

CAMBRIDGE STUDIES IN  
COMPARATIVE POLITICS

**Democracy,  
Development,  
and the  
Countryside**

**Urban–Rural Struggles  
in India**

**ASHUTOSH VARSHNEY**

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## Preface

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This book has been long in the making. I began working on it when political economy as an area of inquiry *within political science* was still new. In the mid-1980s, the leading political science departments in the United States were investing a good deal of their professional energy in developing the field. The book was completed when, several years later, political economy had stabilized itself as a field of specialization. Confronted with a rising ethnic explosion in the world, the heady enthusiasm of the early years had dissipated; and rationality as a governing principle of human behavior, though relevant, seemed more limited than was generally assumed in the 1980s. An unarticulated awareness that a field at the intersection of politics and economics must also pay attention to identities, and not simply to interests, has finally crept in. As a result, a certain mellowness is in evidence, showing signs of the emerging intellectual maturity of the field.

This book follows what has come to be called the rational-choice method without, however, accepting all the substantive assumptions of those who work in the field. The method is used first to explain why rural India has become so powerful, a development that is theoretically and historically counterintuitive. The same method is then used to show the limits on rural power. The argument in the end is that religious, caste, and ethnic identities – or at any rate noneconomic interests defined in ethnic, caste, and religious ways – are now blocking the economic construction of rural interests. These identities, moreover, are unlikely to be subdued by the economic thrust of the farmers' movement and politics.

Two institutions – Harvard University, where I teach, and MIT, where I studied – have in various ways left their stamp on this book. The book was born as a doctoral dissertation at MIT. The political science department at MIT encouraged graduate students specializing in political economy to take classes in economics as well. Between 1983 and 1989, I spent roughly half of my time taking courses and interacting with economists at Harvard and MIT. It was invaluable training. I had earlier done political economy of the Marxian kind. Exposure to micro, macro, development, and international economics made me better appreciate economic arguments. It also sensitized me to the limits of economic argumentation.

My dissertation was supervised by two political scientists – Myron Weiner (chair) and Suzanne Berger – and two economists – Lance Taylor and Peter Timmer. Because two different kinds of disciplines were involved, the dissertation took longer than expected. I was, however, the beneficiary of the time spent on it. Without the well-rounded and close scrutiny it received from all four committee members, the book would have been quite different. I am indebted to all four of them. They were not simply rigorous supervisors, but at various points sensitive friends as well. Ph.D. students need both! MIT also gave my thesis the Daniel Lerner Prize for the best dissertation in 1989–90, a prize I shared with my friend Gary Herrigel.

Since the completion of the dissertation in 1989, I have incurred many more debts. Robert Bates, Peter Hall, Ronald Herring, Robert Keohane, Mick Moore, the late D. S. Tyagi, Samuel Popkin, and four anonymous referees at Cambridge University Press and the University of California Press read the manuscript in its entirety, or large parts of it, offering excellent advice and comments. On individual chapters, useful suggestions were made by Jorge Dominguez, Jonathan Fox, Sanjiv Goel, Stephan Haggard, David Laitin, John Mellor, Kalypto Nicolaidis, Ashwini Saith, and James Scott. The Comparative Politics Group at Harvard, chaired by Jorge Dominguez, commented on the last two chapters. Baldev Raj Nayar, Ajit Jha, John Echeverri-Gent and Ashwini Saith arranged presentations at McGill, UCLA, the University of Virginia, and the Institute of Social Studies at The Hague. In India, the two people who gave much of their time and expertise are no more. Raj Krishna and D. S. Tyagi would have loved to see this book in print. The Ministry of Agriculture of the Government of India, especially its Commission for Agricultural Costs and Prices, was very supportive. This was the first time I realized what more experienced social scientists already know – that the writing of a book is a collective enterprise!

The various stages of research and writing were funded by The Ford Foundation, The American Institute of Indian Studies, The Institute for the Study of World Politics, and the Department of Government at Harvard. My grateful thanks to all of these institutions.

Finally, some personal debts. Because of the time it takes and the demands it makes, a Ph.D. from the United States can be very trying – not simply for students but also for their families. My parents, in their old age, and my siblings watched the entire process with remarkable patience. Their love sustained me in moments of fatigue, of which there were many. A year after my dissertation was done, my wife, Vibha, arrived in my life. The book was still not in press and the second project had already commenced when we got married. There wasn't enough time left to be together. Vibha, I know, is very pleased by the publication of the book.

