

CITIZENSHIP AND ACCOUNTABILITY: THE CASE OF INDIA

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Introduction:

This paper examines different facets of accountability in India. It proceeds in three sections. Section 1 (p1-5) discusses some theoretical issues in the relationship between democracy and legitimacy and argues that the relationship between these two concepts is contingent. In order to produce accountable institutions this gap needs to be bridged. But this gap can be bridged only by taking into account the regulative ideal of politics citizens operate with. Section 2 (p.5-9) looks at two features of the regulative of ideal of politics in India that have enhanced the gap between democracy and legitimacy. Section 3 (p.10 -36) looks at different *institutional* aspects of accountability and treats in turn questions of institutional design, electoral accountability, delegation, social mobilization and decentralization. The paper treats all of the questions simultaneously because its central argument is that these different aspects of the accountability problem are related and attacking one in isolation alone does not help.

SECTION ONE

Accountability, Legitimacy and Democracy: A Theoretical Point

The notion of accountability is admittedly very complex. At a very prosaic level accountability is often defined as the ability of one actor to demand and explanation of another actor for its actions and reward or punish the actor on the basis of its performance or its explanation (Rubin, 2005; Shepsle, 2000). But this conception of accountability invites some prior questions. First, why do we *care* about accountability? One can give various answers to this question. At a minimum we care about accountability for prudential reasons: if we could not hold actors whose actions impinge upon our lives accountable it is very unlikely that our core interests, however defined will be protected. One could care for accountability for moral reasons. The inability to hold actors whose actions affect is a violation of our moral standing and worth as individuals. It places us in relations of asymmetry to other actors in a way that fail to do justice to our equal moral standing. Second, even if we agree that there are many reasons to care about accountability, there is the immense challenge of reconciling competing claims to

accountability. First, there is a question of delineating lines of authority: Who should hold whom accountable and on what terms? Even if we had an answer to this question, there is the practical challenge of designing institutions that make accountability an effective notion by instituting a system of credible sanctions and rewards. Later on in this paper I will give a *tour d' horizon* of how institutions of accountability have fared in India in recent times. But I want to set the context for that discussion by raising a couple of theoretical points that will I hope give some clarity to what is at stake in discussions of accountability.

Any discussion of accountability, especially in democratic societies, misses a good deal if it does not begin with some account of the relationship between two key concepts: democracy and legitimacy. In many discussions the relationship between these two concepts remains obscure and often leads to a fundamental confusion over the requirements of good governance. *Indeed, it is my contention that the fundamental challenge of creating accountable institutions is to bridge the gap between democracy and legitimacy.* But bridging that gap requires two things. It requires properly designed institutions which is the focus of the second part of the paper. But is also requires an appropriate conception of politics, an account of the norms and expectations that citizens bring to their political conduct. In the first part of the paper, I briefly elaborate on this point.

What do I mean by the *gap between democracy and legitimacy*? The association of the two concepts is largely contingent. *The concept of legitimacy concerns the reasons persons who stand in particular political and social relations have for accepting those relations.* Understood normatively, legitimacy involves an answer to the question: Are political relations in which citizens stand to each other or to those who exercise power over them acceptable to them? To put it in slightly more utopian terms, the modern understanding of legitimacy is this. Legitimacy obtains when the terms of the political relations, the reasons given for the exercise of political power are mutually acceptable and freely chosen.

Democracy is, in the first instance, a way of constituting and regulating political relations, and the powers they constitute, such that these relations receive popular authorization. In order for this authorization to be meaningful we stipulate certain baseline conditions. The fundamental values of freedom, political equality and publicity enshrined in democratic constitutions describe the conditions under which popular authorization can meaningfully take place. Giving popular authorization fullest expression through representative institutions is an enormously complicated task and I shall resist the temptation to talk about this matter here. Rather I want to focus on the gap between democracy and legitimacy. Although there is some overlap in the two concepts (they both acknowledge the value of political equality), these are nevertheless separate concepts whose relationship is contingent.

A proper theory of democratic governance will have to connect two things. It will have to connect a political practice, namely *popular authorization* with a *standard of justification*, the idea of mutual acceptability. To put it bluntly, *democracy can be regarded as a source of legitimacy if democracy can be conceived of as routinely producing justifications for policies that all can*

accept. The question is this: why will practices of popular authorization produce modes of governance that all can freely accept? Is it necessary that democracy will produce mutually acceptable justifications? The challenge for any conception of accountability is to show how practices of popular authorization can be made to produce policies and standards of justification that are mutually acceptable to all citizens. Popular authorization alone cannot bear the burden of legitimizing the exercise of governing power. Indeed, on the account suggested above it is possible that citizens may experience a certain kind of alienation even from a political process where practices of popular authorization are well established, if these practices do not produce outcomes that are mutually acceptable.

There are many ways of explaining the gape between democracy and legitimacy. Most of these explanations focus on the ways in which the workings of popular authorization are distorted by the operations of power in any given society. On the view the practice of popular authorization does not, as the ideal would lead us to believe, happen in the context of freedom, equality and publicity. On the contrary, actual democracies work in the context of a good of social and economic inequality and manipulation that in turn bears upon democracy itself. Other explanations focus on the ways in which the institutional organization of power within democracies can impede the production of mutually acceptable agreements. There is much truth in these cautionary tales as the empirical study of any functioning democracy will reveal. But these accounts miss out on one important dimension that I would like to stress here. *For democracy to realize in political practice the requirements of legitimacy, it is necessary that those participating in democratic politics share common beliefs about the aspiration of democracy: reaching mutually acceptable agreements.* These shared beliefs about the aims of democracy must shape political conduct. It is important to stress, that there is nothing intrinsic about the practice of democracy to suggest that citizens will in fact share the ambition of reaching mutually acceptable agreements.

The political theory of democratic legitimacy relies on a resource that democracy itself cannot produce or secure: the practical and regulative aim of those engaged in democracy to reach mutually acceptable agreements. How and when do democracies reach the point where citizens orient their conduct according to this regulative ideal of seeking mutually acceptable agreements? Democracies, like India's for instance, can be stable for a variety of reasons: for instance, the contingent balance and fragmentation of power amongst different groups may enable practices of popular authorization to take place. But the fact that a democracy is institutionalized does not entail that citizens share some regulative ideals about democracy. But this poses a challenge for any conception of accountability. For if citizens themselves are not motivated by the desire to find mutually acceptable agreements, but look upon their relationships competitively, what content can we give to the notion of accountability? I want to emphasize one point here: democracies can be quite stable and flourish because of competition between groups. But whether these democracies produce social and political relations that are acceptable to all is another matter. For accountability to be possible the practices of citizenship, the ensemble of values by which citizens orient their conduct towards each other, must take on board the desire to find mutually acceptable agreements. Otherwise the core question of accountability - accountability to who and what terms - cannot be answered. In short, if citizens do not aspire to live in a world governed by terms that

all can freely accept, then it is difficult to give theoretical and practical content to accountability.

The political theory of democratic legitimacy relies on a resource that democracy itself cannot produce or secure: the practical and regulative aim of those engaged in democratic politics to reach mutually acceptable agreements. Democracy cannot itself produce this aim because the public reasoning of free and equal persons does not of its own accord tend to end in agreement. . Democracy cannot itself secure this aim because the values of equality, freedom and publicity that constitute the democratic ideal are not themselves sufficient to motivate pursuit of this aim to reach agreement is to grounded only in terms of the values of equality, freedom and publicity that are intrinsic to an ideal of democracy itself, much more needs to be said about how appeal to these values might ground the aim of pursuing agreement. Each of these values can be interpreted in divergent ways, and what is required for the realization of another, say equality. Thus, while the appeal to these values furnishes important common ground, it is far from clear that disagreement will not range widely within this shared space. The very ideal of interpreting freedom, equality and publicity in such a way that they support the aim of reaching agreement itself seems to presuppose this aim. *If the aim of accountability is to produce policies and relations we could, as citizens freely accept, then citizens have to be governed by the desire to find mutually acceptable agreements.* For democracy to produce agreement more is required than that its participants share important but broadly conceived substantive political values; they must share the regulative aim of reaching agreement by coming together to reason publicly as free and equal persons.

Whether or not citizens find the idea of mutually acceptable social relations attractive depends on what kind of social world they are attracted to. What makes the idea of living in a society governed by mutually acceptable agreements attractive? Here is a abstract sketch of an answer. One contrast that illuminates the intrinsic normative pull of this ideal is that between a world in which all are to some degree dominated by their unregulated association, and one in which all are engaged in the shared project of trying to make each equally free. Here domination (or unfreedom) is understood as unjustified pervasive coercion or influence : a person is dominated, politically speaking, when she is affected by the actions of others in significant and pervasive ways for reasons she cannot accept. Domination is dissolved, and freedom achieved, when all who share a social world can accept the way this world is constituted. Thus the idea of freedom is closely tied to a conception of social autonomy as the deliberative control of the most significant circumstance of life. Those who subscribe to this ideal do not want to experience the forces that structure their lives as alien, beyond their control, or arbitrary. This goal has been central to the enlightenment conception of the technical control of nature through scientific knowledge. But the exercise of deliberative control over the main circumstances of our lives is a also social task, one that, unlike the technical control of natural forces, can only be achieved through social cooperation with those with whom we share social worlds. The pursuit of this goal does not require that we completely agree in interests or ideals with those with whom we share the social world, nor does it presuppose that the social world is plastic, malleable or transparent, It does require, however, that we undertake to remake the main orders that organize our social existence so that all can accept their main effects. This is a social project that has its individual rewards for all concerned, for

only through struggling to realize the goal of cooperation can we come to inhabit a social world that does not thwart our efforts to deliberately control the main circumstances of our lives.

Another dimension of this contrast is between competition and solidarity as ways of relating to persons with whom one share social worlds. To fail to offer those with whom one is unavoidably linked justifications for actions that significantly affect them is to refuse a basic form of recognition, the recognition of others as independent person who conceive of themselves as free and equal. It is instead to treat them in the way one treats a person with whom one stands in a competitive relation. In competitive relations, each party seeks asymmetrical advantages over others that allows the stronger to bypass the consent of the weaker to force them to accept disadvantageous terms of interaction. . In cooperating with others, on the other hand, we take into account not only our own good but also their assent to our conduct, which perspective centered on our own advantage—a self –centered perspective –with a perspective from which the good of others matters. Social interaction is not treated merely as an opportunity for individual advancement, but as a context where all can gain at once, and , in so doing, perhaps gain social goods different fork and even greater than individual goods.

One such good is a sense of solidarity or civic friendship with those with whom one shares the social world. These associates have not been treated as competitors, nor have the consequences of being unavoidable and significantly linked to them merely been ignored. Instead, they have been taken into account as free and equal, independent persons and their garments has thus been sought. By addressing those with whom we are linked in social interaction with reasons we expect they can willingly accept, willingly, that is, given both the shared goal of cooperating and the specific circumstances of interaction, we aim to shape the character of our relationship. We want them to accept these reasons as a member of a cooperative relationship and from a fellow cooperator. In other words, in offering these reasons we seek to simultaneously recognize others and to secure their recognition of us as co-operators in a social relationship. We want all to consent willingly to the terms of social interaction only because each has good reasons to accept these terms, and “not just the kind of reason one might give to an enemy for wanting to defeat him, which is not intended to give him a reason not to resist. “ Those engaged in the on-going project of trying to realize the cooperative ideal thus stand towards each other in relations of reciprocal recognition and mutual that gives concrete meaning to the too often vaguely conceived idea of social solidarity.

