

# DELIBERATION IN CHINESE AND INDIAN CENTRAL PLANNING BUREAUCRACIES

A Dissertation

Presented to the Faculty of the Graduate School  
of Cornell University

in Partial Fulfillment of the Requirements for the Degree of  
Doctor of Philosophy

by

Ishan Joshi

January 2011

© 2011 Ishan Joshi  
ALL RIGHTS RESERVED

# DELIBERATION IN CHINESE AND INDIAN CENTRAL PLANNING

## BUREAUCRACIES

Ishan Joshi, Ph.D.

Cornell University 2011

This dissertation offers a different interpretation of the causes for the successful rapid growth of the Chinese and Indian economies in the contemporary period by placing both cases in the same analytic framework. Guided by formal game-theoretic models of information exchange, the historical analytic narratives document how the development and subsequent transformation of these two economies was managed under the auspices of their respective Central Planning Commissions.

I first re-examine the developmental period, beginning in the early 1950s, when both nations inaugurated their Soviet-inspired central planning apparatus. While traditional treatments of such planning emphasize its poorly realized economic goals, I focus on how planners established bureaucratic institutions of deliberation and information flow from the regions to the center. These information flows allowed the central government in both of these countries to better coordinate domestic economic policy through the procedural infrastructure erected by these mechanisms. In China and India, the organization of the Central Planning bureaucracy solved a coordination dilemma across regional interests. This allowed for the generation and evolution of a national consensus on fundamental questions of how the economy should grow: in what direction? With what goals? With what speed? Establishing what priorities? And, realized at what cost? These difficult questions were funneled through the discussions

behind the annual and longer term Five Year Plans so that leadership from different regions could effectively coordinate their preferences on these matters of vital national interest.

I then extend the framework and analysis into the contemporary period of economic liberalization. Although these two regimes differ on almost all of the formal features of their polities, they have both successfully liberalized their closed economies without significant political opposition. In fact both nations have witnessed the evolution of a broad-based national *consensus* in favor of the reforms. I argue that this transition was made possible since it occurred at the behest of the enduring institutions of deliberation within their central planning hierarchies, which not only established the foundations for rapid contemporary growth, but continue to manage this change even as the old levers of planning and central command have all but evaporated from the scene.

## **BIOGRAPHICAL SKETCH**

Ishan Joshi was born in Pune, India and moved at a very early age to San Jose, California. He grew up in India and the Bay Area, as his family moved back and forth between San Jose and Pune. His academic interests lie in Asian cultures, languages, and civilizations, as well as in the analytical study of government and politics. He specializes in Chinese and Indian affairs.

I dedicate this dissertation to my father.

## ACKNOWLEDGEMENTS

I am grateful to my dissertation committee members for their support in completing this project. Professor Mary F. Katzenstein, the Chair of my Special Committee, has been a friend and mentor since the first day I arrived in Ithaca, and her sage advice and guidance have sustained this project throughout. Professor Thomas P. Lyons first instructed me on the workings of the Chinese economy, and his course on planning and development in China was a primary inspiration for this dissertation. Without Professor Walter R. Mebane, Jr., I simply would not know how to think clearly and analytically about political science. I also thank Prof. Kevin Morrison for joining my defense committee as I completed this project, and to Prof. Christopher Way for serving as its outside reader. The blame for errors and omissions that remain in this dissertation should be placed on the author alone.