## A note on primary sources

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With isolated exceptions, political economy work on India's economic policy has tended to "read off" the *reasons* underlying state behavior either from the *results* of state action, or from the interests of powerful interest groups, such as the rich farmers and industrialists. The former is a case of methodologically inadmissible functionalism; and the latter, if unproved, is primarily an analytic imputation of power or influence, not its demonstration. Very few researchers have gone "inside" the state institutions to examine what forces, considerations, and interests actually shape the economic behavior of the state. Aiming to do the latter, this book is based on three new kinds of empirical materials: 27 years of published but unused government reports, 26 years of parliamentary debates, and about 70 interviews with the past and present policy makers. Published documents include: reports of the Commission for Agricultural Costs and Prices between 1965-92; *Lok Sabha* (Lower House of Indian Parliament) Debates on agricultural policy and town-country struggles between 1965-91; statistical reports of the Finance, Planning, and Agriculture ministries; and the reports of the various special government committees set up to look into agricultural policy since 1965. These documents shed considerable light on the struggles within the state institutions. However, a fuller picture emerged only after interviews with policy makers were conducted. Those interviewed included: most ministers and secretaries of Finance, Food and Agriculture since 1965; selected chairmen and members of Planning Commission; chairmen of the Commission of Agricultural Costs and Prices between 1965 and 1991; and several state chief ministers. Finally, to understand the peasant mobilization, many peasant leaders and activists were also interviewed. Wherever necessary, these materials were supplemented with newspaper reports.

The Government has been accused of surrendering to vested interests. It's a wrong interpretation. The simple point is that the takeover of wholesale trade was not an end in itself. We believed that it would be a good instrument for supporting the public distribution system and for building adequate reserves. . . . But the question has to be worked out in relation to the objectives of food policy. . . . After careful consideration, . . . we feel that it would be more helpful to rely on the traditional market mechanism for acquiring the needed quantities of foodgrains. . . .<sup>51</sup>

This was the last *public* speech given by a cabinet minister, or a major political leader, in India in favor of extracting surpluses from agriculture for financing development. After Dhar, no politician had the courage to argue that industrialization required a transfer of resources from agriculture. Dhar's was the last openly political defense of an economic postulate.

The notion that the power of the state could be used to tame the dominant class in the countryside was set to rest after 1974. In the event, its epitaph was written by the Prime Minister herself. In May 1974, about the same time as Dhar made the Lok Sabha speech, the Planning Commission met to discuss mobilization of resources for the Fifth Plan (1974-9). It recommended agricultural income tax as the best way to generate resources and finance the plan. Mrs. Gandhi "told the planners unequivocally that there was no question of taxing agriculture, adding that none of the experts in the Planning Commission and in the government . . . seemed to her to have a realistic appreciation of the political factors and constraints applicable to these matters. Agriculture could not be taxed for political reasons and so alternative ways of financing the plan had to be found."<sup>52</sup>

As for pricing, the wheat procurement price in the 1974-5 season was increased from Rs 76 to Rs 105 per quintal. The APC recommended a procurement price of Rs 95 per quintal, which the government raised to Rs 105,<sup>53</sup> the largest increase allowed in a single year in the procurement price up to then. This decision had implications beyond 1974-5. The base for subsequent procurement price decisions was raised within a year by 40 percent. The APC, thereafter, could not go below this base, irrespective of the size of the crop. As it turned out, the 1974-5 crop was bad but the next two years had good crops. What was a procurement price of Rs 105 for a bad year became the support price for the bumper years as well.

Also, throughout 1973-5, the Lok Sabha reverberated with the demand to include agriculturists on the APC. Mrs. Gandhi complied with the demand in late 1975. Chowdhry Randhir Singh, a Congress M.P. and an agriculturist, was appointed to the four-member Commission. He took charge in April 1976. Throughout his tenure, he disagreed with the professionals in the APC and wrote a note of dissent every year against the majority recommendation of the Commission, asking a higher price. On his own admission, he could influence the functioning of the APC, but lacking a

51 *Lok Sabha Debates*, 5th ser., vol. 50, May 10, 1974, excerpted from pp. 386-411.

52 *Economic and Political Weekly*, May 25, 1974.

53 *Lok Sabha Debates*, 5th ser., vol. 38, April 8, 1974, p. 56.

majority, he could not do so nearly as much as he would have liked to.<sup>54</sup> Soon, politicians in Parliament started demanding that the APC be chaired by an agriculturist and also have a majority of farmers, not of professionals. This demand was not met in the 1970s. A critical mass of decision-making elites, whatever their political rhetoric, remained wary of politicizing a technical body to such an extent. However, a stronger political push arrived soon, though in a different form.

#### 4.5 THE RISE AND FALL OF THE JANATA PARTY AND THE TRAJECTORY OF AGRARIAN POWER (1977-1980)

Mrs. Gandhi's defeat in the 1977 parliamentary elections brought the Janata party to power, which formed the first non-Congress government in New Delhi. Although called a party, the Janata was essentially a coalition of several existing parties.<sup>55</sup> *Bhartiya Lok Dal* (BLD), a party with a powerful following among the peasant castes of North India, was one of the key constituents of Janata. An undisputed leader of the BLD and a powerful peasant leader, Chowdhry Charan Singh became a central figure in the Janata party. Over the next three years, Charan Singh presided over some of the most important ministries: Home, Finance, and, upon the death of the Janata coalition in mid-1979, he became the prime minister of the country, though only for a few months.<sup>56</sup>

With Charan Singh and the BLD in power, a rural voice directly entered the highest strata of decision making. Until then, only the relatively less powerful ministries – for example, Agriculture – had represented rural interests in any direct sense. Whether the issue was preempting agricultural income tax or defeating nationalization of the grain trade, it was rural control over state governments which led to these pro-rural outcomes; for none of these policies could be implemented without the cooperation of state governments.