In realizing the cooperative ideal, social relationships and the very structure of the social world are transformed, making it a place more hospitable to many important practical ideals. Those who approach the orders of their social world and the relations they structure instrumentally, seeking to maximize their individual advantage, are not at home in this world: its orders are experienced as constraints on action, given conditions within which to pursue goals. Those, on the other hand, who participate in the on-going process of identifying standards that all in their society can mutually accept

and structuring the social world to satisfy principles that can be justified by these standards, inhabit a social world they have made to reflect their will, opinions, and interests. They are at home in the social world for this world for this world is structured reflect and enable their freedom.

I have emphasized these theoretical considerations because too often in technical debates over accountability we lose sight of the overall normative underpinnings of accountability. And these depend on the practices of citizenship.

SECTION II

Accountability Legitimacy and Politics: The Indian Case

In light of the foregoing considerations I will divide the discussion of the Indian case into two parts. In the first part I offer some brief reflections on how the practices of citizenship have impeded the creation of accountable institutions. In the second part, I turn my attention to more institutional aspects of accountability.

In this section I will not dwell upon the manifest success of Indian democracy, but instead ask the question I posed in the previous section. Do the practices of popular authorization produce policies and justifications that are acceptable to those affected by them? I argue that this question is difficult to pose, because Indian democracy, deeply entrenched and competitive as it is, is not governed by a shared ideal of finding mutually acceptable agreements. Instead of this ideal, politics is marked by a conception of competition in which to hold the state accountable it to gain access to its power and the goods it provides. It is not to produce a politics of accountability to all those affected by the state's decisions. I argue that competitive ideal of politics is a product of two things: first, historical legacies of inequality and second, a particular conception of the state. These inflect some of the parameters by which the state is held accountable. But taken together they impede the creation of a society where people are governed by relations they find acceptable.

Democratic aspirations are in some senses tied to the idea of equality. The idea of equality is complex and immediately invites the question, "Equality of What?" Income? Wealth? Political Equality? Opportunity? But understanding the political trajectory of Indian democracy does not require beginning with an answer to this question. In any society, especially democratic ones, the meaning and scope of equality will be fiercely contested and will be the basis for ideological divisions. Rather, it is the psychological impulses that lie behind the demand for equality; the existential burdens that any demand for equality seeks to address that leave their imprint on politics. The variety of structures, caste, class, patriarchy, that maintain and reproduce inequality are all too familiar, and Indian society exemplifies many of these to an unconscionable degree. But inequality is not simply a structural condition in which people find themselves; a condition measured by such objective indicators as Gini coefficients or development indices. Inequality

is resented, and becomes salient for politics, because it is experienced existential burden that inflicts complex psychic costs by diminishing a sense of self. Not all forms of inequality are unjust. And the ways in which the experience of inequality shapes the self is a complex subject. But fundamentally inequality imposes the profoundest existential burdens when it seen as denying individuals the minimum regard due to them, or when it constantly puts them in situations that are experienced as humiliating.

It is now a commonplace observation, thanks largely due to Rousseau who most vividly wrote about the psychic burdens of inequality, that most human beings, unless they have been dehumanized to an unimaginable degree, place some value upon themselves. This does not mean that they are selfish; it is rather that they place some *value* upon themselves and wish that this value be somewhere affirmed. The institutions and practices of most inegalitarian societies deny individuals this basic form of recognition, the recognition that they are valuable in some sense, that they have some moral standing. In most societies this quest for having one's worth affirmed will take debased forms. The only way in which you can secure others acknowledgement is either by seeking to dominate them, or by putting a convincing show of attributes and accomplishments that are capable of winning the acknowledgment of others. This is because the only way you can get acknowledged is by having power over them, by being able to say, "I know I am worth something, because I have power over you." Those not in a position of being able to dominate secure acknowledgement in other more self debasing ways. They say something like, "Pay attention to me, because I can make your comparative sense of self worth even more pronounced by debasing my self for you, by flattering you." Inegalitarian societies where there is no public acknowledgment of individual' self worth will be characterized by both a fierce competition to dominate, and paradoxically, an exaggerated sense of servility. These are the two strategies of securing acknowledgement. Both desire to dominate and a kind of self abasement, Rousseau suggested, would lead us to lead inauthentic lives: lives that were not governed by values our concerns that were properly our own. Such societies would also give individuals frequently reasons to consider their self respect injured: inegalitarian societies will routinely humiliate its members.

The aspiration to democracy is in part an aspiration to have one's moral worth acknowledged. The charge that an arrangement or a set of procedures is "undemocratic" carries moral resonance, not simply because it describes a faulty procedure, but because it is accompanied by the sentiment that in being undemocratic someone's moral standing has been slighted. Acknowledgment by others of your moral worth is at least partly constitutive of an individual's sense of self respect. A sense of self respect is necessary to have a firm sense of one's own value, to have the conviction not only that life is worth living but worth living well. The absence of self respect can be corrosive; it can make most pursuits meaningless.

In some senses, equal voting rights are a dramatic expression of individual's moral worth. But unless the collective arrangements of society give individuals the minimum bases for social self respect, of which the equal right to vote, is just one aspect, society is likely to be characterized by an odd combination of a fierce competition for domination on the one hand, and abject servility on the other, and when neither succeeds, violence as a way of announcing ones moral standing. What institutions and objectives can satisfy the minimal requirements of acknowledging people's moral worth is a debatable one. But at the very least, freedom from abject necessity, removal of invidious and humiliating forms of discrimination, some equality

of opportunity and access to set a of goods that are minimal requirements for being a capable agent in the modern world. The great liberal hope, embodied in the Indian constitution, was that ameliorating serious material deprivation, and an effective equal standing in the eyes of the law would go some way towards mitigating the desire to have one's worth affirmed, either by dominating others, or by having one's own sense of self fashioned by what we think might get others attention. Indeed, arguably, if the basis for social self-respect is adequately protected, the existence of other inequalities might matter less, because they could not be used as a base from which to dominate, despise, or negate others.

Conceptually speaking, there are many different ways in which, equality of moral worth can be affirmed. One might say, for instance, that we are equal in the eyes of God. Within Indian history, religious traditions, and traditions of dissent, these modes have always been available; but they did issue in effective and enduring demands for ordering the texture of social relationships. It is not indeed an impossibility to assert both that we are equal in the eyes of God and that a hierarchical social organization such as caste is defensible; indeed the theoretical radicalism of so many claims to equality in the past was compromised by their practical conservatism. It can be granted that Indian history provides at least some conceptual resources for affirming equality. But the introduction of democracy is radical. Democracy is a way of affirming human dignity by granting individuals civic standing. In a democracy the desire for having one's moral worth affirmed, for emptying social space of humiliation is given open social legitimation and expression

But, paradoxically, the struggles to affirm one's moral worth do not necessarily take the form of a demand for justice. Indeed, if Rousseau's diagnosis is plausible, the desire for having one's worth acknowledged can express itself in all kinds of debased forms, ones that require debasing others. Indeed, the paradox is that while individuals and groups can be acutely conscious of society's indifference towards them, they can, in turn be acutely indifferent towards others. Indeed, you would almost experience this to the case in highly inegalitarian societies. The only meaning empowerment has in such a society is power *over* others, some claim of power or privilege or access that sets *you* apart, rather than a generally shared sense of empowerment as such. *The paradox is that the more unequal the background institutions and practices of society, the more likely it is that politics will be a struggle to displace the holders of power rather than an ambition to bring about social transformation.* The struggle to move a head will not be a common struggle for justice – for little commonality exists – but a competitive quest for power. A society that is adept at humiliating its members is, as Rousseau convincingly argued, more likely to make them adept at humiliating others than it is to teach them about justice. This perhaps explains one of the paradoxes at the heart of Indian politics. There are few other democracies where the universalist language of injustice, rights, even constitutionalism is so profusely used and has become part of so many political mobilizations. But it is a stratagem for particular individuals or groups to gain access to power, not an acknowledgment of the due claims of all. Discourses of law, constitutionalism, rights, justice, obligations, do not signify that a particular set of values are being taken as authoritative and these set genuine moral constraints for individuals. Rather, they are the languages in which particular grievances are expressed or interests advanced without the least acknowledgment of reciprocal or parallel interests and grievances of others. A sense of justice towards someone presupposes a sense of reciprocity, it presupposes that you

acknowledge others. The more the social distance, the less likely that such reciprocity obtains. It is quite possible for a democracy to experience great clamor for recognition by particular individuals and groups without these resulting in diffusion of norms of justice. This follows the general pattern of the ways in which Indian society has been democratized. *Democracy in India has advanced through the competitive negotiations between groups, each competing for their interests, rather than, the diffusion of democratic norms. It is, in some senses, a contingent outcome of social conflicts, not necessarily a deep seated norm. The purpose of political mobilization has not been to make the state more accountable but to get access to or share in its power.*

This conception of politics was most dramatically manifest in the way in which citizens often thought of the state. Given the commanding presence of the state, underwritten by an ideology of state led development, access to state power became, for good or for ill, the principal means of improving the life chances of individuals. In an economy with slow and sluggish growth, averaging under three per cent, the state became a disproportionate provider of opportunity. Even access to opportunities and resources outside the state were mediated through state influence. Indeed, in one sense politics, through access to state power has become the swiftest route towards social mobility. In a strange kind of way, compared to the market, or educational institutions, politics of all kinds, from the most ambitious aspiration for power, to the interest in gaining smallest benefits, came to be seen as a surer route to social mobility. Access to the state gave jobs and a likely class status that was better than anything available outside the state; the discretionary power the state conferred on all its officials, was experienced by many as empowerment, or at least an escape from the subordination that resulted from being at the receiving end of that power. Access to state power was about the only way of ensuring that one counted for somebody. Big scams do not tell the real story of the connection between corruption and social mobility. It is the thousands of petty fortunes that are made through the state that seemed to most citizens a surer bet of improving their class status than the uncertainties of a market. One of the peculiar features of Indian society has been that political power became almost the sole means of social mobility. Is there any other sphere of activity that is less stratified and more representative of Indian society than politics?

But the consequence of the growth of the state and its undoubted success in producing a kind of social mobility is attended by a paradox. This paradox is, namely that once the state is seen as a means for social mobility, it is not, for the most part seen as the provider of public goods. The state is adjudged to be successful, the more opportunities for large numbers of private individuals it can create through its own spending: if the number of government jobs expands for instance, even when not required, this is adjudged to be a political success, regardless of the opportunity costs this form of job creation imposes on others.