## TABLE OF CONTENTS

Biographical Sketch . . . . .	iii
Dedication . . . . .	iv
Acknowledgements . . . . .	v
Table of Contents . . . . .	vi
List of Tables . . . . .	ix
List of Figures . . . . .	x
<b>1 Introduction</b>	<b>1</b>
1.1 Economic Liberalization Without Political Opposition . . . . .	1
1.2 Overall Argument . . . . .	5
1.3 Independent Measures . . . . .	6
1.4 Dependent Measures . . . . .	10
1.5 Causal Mechanism . . . . .	13
1.6 Methodological Approach: Case Selection and Research Design .	16
1.7 Related Approaches to the Puzzle . . . . .	23
1.8 A Summary of the Chapters . . . . .	31
<b>2 Planning and Coordination in China and India: A Theoretical and Historical Overview</b>	<b>50</b>
2.1 Approach and Argument . . . . .	50
2.1.1 Theoretical Overview . . . . .	52
2.1.2 Making Planning Fit Constraints . . . . .	54
2.1.3 Related Studies of Planning . . . . .	56
2.2 The Decision to Centralize: Regional Economies in Search of a Central Planner . . . . .	60
2.3 How did History Help Shape Expectations? . . . . .	68
2.4 Experiments with Decentralization: Coordination Against Constraints . . . . .	81
2.4.1 Redefining the “Problem of the Planner” . . . . .	107
<b>3 Deliberation and Policy Making in Bureaucracies</b>	<b>114</b>
3.1 Introduction . . . . .	114
3.1.1 Argument . . . . .	117
3.2 Deliberation in the abstract . . . . .	121
3.3 Deliberation in Bureaucracies: An understudied phenomenon . .	131
3.4 Deliberation in Chinese and Indian Planning Bureaucracies . . .	138
3.4.1 Administrative law and policymaking . . . . .	139
3.4.2 Scale Constraints: Information bottlenecks . . . . .	143
3.4.3 The Search for Consensus: The Aligning of Preferences . .	146
3.4.4 Information Aggregation: Lobbying and Veto Power . . .	152
3.4.5 Local Level Deliberation . . . . .	156
3.5 Conclusion . . . . .	159

3.5.1	Differences with existing studies on Chinese and Indian Bureaucratic Organization . . . . .	166
<b>4</b>	<b>Consensus Deliberation and Divided Leadership</b>	<b>175</b>
4.1	Introduction: The Need for a Unifying Framework . . . . .	175
4.1.1	Model: Consensus Deliberation . . . . .	181
4.1.2	Game Theory: Deliberation and Cheap Talk . . . . .	185
4.2	Model: Leadership Unity and Consensus Deliberation . . . . .	189
4.2.1	Stages of Play . . . . .	193
4.3	Discussion: An Interpretation of Four Scenarios . . . . .	222
4.3.1	Endogenous amounts of Allowable Bias . . . . .	222
4.3.2	Single-agent Deliberation . . . . .	225
4.3.3	Divided Leadership and Double-Agent Deliberation . . . . .	225
4.3.4	The Central Planner's Correlated Strategy . . . . .	227
<b>5</b>	<b>Divided Leadership, Deliberation and Pre-reform Planning</b>	<b>230</b>
	<i>Analytic Narrative I: Applying the Model To Pre-Reform China and India</i> . . . . .	230
	China: From Maoist Ascendancy to <i>Wenhua Da Geming</i> (Cultural Revolution) . . . . .	231
	India: From Nehru to Indira Gandhi's <i>Emergency</i> . . . . .	244
	The Cultural Revolution and the Emergency . . . . .	255
	Concluding Remarks . . . . .	262
<b>6</b>	<b>Divided Leadership, Deliberation and Reforming the Economy through Planning</b>	<b>270</b>
	<i>Analytic Narrative II: The Early Period of Economic Reforms</i> . . . . .	270
	Leadership Division and the Governmental logic of Planning . . . . .	274
	India: From Left to Right—Evolving Consensus in the 1990s . . . . .	279
	Post Maoist China: From Ideology to Consensus . . . . .	292
	Concluding Remarks . . . . .	302
	The Value of Leadership . . . . .	304
<b>7</b>	<b>Institutional Selection Under Economic Liberalization</b>	<b>308</b>
7.1	Introduction: A Commitment to Liberalize through Planning . . . . .	308
7.2	Studying Economic Reforms: A Mechanism Design Approach . . . . .	311
7.2.1	Screening versus Signaling . . . . .	313
7.2.2	A Framework with Two Scenarios . . . . .	315
	<i>Analytic Narrative III: Gradualism and the Search for Consensus in the First Phases of Reforms</i> . . . . .	327
	Restructuring Planning Functions . . . . .	330
	Reducing the Immobility of Factors . . . . .	338
	Some Comparative Comments . . . . .	349
	Conclusions . . . . .	355