The Janata, like the Congress party, was an umbrella party whose range extended from the left-of-center socialists to the right-of-center Jan Sangh. Compared to the Congress party, all constituents of Janata had a less heavy-industry, more pro-agriculture ideology. But the extent to which agriculture could be promoted was a matter of some dispute. Thus, despite a consensus on giving greater weight to agriculture in economic policy, differences over the precise contours of agricultural policy emerged: what level of agricultural prices could be considered remunerative; how to restructure the APC; to what extent public resources should be used to subsidize agricultural inputs; which inputs ought

54 Interview, Chowdhry Randhir Singh, Delhi, January 23, 1985.

55 The coalition was hastily put together in response to Mrs. Gandhi's surprising call for elections after a year and a half of emergency during which she had suspended the democratic process and jailed most of the opposition leaders.

56 The electorate returned Mrs. Gandhi to power in 1980. For a description of the squabbles leading to the demise of Janata, see Myron Weiner, 1983, *India at the Polls, 1980*, Washington and London: American Enterprise Institute for Public Policy Research.

to be subsidized, and by how much. Public policy also became heavily entangled in a fierce power struggle between the various constituents and leaders of Janata, each trying to consolidate their hold over the fledgling party and government.

#### 4.5.1 Chowdhry Charan Singh: An agrarian ideologue in power

The ideology of the BLD and the political strategy employed by its leader, Charan Singh, had a significant impact on policy struggles. In order to fortify his own position and that of his party in the Janata coalition, Charan Singh used the method of mobilizing thousands of peasants for rallies to demonstrate his mass support. As a result, agrarian policy moved beyond the cloistered confines of interbureaucratic struggles: it now had to respond to the visibility of rural interests on the streets. Most political parties and the powerful metropolitan media had to begin to come to terms with this new force.

There were two sides to Charan Singh's politics: an ideological side that remained reasonably consistent throughout his public career since 1937, and a strategic side, which changed depending upon the exigencies of the situation. Venerated in rural Uttar Pradesh for his ideological consistency, he was equally disliked in urban North India for his strategic shifts.<sup>57</sup> A combination of the two, however, did make Charan Singh a formidable political force.

*Charan Singh's ideology.* Charan Singh's ideology was built upon a strong opposition to heavy industry and a stout defense of peasant proprietorship in agriculture.<sup>58</sup> The heavy-industry bias of Nehru's development model was, accord-

57 Charan Singh's political career can be summarized as follows. Born in a Jat (peasant caste) family of Western Uttar Pradesh, he joined the Congress party in the 1930s. Despite disagreeing with the policies of the Congress party, he remained in it for as long as the party was strong (1937-1967). He was a minister in the State of Uttar Pradesh from 1951-67. After the first post-Nehru elections in 1967, when the Congress party failed to win a majority of seats in the state legislative assembly, he left the party. Winning the support of the opposition parties, he became the state chief minister for a brief while. Later, he formed a new party, Bhartiya Kranti Dal (BKD), which became the second largest party in Uttar Pradesh after the 1969 elections. Once again he became the chief minister, but his government fell before long. In 1975, during the emergency, he was jailed with other opposition leaders by Mrs. Gandhi. In 1977, after the emergency, he moved from state politics to national politics.

58 Charan Singh spelled out his views in detail in his various works. The best known are: *Abolition of Zamindari: Two Alternatives*, Allahabad: Kitabistan, 1947; *Joint Farming X-Rayed: The Problem and Its Solutions*, Allahabad: Kitabistan, 1959; *India's Economic Policy: The Gandhian Blueprint*, New Delhi: Vikas Publishing House, 1978; and *The Economic Nightmare of India: Its Cause and Cure*, Delhi: National Publishing House, 1981. A critical survey of his worldview has been provided by Terence Byres, 1988, "Charan Singh (1902-87): An Assessment," *The Journal of Peasant Studies*, vol. 15, no. 2, (January), pp. 139-89. For Charan Singh's struggles within the Congress party in the 1950s and 1960s, see Paul Brass, 1984, "Division in the Congress and the Rise of Agrarian Interests and Issues in Uttar Pradesh, 1952 to 1977," in his *Caste, Faction and Party in Indian Politics*, vol. 1, Delhi: Chanakya Publications.

ing to him, wrong because it was capital-intensive, whereas India's high population density and its consequent need for massive employment required small-scale industry and low-capital intensity. He was against industrialization based on transfer of resources from agriculture; rather, an agricultural revolution was a necessary precondition for sound industrialization. Singh defined "agricultural revolution" as a technological revolution that would increase production per acre in a system based on peasant proprietorship – a system based on family farms having a size between 2.5 and 27.5 acres. Peasant proprietorship was necessary because "a peasant owner has been known to work harder and for longer hours than a tenant or a wage laborer,"<sup>59</sup> something collectivization or farm cooperatives could never achieve. The farm size should be between 2.5 to 27.5 acres, because, according to him, evidence and experience suggested that farms larger than 27.5 acres were inversely related to productivity and those smaller than 2.5 were not viable. By technology that would revolutionize agriculture, he meant "better farming practices in general," in which he did not include large-scale machinery such as tractors, which, like large machinery in industry, were labor-displacing. He was also initially against chemical fertilizers but changed his position in the 1970s.<sup>60</sup>

