this paradigmatic approach has a coalescing effect in a competition state environment. It is continually forming and reforming: from networks of international financial centers in world cities; ...to sub-state, state and supranational regulatory processes; to self-regulating markets and transnational webs of governance.⁵³ In a sense, “actions of one state impinge on the interest”⁵⁴ of others.

The history and foundation of economic governance raises important questions about the current staging and impact on varying authorities in emerging states. This study was a pilot project and thus it has provided the scope for assessing normative

changes in governance in India. The lessons drawn from several districts, across three states need to be up-scaled and incorporated in future research on the political economy and economic development. There is no question in a debate over whether varying authority structures causes complexity in the management of the political economy. States remain in control as rulers seeking to maintain their own position and interests of their constituents, wrangling between competing principles.⁵⁵ However, in this milieu, “there are no constitutive rules that preclude rulers from contracting to establish whatever kind of institutional form might serve their needs.”⁵⁶

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Appendix 1

India Field Research, 2008

Health Governance Assessment Survey

In 2002, the Government of India implemented a new health policy, abolishing the National Health Policy (hereafter NHP) of 1983, and transferring the health sector of the country to the shared responsibility of the central and state governments. Under the constitutional structure of India, public health is the responsibility of the states. The central government sets the agenda. NHP-2002 established a new governance structure through which the principal contribution for the funding of public health is from resources of the states, with supplementary input from central government. Given the extremely difficult position of the state governments, nonstate actors have had to play a key role in augmenting public health investments. This organizational structure has come with the expressed recognition that decision-making about health projects require the involvement of nonstate actors at the highest levels. The current policy abolishes the system of centralized planning and avoids any mention of national governance. Instead, the current policy follows the federal government's guiding principle of 'decentralized public health', which advocates a focus on practical measures to enable need-based allocation of resources.

The completed **Health Governance Assessment Survey** will help me to identify those specific issues and concerns that are perceived as important to health governance. My goal is to identify those important issues addressed by nonstate actors, so that we can focus on the activities and resources to best meet the healthcare needs of India.

This survey is anonymous and I ask that you please take a few minutes to answer the questions below. Thank you for your time and assistance. Namaste.

Demographic Information

<u>Age</u>	<u>Sex</u>	<u>Religion</u>	<u>Caste or Tribe</u>
<input type="checkbox"/> 15-24	<input type="checkbox"/> Female	<input type="checkbox"/> Hindu	<input type="checkbox"/> Caste (specify)
<input type="checkbox"/> 25-34	<input type="checkbox"/> Male	<input type="checkbox"/> Muslim	<input type="checkbox"/> Tribe (specify)
<input type="checkbox"/> 35-44		<input type="checkbox"/> Christian	<input type="checkbox"/> Other Backward Class _____
<input type="checkbox"/> 45-54		<input type="checkbox"/> Sikh	<input type="checkbox"/> No Caste/No Tribe
<input type="checkbox"/> 55-64		<input type="checkbox"/> Buddhist	<input type="checkbox"/> Don't Know
<input type="checkbox"/> 65 and Over		<input type="checkbox"/> Jain	<input type="checkbox"/> None of Them
		<input type="checkbox"/> Other _____	

Home City ☐ Urban
☐ Rural

Work Place City ☐ Urban
☐ Rural

Primary Language

<input type="checkbox"/> English	<input type="checkbox"/> Punjabi	<input type="checkbox"/> Urdu	<input type="checkbox"/> Bengali
<input type="checkbox"/> Hindi	<input type="checkbox"/> Gujarati	<input type="checkbox"/> Telugu	<input type="checkbox"/> Other

Area of work

<input type="checkbox"/> Government	<input type="checkbox"/> NGO	<input type="checkbox"/> MNC	<input type="checkbox"/> Media	<input type="checkbox"/> Business
<input type="checkbox"/> Religious Group				
<input type="checkbox"/> Criminal Organization	<input type="checkbox"/> Academic institution	<input type="checkbox"/> Int'l Organization		
<input type="checkbox"/> Other _____				

Legitimacy and Voice

1. To what extent do citizens enjoy freedom of association?

For example, are there real opportunities for people to create and join organizations to participate in the political process? This also includes the right that no one is forced to belong to an association.

High Moderate Low

Comments: _____

2. To what extent is society free from discrimination according to race, ethnicity, gender and religion?

Please consider how far discrimination is a factor in public life and how it therefore may affect the legitimacy and voice of the citizens governed. Discrimination may be by government, but it could also be from nonstate actors, or other groups adversely affecting societal freedoms.

High Moderate Low

Comments: _____

3. To what extent do citizens have freedom of expression and access to the media?

Think about whether all citizens have the opportunity to independently seek, receive and impart information without fear of harm or humiliation.

High Moderate Low

Comments: _____

4. To what extent does the state have adequate resources to govern key issue areas?

Assess the extent to which the state has basic building blocks for core public services.

High Moderate Low

Comments: _____

5. To what extent is policy orientated towards public consensus?

Think about how action is taken, as well as how consensus is built around core public issues.

High Moderate Low

Comments: _____

Accountability and Fairness

1. To what extent are nonstate actors accountable for decisions and actions?

Are there mechanisms in place for holding nonstate actors accountable for their decisions and actions? For example, how are challenges addressed: through investigations, government reviews, nonstate actor review process etc?

High Moderate Low

Comments: _____

2. To what extent is the decision making process of nonstate actors transparent to the public?

Make an assessment on the degree of transparency. The rules could be in the form of a code of conduct, informal systems, or the presence of “sunshine” laws that make all official documents open to the public.

High Moderate Low

Comments: _____

3. To what extent are states open to nonstate actor activity?

Think about the extent to which government and citizens are comfortable with nonstate actor activity.

High Moderate Low

Comments: _____

4. To what extent are strategic plans and public reports issued after nonstate actors leave the state or country?

Think about the extent to which government is ensuring accountability and transparency of nonstate actors.

High Moderate Low

Comments: _____

5. How important are nonstate actors to financing public health services?

Think about how well funding dollars from World Bank, NGOs, and SEARO (for example) improve the health of states?