<b>8 Conclusion</b>	<b>356</b>
<b>Works Cited</b>	<b>363</b>

## LIST OF TABLES

2.1	Initial Conditions . . . . .	104
2.2	Major Macroeconomic Management Strategies in the Planned Periods . . . .	104
2.3	Major Reforms Initiated . . . . .	104
2.4	<i>India: Central Planning Objectives and Administration before Reforms</i>	105
2.5	<i>China: Central Planning Objectives and Administration before Reforms</i>	106
4.1	A list of variables and parameters used . . . . .	190

## LIST OF FIGURES

2.1	The Problem of Coordination with Network Externalities . . . . .	61
3.1	Local Level Deliberation in the Indian Plan . . . . .	160
3.2	Formulation and Implementation of Central Planning in India . . . . .	161
3.3	Formulation and Implementation of Central Planning in China . . . . .	162
4.1	Game Tree: Single Agent and Consensus Deliberation . . . . .	192
4.2	Policy Shifts: Retrenchment and Expansion . . . . .	194
4.3	Leadership Effect on proposed policy: $p_i$ . . . . .	199
4.4	Leadership Effect on allowable discretion to Agent: $\hat{b}$ . . . . .	200
4.5	Reporting Stage Equilibrium with Single-Agent Deliberation . . . . .	211
4.7	Reporting Stage Equilibrium with Consensus Deliberation . . . . .	214
4.6	Diverging Preferences between Two Agents: Three values of $\gamma$ . . . . .	215
4.8	Payoffs for Pure Strategies at the Leadership Stage . . . . .	218
4.9	Payoffs for <i>Normalized</i> Pure Strategies at the Leadership Stage for an Expansionary Policy Shift . . . . .	221
4.10	An Interpretation of Four Scenarios. . . . .	222
7.1	Institutional Selection Under Economic Reforms . . . . .	318

## CHAPTER 1

### INTRODUCTION

#### 1.1 Economic Liberalization Without Political Opposition

After some twenty-plus years of sustained economic liberalization, in which China and India have made a turn from internal, self-sustaining, anti-foreign trade, autarkic, and financially insulated economic regimes to gradually more open, more free trading, and more openly competitive ones, certain striking similarities are difficult to ignore. First, China and India appear to be two of the few countries to have made this transition *successfully* without having become mired in the painful after-effects of “shock therapy” and of “dual transition” found, respectively, in East Europe and Latin America; by all accounts liberalization in both countries is incomplete, but those changes that have been made have been made effectively. It is true that both countries have as of yet to allow for complete and uninhibited capital account convertibility, have resisted full-scale privatization of their state-owned public enterprises, and that there remain significant obstructions to a complete liberalization of import restrictions. Instead, both countries have followed courses in which they have haltingly removed restrictions from entrepreneurial activity, have piece-meal liberalized their current accounts, and have, for the most part dismantled restrictions on the mobility of labor and capital.

It is the case that no sustained opposition to liberalization stands in the way

of further implementation in either country. This is a remarkable achievement, governmentally, given the heterogeneity of preferences across regions as well as across organized interests. Simply put, both nations have witnessed the evolution of a national consensus in favor of the liberalization of economic controls. As I argue in this essay, this is not accidental, and I point to the robustness of the political institutions of the planned economies to explain the reasons for and the durability of this common change.<sup>1</sup>

It is also worth noting that these changes have occurred without any radical or disruptive alteration of the political institutions that govern the economy. Comprehensive reforms of the eighties and nineties have also been undertaken *without* significant political reform, if by political reform one means the nature of the constitutional authority that governs the lives of individuals and contractual transactions. In China, the question of political change has to do with the degree to which the Chinese Communist Party has been willing to democratize the field of political competition and allow non-communist members of the polity to organize and compete for political influence; there has been no striking change in this regard. Although political institutions in India—based as they are on a written constitution and the formal separation of powers between branches of government—should not be expected to change *drastically* in any case, the reforms period has seen no change in the Indian state's commitment to any and all of the socialistic aspects of its development strategy.