Charan Singh's main criticism of the Congress model of development was that it neglected villages and was excessively industry- and city-biased. How did this anti-rural model survive in a predominantly agrarian society? "Political power," he argued, "lies in the hands of urbanites to whom urban interests naturally come first."<sup>61</sup> "To the town dweller," he added, "the farmer was a mere grist in the mill of economic progress on whose bones the structure of heavy industry was to be reared."<sup>62</sup> Charan Singh's mission was to put rural India securely on the power map.

*Factional struggles in the Janata party and agricultural policy.* Charan Singh's party accepted this ideological vision, but so long as the party was important only at the state level, the question of changing the country's economic policy and resource allocation between agriculture and industry did not arise. After 1977, with Charan Singh's party in power in Delhi, an opportunity presented itself. Charan Singh's first victory came when the program of the Janata party was formulated: "The relative neglect of the rural sector has created a dangerous imbalance in the economy. The farmer has been consistently denied reasonable

59 Singh, *Abolition of Zamindari*, p. 132.

60 The hostility to chemical fertilizers expressed in *Joint Farming* is considerably diluted in *India's Economic Policy*.

61 Singh, *The Economic Nightmare*, p. 208. This view is identical to Michael Lipton's famous urban-bias argument. Although the quotation I have cited is from 1981, Charan Singh had been writing about urban bias in Indian development since the mid-1950s, almost a decade before the idea was first developed by Michael Lipton.

62 Singh, *The Economic Nightmare*, p. 205.

and fair prices for what he produces. Allocations for agriculture and related development have been grossly inadequate and the need for improving conditions in the villages has received scarce attention."<sup>63</sup> A new idea about agricultural prices in the Indian context – “parity prices” between agriculture and industry – was also explicitly incorporated in the party manifesto: “The farmer must get remunerative prices based on the principle of parity that balances the prices at which he sells his produce and the price he pays for the goods he buys. If the rural sector is to grow and flourish, it must be accorded favorable terms of trade as a matter of overall national policy.”<sup>64</sup>

Whether these two propositions – change in investment patterns in favor of agriculture and paying “parity prices” to farmers – could be realized depended upon how far the other constituents of the Janata party were willing to go with Charan Singh. He believed that his party was the main reason for Janata’s rise to power, and therefore he should have a suitably powerful role, both in government and in the affairs of the Janata party. The other main constituents of Janata – the Congress faction, led by Prime Minister Morarji Desai, and the Jan Sangh – were unwilling to concede primacy to the BLD and Charan Singh.<sup>65</sup>

Swings in personal political fortunes were the first expression of this struggle. After a year in government, Charan Singh, India’s Home Minister,<sup>66</sup> was sacked by Prime Minister Morarji Desai on the ground of indiscipline. Not so easily tamed, and to demonstrate his strength, Charan Singh organized a landmark peasant rally in December 1978.<sup>67</sup> An estimated one million peasants – mostly from North India but from other parts of the country as well – came to Delhi. A 20-point charter of peasant demands was framed and the Janata government was stridently criticized for its betrayal of farmers. The principal demands included: greater representation of farmers on the APC and on all other government bodies dealing with rural areas; parity prices between agriculture and industry; larger subsidies for fertilizers, irrigation, electricity, and other inputs; and an aggressive governmental search for foreign markets for agricultural exports.<sup>68</sup>

63 The Janata party, *Election Manifesto 1977*, Delhi, p. 12.

64 *Ibid.*

65 Plan investment in the agricultural sector did go up from 22 percent of the total investment in the Fifth Plan under Mrs. Gandhi to 26 percent under Janata, but that was not a big victory for Charan Singh. All constituents of Janata wanted to allocate more resources to agriculture. Even the Congress faction (O), traditionally inclined toward big industry, had shifted its position after it became a constituent of the Janata party.

66 Home is typically considered to be the second or third most powerful ministry, along with Finance and External Affairs.

67 Singh’s supporters had organized a similar peasant rally on his birthday a year before, when he held the Home portfolio. However, it was not as massively attended. Now out of government, Singh had to make a stronger point. His political strategy during 1977–80 seems to have been to consolidate his personal position, as well as that of his party, through periodic demonstrations of mass support. No Janata leader could match him in this act.

68 For details, see Marcus Franda, 1980, “An Indian Farm Lobby: The Kisan Sammelan,” *American Universities Field Staff Reports*, Washington, D.C.