The state exists primarily to satisfy the private interests of collusive interest groups. Although it is undoubtedly true that the dominant proprietary classes will have a disproportionate share of the state's resources, there is enormous fluidity in the nature of social groups that have at different times gained access to the state. But the net result was that almost never has that state been governed by a public philosophy; it is rather a high stakes competitive game in which individuals or groups seek advantages on particularistic lines. The *raison d'être* of politics, the aims of public representation are no longer to respond to fundamental issues impinging upon common life but to organize the state's power in such a manner that its resources can

be channeled in the direction of particular groups or individuals to protect their exclusive interests. The cumulative impact has been a view of the state and constitutional fabric that see them as institutions to be manipulated according to particularistic interests. One can appropriate Hegel's melodramatic phrase, 'the state exists no longer.' What Hegel meant in his context that the state and constitution were being manipulated to serve particular interests that the decisions that emanated from it did not carry the necessity of principle, but only the arbitrariness of expedience. To be sure, there are restraints internal to expedience, but how effective these restraints are will be a matter of some concern. It is extraordinary that the association of the state with the "public" or the state with the "common" the two sustaining associations of the state are wearing so thin.

This form of competitive politics can, as I argued, produce an equilibrium that sustains democracy. But it is quite compatible with a wide gap between democracy and accountable institutions. And this gap can be bridged only if citizens transform their conception of what politics is about.

SECTION III

Accountability: The Institutional Story.

To begin with we operate with a basic and simple concept of accountability: For a person or institution X to be accountable to an agent Y is for X to act on behalf of Y, and for Y to be empowered by some formal or informal mechanism to reward or sanction X for their activities.

While the basic concept is simple, the institutional expression that makes accountability effective is far from simple. For one thing, the range of principals and the agents to who they are accountable is vast. Second the mechanisms for eliciting accountability are complex. For example, removing a whole range of regulatory tasks from the direct control of elected representatives is often thought to reduce accountability. Regulatory agencies like the Securities and Exchange Board of India, or the Reserve Bank, or the Telecommunications Regulatory Authority are delegated specialized tasks over which elected representatives exercise only very indirect control. But ceding direct control can enhance accountability rather than diminish it. Independent agencies such as these increase the ability to commit to desirable policies and increase transparency in the sense that specialization makes the agent responsible more easily *identifiable*. In this sense accountability is potentially enhanced rather than diminished.

There are few simple formulas for designing accountable institutions. This is because there is a series of tensions internal to the concept of accountability. The autonomy required for an agency to act properly on our behalf may be impaired by the structure of sanctions we impose upon them. In elections for example it is notorious that there is a trade off between seeing elections as a device to sanction the behavior of incumbents and seeing them as a screening device for selecting the best candidates. Transparency is sometimes in tension with responsiveness and representation in tension with both. *The crucial point is that harmonizing the different components of accountability cannot be done by conceptual fiat. It is an empirical matter addressed by institutional design and*

the concrete work of politics. A proper discussion of accountability requires that, at a minimum, attention be paid, both to the formal institutional mechanisms by which sanctions *can* be effected and the collective actions required to ensure that these sanctions *are* effected. The notion of accountability mentioned above raises two sorts of questions: How does the design of institutions provide the *opportunity* to hold policy makers accountable? What are the incentives and mechanisms of accountability? The second sort refer to actions of the principals involved: What are the forms of collective action that are required to take effective advantage of the *opportunities that institutions offer*? These questions are analytically distinct but related at the same time. Often citizens will not engage in public action if institutions are designed in ways that makes their prospects of responding remote. On the other hand public action outside the formal confines of institutions is, in democracies at any rate, a significant incentive that shapes institutional behavior. Our suggestion is that any study of accountability tackle both aspects simultaneously. In this paper we can do no more than suggest some of the questions that such a study ought to address. We divide this paper into two parts. In Part one we focus effecting accountability through public action. This part of the paper has three steps. In step one we examine how the electoral process manages or fails to produce accountability in India. We focus on the strengths and limitations of the electoral process in having an impact on policy formulation. We acknowledge that election and participation in regular forms of politics is only one form of public action. Accountability can also be generated by numerous others kinds of public activity: NGO's civic associations, the media and so on. But our focus here is on political mechanisms. In step two we examine the relationship between collective action and economic accountability and conclude that public pressure has been largely ineffective in forcing the state to make provision for public goods. In this section we illustrate the ambiguous and contradictory nature of the political process in India by looking at its impact on recent debates over economic policy. Step three makes an argument about strengthening political accountability through decentralization of formal political institutions.

In Part Two we provide a framework for looking at the micro dynamics of accountability in India's leading institutions. We stress that this is, as yet a framework an not an argument. It can be used to generate research questions and is more in the nature of research a proposal. But we feel that this is amongst the most neglected aspects of the study of policy making in India.

The Importance of Institutional Design:

Although it is a commonplace observation that societies are well governed and well organized to the extent that their public institutions can adequately manage the demands imposed upon them. The Indian state, like all states, secures legitimacy and is held accountable through a diverse range of institutions: executives, legislatures, courts, police, regulatory authorities, bureaucracies, commissions of inquiry, independent statutory bodies, development agencies etc. Sometimes a broad based ideological vision may impart to this myriad of interlocking institutions, laws and agencies a degree of coherence and semblance. But even under the most homogeneous of ideological constellations these institutions often compete with each other, set bounds on what other institutions can do, interpret directives in their own peculiar way and provide the structures of accountability. Numerous studies of political and

economic development in India have long recognized the important role the state plays as an autonomous actor -- i.e. its capacities to often act free from societal constraints and manipulate them and its capacities to set the agenda for society. In comparative politics, drawing from the insights of “new” institutional economics (North, March and Olsen) and historical institutionalism (Hall, Skocpol), a considerable body of work exists that emphasizes that institutions matter and how. Combining the two perspectives allows an integration of micro incentive questions with larger structural questions (Weaver and Rockman). Nonetheless, with the exception of the literature on central banks and more recently on the judiciary, there is little systematic analytical work on India that examines the myriad of institutions, both formal and informal, the commitments to procedures, the formal and informal incentives within state institutions, through which the state is both constituted and enabled to act on the one hand and constrained in its powers and capacities on the other.

Much of this neglect of the diversity of the institutions within the Indian state, the mechanisms by which they are held accountable, and the problems that arise from adverse incentives within institutions, has stemmed from certain methodological proclivities. In Marxist or structuralist inspired paradigms which dominated the political economy of the Indian state, the state was simply considered epiphenomenal to social forces. As such its own internal constitution, rules, incentives and procedures had at best marginal bearing on outcomes. While there is a substantial body of literature that has recognized the state as an important autonomous actor, it treats the "state" in aggregative and diffuse terms. Although this literature pays considerable attention to the policy choices that states make and demonstrating that the state can act autonomously from societal forces, comparatively little attention is paid to the constituent institutions of the state itself. Economic approaches to the “state” have paid more attention to the broad incentive structures that result from overextended and excessively *dirigiste* states but for the most part its focus has been to demonstrate how the state has been captured by interest groups. The constitutive institutions of the state particularly in poorer countries, remain for the most part a “black box”. There has been relatively little attention paid to the relationship between institutional design and accountability.

In the Indian case, take for example the institutions that enforce *legal accountability*. Agents that enforce *legal* accountability include not only agencies of law enforcement like the police, or the judiciary like the courts, but also the investigative arms internal to bureaucracies and governments. In India these institutions comprise of financial oversight bodies like the Comptroller and Auditor General, investigative agencies like Central Vigilance Commission.

There is a general consensus in India these institutions of accountability, taken singly and collectively, have underperformed. The Indian Judiciary is a case in point. On the one hand the judiciary has been extraordinarily active in calling the executive branch to account. The explosion of public interest litigation has meant that the judiciary is a conduit through which citizens make the executive accountable on a whole range of issues like health, sanitation, environment and social justice. But the overall effectiveness of the judiciary is very much open to question. For one thing, as the limitations of public interest litigation has demonstrated, the judiciary can at most provide immediate

redress in a specific set of cases, but its power to generate enduring legislation that is widely enforced is extremely limited. But the main weakness of the judiciary has been its own *judicial* shortcomings rather than its ability to sanction the executive branch. As the Malimath committee noted, using data from India's Courts, there were a staggering twenty eight million cases pending in 1996. A survey of 1,849 companies that had pending cases in the High Court reported that fifty nine percent of these cases had been pending for more than a decade. The causes insufficient judicial performance are complex. Much of the litigation arguably stems from poorly drafted legislation. The Courts inability to dispose cases is, in part related to insufficient resources: "insufficient financial outlays of State Governments, lack of proper manpower planning in response to workload increases, unduly cumbersome procedures of appointment contribute to inefficient courts." But most of the weaknesses are internal to the working of courts and a *product of adverse incentive structures*. There is wide variation in the management of case loads amongst different Chief Justices. Other factors influence the disposal rates of cases considerably: the extraordinary laxity in code of conduct of lawyers, the length of workday, norms of classification and allocation of cases amongst judges, the reliance on long oral arguments and procedures for taking witness depositions, provisions for appeals, the schedule of court fees, the structure of payments to lawyers can all have vast impact on the performance of courts. All these measures, that were ostensibly designed to render the courts more transparent have, by their cumulative effects, rendered them less *responsive*.

The effects of judicial delays are momentous. Delays mean that the use of "extrajudicial methods" to alter the stakes in a judicial dispute become more attractive, especially since these methods themselves are unlikely to be punished swiftly. The more extrajudicial institutions like system of patronage are resorted to as a means of resolving disputes, the more fairness, transparency and certainty are likely to be sacrificed. Uncertainty and delay in judicial decisions on economic matters heightens uncertainty and raises the cost of investment. Politically, these delays undermine the credibility of the judiciary as a whole, because they give the pervasive impression that legal accountability can be avoided. By and large the judicial system has, because of its own internal micro-dynamics, been unable to hold politicians accountable in an effective way. And politicians used to a system that protects them from punishment are more likely to weaken the judicial system. Indeed, it is arguable that judicial reform will be the lynchpin of any effective accountability. It is beyond the scope of this paper to give a detailed account of judicial accountability. The example here is meant to illustrate a simple point: *the micro dynamics of individual institutions can have system wide effects on accountability*. A similar argument can be made for a whole range of institutions of regulation (listed in Appendix One) in India like the Controller and Auditor General, the Enforcement Directorate, the Revenue Service and so on. An interesting question to explore is the way in which institutional design has enabled or impeded accountability. I do that later in the paper.

Elections and Accountability:

India is a robust and contentious parliamentary democracy. Elections are one of the principal mechanisms of sanctioning the conduct of politicians in a parliamentary democracy such as India and

holding them accountable. But elections can often be a blunt instrument of accountability and the nature of institutional design can impact this process in different ways.

In order to hold governments accountable, voters must be able to assign clear responsibility for government performance. But the ability to assign clear responsibility can be limited in several ways. In the first instance, voters need full information about how their representatives voted in parliament on a full range of issues. It is arguable that in India voters do not have or do not seek much of this information about representatives. The press and the public debate almost never carry detailed information about how members of parliament voted on particular bills or what legislation they introduced as private bills. In some respect, this lack of information is not as serious as might first appear, because in a parliamentary system each individual legislator's record is less important than the positions taken by the party. But even party manifestoes avoid cataloguing legislative accomplishment in any significant detail.