Internal CCP politics faced significant fissures in the early years of reform,

---

<sup>1</sup>The major self-described goals that the governments have been ineffective in generating political consensus on is that of large-scale privatization of SOEs, full convertibility of the capital account, and full liberalization of import restrictions on consumer imports.

as Deng Xiaoping's lieutenant sought to aggressively chip away at the Maoist policies that remained in place in 1978-9; the leadership split that was opened up after Mao's passing, the usurper of the Gang of Four and their remaining "leftists" stalwarts is well known.<sup>2</sup> The aging party elders, including the old planner Chen Yun, eventually lost their foothold under Deng Xiaoping's savvy maneuvering of intra-party struggles—and not insignificantly by Deng's having signalled his uncompromising stance against social disruption during his loss of confidence in his *heir apparent* Zhao Ziyang in 1989—were finally laid to rest as Deng retired and Jiang Zemin (previously of Shanghai mayoral fame) was brought in to take over the party-state apparatus, to re-centralize party authority and to press reforms forward.

Indeed, even in India—where the case for political change due to liberal policies should be *easier* to prove, no national political party has made opposition to reforms a major platform issue. The late eighties and nineties have seen the evolution of two clear coalitional platforms, one headed by the traditional Congress Party and the other headed by the Bharatiya Janata Party (Indian People's Party, henceforth 'BJP'). We would expect therefore, that the evolving two-party system in that country would generate differing political platforms on such an important issue as liberalization, but no such trend is apparent. Significant constituent-members of each of these coalitions have, naturally, voiced opposition to particular aspects of change, often quite vocally. Especially the old leftist and populist segments of the Congress as well as regional parties under the umbrella of the of the BJP-led coalitions have occasionally opposed differing aspects of the liberalization regimes, but these conflicts have been managed *within*

---

<sup>2</sup>Where, in Chinese parlance, leftist is Maoist. For the Dengist period see Baum (1993).

their respective coalitions and has *not* spilled over to the coalitional platforms.<sup>3</sup> As Rob Jenkins puts it, “[t]he political durability of India’s reform programme runs counter not only to much of the experience of the rest of the world, but also to India’s own lacklustre track record.”<sup>4</sup>

This is not to deny that the *potential* for serious disruption is absent altogether. In China, following the 1989 police action in Tiananmen Square, and then following the overheating of the economy in the early nineties, conservative backlash seriously threatened to derail reforms. Also in the early-mid nineties, it would seem that events were taking place on Indian political soil that would cause injury to our thesis of political stability, events that threatened the quiet success of (first senior bureaucrat, then Finance Minister and today’s Prime Minister) Manmohan Singh’s reform drive. In 1994, following the setbacks Congress faced in the state-wide elections (especially in Karnataka and Maharashtra), there appeared to be precisely such a fissure along electoral lines vis-à-vis reforms, with the left parties *and* the BJP opposing the high-profile power projects that had been approved by the Union government. Famously, the BJP/Shiv Sena coalition that came to power in the state of Maharashtra in 1994 threatened to disrupt the center’s plans for reforms by first canceling and then re-negotiating Enron’s power facility in Dhabol, near Bombay.

However, these differences were resolved in the initial period of liberaliza-

---

<sup>3</sup>There are regional parties in India, such as the CPM in West Bengal, that have consistently voiced opposition to liberalization, but in practice Bengali chief ministers have been just as enthusiastic about courting investment and foreign capital as have other chief ministers. Scholars disagree about the beginning of economic reforms, whether they can be dated to 1985 (under Rajiv Gandhi’s administration) or 1991 (under P.V.N. Rao’s.) I address both periods in Chapter Five.

<sup>4</sup>Jenkins (1999:3). Also see Sarangi (2005).

tion through intra-party and intra-coalitional bargains. For example, to continue our anecdote, once the conservatives took over in Maharashtra, they quickly *renegotiated*—for a price—the power deal with Enron to their liking so that the project did in fact go through, and by 1995 the leftist opposition headed by West Bengal Chief Minister Jyoti Basu came out in favor of liberalization, including privatization!<sup>5</sup> In fact, it is entirely possible to argue, I believe, that we can actually find more substantive debate on the issues with more ideologically charged positions *within* the Chinese Communist Party than we do across the entire mainstream Indian political spectrum, and despite the plurality of ideological positions, severe opposition to economic reforms has been notable for its absence.