The massive success of the peasant rally,<sup>69</sup> had a twofold effect. Its first impact was on the metropolitan media and its vast national network. News about the emerging peasant ferment had hitherto been confined to local and regional newspapers, or to insignificant spaces in the national newspapers. The metropolitan media was now face-to-face with a new reality. "Peasant power" made the headlines and entered the editorial rooms. Typical of the urban response was the editorial in the *Hindustan Times*, according to which a peasant organization, "speaking exclusively for the rural areas and articulating a set of comprehensive demands . . . has every chance of becoming a major political force, bringing on the national scene a distinct political culture which may not always be in tune with modernity."<sup>70</sup>

The second effect of the rally was Charan Singh's restoration to power. Within a month of the rally, Singh was brought back into the government, this time with an enhanced status. Called Senior Deputy Prime Minister, he was also given charge of the Finance Ministry. He quickly proceeded to make a budget for the country that "had the breath of the people and the smell of the soil."<sup>71</sup> Singh reduced the various indirect taxes on chemical fertilizers (by as much as 50 percent), mechanical tillers, diesel for electric water pumps; lowered interest rates for rural loans; increased subsidy of minor irrigation; and earmarked funds for rural electrification and grain-storage facilities. Hardly concerned about the outcry in the media that it was a "kulak budget," he had made his political point.

He seems to have accepted chemical farming

#### 4.5.2 Struggle over parity prices: Technocrats over politicians?

The Janata party had promised "parity prices" in its election manifesto. The notion of parity price requires some explanation. Parity can have two meanings: parity between input and output prices; and parity between the prices of goods sold by the agriculture sector and the prices of those it buys. The second notion is more inclusive. The first notion means that adjustment in output prices would be made in accordance with changes in input prices so as to protect some acceptable level of return from farming. The second notion not only includes inputs but also the goods bought by the rural sector, including consumption goods. It therefore implies that agricultural prices would be fixed according to the costs of rural living, not simply the input costs of farming. The Janata manifesto meant parity in this second sense.

The proposal for parity prices was therefore aimed at converting the *price*

69 "For two days, the traffic in and around Delhi was completely disrupted, as rows and rows of tractors, trucks, buses, and bullock carts poured into the city. Most of the Ring Road, the beltway that surrounds New Delhi, was used as a parking lot on the day before and during the rally. The largest open spaces in the city – the Red Fort grounds, the Ferozeshah Kotla grounds – all became kisan grounds for the two days." Franda, *ibid.*, p. 23.

70 *The Hindustan Times*, December 25, 1978. Subsequently, such editorials became a normal fare.

71 Ping Ho Kwon, 1979, "Singh Takes the First Step to Capitalism," *Far Eastern Economic Review*, March 23, p. 76.

policy into an *incomes* policy. Rural incomes would be protected irrespective of what happened to the supply and demand of agricultural products, or to relative technical changes in agriculture and industry. In principle, an excess of supply over demand or cost reduction via technical change should bring prices down. By focusing exclusively on incomes, however, parity prices would prevent this from occurring. A policy like this would have been a great boost to the countryside – in the short and medium run. But it required a change in the terms of reference of the APC. The original terms of the APC defined producer incentives primarily with respect to input costs, not living costs.

The Agriculture Ministry drafted the revised terms aimed at parity but faced opposition from other ministries.<sup>72</sup> In particular, economists in the Planning Commission, as well as the then APC chairman, opposed the proposal on technical grounds.<sup>73</sup> Their argument is worth quoting at length:

The parity approach was perhaps relevant in a chronic surplus situation which prevailed in the United States in the inter-war period. In that situation the main objective was to support the real farm income at some level. In Indian conditions, the main justification for an agricultural price policy is either to stimulate production growth or to induce desirable changes in the crop-mix. The Indian policy is correctly based on the assumption of a continuing long-term excess demand situation (interspersed with short-run surpluses of particular crops). The present . . . policy of covering the full cost . . . in the procurement price is an appropriate one. . . . Such full cost pricing automatically escalates the procurement price when input prices go up. Therefore, the *input price* part of "prices paid by farmers" is already fully covered by the present policy. So far as the other part of "prices paid by farmers," namely, the *cost of consumption goods*, is concerned, there is very poor justification for linking the procurement price to it in Indian conditions. . . . The farmer deserves no more protection than other classes in society. . . . Protection against price increases in consumer prices is deserved the most by the rural and urban poor in the unorganised sectors. But for such protection the right method is not . . . escalation of the procurement price but . . . extension of a rational public distribution system to cover the bulk of the poor – farmers and non-farmers – in the unorganised sectors.<sup>74</sup>

Further, the parity price formula was undesirable because: "if mechanically followed, it would have the effect of freezing price relationships as they obtained in the past and, by disregarding the changing realities of demand and supply, it would have the effect of obstructing the optimal allocation of productive resources."<sup>75</sup>

In short, then, the economists made three generic arguments against a revision

72 Bhanu Pratap Singh, then Minister of State for Agriculture and an important member of Charan Singh's party, had drafted the proposal. S. S. Barnala, Agriculture Minister at the time, fully supported it.

73 The late Professor Raj Krishna, then a member of the Planning Commission, along with Dharm Narain, who was still the chairman of the APC, led the counterattack.

74 Memorandum from the Planning Commission to the Ministry of Agriculture, April 23, 1979. I am thankful to the late Raj Krishna for making this memo available to me before his death and for permitting me to quote it. I should add that it was not a confidential memo.