High Moderate Low

Comments: _____

6. To what extent is improved access to public health services attributed to nonstate actors?

Do nonstate actors support public health services in your state? For example, do nonstate actors provide access to care regardless of ability to pay?

High Moderate Low

Comments: _____

7. How well are nonstate actors regulating health, and curbing exploitation of the sick and poor?

Think about the extent to which nonstate actors have an impact on health.

High Moderate Low

Comments: _____

8. Are the norms, rules and procedures of nonstate actors incorporated into national health practices?

For example, virtually all countries have ratified the World Health Assembly. Make an assessment on how effective the various branches of government have been in applying these international health regimes, including advocacy and prevention.

High Moderate Low

Comments: _____

9. To what extent are there processes in place for resolution of problems raised by nonstate actors?

Assess how nonstate actors working in states, resolve problems.

High Moderate Low

Comments: _____

10. To what extent are nonstate actors fully accountable for their actions?

Nonstate actors are expected to behave with the highest integrity, but this is not always the case. Political pressure, as well as corruptive practices may call their impartiality into question. Mechanisms such as special inquiries are examples of how legal service accountability can be exercised, and protect the health of the community long after nonstate actors have gone on to their next project.

High Moderate Low

Comments: _____

11. Do nonstate actors receive special treatment while working in your state?

Think about the extent to which government bend the public laws or rules.

High Moderate Low

Comments: _____

12. To what extent are nonstate actors free from corruption?

Think about the extent to which these actors may need to make additional payments, or bribes to get work done, acquire licenses, permits, as well as conclude contracts.

High Moderate Low

Comments: _____

13. How openly does government act to include policy recommendations of nonstate actors into health strategies?

It is very common for government to negotiate agreements, and set rules in the area of health. Assess how open government is in stating its intentions and the implications.

High Moderate Low

Comments: _____

Direction and Performance

1. To what extent do nonstate actors have an input into the making of policy?

How well are nonstate actors able to participate in the policy process and influence policy outcomes? This question is meant to be an indicator of how well nonstate actors voice their issues and the available mechanisms for strategic vision.

High Moderate Low

Comments: _____

2. To what extent do nonstate actors accept their subordination to government?

Assess the degree to which nonstate actors subordinate to government and are satisfied with playing a public role without engaging in partisan politics.

High Moderate Low

Comments: _____

3. To what extent do nonstate actors provide accurate information to the public?

Assess how ready nonstate actors are to share accurate information about its intentions and consequences for the public interest.

High Moderate Low

Comments: _____

4. To what extent are nonstate actors promoting an adequate standard of living for all citizens?

Focus on the extent to which nonstate actors are genuinely committed to providing an adequate standard of living. Ensuring an adequate standard of living is broadly about having food, housing, medical care, and necessary social services. Given that governments typically operate with resource constraints, the answer must be considered in the light of what is possible to do given the country's levels of development.

High Moderate Low

Comments: _____

5. To what extent does policy-making fairly reflect public preferences on key issue areas?

Think about how well the policy-making process considers broader public preferences in allocating limited resources.

High Moderate Low

Comment: _____

6. To what extent does the state consider the performance of nonstate actors in decision-making process?

Consider whether the state reviews local and regional performance of nonstate actors.

High Moderate Low

Comments: _____

6. To what extent do nonstate actors provide accurate and objective public health services to the public?

Think about how nonstate actors share information with its citizens, about its intentions and consequences for public interest.

High Moderate Low

Comments: _____

7. To what extent are nonstate actors able to shape the policy-making process?

Assess the participation of nonstate actors in policymaking including the extent to which power and authority is given to formulate policy.

High Moderate Low

Comments: _____

8. To what extent do nonstate actors provide improved or equal access to health care services to citizens?

Assess the extent to which actors are effective and efficient. Do nonstate actors for example, may make special effort to reach marginalized groups?

High Moderate Low

Comments: _____

9. To what extent are nonstate actors respectful of citizens, government, society and social norms?

Intentional or not, nonstate actors are sometimes seen to act in ways that citizens perceive as humiliating or disrespectful. To what extent do you believe nonstate actors are perceived to act in a respectful manner?

High

Moderate

Low

Comments: _____

Post-Survey Questions

1. Can you describe the difference between government and governance?

Comments: _____

2. How would you describe the work of nonstate actors - - more along the line of government or more along the line of governing authority?

Comments: _____

3. In what capacity are women engaged in health? Despite the fact that women comprise half the population, women, are underrepresented in all governance arenas in all countries. Assess the degree to which women and men have equal role.

Comments: _____

4. How well do nonstate actors govern key health issue?

Comments: _____

5. To what extent has the government's capacity to govern national health increased or decreased with the proliferation of nonstate actors.

Comments: _____

6. Are nonstate actors more effective than government in governing public health services?

Comments: _____

7. To what extent do the works and contributions of nonstate actors limit the actions of government?

Comments: _____

8. To what extent are nonstate actors prepared to manage major health issues. For example, if you were asked to prepare a plan to improve national health governance, would you include nonstate actors on the team?

Comments: _____

9. How long have you worked in your current specialty or profession?

Less than 1 year

1 to 5 years

6 to 10 years

11-15 years

16 to 20 years

21 years or more

Comments: _____

Definition of Terms in Survey Research

Authority Structures

Authority structures are expressions of convergent interests, made by a variety of nonstate actors, to confirm or challenge a particular pattern of governance.

Nonstate Actors

Nonstate actors, in international relations, are actors on the international level that are not states. For example, NGOs, MNCs, media, armed groups, criminal organizations, religious groups, certain individuals.

Governance

Governance relates to the decisions that define expectations, grant power or verify performance. It consists of either a separate process or of a specific part of management or leadership processes. Sometimes people set up government to administer these processes and systems. In the case of nonstate actors, governance relates to consistent management, cohesive policies, processes and decision-rights for a given area of responsibility. For example, the World Bank defines governance as the exercise of political authority and the use of institutional resources to manage society's problems and affairs.