One particular aspect of the lack of information is particularly important in the Indian case. This has to do with the *time horizons* of the electorate by which they judge government performance. Ideally voters ought to be concerned about their welfare not only during the present term of the government but also the impact government decisions have on prospects of their future welfare. This requires that they make inferences about the impact policy is going to have on their future welfare. These inferences are notoriously difficult to make and theories of voting behavior have tried to wrestle with it. Theories of "retrospective voting" argue that voters basically make inferences about the likely consequences of what government did based on whether these policies had beneficial impacts in the current term of government. The comparative evidence on this is mixed. In most economies undergoing transition, it has been argued that voters treat inflation and wage levels inter temporally (they try and anticipate future gains in these areas) but are risk averse about employment figures (Pzewroski,1996; Stokes, 1996) There are however other studies that claim the opposite (Rose, 1996)

The question of the temporal dimension of accountability requires more study. But in the Indian case two things are very clear. First, the impact of policies on well being is judged less by aggregate future expectations of the impact of policies. Notoriously, aggregate measures like *growth* have seldom been political issues in India. Governments have routinely lost elections with high growth rates. Because of the dominance of the agrarian sector, aggregate measures of employment have not played a part. The one measure of well being to which the Indian electorate is extremely sensitive is inflation, especially of essential commodities. This measure affects a large number of people, in a direct and transparent way, but it also indicates a preoccupation with present welfare rather than inter temporal gains.

This has a profound effect on the incentives this sets up for politicians. The time horizons under which politicians operate crucially determines policy outcomes. Most interviews with politicians confirm that this is how they understand their incentives. Politicians have less of an incentive to enact policies whose benefits are distant and uncertain. Arguably, this argument can be turned on its head: if

the effects of policies are distant and uncertain why don't politicians enact them? There are two responses to this: one politicians are more likely to be worried about the particular interests these policies hurt in the present than possible future beneficiaries. Second, even when present constituencies are not directly hurt by these measure politicians have less incentive to pay attention to them. Most Indian politicians operate with short time horizons; this makes them risk averse in that they are not willing to sacrifice present constituencies for possible future gains, unless those accrue within the time horizon of the next election.

Secondly, for reasons that Hamilton pointed out in *Federalist 70* that accountability is very difficult to assign in cabinet executives: "But one of the weightiest objections to a plurality in the executive is that it tends to conceal faults and destroy responsibility. The circumstances which may have led to any national miscarriage or misfortunes are sometimes so complicated that there are a number of actors who have different degrees and kind of agency, though we may clearly see upon the whole that there has been mismanagement, yet it may be impracticable to pronounce whose account the evil which may have occurred is truly chargeable." In circumstances where the lines of decision making are obscured, the questions of *who* is to be held accountable becomes notoriously difficult.

The problem of assigning responsibility plagues not only cabinet government but the civil service as well. A large class of decisions are "collective" decisions within the civil service in the sense that there are more than one signatories before a file can be approved. Often decisions are made through "committees" which makes accountability difficult. Ostensibly committees serve to prevent individual officers from acting arbitrarily. In practice the large numbers of committees make civil servants dependent upon each other in that they know they will require the cooperation of their colleagues on some future occasion. This leads them to sign on to decisions with which they might not individually agree. In doing so, the decision is granted collective legitimacy which makes accountability difficult. The institutional mechanisms by which the line between one civil servant and another is blurred makes accountability difficult (Das, 1998). The management procedures and the incentive structures of the Indian Civil Service are such that *individual* responsibility is very difficult to establish. *Indeed as a general rule Indian institutions do not have clear lines of authority. Hence the lack of accountability.*

Third, in principal voters must be able to vote out of office parties responsible for bad government. But the nature of the electoral system makes the connection between voter preference and government formation more indirect. For one thing, in a first past the post system, the number of seats that a party gets in parliament is not in direct proportion to the number of votes they receive; second which parties form government is not a function of aggregate voter preference but of the way in which votes are *distributed* geographically; third, under conditions where no party is in the majority, the making and unmaking of governments is even less a direct consequence of voter choice. Pasquino's statement with regard to Italy where the fact of coalition governments led to a situation where "governing parties seemed to expropriate the voters of political influence by the making and unmaking governments at all levels with very little respect for electoral results," has become more true of India in

an era of coalition governments. In many instances, voters do not know what coalition a party is going to be part of, once elected. Coalition governments will blur the lines of responsibility even further. In instances where small parties are held responsible for arbitrarily breaking governments (as the AIADMK was in 1998) their conduct is cashiered. But whether praise or blame can be assigned for *policies* is less clear.

Fourth, elections as a mechanism require that the opposition both closely monitor the government and inform the citizens. In principle the opposition has incentives to monitor government and to inform voters about the performance of incumbents. Yet the existence of an opposition that can effectively articulate a critique of government cannot be taken for granted. In some instance smaller opposition parties can collude with government; in others the opposition may be too deeply divided and preoccupied with internal fights to monitor incumbents. Such is now arguably the case with India's parliament. There is compelling evidence that both the quantity and quality of deliberation in India's parliament has declined substantially in the last decade or so. As one commentator pointed out, opposition parties monitor only a very small range of issues and bills closely; legislation related to most departments passes virtually without debate or notice. One telling statistic about India's upper house of Parliament, The Rajya Sabha, is very revealing in this respect. In 1985 this chamber of parliament spent a total of seven hundred and ninety one hours discussing government bill; in 1996-97 this number was down to a mere seven hours. Similarly the time spent on short notice questions declined from two hundred and seventy five hours to a mere thirty five. Most parliamentary committees have been weak or moribund during much of the eighties and nineties. The most crucial parliamentary oversight committee, the Public Accounts Committee scrutinizes only a negligible number of government audit reports and most standing committees have been seriously hampered by lack of information provided by the government. Under one party dominance, it was virtually impossible for opposition members to get parliament to censure the government for lack of information; fragmentation of parliament has made it difficult for parties to take collective action to rectify the weakness of parliamentary committees. (Rubinoff, 1999). *There is virtual unanimity that Parliament has become very ineffective in its monitoring functions.*

Opposition parties face another dilemma. They cannot always oppose the government for they may be blamed for obstructing business; nor can they let the government get away with credit for enacting legislation. Opposition is effective when it neither colludes with, nor always obstructs the government. Arguably this dilemma is keenly pronounced in recent Indian parliaments. There are numerous examples of legislation that are held up in parliament because a) either some small party that is part of the coalition government is exercising veto power or b) many parties do not want legislation passed not because they disagree with the contents of the legislation but because they do not want the government to be able to garner credit for passing it. Given the fragmented character of parliamentary composition in India, the pace of legislation is extremely slow, even when there is substantive disagreement amongst the parties. For instance, a bill to liberalize insurance markets in India was first introduced in 1993 and took a full six years to pass. (for details see Kapur 2000)

The lack of effective intra party democracy in most Indian political parties has impeded accountability considerably. It is a familiar point that voters choose their candidates from a menu of options. How this menu of candidates on offer comes to be determined is itself a complex matter: the motivations of those who enter, the probability of winning, the barriers to entry in terms of costs all have an effect. In some sense working through existing political parties can lower the costs of entry into politics and increase the probability of winning. The mechanisms by which parties select their candidates become important determinants of the menu of options. In most Indian political parties the selection of candidates has been extremely centralized and there is little inter party democracy. This has momentous consequences for accountability:

First, political parties in general are not transparent and deliberative forums. They do not educate their members in the issues and do not act as conduits of information for political activists. Whatever their other disadvantages, intraparty primaries have a profound educative function on the rank and file of voters. Elections campaign in India are relatively short and the lack of intra party democracy implies that groundwork preparation is not done. Second, parties do not allow for the genuine preferences of voters to manifest themselves clearly. The criteria for candidate selection un transparent and uninstitutionalized. This often prevents key information about voter preferences from flowing up party conduits and prevents them from selecting candidates that are the most appropriate for particular locations. It is the case that in the long run most political parties pay the price for this lack of information and transparency. The most persuasive account for the decline of the Congress party in North India stresses the degree to which lack of intraparty democracy prevented it from incorporating newly mobilized social groups like the backward castes and the rising peasantry. Arguably the lack of intra party democracy has contributed much to a fragmented party system. Newly mobilized groups usually find it more difficult to capture significant power within existing parties, because there is no clear procedure for doing so. Hence they set up their own parties. But the long term interests of the party and the short term interests of the leadership are at odds with one another. Party leaders like to pick candidates who are beholden to them and can be used to shore up their power; they dread independent voices. Hence they, unless in exceptional circumstances it suits them, are resistant to genuine inter party elections. The net result is that parties can impede rather than enhance representation. Given the high cost of entry parties have the power to restrict voter choices rather than expand them. Rather than being “institutions that knit the state and society together”(Kohli, 1998) the lack of interparty democracy can help keep them apart. *More subtle forms of accountability therefore require a pluralization of the sites of accountability and a greater expansion of the forums for deliberation. If political advancement of groups and individuals within party structures does not depend upon legislative or political performance or some measure of competence and ability but upon arbitrary rules, the incentives to perform decline.* The great disjuncture in Indian democracy is that the rules of political advancement within political parties are arbitrary and can circumvent accountability. Genuine intra party democracy is an essential component of restoring accountability to this process.

The electoral process in India has produced two outcomes in the last few years that merit attention. On the one hand incumbents find it very difficult to regain office. Aggregate incumbency rates for all legislative bodies have been around twenty five percent (Chibber, 1999) during the last decade or so, whereas the incumbency rates for Parliament have hovered around fifty percent. On the other hand the margins by which incumbents are overturned have not been very substantial. In other words most candidates lose either because in the first past the post system the number of opposition candidates can have an impact on their chances, or because candidates, while managing to hold onto their core constituencies, lose the support of a small but critical segment. Cumulatively, these have had two effects. The incumbency rates of *governments* are extremely low; second, the party system has become more “ethnicised.” This is taken to mean that at the local level there is a great correlation between social cleavages and party identification. Political parties thus find it very difficult to transcend social cleavages and do so only incrementally. This feature of Indian elections can be taken as a sign of the relatively non-deliberative character of the process. This politics structured around social cleavages aims more at advancing the cause of *particular* groups by obtaining access to state power rather than at formulating sound policy. The effects of these two trends on government performance have not yet been fully understood. One hypothesis in the literature is that high turnover in government is a sign that the electorate is cashiering policy makers for their misconduct. But how are politicians responding to these signals. There is some good evidence that paradoxically, the high rate of turnover has increased, or at least not diminished the rent seeking behavior of politicians. If anything it has increased the *need* to seek rents. *The paradox here may be that too little security about one’s position is power can be as corrupting as too much security.*

The impact of high turnover in governments seems to again have had a paradoxical effect on the formulation of economic policy. At one level, political instability (India has had five Prime Ministers and seven coalition governments in the last decade) has been helpful in promoting economic reforms. An experience of power has forced most parties to confront the economic realities, albeit with varying degrees of enthusiasm. Frequent changes in government and the imperatives of coalition government have helped produce a convergence of economic ideologies across much of the political spectrum. This however makes it difficult for voters to assign accountability since in terms of economic ideology the voters are faced with Hobson’s choice.