75 From the Summary of Discussion held under the chairmanship of Dr. Raj Krishna, Planning Commission, "On Parity Approach for the Fixation of Agricultural Prices," April 3, 1978.

in the terms of reference of the APC: (1) input-output price ratios were already covered in the existing terms, guaranteeing returns over input costs; (2) in India, price policy could not be used as an incomes policy for which other instruments were more appropriate; and (3) a parity price formula, by freezing price relationships, went against the principle of supply and demand (resources would continue to be invested in sectors where it was profitable to invest them *now*, no matter what happened to the demand for the products of that sector *in future*).<sup>76</sup> Ultimately, the economists' argument did triumph. The terms of reference of the APC remained unchanged during the Janata rule.

In some circles of India's economic bureaucracy, the parity price case has come to be known as one where the technocrats defeated the politicians in the struggle for economic policy. This judgment seems somewhat overstretched. Although it is certainly true that the case against parity prices was forcefully argued by some leading and highly respected government economists, it is unlikely that, left to themselves, the economists would have won the battle. Support came from both Prime Minister Desai and Finance Minister H. M. Patel.<sup>77</sup> Patel had already expressed his view in Parliament: "The term parity means that in any price that [the farmer] gets, account would be taken of the inputs. Whatever price he has to pay for them he should be able to recover when he sells the produce."<sup>78</sup> The vicissitudes of Charan Singh's personal political fortunes also assisted the economists. For the proposal to go through, support of the Prime Minister's office, and/or the consent of Finance and Planning were required. Given the nature of the Janata coalition, Charan Singh's party, or like-minded agrarians, could not dominate all of these ministries.<sup>79</sup>

76 The economists, however, did agree that the terms of trade ought to be reviewed from time to time and, if a sharp fall in agriculture's terms of trade took place, some adjustment ought to be made in the procurement price. Beyond that, the argument for parity was rejected.

77 Both belonged to Congress (O). It is unclear whether their support came because of political reasons – namely, need to contain Charan Singh – or was due to intrinsic economic reasons. From my interviews, it seems it was a mixture of both. Desai and Patel were, among other things, keen on price stability and looked at increases in food prices with concern.

78 *Lok Sabha Debates*, 6th ser., vol. 8, December 9, 1977, p. 355.

79 However, mention should be made of a peculiar discrepancy I have discovered in Charan Singh's position on parity prices. On all public platforms, as well as in his 1981 book, he advocated parity prices. In *India's Economic Nightmare* (1981), he wrote: "According to all canons of justice and fair play, the procurement price of agricultural produce should be based on the principle of parity between agricultural and non-agricultural prices . . ." (p. 201). Further, "fixation of procurement prices of agricultural produce according to the principle of parity is not a novel or chimerical idea. Both communist China and democratic U.S.A. have followed it" (p. 202). Charan Singh took these positions in the peasant rallies too. In his 1979 book, however, he took a very different point of view: "Production of agricultural products in quantities surplus to the needs of the community must necessarily result in a fall in agricultural prices. . . . If, and when, this fall occurs and persists over time, the most obvious course, dictated by elementary principles of economic science and by their own self-interest, is for workers from agricultural pursuits with lower incomes to shift to non-agricultural pursuits, or industries and services with higher in-

*4.5.3 Personnel changes*

An attempt was also made to alter the functioning of the APC by making personnel changes. In October 1978, A. S. Kahlon was chosen by the government to succeed Dharm Narain, chairman of the APC since 1969–70.<sup>80</sup> This personnel change reflected the ideological proclivities of the agrarian bloc in Janata. Whereas Narain had repeatedly stressed the need to halt the rise in procurement prices, Kahlon was convinced that, if anything, a larger increase in procurement prices was required to “keep the tempo of production going.” Whereas Narain’s analysis always took note of the impact of food prices on the rest of the economy, Kahlon was primarily concerned with their impact on food production. The two chairmen did not disagree on what needed to be done in the rice economy. Rice production had still not taken off, and since wheat surpluses had started accumulating, even Narain was arguing for reducing price incentives for wheat and diverting the freed-up resources toward increasing incentives for rice production. Kahlon pitched for an increase in both, on the grounds of keeping incentives intact and enlarging public stocks of grain, so that in case of a decline in supply, the country would have enough stocks to fall back upon.

To illustrate the difference between the two approaches and how politicians saw them, consider the arguments made by these two heads of the APC in identical circumstances. By 1977–8 India’s food production once again inspired confidence. After two bumper crops, public stocks had a record 20.6 million tons of grain in July 1977. Wheat stocks stood at 14.6 million tons. Rice made up the rest, with coarse grains constituting a negligibly small proportion of stocks.