Civil Society

Civil society is composed of the totality of voluntary civic and social organizations and institutions that form a basis of a functioning society as opposed to the forced structure of the state (regardless of the state's political system) and commercial institutions. The concept of civil society in its pre-modern classic republican understanding is usually connected to the period of Enlightenment in the 18th century. However, it has a much older history in the realm of political thought.

Postinternational theory

Postinternationalism accepts the presence of new structures and processes, as well as the shifting orientations that are transforming authority relations among actors on the world stage.

Appendix 2

Background of Demographic Data

India has had a history of continuous Census taking since 1872. The first synchronous census was conducted in 1881. Since then the Office of the Registrar General and Census Commission has conducted surveys every ten years without break. Census of India, 2001 is the fourteenth Census in the continuous series and sixth since India got Independence in 1947. Census in India is conducted under the provisions of the Census Act, 1948.¹

India consists of 35 states and union territories, which consist of 593 districts, and more than 5564 Taluks (sub-districts), 5161 towns, and over half a million villages (640,000). According to the 2001, Census, India's population was 1,028, 737, 436 (102.9 crores).² There are 531 million males and 496 million females. Viewed globally, India constitutes 16.9 percent of world's population and 2.4 percent of the global land area. Currently (2009) India's population is estimated at 114.7 crores.³ India is a country of striking demographic diversity. Substantial differences are visible between states in achievement of basic demographic indices. This has led to significant social and economic disparity within and between states. There is already a "North-South Demographic Divide" as Professor Asish Bose rightly terms it. In fact, all the Southern states namely Kerala, Tamil Nadu, Andhra Pradesh and Kanartaka are doing well, whereas in the four large states namely Bihar, Uttar Pradesh, and Madhya Pradesh and Rajasthan growth rates continue to be low and are lagging far behind. Punjab, Orissa and West Bengal account for nearly 29 percent of the country's population with 141 million people in 2001. The performance and demographic outcomes of these states will

determine economic growth within its population, and influence how India will achieve growth in the coming decades.

Chapter six focuses on the perceived normative changes in governance in Punjab, Orissa and West Bengal.

¹ The magnitude and sheer size of the population and its growing divergence has made the Indian census one of the single largest administrative exercises in the world. The 2001 census involved participation of two million enumerates and supervisors counting more than one billion people in two hundred and twenty million households.

² 2001 Census of India "Population Report."

³ Ali, Almas Dr. and Nihar Ranjan Mishra. "Demographic Transition in Punjab, Haryana and Himachal Pradesh: Issues and Challenges for Population Stabilization" Population Foundation of India, 2009.

Appendix 3

Demographic Data Collected for Each Individual in the Survey

The demographic data collected for each individual in the survey presented in this study is based on the processing and tabulation of actual data captured during fieldwork conducted in 2008, and completed in December of the same year. The demographic data was captured on the individuals surveyed, which included in rank on the caste or tribes of respondents by age and sex at the state, urban and rural levels. Other variables included primary language and area of work.

To determine whether we would find a relationship in the sample, p-values were calculated for each variable using a Monte Carlo randomized test. The assessments are not representative of the region as it's a convenient sample, of which only five of Punjab's seventeen districts (29 percent of the state), six of Orissa's thirty districts (20 percent of state), and, four of West Bengal's eighteen districts (22 percent of state) were generally covered by the survey.¹ Readers should, therefore, interpret the assessment with caution. Within each state, respondents in rural and urban areas were determined by distributing surveys to similarly place officials and conducting interviews through intermediary contacts developed in each state, where existing study subjects are sometimes used to recruit more subjects into the sample.²

Since political factors have influenced nearly every area of governance, in some form, this section offers a brief review on the important facets of the demographic indicators on the political scene. To begin, Table 1 and 2 below, summarize the background and demographic data collected from each individual in the survey.

Table 1: Frequency for Background and Demographic Variables

Age	Sex	Region	Religion	Caste/Tribe
15-24: 2 (2%)	F: 26 (28%)	Orissa: 31 (33%)	Christian: 3 (3%)	Caste: 41 (44%)
25-34: 17 (18%)	M: 67 (72%)	Punjab: 32 (34%)	Hindu: 65 (70%)	DK*: 2 (2%)
35-44: 27 (29%)		WB: 30 (32%)	Muslim: 3 (3%)	No C/T**: 7 (8%)
45-54: 24 (26%)			Other: 6 (6%)	None: 21 (23%)
55-64: 13 (14%)			Sikh: 12 (13%)	OBC: 6 (6%)
65 and over: 8 (9%)			No Answer: 4 (4%)	Tribe: 3 (3%)
No Answer: 2 (2%)				No Answer: 13 (14%)

*DK=Don't Know **No C/T= No Caste/Tribe

Table 2: Frequency for Background and Demographic Variables

Home City	Work City	Language	Work Area
Rural: 29 (31%)	Rural: 23 (25%)	Bengali: 30 (32%)	NGO: 31 (33%)
Urban: 61 (66%)	Urban: 67 (72%)	Other (Oriya): 24 (26%)	Academic: 20 (22%)
No Answer: 3 (3%)	No Answer: 3 (3%)	Punjabi: 18 (19%)	Government: 14 (15%)
		Hindi: 16 (17%)	Business: 10 (11%)
		English: 2 (2%)	Int'l Org: 4 (4%)
		Other: 2 (2%)	Other: 13 (14%)
		No Answer: 1 (1%)	No Answer: 1(1%)

Age and gender of respondents

The success of the economic liberalization reforms process depends, in part, on the performance of major agents including government, and the effectiveness of various public action programs. In other words, public intervention is judged primarily by their

impact on different social groups, particularly vulnerable sections. This survey has taken the age and gender of respondents, as an important basis for uniform and unambiguous data on the demographic profile of study respondents. Age and gender provides an important dimension to the discourse on governance in India, and in the era of economic reforms. They are widely used indicators with implications on other social variables. In developed countries, where economic development is relatively high, age and gender are favorable to vulnerable sections. As well, these indicators have implications for other important variables, for example, gender and caste, gender religion, gender and caste, gender and area of work, or gender and poverty.