But while instability has produced greater economic convergence, it also poses a serious impediment to *inter-temporal* accountability. A government may give free water and electricity to current consumers at the expense of future ones. Ecological issues pose the most obvious challenge for inter-temporal accountability; but so do issues of public investment in capital projects. Policy inaction on two issues discussed below pose a serious long term challenge for India. *These issues are examples of the consequences of lack of inter temporal accountability mechanisms that have only been exacerbated by India’s political structure.*

First, with markets rather than the central government emerging as the principal allocative mechanism for investment, states which have been progressive, administratively transparent, and pro-reform have been attracting more investments. In contrast with the past when the potential for some

states to grow faster than others was circumscribed by federal policies, thus reducing overall growth, India seems to be moving in the opposite direction with the variance in growth rates across states increasing. This has its own implications, some positive, some less so, as faster growing states become resentful of the handicaps posed by slower moving states. As a result, regional inequalities are widening, whose long-term political consequences on the Indian Union are troubling. The states that are falling behind are also among India's largest and poorest states (principally in the North and East) which are locked into a state-level political equilibrium that is unlikely to change soon in the absence of shocks to the system. A looming fiscal crisis and state bifurcation may, however, break this equilibrium.

Second, the reforms have largely bypassed the rural sector, where the two-thirds of India's population and poor live. One of the puzzling trends of the post-reform era is the lack of a significant trend in the levels of poverty and inequality. Robust growth does not seem to have translated into a commensurate decline in poverty, but neither does it seem to have led to a marked increase in inequality. The most recent analysis of poverty trends seems to indicate that the mid-1980s were a significant watershed in the evolution of living standards in India. Both rural and urban poverty rates declined markedly between 1973–74 and 1986–87, but nothing comparable has occurred since then.¹ The stagnation in rural poverty seems largely attributable to the lack of growth in agriculture, while the moderate growth in urban living standards appears to account for the decline in urban poverty measures. The post-reform record on inequality seems marked by an equal absence of a significant trend in inequality in either sector, although inequality at the national level is likely to have increased as a result of greater urban-rural disparity.

Low growth in the rural sector has been hampered by declining public investment, which itself is a victim of India's inability to limit government consumption that has spilled over to stubbornly high revenue and budgetary deficits. Aggregate states' gross fiscal deficit has increased from 2.8% of GDP in 1991–92 to 4.3% of GDP in 1998–99.² These figures underestimate the magnitude of the problem due to the rising contingent liabilities by way of sovereign guarantees. These off-balance sheet liabilities, nearly 10% of GDP, exceed the fiscal deficit and are equivalent to about one-eighth of the total debt (domestic and external) of the federal and state governments taken together. Article 293 of the Constitution of India makes it mandatory for state governments to seek permission from the federal government to borrow. As a result, the states appear to have been subject to a hard budget constraint. Article 293, however, merely *advises* state governments to exercise self-restraint in extending repayment guarantees for loans mobilized by enterprises owned by it. Faced with mounting revenue deficits that have crowded out budgetary capital expenditure, state governments have increasingly used this constitutional loophole to extend guarantees and move to off-balance-sheet financing. *The cumulative effect has been a slowing down of public investment in key areas such as infrastructure.* The states' contingent liabilities now exceed those of the federal government. However, the latter's liabilities are also understated if the contingent pension liabilities resulting from the Pension Act of 1995 (which moved the pension provision from defined contribution to defined benefit, contrary to the worldwide tendency in the reverse direction) are factored in. In the absence of new institutional mechanisms the structure of Indian politics is likely to prevent any sharp improvement in India's fiscal health. Robust growth has made the dangers of fiscal crisis less imminent. *At the moment the imperatives of coalition formation seem to be weakening rather than strengthening inter-*

temporal accountability mechanisms. This is reflected in the fact that capital investment by the state, or facilitated by the state is still a diminishing proportion of overall budgetary allocation.

The closer link between social cleavages and party identification has created a fragmented party system which has in some ways enhanced representation. At one level it has allowed hitherto marginalized groups like the backward castes and scheduled castes more effective voice through their own parties. The fact that no single national party is dominant and that the formation of government depends crucially upon alliances with the smaller regional parties has effectively given regional parties more influence. This has had two beneficial consequences. On the one hand power in the Indian Union has become more effectively decentralized. Second, some small regional parties can, because of their pivotal position in coalition governments, wield inordinate influence over economic policy. In the present government for instance, the Chief Minister of Andhra Pradesh, whose Telugu Desam Party is a member of the ruling coalition at the Center, has exercised just such influence in the formulation of India's policies in the technology sector. Moreover, smaller parties in the coalition government have effectively vetoed many of the policy ideas of the single largest party in the coalition the BJP. For instance, largely under the pressure of its coalition partners, the BJP has had to drop not only its fundamentalist agendas but also its protectionist economic policy. On the hand many smaller parties have been able to block rolling back subsidies and other discretionary grants to the states. The point is this. *Policy formulation and the character of accountability is crucially determined by the electoral system, the character of the party system and the contingencies of coalition formation.*

All this is not to minimize the importance of elections but emphasize that elections are an inherently blunt instrument of control. Their effectiveness as mechanisms of accountability are contingent, fraught with unintended consequences and the incentives they impose upon policy makers need to be understood in more precise ways.

Politics and the Unresolved Question of Accountability

The reform and regulation of the ways in which elections are financed remains the single most difficult challenge for Indian democracy. Arguably, all attempts at reform will come to naught unless the question of political finance is tackled head on. The imperative to raise money for elections, combined with unrealistic, unworkable and unenforceable existing laws on campaign finance produce profound distortions in the working of Indian democracy. The need to raise funds for elections is one of the primary motivations for collecting an estimated seventy thousand crores over a five year cycles of all elections. With politicians almost required to use their office to raise such funds the entirety of government becomes one giant edifice to collect rents. At least some of the roots of corruption lie in the imperatives to raise finance in a context where the cost of elections is high, the legitimate rewards of office low, the chances of re election uncertain, and the organizational effort required to mobilize voters is massive. The repercussions of the existing ways of collecting campaign finance are felt across all areas of public life.

Most democracies attempt to regulate election finance in four ways. Democracies can limit political expenditures of parties, they can place limits on private donations and contributions, they can offer public funds for contesting elections, or they can introduce measures that bring about transparency in the process of generating funds. The idea behind the last measure is not so much to restrict fund raising activities, as it is to provide information to the voters on who is raising money from whom.

The Indian effort to regulate election finance has largely concentrated on limiting election expenditures. But this measure has proved to be self-defeating for a number of reasons. Given the complicated logistics of most constituencies a ceiling of fifteen lakh rupees for parliamentary constituencies and six lakh for Assembly constituencies are arguably unrealistically low. The state also, as the recent report of the National Commission to Review the Workings of the Indian Constitution reiterates, continues to try and micro manage campaigns by fixing the length of the campaign and so forth. Most of these measures are ineffective in regulating campaign finance.

The attempts to place limits on private donations, by for example allowing companies to contribute up to five percent of their profit to political parties has proved ineffective for a number of reasons. Most importantly, under the present legal dispensation both the donors and parties have very little incentive to reveal the extent of their donations. Monitoring and enforcing limits on individual contributions is impossible in the absence of any kind of transparency. But the challenge for the Indian state is that the widespread opaqueness of our financial system all across the board makes it difficult to monitor such financial flows. Arguably we cannot get realistic campaign finance reform unless whole sectors of our economy like real estate markets that generate “black money” and the system of taxation that more effectively scrutinizes the flow of money that makes elections possible is reformed. But we are in a vicious circle where we will not get reform of the state in part because of the need to generate rents to finance elections, and an unreformed state will continue to be ineffective in regulating election money.

The third means of regulation, state financing of elections has not been much tried in India. In almost all democracies except the US and UK, the proportion of public financing of elections has been consistently rising in relation to private funding. The costs of public financing are not as high as might seem. *Lok Satta*, the only organization that is doing imaginative work in this area, has circulated a proposal that evolves a complex formula for public supplement of private funding, that would cost less than two hundred and fifty crores per election based on an assumption that the total ceiling for each constituency will be somewhere in the region of fifty lakhs. The good news is that as percentage of GNP, the costs of elections is probably going down substantially and public funding, properly instituted, is not entirely unaffordable. Public funding can take not only the form of direct grants but also indirect subsidies like free radio and television time. The challenge for public funding however is this. It appears from comparative experience that public funding, ironically, works better in systems that are already effective and transparent to some degree. For public funding formulas to be effective certain conditions have to be met. First, public funding must encourage rather than supplant private funding, because if

seen as a substitute for private funding it becomes prohibitively expensive. Second, public funding should be fair and transparent. It should not be a means for already existing party oligarchies, which usually derive their power from their ability to raise funds, to strengthen their hold on parties. In short, to be fair, public funding presumes that political parties are transparent, well run and considerably democratic in their internal workings. Most Indian political parties have no effective intraparty democracy, and in the absence of serious reform in party structures, public funding is unlikely to yield good results. Third, one should not overestimate the degree to which public funding can be a panacea. Every single European country with public funding of elections, from Germany to Italy and Belgium has continued to experience financial scandals relating to politics.

The fourth prong of regulation, transparency, has been very weak in India as well. Although party accounts are supposed to be audited regularly, these have proved to be an ineffectual check on party finances. Much of the recent effort of bodies like the Supreme Court and the Election Commission has been to try and strengthen the disclosure requirements for political parties and candidates. Declaration of a candidate's assets, regular scrutiny of party accounts that require the disclosure of all donors who contribute more than ten thousand rupees, and the filing of party tax returns are all steps in the right direction. A tax return is hardly the most reliable register of the true well being of most Indians. Inducing transparency in election finance is parasitic upon the state being able to better regulate other non-electoral institutions that impinge upon election finance.

Any sensible strategy for regulating campaign finance will have to work on all these four dimensions simultaneously and bring them together in sustainable, realistic and imaginative ways. Unfortunately, comparative experience suggests that there are no quick legislative remedies. Indeed campaign finance reform all around the world is replete with an ever expanding universe of dead letter rules that cannot be enforced, though effective disclosure and transparency norms certainly help. The real issue is: can the costs of getting elected be held down? A substantial amount of spending on the logistics of elections is inevitable and we ought to be realistic about these expenses. But evidence from India suggests that a substantial amount of campaign resources go into placating various constituencies, a polite way of describing "vote buying." Ironically the costs of elections increases as the distinguishing characteristics of individual candidates matter less and less to elections. What increasingly distinguishes one candidate from another, is mobilizational and fund raising capacity, not ideology or personal competence. So long as elections remain largely about the former, campaign costs will continue to soar. But unless a genuinely creative solution to the problem of campaign financing is found, money will continue to usurp politics, or in Gibbon's words, "corruption will remain the one infallible sign of our liberty."

Non – elected Institutions

One of the more profound paradoxes of democracy in our times is this. On the one hand democracy as a practice has gained unprecedented legitimacy. The assertiveness of civil society, the

pressure to devolve power in different ways directly to the people, the greater politicization of social existence, demands for representation in the structures of power all suggest a great clamor for democratization. On the other hand, there have been far reaching changes in the structures of governance, all across the world that are effectively transferring greater power and legitimacy to non-elected institutions. The prestige, authority, power and faith in the efficacy of institutions that are not subject to popular authorization, like courts, independent central banks, utilities commissions, market regulators, independent human rights commissions and transnational institutions is almost unprecedented. We are living through what might be called a post democratic delegation revolution. If delegation is understood as an authoritative decision that transfers policy making authority and powers away from established representative institutions like legislatures and executives to non-elected institutions, then we are indeed in the midst of a subtle constitutional transformation.