Another good crop was expected in 1978–9. The APC under Narain argued: “When the need is for a policy of aggressive support purchases to prevent the price of wheat from falling below the level of existing procurement price, there is demand in some quarters for a substantial hike in the procurement price. . . . A step-up in the price in the present situation carries some important implications which . . . cannot be brushed aside.”<sup>81</sup>

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comes. . . . *It is not a calamity but a consummation much to be desired.* . . . Those who cite the example of the U.K., the U.S.A., or other highly developed countries fail to realize that while the problem for these countries is how to make the few persons that there are still left in agriculture stay therein, the problem for India, in fact, for every underdeveloped country is just the contrary, viz., how to ensure that release of workers from agriculture is not impeded” (*India’s Economic Policy*, pp. 40–1; emphasis added). In fact, the entire section in the book on farm prices (pp. 35–44) is an argument against a price-support policy, and Singh takes issue with the specific proposal presented by B. P. Singh, then Minister of State of Agriculture, on parity prices (pp. 36–7). Seen in the entirety of his work, Singh’s 1979 writing seems to be a thoroughly puzzling outlier.

80 Kahlon was a professor of agricultural economics at the Punjab Agricultural University (PAU). His views on the role of prices in production were very different from Narain’s. For details, see A. S. Kahlon and D. S. Tyagi, 1983, *Agricultural Price Policy in India*, New Delhi: Allied Publishers.

81 *Rabi Report for 1978–79*, p. 5.

The APC then outlined what these implications were:<sup>82</sup> (1) a higher procurement price would mean a higher budget subsidy, already at Rs 450 crores, or a higher consumer price, which, according to the APC, did not make sense, as stocks were to be diminished, not further increased; (2) the need was to encourage production of pulses, some of which, mainly gram, competed with wheat for acreage in winter, and therefore required better price incentives as well as diversion of resources from wheat so that the technological base of pulse production could be improved; (3) as wheat costs were up, the point was to reduce them by putting resources into irrigation and improving yields in areas bypassed by the green revolution, instead of keeping wheat margins intact in advanced areas by increasing prices to make up for the rise in costs. The APC therefore recommended that the procurement price of wheat be maintained at the last year's level of Rs 110 per quintal.<sup>83</sup>

With Kahlon at the helm, for the next three years the APC, while accepting that "wheat production has maintained a steady rise,"<sup>84</sup> ignored argument (1) even though food subsidy continued to rise; dismissed (2) on the ground that "in the case of gram, no technological breakthrough is in sight yet," and therefore "no pitching up of administered price can fully compensate for lags in gram technology"; and turned argument (3) around to recommend an increase in procurement price – because costs had gone up, price had to go up as well. Wheat production, it should be emphasized, had increased in both years, which Kahlon did not consider as important as the increase in costs. Kahlon added one more argument in favor of price increase: "rise in the international price of wheat since 1977 . . . calls [for] . . . the developing countries . . . to look more and more towards national self-sufficiency in food production with particular emphasis on wheat which has become costlier in the international market."<sup>85</sup>

Thus, while Narain tried to balance the micro- and macroperspectives on food production, Kahlon was essentially working on the basis of a microperspective, without any consideration of the larger impact of food prices on budgetary subsidies, income distribution, or the general price level in the economy. In the Indian context, a macroperspective, as already explained, typically calls for restraint on food prices, whereas a microperspective uses price incentives as a basic tool for raising production. A far cry from the Nehru era, when a macroperspective on food prices dominated the economic and political landscape, a rise in agrarian power and a microperspective on food prices seemed to mesh.

But the movement toward this marriage had long been in the making, which suggests that structural pressures in the polity favoring the agrarian sector had been building up no matter which party ruled the center. Table 4.5 shows how

82 Based on *ibid.*, pp. 5–7.

83 The government did not accept the recommendation and raised it to Rs 112.50.

84 This quote, and the ones below, are from the *Rabi Report for 1979–80*, pp. 2–7.

85 *Rabi Report for 1980–81*, p. 2.

Table 4.5. *Wheat procurement price:  
The APC versus the government*

Year	Price recommended by the APC	Price declared by the government
<i>Under Narain</i>		
1970-1	Rs 72	Rs 76
1971-2	Rs 74	Rs 76
1972-3	Rs 72	Rs 76
1973-4	Rs 72	Rs 76
1974-5	Rs 95	Rs 105
1975-6	Rs 105	Rs 105
1976-7	Rs 105	Rs 105
1977-8	Rs 105	Rs 110
1978-9	Rs 110	Rs 112.50
<i>Under Kahlon</i>		
1979-80	Rs 115	Rs 115
1980-1	Rs 117	Rs 117
1981-2	Rs 127	Rs 130
1982-3	Rs 142	Rs 142

*Source:* Various APC Reports. The two varieties are Mexican and common white indigenous.

often the APC price recommendations under Narain were upwardly revised even by the Congress government. In fact, only in two years during the Congress rule in the decade was the APC recommendation accepted. Janata, by appointing a more politically acceptable chairman, simply preempted a possible source of bureaucratic tension, ensuring that the institution recommending producer prices had the same perspective as the political bosses.