Analyzing the age structure of respondents sampled in these three states shows that the overall age group constitutes thirty-percent of respondents, between 35-44. Twenty-six percent of the respondents are age 45-54. Nineteen percent were between 25-34, and fourteen percent between the ages of 55-64. Nine percent was over the age of 65, and another two-percent 15-24 (See Figure 1 below). The modal category for age is 35-44. Concentration of respondents in this age group implies that the working population is young.

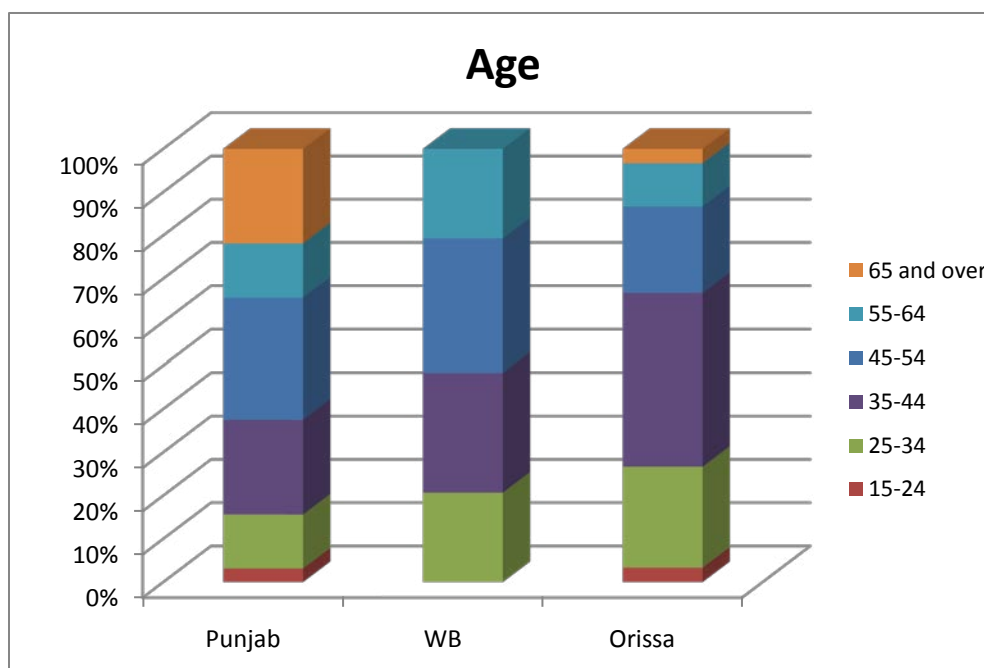


Figure 1: Age of Respondents, Health Governance Assessment Survey, 2008

Since the reforms, there has been little pressure across states to evenly expand investments in health and social development across genders. Demographic reports for example, often under-represent sex ratio and social progress, which is persistent in almost all states.³ A 1991 study conducted by Myron Weiner indicates that adult literacy is very low, where only 64 percent for males and 39 percent for females are literate in the country. In 2001, another study drew similar conclusions, with less than half adult population is literate in the largest states (Rajasthan, Bihar, UP, Madhya Pradesh, Andhra, and Orissa). In only four states did literacy exceed 60 percent: Gujarat (61 percent), Tamil Nadu (63 percent), Maharashtra (65 percent), and Kerala (90 percent).⁴ In Punjab, 64 percent of females over 7 years were literate and 76 percent of males. In addition, West Bengal had 60 percent of females over 7 years literate, and 78 percent of males.

Bearing in mind these challenges, this survey has been careful to capture data on gender. The overall regional differences in gender of respondent's expose some underlying trends in the new political economy. For example, faced with a fiscal crisis, state officials have opted for retaining subsidies and in some states for reducing revenues even if it meant cutting investments in social services.⁵ Because states are spending a smaller proportion of their budgets on core public services, the transfer of power to elite members of the lower castes has had little impact on investment in human resources. Nonstate actors lobbying for shifting resources from public sector enterprises to private sector governance may then be a solution for change.

Figure 2 below shows a higher proportion of respondents were males in all three states. There were seventy-one percent (males) and twenty-eight percent (females) across all three states. In Punjab: 59 percent males; 40 percent females. In Orissa: 73 percent males; 23 percent females. In West Bengal: 80 percent males; 20 percent females.