During the last decade or so India has also created an unprecedented number of statutory bodies that are designed, in theory at least, to have greater immunity from legislative influence and control. The Courts are playing an unprecedented governing role in Indian politics. The number of transnational treaties and agreements that bind Indian legislature are multiplying rapidly and there is great clamor to free even more agencies like the CBI from government control all together.

The increasingly widespread practice of constitutional democracies to remove certain types of policy choices from the direct control of electorally accountable office holders is motivated by a variety of concerns. Delegation represents widespread disenchantment with the mechanisms of electoral accountability. Electoral accountability is, on this view, too blunt an instrument with which to secure the public good. Accountability itself has different components: transparency, representatives, responsiveness and the power to sanction misdeeds. Electoral accountability may not always secure all dimensions of accountability effectively. For example, the fact that an institution is representative does not automatically make it responsive, transparency is not the same thing as effectiveness. In some instances, delegation of powers away from ministries can apportion the lines of responsibility more clearly and secure more effective accountability.

Second, policy choices involved in modern economies often require high level of technical complexity; good decisions depend on expertise and non-elected bodies empower experts. Third, independent agencies and delegation by treaty also allow governments and legislatures to make credible commitments by shielding decision making from short term pressures and lobbies. These agencies provide political cover for taking decisions that politicians have no incentive to take, but which are nevertheless in the public good. Fourth, a greater number of independent agencies provide more effective checks and balances. If the executive fails for instance, the human rights commission or the courts can intervene; if politicians are economically imprudent, a host of regulatory agencies can ensure that the economy is not brought to ruin entirely. The separation of powers that the proliferation of non-elected institutions represents can be seen as a kind of insurance policy, where we bind ourselves to protect us from the worst possibilities of electoral politics.

Many of the considerations that lie behind delegation to non-elected institutions are compelling, and in many instances they help ensure that government by the people is indeed government for the people. But it would be stretching logic to pretend that the proliferation of delegation is synonymous with democracy itself. Indeed, the constitutional revolution of delegation is raises profound questions about democracy itself.

Delegation often has serious disadvantages from a democratic point of view. One of the virtues of democracy is that we can sanction those who act in our name. The more independent an agency, the more difficult it is to subject it to any kind of sanction, as the case of the Courts has demonstrated. Democracy, to simplify somewhat, is a means of authorizing officials to exercise power over us. By what means do non-elected institutions derive their authority? There are two possible answers to this question neither of which is wholly satisfactory. The first response is to say that these institutions become authoritative by the quality of their decisions, by the output they produce. So long as the Courts do a good job of protecting rights, regulators of taking economic decisions, they are legitimate. But this response often begs the question of whether there are independent criteria of what counts as good decisions.

A second response says that since these agencies and statutory bodies are themselves creations either of the constitution or parliament, there is no problem about their authority. But the difficulty is that often these institutions are designed in ways that they are not directly accountable parliament. And the ministry in whose jurisdiction the relevant agency comes simply denies that it has any responsibility, since after all the relevant agency is independent. So on the one hand Parliament cannot easily hold RBI or SEBI directly accountable; yet the Finance Ministry is not responsible for their decisions either. We have yet to settle on a clear doctrine of how the democratic accountability of these agencies is to be secured. In the case of international treaties, most of the treaties India has been signing do not have prior parliamentary approval and become almost a *fait accompli* for the legislature.

In some cases delegation has impeded the ability of legislatures to make the relevant tradeoffs. If everything from the price of utilities to the technology to be used in broadcasting, from interest rate management to telecom regulation falls outside the ambit of legislative power, can legislatures make the relevant tradeoffs that they have been authorized to do so? The virtue of independent delegation is also its vice: it increases the number of veto points. In a curious kind of way we now have the possibility of politicians being penalized for decisions that they did not take and were powerless to control. If tomorrow the electorate decides that it is unhappy with utility pricing or something, it s very likely that politicians might be blamed simply because of the fact that they are the only ones subject to popular sanction.

None of these concerns should be taken to imply that all forms of delegation to non-elected institutions are unjustified. But delegation to non-elected institutions is increasingly posing a challenge to the central tenets of democracy. Representation is the central axis of a modern democracy. Decisions have to be linked to the citizens by a chain of authorization. In a democracy we organize collective

power through our representatives, and these representatives are also subject to sanctions we impose upon them. The difficulty is that non-elected institutions are often not representative, the link between their authority and citizens is so remote that it is often meaningless, and their independence from the legislature and executive alike makes it difficult to sanction them. The proliferation of non-elected institutions could lead to a situation where government have very little incentive to mobilize consent, since decision making power has been delegated. The proliferation of such delegation might mean that there is no representative body entrusted with integrating different spheres of social and economic life and making the relevant tradeoffs. To each agency its own power becomes a new principle. And there might be competing sources of law as we are already witnessing in the contest between legislatures, courts and transnational bodies, all of which are becoming sources of law in their own right.

Many countries undergoing the delegation revolution have taken steps to ensure a greater modicum of democracy in delegation. For instance, parliaments of New Zealand, Australia and Great Britain have democratized treaty negotiations in a manner that ensures that treaties do not bypass parliament. Or they have, in some instances, made independent agencies directly accountable to parliament. The future of representative government requires that we think imaginatively and constructively about these issues, acknowledging both the necessity of delegation, but also the challenges it poses for democracy. It does not help to have a parliament that is sleepwalking its way through these profound changes in the structure of governance. But representative government is too precious to be sacrificed to either to the unsubstantiated claims of experts.

Economic Policy, Public Action and Accountability

The manner in which economic policy functions in India's electoral process is complex. Probably the single most important puzzle at the heart of any study of accountability in India is the following. Why has India's record at poverty alleviation not been better? Why is there less pressure on the government to deliver a whole range of crucial services like health and education? These two questions are analytically distinct: the first can more readily be explained by poor policy choice; the second demands closer scrutiny. These puzzles are compounded by the fact that an old explanation for India's lack of failure in this respect does not hold. This explanation suggested that either the poor do not vote, or some form of coercive or clientalist relationship prevents them from voting on their true preferences. In the India case where there is now reasonably disaggregated data available on voter turn outs, the picture is exactly the opposite of what this explanation hypothesizes. First, the incidence of coercion exercised by local elites in voting matters has gone down significantly and social relations have been politicized to the extent that old fashion clientalist relations are very difficult to sustain. Second, the poor in India have tended to vote more than the middle classes and the rich, rural turnouts are better than urban turnouts and in recent years lower and backward castes have voted more than upper castes (Yadav, 1997). Yet they have not been able to extend concerted public pressure in areas of health and education. One measure of this is captured in government spending statistics on health and education. In education, the central and state

governments spent four percent of GDP for all levels of education in 1996-97 or 13.4 percent of total government expenditures, which is below the developing country average of 17.5 percent for all developing countries. India's public spending on health is very low: 1.2 percent of GDP which places India amongst the lowest quintile of countries. There is wide variation amongst Indian states on these matters. State expenditures on education for example range from 3-7 percent of GSDP and from 16 to 29 percent as a share of total state expenditure. The reach of public criticism has been much less effective in Indian democracy when the deprivations people face fall short of the extreme hardships that say famines signify. The state's failures in these areas are well known. What is less well understood is the demand side of the equation. Why is political mobilization on *these* issues less effective? Can one just assume that this is simply a product of the *state's* failure or is there something about the structure and ideologies in civil society that impedes the formation of *effective demand* for health and education?

There are complex reasons for this phenomenon that will bear serious scrutiny. First of all, as with any claim with respect to India, there is wide regional variation in the mobilization for collective action on these issues. We would submit that empirically this is the least well understood area in Indian politics and our understanding of the ways in which governments can be held more effectively accountable hinges on an answer to this question. The range of factors that influence the extent of collective action for the provision of public goods is complex. It has been shown for instance that the Indian states whose land distribution arrangements have historically displayed the greatest inequality also have the low collective action for public goods (Dreze, 1997; Kohli, 1988). Two large North Indian states of U.P and Bihar both have the most inegalitarian land distributions and the greatest political apathy compared to the southern states of Kerala, Karnataka, Tamil Nadu etc. The latter states historically had more egalitarian land tenure systems and were also the beneficiaries of more effective land distribution after independence. It appears that some degree of redistribution of assets is necessary *before* demands for public provision become more effective. The second key factor facilitating collective action for public goods seems to be the existence of a cadre based party of the left that can facilitate mobilization on class lines as Kerala and West Bengal have had. These parties have been instrumental in not only producing land reform but also increasing public provision (Sen and Dreze, 1998; Gazdar and Dreze, 1998; Kohli, 1988). Third, Indian states which have had a longer history of social mobilization, such as resistance to caste discrimination are also more successful in collective action for the provision of public goods. Again, South India, which has had a much longer history of anti-upper caste movements compared to the North provides good evidence for this point. It seems that anti-upper caste movements in the South were a *precursor* to more effective mobilization for tenancy rights, land reform and education (Menon, 1992). It has been very clearly demonstrated that India's poor record in the provision of education and the abolition of child labor owes something to the ritual stratification that caste produced (Weiner, 1985) and a history of anti caste movements seems to lead to better public provision in general. North India has only recently begun to experience such anti-caste movements and their outcomes are still indeterminate.

Perhaps this is an appropriate point to raise a question that needs more study in the Indian context. There is some evidence in the literature that in terms of the relationship between class and ethnicity the

best results are obtained for the poor when mobilization along class and ethnicity coincide rather than clash. The former, termed “ranked ethnic systems” (Horowitz, 1985) seem in democratic settings to produce the most effective forms of collective action for the poor. The distinction between ethnicity and class does not mark the politics of all societies but in India these have been seen as rival locus of mobilization. Ethnicity in general has been seen to be an easier locus of collective mobilization. Mobilization along class lines *alone* has on the whole been much less effective than instances where class and ethnicity have co-mingled. The Communist Party of Kerala was more successful because it was both an anti-upper caste movement and could draw upon a repertoire of caste symbols, as well as a class movement.

It is not the case that the exercise of franchise has not had a significant impact on economic policy and poverty alleviation programs. But the nature of this sort of accountability has to be studied more carefully. The three ways in which that impact is visible are the following. As Sen has very effectively argued, India’s ability to avoid significant famines in post-independence era has largely been a function of democratic pressures being brought to bear upon government. Second, in comparative terms India’s aversion to inflation has been attributed to the workings of electoral politics. Inflation has been the simplest measure of people’s current well being; its impact is direct and widespread. Third, politicians have preferred what are known as “direct” methods of poverty alleviation. It has been shown that in the case of food and agricultural subsidies there is a very direct link between increases in subsidies and electoral cycles (Chibber, 1999). Of course direct methods of poverty alleviation are preferred for many other reasons. Direct monetary transfers are administratively easier to enact than long term structural changes; they can be more easily targeted at the discretion of politicians. But cumulatively the kinds of pressures that have been brought to bear through the franchise suggest that *immediate* benefits are electorally more salient than *long time horizon changes*.