## 1.2 Overall Argument

I argue that the reason for this successful transition from initially closed to gradually more open, liberalized and market-based economies *without the formation of a viable anti-reform coalition within the political leadership* is due to the fact that this transition has been, primarily, a bureaucratic process, a change managed and pushed forward under the same, unchanging rules of bureaucratic governance that have guided economic change and reconstruction in these nations throughout their young, recent histories. If innovation was required, during these decades of reform, to amend these rules, then changes were made to the

---

<sup>5</sup>Jha (2002:191-197). For an interesting explanation of the BJP flip-flop on its position of economic reforms see Arulanantham (2004).

administrative apparatuses that motivated economic change. The only types of governmental reforms that *have* been made in relation to the governance of the economy have been entirely *administrative* in nature. To explain the continued integrative role of the bureaucracy in this regard, I focus on the cases of the planning commissions and their associated and related ministries and commissions that fostered development, and the exercises of plan formulation and implementation that have been carried out by these agencies, in order to bring to light their coordinating and consensus-generating roles.

### 1.3 Independent Measures

The independent variable of this thesis is the presence/absence of deliberative institutions within the planning bureaucracies.<sup>6</sup> Many national systems have utilized the Soviet parent model of central planning—which is a national bureaucracy with regional and/or sectoral divisions—to organize their economies in the Twentieth Century, but not all of these nations have within these central planning organizations institutions of deliberation. More generally, any nationwide bureaucratic hierarchy may or may not have provisions for deliberative institutions within its functions.

---

<sup>6</sup>I use the plural because while the key agency in both nations is indeed the Planning Commission (India) and the State Planning Commission (China), several other public agencies are involved in the key planning processes, as I discuss in the body chapters. For example, the Finance Commission plays an integral role in India, and the State Council has oversight over the Chinese SPC. Also, the Chinese SPC has undergone two major restructurings, as the State Development Planning Commission (1998) and the current National Development and Reform Commission (2003), which amalgamated several related and cognate agencies into “super agencies” as they stand today, collapsing functions that wither before 1998 located outside of the confines of the old SPC.

To gauge whether or not a particular system has these institutions, I establish a three-fold measure, a composite qualitative index, of what it means for a bureaucratic organization to make provisions for deliberation, the three qualities that give its agents not just discretion over policy implementation, but also give agents *voice* over policy formation and approval itself. The question I ask is: does the bureaucratic organization possess the following three regularized modes of information exchange?

First, a bureaucratic organization must make room for *local-level deliberation*. Along the entire length of a vertically stratified bureaucracy, there must be provisions at every level for agents in charge of the consultation over a particular policy initiative to exchange opinions, voice concerns, propose the vetoing of policy initiatives, and amend existing proposals. Such a forum must be present at all levels of the hierarchy, from the central apex to the lowest level of organized activity.

Second, to further qualify the nature of these discussions, there must be provisions within the protocols of the bureaucratic organization for the generation of *consensus* among those discussing a particular policy initiative. Consensus-generation must be an explicit goal of the discussions that surround a policy initiative. And this has two implications; agents at the same level must discuss and try to sort out their differences in regard to a policy that affects their particular jurisdictions in tandem; agents at different levels must also meet and attempt to actively resolve differences. That is, higher-ups must consider the views and opinions of those at lower-levels, and these views of the lower level

must be incorporated into the discussions with any higher level within the hierarchy.<sup>7</sup> Without both of these processes of consensus generation, a bureaucratic organization cannot be said to be deliberative.

Third, there must be identifiable and verifiable mechanisms by which these reports are aggregated as they travel upward, vertically, along the organization of the agency in question. Deliberations at one level must be available to other levels. If discussions occur at one level and generate a counter-proposal to an initiative received from another jurisdiction, for example, but do not “go anywhere” or are not organized in a communicably valid form for the consumption of the higher level within the hierarchy, then this requirement is not met.