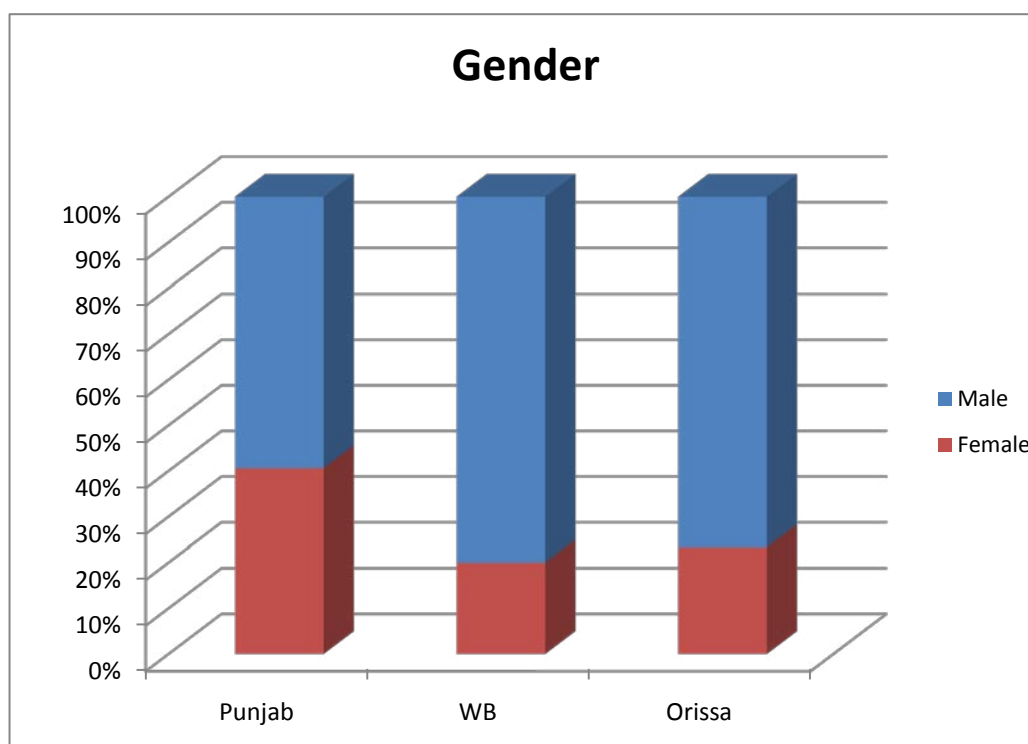


Figure 2: Gender of Respondents, Health Governance Assessment Survey, 2008

Scheduled castes, scheduled tribes and religion of respondents

The decline of the sex ratio in India as a whole has not been at all even, between different caste and communities. Specifically writes Dréze and Sen, the decline appears to have been sharper among disadvantaged castes.⁶ A detailed examination of this development is complicated by the fact that pre-independence and post-independence census reports use different caste classifications. Scheduled castes and scheduled tribes are castes and tribes, which the Government of India officially recognizes as socially and economically backward and in need of special protection from injustice and exploitation. Article 341 of the Indian Constitution provides that the President may, with respect to any State or Union territory, specify the caste, race, tribes or parts of or groups within castes, races or tribes which shall for the purposes of the Constitution be deemed to be

Scheduled castes in relation to that State or Union territory. Similarly, Article 342 provides for specification of tribes, tribal communities, parts of, or groups within tribes or tribal communities, which are deemed to be for the purposes of the Constitution, the Scheduled tribes in relation to that State or Union territory.⁷

Under the Constitution (Scheduled Castes) Order, 1950, however, no person who professed a religion different from Hinduism was deemed a member of the Scheduled caste.⁸ For example, every assigned member of the Ramdasi, Kabirpanthi, Majhabi or Sikligar caste and resident of Punjab, Patiala or East Punjab States Union, belonged to their assigned caste whether they professed Hindu or the Sikh religion. Subsequently, in September 1956, by an amendment, a Presidential Order of 1950 and in all subsequent Presidential Orders relating to Scheduled castes, the population professing the Hindu and Sikh religions was placed in the same footing with regard to the specification of Scheduled castes. Later on, as per the amendment made in the Constitution (Scheduled Castes) Order 1990, the Hindu, Sikh, and Buddhist professing population were placed on the same footing with regard to the recognition of the Scheduled castes.

In accordance with these provisions, it was imperative that this survey included the list of Scheduled castes and/or Scheduled tribes for each state the surveys were administered. All the constitutional amendments and caste or tribe classifications that have taken place before the conduct of 2001 census was taken into account. Each participant was asked to select from the list a caste or tribe that best matches his or her background.⁹

In figure 3 below, 86 percent of the overall survey respondents identified their caste or tribe. Forty-three percent identified with a caste; two percent belonged to a tribe; six percent belonged to other backward castes (OBC); two percent of respondents did not know of their caste or tribe; and, twenty-nine percent had no identification with these constitutional classifications.

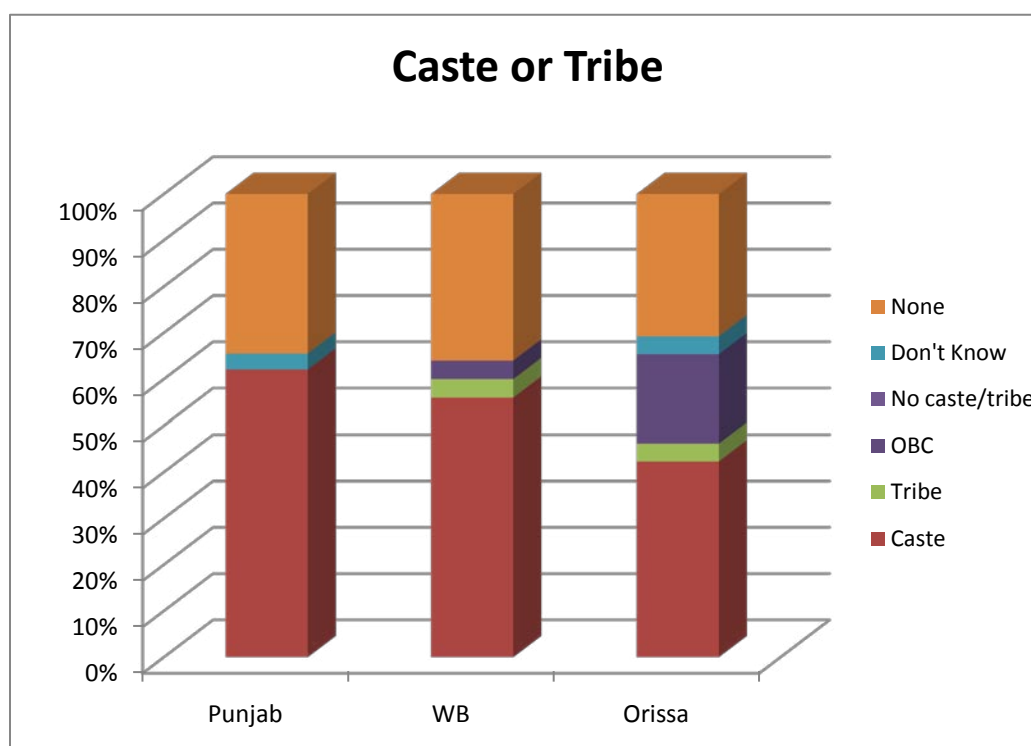


Figure 3: Scheduled Castes or Scheduled Tribe of Respondents, Health Governance Assessment Survey, 2008