Surveys done on the electorate’s knowledge of economic liberalization point to one crucial fact. While the electorate seemed to have detailed knowledge of pivotal *political* events like religious mobilizations and ethnic conflict, they gave less evidence of being aware of economic liberalization. In 1996, half a decade after the initiation of economic reforms about thirty two percent of the urban electorate claimed to have heard of them, while only twelve percent of the rural electorate knew of the reforms (Yadav, 1997) In some ways this is understandable: industrial policy regimes, tariff rate reductions, exchange rate policies have only very indirect impact on the bulk of the electorate. These electoral pressures explain why by and large the first generation of economic reforms undertaken in India have stayed away from critical areas that could have engaged mass politics: agriculture, labor market reforms, privatization and restructuring of state bureaucracies. (Varshney, 1999).

Accountability and the Politics of Reform

What about dominant interest groups’ ability to impede accountability. There are, after all powerful groups who hold governments accountable *to them*, in the sense that these social groups have policy preferences and the power to sanction politicians. It is commonplace that politicians, even when

not self serving, need to raise resources. In order to win they have to raise resources. It is precisely because voters do not care about policies that do not have a direct or only a marginal impact on their welfare that politicians can sell to interest groups policies that, taken individually, inflict only a small cost on most voters but which allow politicians to raise resources. A traditional explanation of India's poor economic performance was precisely this: a tripartite collusion of rich farmers, public sector professionals and industrial capitalists exercised an effective lock over governments policy. None of these classes was powerful enough to singly dominate the state, while their combined fears about the consequences of altering state policy meant that change was structurally inhibited (Bardhan, 1985; 1988; 1993).

This powerful and influential explanation accounted for much stagnation in Indian economic policy. But this explanation has been less useful in thinking about the *process* through which India has, during the last decade undertaken a serious economic liberalization program. Bardhan's explanation suffered from two weaknesses. First, it was too deterministic and underestimated the political room for manoeuvre possessed by political elites. Second, Bardhan failed to follow through on the implications of his own argument. Bardhan posed the following question: "why the dominant classes, who have so much to gain from long term economic growth, do not pull together in their long run collective interests and cooperate in deredging the stilted channels' of surplus mobilization and investment which were in the danger of being overrun by patronage and subsidies?" His answer was that it was difficult to mount collective action in large and heterogenous coalitions and hence elites took on action in changing the system in a way that would lead to their long term interests. But the logic of this argument can also be turned on its head. This argument would also suggest that when government does take action it would be difficult to mount collective resistance against its policies. In other words, the very phenomenon that explained stagnation might also explain how government could, with artful manoeuver, initiate change. Governments can initiate change and it is often difficult to mount resistance against it. Governments can exploit divisions between interests and take advantages on the ambiguities that surround the effects of policy to seize the initiative (Jenkins, 2000)

But these changes can be taken only under certain conditions that underlie the character of policy making in India. First, the reform program has succeeded to the extent it has largely because it has been gradual and has noticeably involved a major public debate. Observers of parliamentary debates over reforms have noticed that most governments have not acknowledged that they were undertaking radical action. A broad *vision* that underlies the reforms has seldom been argumentatively justified or explained to the public. In fact the rhetoric of continuity is more pronounced than the acknowledgment of disjuncture. On the one hand, this makes the government's intentions less transparent to the public and in that sense renders it less directly accountable. On the other hand by avoiding debates on ideological fundamentals, the government also avoids a potentially damaging polarization. This allows it to oddly enough, be more *responsive*. Second, gradualism has allowed governments to avoid shocks. The one sense in which economic reforms can become an issue in mass politics is if they lead to a major shock to the economy. Indian politicians and policy makers have by and large been risk averse, in part because electoral compulsions force them to avoid policies that might

potentially be experienced as a shock. It would be a fair conclusion to say that in the Indian case electoral accountability renders policy makers risk averse.

Third, policy makers are risk averse in another sense. Politicians are concerned less with the aggregate consequences of economic policy and more with the impact these have on their distributional coalitions. They like in other words to *manage the distributional* consequences of their policies. This does not mean that they are averse to change. What it has implied in the Indian context is that politicians will use policy to solidify new constituencies and raise resources from new sources *before* they go against the interests of old ones. The decisive determinant of reform in the Indian context is not a) whether the state is granted autonomy from social forces or as Haggard and Webb put it the “key parts of the bureaucracy can be insulated from public pressure” or b) whether the elites can be incorporated within the structure of the state to facilitate systematic negotiations on economic policy and produce a consensus as was the case in Japan or c) whether an economic ideology can be politically sold to the electorate at large. The key question is whether policy makers can use policies to generate new groups that can sustain reform and devise creative compensatory schemes that can allow for divide and rule tactics to flourish. The critical hypothesis is that *neither structural constraints, nor open accountability, nor electoral pressures, but political creativity determines the nature of policy reforms in India.*

Decentralization and Accountability:

To the extent that democracy is a system of popular control over decision-making, an inverse relationship between size and direct participation, means that popular control over decision making is likely to decline with expanding size. This does not mean that citizens do not exercise control on their agents, but rather that the process is more indirect. Small size allows for more direct participation and greater representation of individual (as opposed to group interests). Moreover, the smaller the unit, the greater the likelihood of homogenous preferences which in turn allows for greater collection action driven accountability. Moreover, since informational asymmetries are often at the heart of accountability problems, the smaller the size the less such informational asymmetries. Small democracies allow for both more local observation of problems---the people solving the problems are actually there, watching and experiencing them---and better communication among citizens and their representatives, since there are less of them.

On the other side of the ledger for size are economies of scale and scope. Another advantage, the greater specialization of skills that comes with size, has become less important with international trade.

And while diversity may hamper collective action, it could enhance creativity – the homogeneity of Tokyo cannot match the creativity of the Tower of Babel that is Silicon Valley. Moreover size diversifies risk. Small democracies are more prone to single-party dominance, which carries with it the risks of any monopoly.

To the extent that the evidence on the benefits of centralization versus decentralization favors the latter, an important question remains. What is the optimal size and number of sub-national units that

would balance efficiency, representation and accountability? Consider for instance that India with four times the population of the US, has half as many states. Would India's economy and democracy be enhanced if the number of states were to increase? If decentralization is good, transferring greater power from the federal government to more rather than less states seems preferable to the present situation of a small number of states over whose jurisdiction runs over a vast number of people. What then is the limit to this scenario? If India were to have the same ratio of sub-national units to population as in the US, the number of sub-national units would have to increase eight-fold. Not only would this make coordination at the federal level much more problematic, but there is also appears to be little correlation between the size of sub-national units and economic dynamism.

While externalities and scale economies come with large size, the advantages of small size are organizational and informational. Large organizations face three problems: limited human ability to gather and process information, incomplete transmission of information, and the inevitable possibility of human fallibility. Human ability to gather and process information is limited, thus the greater bulk of it involved, the less accurate the decisions based on the gathering and processing will be. Second, transmission of information is inevitably incomplete, so that the more levels between decision-makers and information makers, the more "noise" in the information. Furthermore, there may also be additional advantages that accrue from the inverse relationship between size and the number of sub-national units. More sub-national units would allow for greater amount experimentation with different tactics for solving problems, leading to innovation. It would also induce greater competition (on the likes of Weingast's "market-preserving federalism") among states, with the supposed benefits that accrue from competition. These theoretical questions can be addressed only by more concrete study of the *mechanisms* of accountability.

The seventy third and seventy fourth amendments to the Indian Constitution have sought to strengthen accountability by decentralizing power to the locality more than had been the case in the past. The devolution of power towards local government has been implemented very unevenly and it is too early to say what the results are. But the experience of decentralized governments in states like Karnataka is promising. Local governments ought to be the locus of discussions of accountability. It has been clearly demonstrated that there is a high degree of correlation between the participatory character of local government and the more efficient delivery of public goods like health and education. (Jain, 1998; Dreze, 1998). The Indian experiment in devolution is striking for one other reason as well. Fully one third of all seats for these councils will be reserved for women, which makes it the largest reservation scheme for the representation of women anywhere in the world. Again, it is too early to tell what the precise implication of these reservations will be; much will depend upon what other changes are introduced to complement this enhanced representation. But despite the slow nature of the process, the reservation of seats for women in local government is showing palpably that enlisting women's agency in the political process directly will have a substantial impact on politics and accountability in India (Jain; 1998; Yadav, 1999) This topic will bear further exploration in the near future.

What were the key features of the change brought about by the 73rd and 74th amendments? The bills retained uniformity in the number of tiers across different states. Only the smaller states with

populations below 2 million were exempted from this structure. There is now a three tier structure (village, intermediate block/taluk, and district) in large states, including those such as Kerala, which, after much experimentation and debate, had chosen to have two tiers of local government prior to the amendment. The crucial change in the new acts is the reduction of state government discretion in the holding of elections to local government bodies. Under the new laws, elections to panchayats must be held every five years. Elections to constitute new bodies must be completed before the term expires. If a panchayat is dissolved prematurely, elections must be compulsorily held within six months, the new body to serve out the remainder of the five year term. These provisions will prevent situations such as that in Tamil Nadu, where at one stage panchayat elections were not held for fifteen years, being repeatedly announced and then postponed by successive state governments. With regard to urban local governments, there is a similar strengthening of the electoral requirements, preventing lengthy supersession of local powers by the state government, and replacing appointed posts with elected ones. Cumulatively these provisions will make local governments more regular in their functioning.

The 73rd amendment gives considerable attention to the nature of elections for the three levels of panchayats. Direct elections are specified for seats at all levels. Seats are reserved for scheduled castes and scheduled tribes in proportion to their population, and offices of chairpersons at all three levels are also reserved in proportion to their population in the state. One third of the seats and of offices of chairpersons are reserved for women. Chairpersons at the intermediate and district levels are to be elected by the panchayat membership, while either direct or indirect elections of chairpersons are permitted at the village level. State level election commissions are to be created to supervise and manage the electoral processes. At the intermediate and district levels, chairpersons of panchayats one level below can be made members, as can MPs, MLAs and MLCs (Members of Legislative Councils).

The act provides for one additional potential avenue of representation and accountability of local government. Each village or group of villages will have a gram sabha, comprising all registered voters in the area. The functions of the gram sabha are left up to the states, and are not further specified, but the Karnataka panchayat act of 1983 provides some indication of how these may function. This act (now, of course, superseded) provided for periodic meetings of gram sabhas, to consider the report of the panchayat, proposals for new programs for village development, implementation of sanitation and drainage schemes through voluntary labor, programs of adult education etc.

Another vital feature of the reform is its attention to the financial resources of local government. State governments are expected to provide adequate funds for local governments, through grants, the assignment of tax revenues, and authority to collect taxes, tolls and fees. This will not be entirely discretionary, since in each state a finance commission must be established (with five year terms, as is the case with the central Finance Commission) which will determine the principles for providing local governments with adequate resources. This creation of state level finance commissions is particularly significant, since it has the potential to enhance the independence of local governments. The envisaged structure parallels that of the central Finance Commission, as well as being similar to the provisions of the Karnataka panchayat act of 1983. States will retain considerable discretion and control, but the

experience at the center-state level suggests that state finance commissions, though advisory in nature, will have an important role. States will also be responsible for making provisions with respect to the maintenance and auditing of lower level government accounts. The way this scheme is implemented will turn out to have crucial implications. Traditionally the problem with local government has been that it received a significant proportion of its funds by way of discretionary grants. Discretionary grants are not only unpredictable, they effectively relocate power at higher levels of authority. Studies have shown that the more well defined the assignment and sharing of revenues between levels of government the more successful the local governments have been. Kerala is a significant example.