#### 4.5.4 *Assessing the significance of Charan Singh and the Janata party*

The Janata government did not last beyond mid-1979, nor did Charan Singh remain in government after December 1979. But Singh's significance survived his fall.<sup>86</sup> To be sure, by the end of the decade, agricultural price agitations had started breaking out in parts of India including places where Singh had no political standing. The state of Tamil Nadu, in particular, had witnessed a violent riot in 1978. But these agitations were all regional or local. They became an

<sup>86</sup> Janata broke up into its constituents in the 1980 elections. Mrs. Gandhi returned to power with a solid majority in the Lok Sabha. Of the former Janata constituents, Charan Singh's Lok Dal did best, emerging as the second largest party in the Lok Sabha; but it finished far behind Mrs. Gandhi's Congress party.

important political force only in the 1980s. It is unlikely that these agitations, and the issues they raised, would have caught the national political attention so quickly if between 1977 and 1980 Charan Singh had not made them into issues of central political concern. Similarly, agrarian representation in Parliament had been rising; but before Charan Singh no leader of stature so completely identified his political career with rural India. Charan Singh did not singlehandedly transform rural India into a national political force, which ideally he would have liked to do, but it would be fair to say that he dramatically represented an emerging political trend and, in doing so, contributed to its strengthening.<sup>87</sup> He forced the urban media, political parties, and the top echelons of government to acknowledge a new force in politics.

A comparison with C. Subramaniam may be useful here. Subramaniam changed the agricultural policy of the country but did not mobilize rural India for political purposes. He was essentially a technocratic politician, not a flaming ideologue or a fiery political mobilizer. Charan Singh's impact was precisely the opposite. He was unable to give a new direction to the country's economic policy, which he would have if the parity price formula had gone through or the resource allocation between industry and agriculture had been durably altered. But, through peasant mobilization and an unrelenting advocacy of the villages, he contributed to the emergence of rural India on the national power map. His politics led to a change in the ideological discourse of Indian politics, an effect Subramaniam was unable to achieve. After Charan Singh, all political parties had to accommodate the new peasant power in their political programs and strategies.

#### 4.6 SUMMARY

As argued earlier, the change in agricultural policy in the mid-1960s had been primarily a state initiative, with remarkably little input from rural India. The decade of the 1970s, however, began to change this relationship. Pressures on the Indian state and on agricultural policy mounted as rural power expressed itself in two forms – one old, the other new. Blocking the implementation of unfavorable policy measures at the state and local levels was the well-known, old form. It continued in the 1970s, as an unwelcome nationalization of grain trade was squarely defeated. However, as the decade ended, rural-based parties made a transition from state politics to national politics, which enabled them to exert direct influence on the policy-making organs of the Indian state.

The economic and policy implications of the change in power structure did not, however, correspond to the best-case scenarios that the new agrarian force was striving to achieve. The new power realities did succeed in preventing the worst-case scenarios from taking place: for example, a fall in prices that would

87 For tributes to Charan Singh made by political leaders, see *Asli Bharat*, December 1990, special issue on Charan Singh's birthday.

have normally accompanied an accumulating grain surplus. The new power configuration also succeeded in substantially changing the composition of the state institution responsible for setting prices so as to ensure favorable policy outcomes. But the best-case scenario – a change of the very principles of price policy in a partisan rural direction – remained unrealized. The economic bureaucrats in the government fought the rural politicians, using standard notions of economic theory as their armor. While they were unable, as one would expect, totally to subdue the politicians, they were not totally subdued either. Given that all spaces in the landscape of power were not occupied by agrarian partisans, the technocrats were able to exploit the divisions in the political wing of the government to restrain the agrarian ideologues. The net result was tilted toward agrarian India, but in the absence of countervailing checks and balances in the system, the tilt would have been considerably steeper.

As the 1980s started, yet another index of agrarian power emerged. Farm-price agitations – robust, stable, and widely supported in the countryside – spread to many parts of the country: Maharashtra, Tamil Nadu, Karnataka, Punjab, Gujarat, Uttar Pradesh. More importantly, the leadership of rural India would no longer be a monopoly of political parties. Previously little-known leaders, heading nonparty political formations, increasingly came to the fore. Political parties redoubled their efforts to wrest the initiative from the nonparty political actors, but nonparty mobilizations maintained their vibrancy. Both in party and nonparty politics, rural pressure thus began to accumulate.

"The author has produced a truly exceptional book. His clear style, comparative focus, and methodologically sophisticated approach make this book a major contribution to the field of political economy, comparative politics and Indian Studies. Varshney has established himself as one of the leading young scholars in the field."

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"In this important book, Varshney pits established wisdom about agrarian politics and urban bias with the data from India, one of the most significant cases in Third World development. The result is a substantial and exciting reappraisal of what we thought we knew. We learn much about the impact of political institutions, about the significance of democracy, and about the limits of rural power. A major work."

—Robert Bates, *Harvard University*

"This is the definitive study of how India's bureaucrats, politicians and organised agrarian interests transformed India's agricultural policies. Varshney shows how the politically mobilized agrarian sector was able to overcome the urban bias that has impeded agricultural growth elsewhere in the late developing countries. An outstanding contribution to the political economy literature."

—Myron Weiner, *MIT*

Several scholars have written about how authoritarian or democratic political systems affect industrialization in the developing countries. There is no literature, however, on whether democracy makes a difference to the power and well-being of the countryside. Using the example of India, which enjoys the longest-surviving democracy of the developing world, this book investigates how the countryside uses the political system to advance its interests.



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