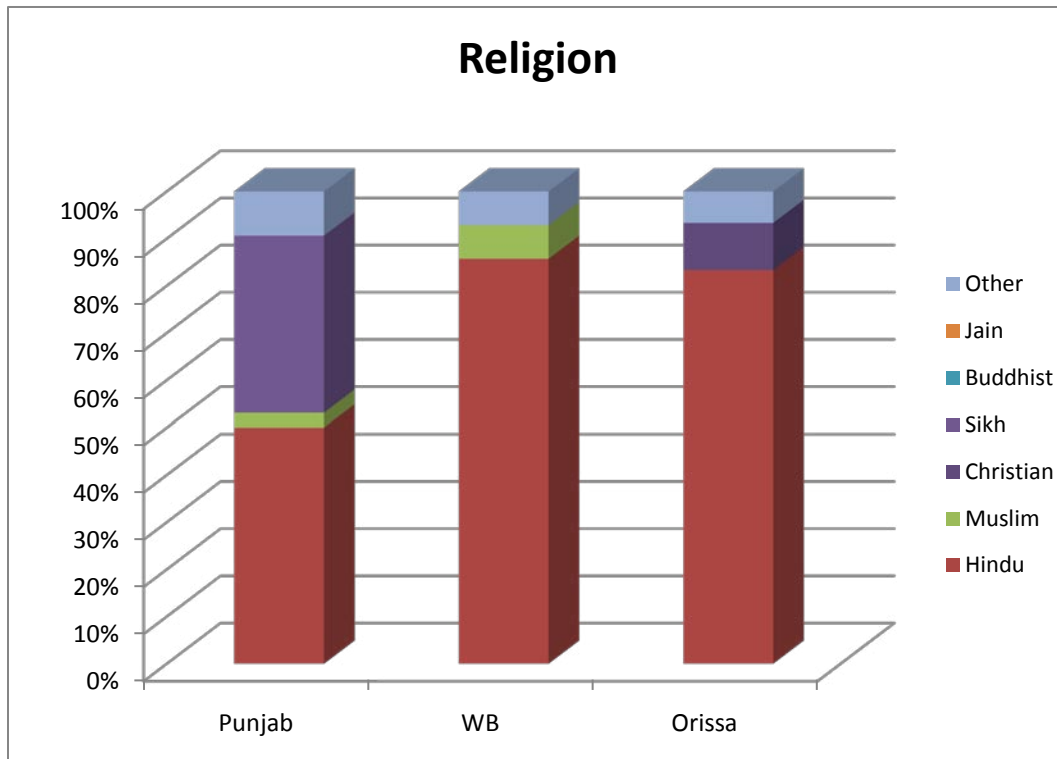


Figure 4: Religions of Respondents, Health Governance Assessment Survey, 2008

Religion is another important aspect of the socio-economic and political context of India. As discussed in Chapter three, the framework which emerges from India's religious narrative, extracts a unique political association from ideology, to create formidable alliances, with governing agreements about imports, treaties to ensure just conduct, and written terms of alliances for mutual defense.¹⁰ Each respondent was asked to select his or her religion. Figure 4 above, indicates that overall ninety-three percent of survey respondents identified with a religion. Seventy percent of all survey respondents are Hindus. Thirteen percent of respondents are Sikhs. Seven percent selected other, and three percent Muslim and Christian respectively.

Home-city and workplace-city of respondents

The survey also accessed data to draw distinction between respondents in rural and urban areas. The unit of classification in this regard is town for urban areas and village for rural areas. This is the exact same classification used in the 2001 Census of India, where the definition of urban area adopted is as follows:

1. All places with municipality, corporation, and notified town area committee;
2. A place satisfying the following three criteria simultaneously: a minimum population of 5,000; at least 75 percent of male working population engaged in non-agricultural pursuits; and, a density of population of at least 400 per square kilometers (1,000 square miles).¹¹

Rural areas is classified as places, which as per the 1991 census, have a population of 4,000 and below, and the working population largely engaged in agricultural activity.

The exact same classification was used in this study as well as in the last reported 2001 Census.

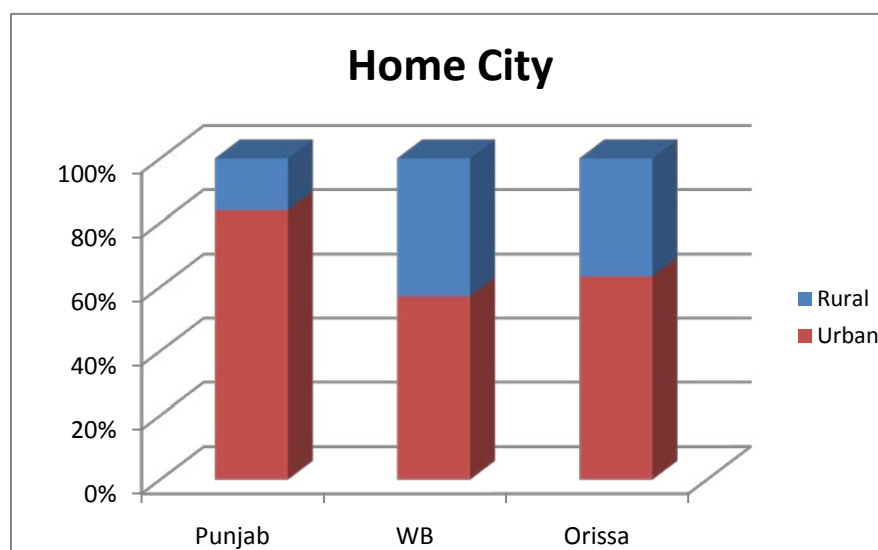


Figure 5: Home City of Respondents, Health Governance Assessment Survey, 2008

As figure 5.0 above indicates, sixty-nine percent of respondents overall identified their home city to be in an urban area. Thirty one percent of respondent's home city is

located in a rural area. It is important here to note that the rate of urbanization in some states have progressed faster than other states, since the reforms. According to the 2001 Census, in West Bengal, for example, urbanization slowed and was lower than India as a whole. However, in this unique case, there is a very high concentration of slum population. In this survey, more people selected home city as urban area, but many participants were actually interviewed in the slums of Kolkata or Howrah districts of West Bengal, which verifies the metropolitan-centric growth or urbanization.¹²

Combining these facts together, it would perhaps not be wrong to conclude that there persists inequality in the distribution of urban amenities and infrastructure despite the reforms.