Other aspects of the reform include the creation of a new (eleventh) schedule in the Constitution, of 29 subjects (including agriculture, animal husbandry, land and water management, irrigation, roads, education, electricity, and welfare programs) as panchayat responsibilities; specific responsibilities for preparing development plans; the creation of district planning committees to consolidate the plans prepared by panchayats and municipalities; and additional provisions concerning eligibility for and composition of rural local governments. All of these provisions have been debated, and often criticized, in some detail.

The 74th Amendment, known as the Nagarpalika Act, provides a parallel set of reforms for urban and transitional areas. For areas in transition from rural to urban, nagar panchayats are to be constituted, and, for most purposes, are combined with municipalities. The composition of municipalities remains under the guidelines of the states, subject to the population categories outlined in the amendment (5,000 to 10,000 for a nagar panchayat, 10,000 to 20,000 for a municipal council, etc.). A noteworthy feature is the legislative creation of tiers within larger municipalities, in the form of wards and zones, with their own committees. As noted above, a key feature of the legislation is the strengthening of local election procedures, with members at the ward and municipal level being chosen by direct elections. The zonal committees are more of an intermediate level, their composition being the chairpersons of the ward committees in the zone.

Many of the provisions of the Panchayat Act, including composition, reservations, duration, and the role of state finance commissions, are directly applied to municipalities in the Nagarpalika Act. Paralleling the creation of the eleventh schedule in the Constitution, the legislation also creates a twelfth schedule for municipalities, including public health and sanitation, communications, and various welfare services. Law and order are not on this list. Finally, the act requires the constitution of planning committees at the level of districts and metropolitan areas.

It seems that the strengthening of local government can do two things in the direction of greater decentralization, greater responsiveness to local preferences, and, hence, greater efficiency, despite an argument that it strengthens the center by weakening state government control. First, it provides an easier route for channeling central funds directly to the local level. While this may not seem to get away from "top-down-ism", it can have two positive effects. It reduces the possibility of "skimming" of funds as they pass through multiple levels of politicians and bureaucrats; and, furthermore, the political

influence equation is different between the center and a locality, versus the center and a medium-sized or large state: no single locality or district matters politically in the way a large entity such as a state can. Thus, two types of influence costs might be reduced. It may also be noted that the more general economic reforms have increased the power of the states, for example, by freeing them to attract private investment, and reducing central control over the location of industrial activity. Obviously this claim needs to be tested more empirically. At one level, the more the layers of government the more potential points there are for corruption. Indeed classically, concern over corruption was used as an argument for centralization. Manor (1999) argues that though this was his *ex ante* hypothesis, his investigation yielded paradoxical results. But decentralization "made the political process much more transparent and the theft of funds and the sale of influence far more visible." One of the mechanisms by which decentralization achieves this is that the more the parties that have information about budgets etc., the more difficult it is to conceal how funds are managed.

There is also arguable still enough monitoring by higher levels of government which retain considerable power over local government: for example, MLAs can simultaneously be members of panchayats, and states will set the terms of reference for their finance commissions. Thus, the perception of the 73rd and 74th amendments as weakening the states vis-a-vis the center is implausible.

The second positive consequence of stronger local government, one that may be more important from the perspective of accountability and responsiveness, is that such governments may be able to raise funds more effectively. While there are always potential economies of scale in raising revenue, the Indian fiscal system has been marked by a greater degree of centralization of revenue relative to expenditure than in other federations. At the center-state level, this has meant that states rely heavily on transfers from the central government. This is less true at the state-local level, with 10-25% of urban local governments' funding coming from grants and other transfers. However, while local governments do not rely heavily on external funding, it has often been noted that the level of services that they provide is quite low on average. Expanding the authority of local governments, by giving them a firmer legal status and more certain terms of office, may help in opening up avenues of raising revenue. This will complement the potentially firmer position of fiscal transfers to local government bodies through the working of state finance commissions. In the long run, and if financial markets continue to develop as one would expect, based on the ongoing and proposed reforms in the financial sector, local authorities may also be able to borrow from the market for capital expenditures. One of the chief defects of revenue sharing schemes has been that there have been few incentives for local cooperation in revenue collection. Distribution of revenues by origin, while it runs some risk of regional imbalance, enhances the incentives to aid in collection.

Expanding fiscal capacity is by itself not sufficient. Fiscal effort also matters. For example, the issues of tax enforcement, of incentives to restructure taxes, and of user charges are critical. Will local governments be any better at this than they have been, and better than state governments in the past? Three things should help. First, the firmer political footing for local government should increase accountability to local constituencies. This will increase the pressure to deliver public goods and services more effectively, and to raise the resources to do so. Second, local governments may now have greater

freedom to access and manage their funds: even a seemingly small change such as the ability to maintain funds in local banks instead of the state treasury can provide considerably more effective control, and increase the incentive to raise funds. Third, the small size of local constituencies, relative to the size of states, makes it easier to impose hard budget constraints on local governments, forcing them to look to internal sources of funds. In general the thought here is that the larger the unit, the more power of blackmail it has over higher levels of government. Decentralization may make fiscal discipline less hostage to political expediency. Fourth and finally, incredible as it may sound, the problem in some of India's poorest states like Bihar and U.P has been an underutilization of funds especially in areas allocated for education and health. In part this may have been a consequence of the fact that information about these funds still does not trickle down to its intended target; hence, there is little effective pressure to spend them speedily. Decentralization may potentially solve this problem.

None of this is going to be automatic. There are serious issues about the structure of governance than will still need to be thought through. In the case of rural areas, in many cases the panchayats will be starting from scratch in developing revenue sources. Again, this will not be easy, but there are successful examples of villages that sustain a high level of corporate organization when there are net material benefits to be obtained from such organization. To aid this kind of outcome, several complementary aspects of reform, in addition to political responsiveness and managerial efficiency, will need attention. There is now considerable evidence that the more distant the monitoring agency from the targeted location of particular programs, the less accountable they are to the intended beneficiaries. One small example illustrates this well. One of the problems in rural schools has been teacher absenteeism. School teachers for government schools were recruited by the state governments and were judged, evaluated, transferred and fired by them. It has been noted that in the case of teacher absenteeism, local populations had not other redress but to approach the state government for disciplinary action. The procedures for doing so were cumbersome, the likelihood of punishment remote and the response time was too long. It has been shown that delegating accountability of government employees to the locality of their targeted beneficiaries (giving villagers the right to recruit and fire school teachers) has a dramatic impact on teacher absenteeism (Dreze 1998) Madhya Pradesh has made great strides in this area. Again, Crook and Manor's study of Karnataka found that absenteeism amongst government employees decreed considerably after the introduction of effective panchayats in Karnataka. Here local accountability enhanced effectiveness.

That the 73rd and 74th amendments have altered the nature of local politics and the incentives governing politicians is without doubt. As we had suggested earlier, the principal problem in the past has been the extraordinarily confused assignment functions between states and local government. Despite having the authority to do so on paper, in practice local governments required a vast array of approvals from the state. Arguably, local elected officials would have more incentives to make sure that projects (infrastructure for example) are carried out than a higher level state bureaucrat or elected official does. Obviously some projects require economies of scale and technical and financial assistance that only the states can muster. Nevertheless, it is true that the absence of regular local government has, on balance, diminished, the incentives that states have to respond to local needs and queries. Almost all

studies of local government where these governments have been allowed to function stress that the speed, quality and quantity of responses to local needs increased considerably. Elected councillors were easier to contact at the local level; they had more incentive to pass requests for official action, and the flow of information between locality and the civil servants was greatly enhanced.

Another political benefit of decentralization may be the following. We know that a credible opposition and the prospect of a viable alternative have an important role in determining the accountability of government. We also know that the larger the unit of governance, the configurations of social cleavages produces more uncertainty about what the alternatives are. James Manor (1998) has argued that "decentralization made the political process much more transparent and the theft of funds and the sale of influence far more visible. A lively two part-system ensured that it was not left to citizens to detect and protest against corrupt acts."

Much of the analysis of India's economic reforms and decentralization has been conducted in separate forums. The latter always invariably focuses on administrative decentralization – from the center (the first tier of government) to the states (the second tier) and from sub-national governments to local governments (the third tier). This shift, discussed earlier has been pronounced, especially the latter. However, another significant consequence resulting from economic reforms is the decentralization in economic decision-making inherent in greater role of markets. Markets are a decentralized allocative mechanism. Accountability in this case, assuming competitive markets, is based on Hirschman's "exit" and "loyalty" principles. If a product or service is unsatisfactory, the consumer exits and shifts his/her loyalty to another supplier. At least in the case of commercial services, allowing competition and a greater role of market forces, has increased accountability.

Unfortunately, for most of India's population, a host of services are not subject to market forces; indeed, incomes are so low, that even if markets are completely liberalized, a scenario of competitive markets in a wide range of social and public services would not materialize. Nonetheless, just as fears that decentralization would result in a "corruption irruption" have proven unfounded, fears that a greater role for market forces would inevitably be inimical for the poor are also exaggerated. For reasons documented earlier, the Indian state is much less accountable to its citizens than is either desirable, or expected, given the deep roots that electoral democracy has taken in India. Wealthier citizens seek out markets for the provision of public services, be it health, education and even security. The poor neither have the resources to "buy" such services from the market, nor the institutional means to hold the state accountable for the provision of such services, despite the ostensible expenditures by the state on such services. In this bleak scenario, giving direct cash transfers to the poor in lieu of indirect government services, thereby allowing the poor the option of "buying" public services, either from the state or from the market, might give the poor the critical weapon they lack to press for improved accountability: choice. Either way the prospects for accountability look less than sanguine in the near future.

But fundamentally, the debate over decentralization returns us to the question I started with: what conception of politics do we operate with? It seems to me that the fundamental issue in the decentralization

debate is not technical institutional design but “trust”. All the arguments used against decentralizing power – lack of capacity, local elite capture – are arguments that could equally be leveled against Indian democracy, and are essentially paternalistic. Imagine if our founding fathers had heeded the advice of European Social Theory against introducing universal suffrage based on these grounds. What we need is a similar “leap of faith”. Decentralization will not be the panacea for all ills, but it has the potential for transforming the structure of politics, from a politics of identity to a politics of public goods.

In Lieu of a Conclusion

This paper has highlighted different facets that go into making of a politics that is more accountable and responsive. In particular, it has emphasized that the norms and expectations citizens hold each other to, the design of institutions and the manner in which power is organized, all matter for accountability. But the paper is also a cautionary note against any quick fixes. Indeed, any purely administrative solutions, that by pass the messy process of politics, are not likely to succeed or be enduring. The only alternative is creativity and improvisation that uses the small openings and incentives that entrenched structures provide and transforms them into virtuous cycles of hope. While this chapter has dealt largely with the challenges of institutionalizing accountability, there are many experiments underway to empower citizens more effectively. For instance, the right to information, while not a panacea, will certainly help citizens monitor the delivery of social services better. But in the final analysis, accountability is only possible when the romance of a particular kind of politics is restored, a politics that recognizes that the good of citizenship is impossible without reciprocity.