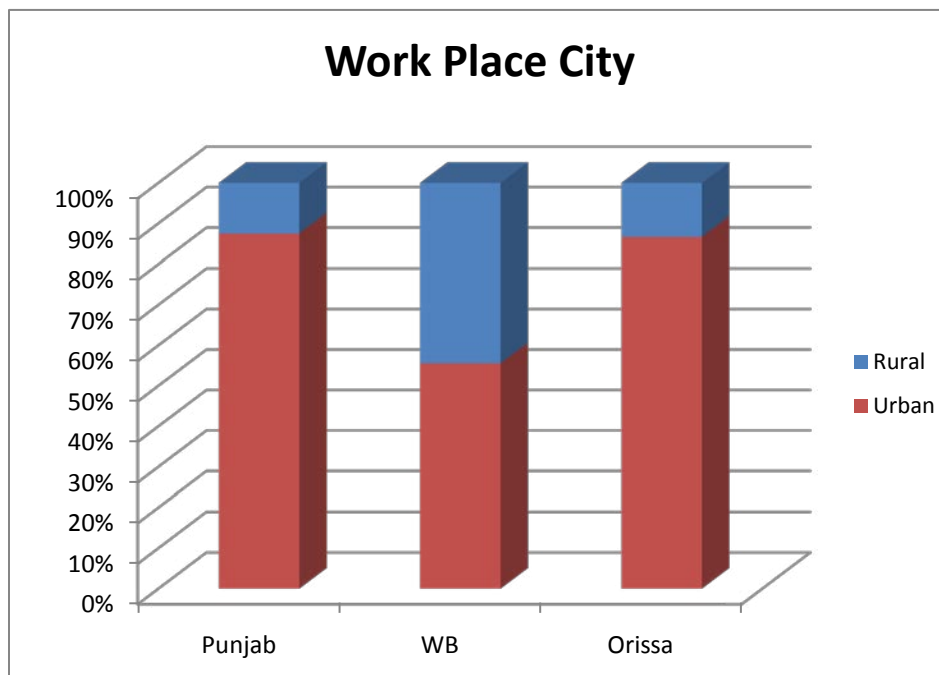


Figure 6: Work Place City of Respondents, Health Governance Assessment Survey, 2008

According to the 2001 Census, towns with populations of 1, 00,000 and above are called cities. However, apart from this framework, cities are sometimes treated as urban outgrowth of towns or termed urban 'Under Agglomerations.'¹³ For example, urban

outgrowths are considered railway colonies, university campuses, and port areas, military camps that may have come up near a statutory town or city but within the revenue limits of a village or villages contiguous to the town or city.¹⁴ Each such individual area by itself may not satisfy the demographic criteria laid out above to qualify to be treated as an independent urban city, but deserve to be clubbed with the towns as a continuous urban spread. Thus, work place city, wherever presented in this analysis, also include data for outgrowths of such towns.

In figure 6 above, respondents were asked to identify their place of work as either urban or rural area. Overall, seventy-six percent of survey respondents work in an urban area. Twenty-two percent work in a rural area.

Primary language and area of work of respondents

The most important language for national political and commercial communication is Hindi, which is the primary tongue of 30 percent of the people living in all India. English is widely spoken, but there are 14 other official languages including Bengali (West Bengal), Oriya (Orissa), and Punjabi (Punjab). Of the three states, visited Hindustani is another popular variant of Hindu/Urdu spoken widely throughout northern India but is not an official language. The primary language spoken by respondent has implications for other important social variables, for example, caste or tribe, workplace or home city, and sometimes religion. It also provides important insights into social development of communities, cities, and states.

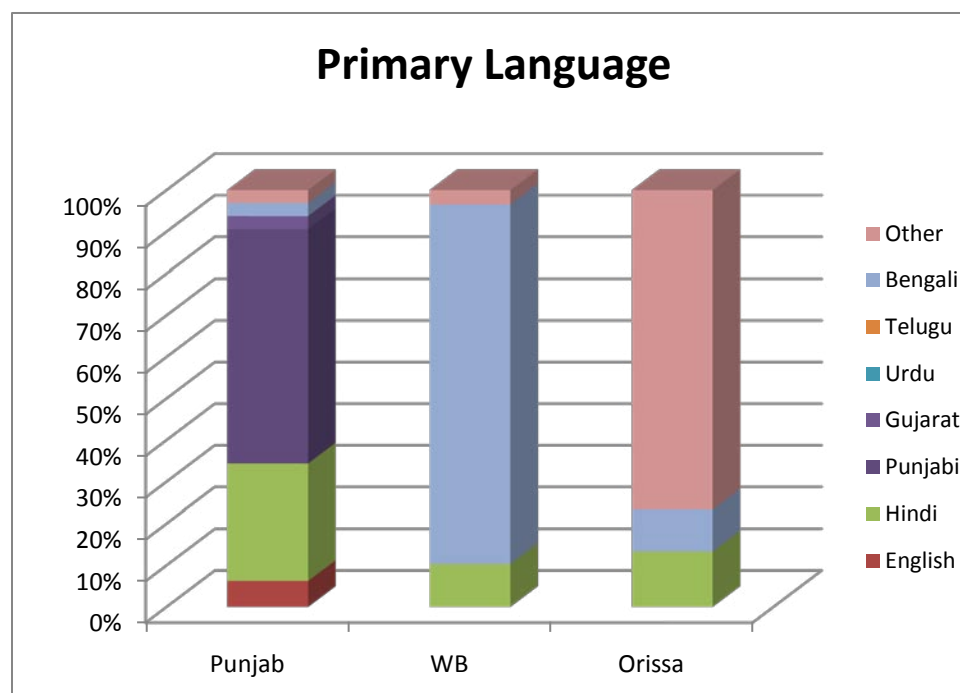


Figure 7: Primary Languages of Respondents, Health Governance Assessment Survey, 2008

In figure 7 above, seventeen percent of respondents overall selected Hindi as their primary language. Twenty percent selected Punjabi, thirty one percent selected Bengali, and twenty-seven percent selected other, which in this study includes Oriya. One-percent of respondents overall selected Gujarati as their primary language.

The area of work is defined as participation in any economically productive activity with or without compensation, wages or profits. Such participation may be physical and/or mental in nature. Work generally includes part or full time help or unpaid work on farm, family enterprises, or in any other economic activity. All persons engaged in work as defined here, are workers. Persons engaged in cultivation or milk production even solely for domestic consumption are also treated as workers.¹⁵

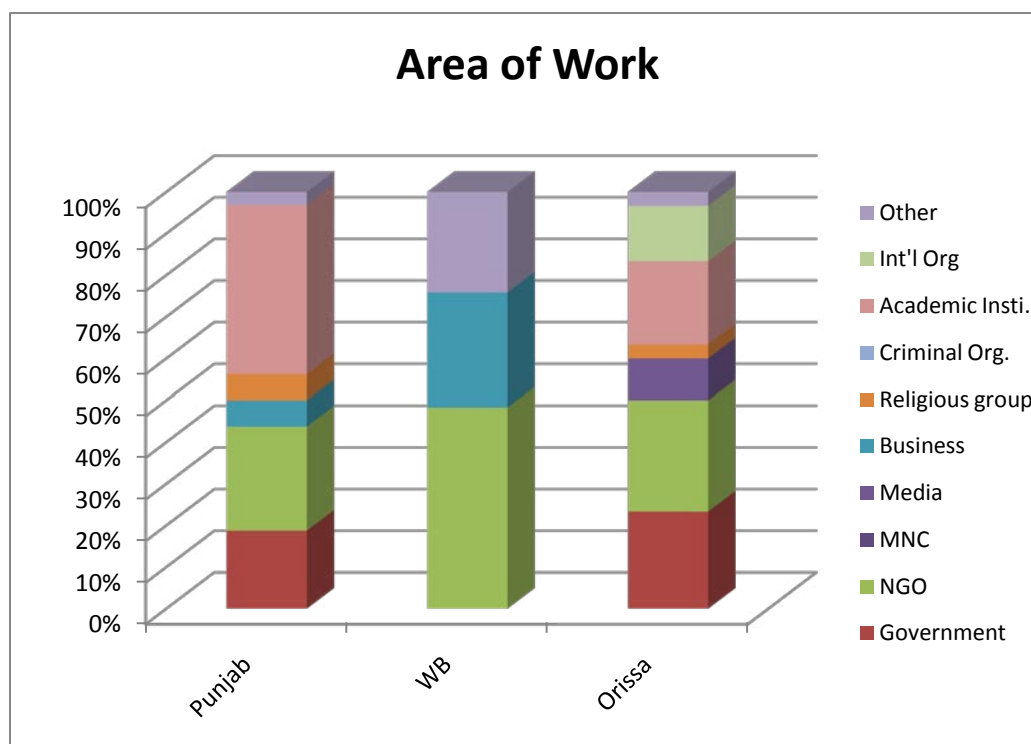


Figure 8: Area of Work of Respondents, Health Governance Assessment Survey, 2008

In figure 8 above, thirty-three percent of respondents overall identified their area of work as NGOs. Twenty-one percent of respondents work within an academic institution and fourteen percent work with government. Three percent of respondents work in the media, eleven-percent identified area of work as business, and, three percent work with a religious group. Four percent work with an international organization, and nine percent of respondents selected other.

In summary, this data is expected to be a useful ready reference document for scholars who are interested to know the basic profile of individuals whose area of work includes: government, nongovernmental organizations, multinational corporations, media, business, religious groups, academic institutions, and international organizations.

¹ Convenience sampling, sometimes known as opportunity sampling, is a type of non-probability sampling which involves the sample being drawn from that part of the population which is close to hand. That is, a sample population selected because it is readily available and convenient. Generally, using such a sample, commentary and interpretation for the results cannot scientifically generalize about the total population because it would not be representative enough. Convenience sampling does not make inferences about larger populations but rather studies the relationships that exist in a unique sample.

² See also Chapter Two, Research Design.

³ Weiner, Myron "The Regionalization of Indian Politics and its Implication for Economic Reform" in India in the Era of Economic Reforms (Edited by Jeffrey D. Sachs et.al.). New Delhi: Oxford University Press, 1999. p. 284.

⁴ Dréze, Jean and Amartya Sen. India: Development and Participation. New York: Oxford University Press, 2002. p. 84.

⁵ Weiner, Myron "The regionalization of Indian politics and its implication for economic reform" in India in the Era of Economic Reforms (Edited by Jeffrey D. Sachs et.al.). New Delhi: Oxford University Press, 1999. p. 285.

⁶ Dréze, Jean and Amartya Sen. India: Development and Participation. New York: Oxford University Press, 2002. p. 241.

⁷ Constitution of India, 1950, Amendments to 1947 Articles 341 and 342.

⁸ Constitution of India, 1947: Article 341 and 342.

⁹ The Government of India has no Scheduled tribes list for the States of Delhi and Punjab however, the same list was presented to study participant in Punjab.

¹⁰ Aristotle. Politics, translated by Ernest Barker. New York: Oxford University Press, 1995. p. 104.

¹¹ Census of India, 2001, "Primary Census Abstract."

¹² In the West Bengal districts of Birbhum, Bankura, Nadia, Uttar and Dakshin Dinajpur urban population to the total increased exponentially in 2001, as compared with 1991. See also D. Bannerjee's "Chapter 1: Structural Change" in West Bengal State Development Report, 2007. Kolkata: Government of West Bengal. p. 9.

¹³ See Census of India, 2001 "Primary Census Abstract."

¹⁴ The same definition used in the 2001 Census of India was adopted to give data relevance for general comparisons.

¹⁵ See Health Governance Assessment Survey, Appendix II for section on "Area of Work"

Curriculum Vitae

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