These three conditions are, by definition, both necessary and sufficient (i.e., equivalent) to the stated description of a bureaucratic organization as having deliberative institutions. The use of these particular components to study deliberation in a bureaucratic organization requires some justification and elaboration, and due consideration of the existing treatment of both studies of deliberation and of bureaucratic organization. This is particularly so, since deliberative functions are not typically located in bureaucracies—which makes the present treatment of China and India all the more specific. This discussion, from the fundamentals of deliberation to the existing study of bureaucracies in these two nation-states, is the focus of Chapter 3.

---

<sup>7</sup>In Chapter 4, this requirement is given formal treatment in the provision for *consensus deliberation* in the game theoretic model considered there. The report of the lower-level agent modifies the report of the high-level agent. This would not be the case were there no provision for such type of consensus generation.

A distinction can be made here between a systemic *parameter* and an independent measure. This thesis focuses on China and India as two of a larger group of *large-scale* systems; i.e., systems in which there is considerable geographic (regional) diversity, where the individual provinces or states have historically functioned as relatively independent governmental systems and members of regional economies. Such systems can present bottlenecks of various kinds to any centralizing authority, and one of the environmental parameters focused on in this thesis is the degree of *informational* bottlenecks present. That is, *large-scale* systems such as China and India can contain significant obstacles (due to this complexity). These institutional environments are also described in Chapter 3; I only note here that how leaders respond to these systemic parameters—the presence or absence of such bottlenecks, for example—can and does vary across systems. For example, I will argue in later chapters that the former Soviet Union, China and India *all* all had a positive value for the presence of such bottlenecks, but the Chinese and Indian nations (together) had different values for the presence of deliberative institutions (from those of the Soviet Union) in their bureaucratic planning apparatuses.

Indeed, leaders in China and India designed their planning bureaucracies (through years of experimentation and evaluation with different organizational modes) very differently than did leaders in the former Soviet Union, despite the fact that the national bureaucracies (that stretched into the cities and the depths of the countrysides) all faced similar informational bottlenecks. In particular, the Soviet Union made no provisions for voice and deliberation within their planning apparatus, which was, in most senses, a classically totalitarian bureaucracy, with negligible amounts of voice available to participating agents. The in-

ternal organization of the planning agencies in China and India—the Planning Commission and its related agencies—*did* make provisions for institutions of deliberation, for information aggregation, and for consensus generation. Thus, the independent variables have different values across such large-scale systems.

Drawing attention to such explanatory factors helps underscore what was similar in China and India and what made their bureaucratic organization different from other planned economies. In contrast to what may be expected of a central planning agency and its execution of command functions in the conventional Stalinist fashion—strict adherence to an authoritatively mandated list of quotas, targets and directives—the Chinese and Indian central planning bureaucracies are instead focused on generating and gathering real information and feedback from all areas and levels of their operation, often to the detriment of the central planning mission itself. This information is then used for substantive deliberations and discussions around the proposed shifts in policy considered by the central planners. These deliberations, through a cumulative process generate consensus within the organized planning apparatus.

## **1.4 Dependent Measures**

The dependent measure, or outcome, of this analysis is the presence/absence of opposition to economic liberalization within the political leadership. The question asked is: Is there an anti-liberalization coalition within the political

leadership? Since India and China are different types of governmental regimes, this effect is measured differently in both.<sup>8</sup> At the national level, the value of this outcome can be gauged in the national elective bodies that are responsible for legislation, the lower house of the Indian parliament (*Lok Sabha*) and the National People's Congress (*Quánguó Rénmín Dàibiǎo Dàhuì*) in China. In China, no major opposition group or coalition has sustained an anti-liberalization platform.<sup>9</sup> In India, there also has been no sustained political coalition that has endured beyond episodic calls for restraint. In neither country has sustained political opposition been generated to economic liberalization, and no member of the leadership in either country has sought to mobilize public support for positions contrary to the "majoritarian" line, which has been pro economic reforms and pro liberalization. Rather, what we witness is the evolution of a political consensus across ideological and factional divisions (either within or across party lines).<sup>10</sup>

This lack of a political leadership coalescing in opposition to economic liberalization is noted in stark contrast to other areas of governance, where such divisions are contentious to say the least. To cite a few examples: sharp divisions exist and have existed within the Indian parliament over issues such

---

<sup>8</sup>If I were to measure the outcome of this "national consensus" in terms of national and regional leadership, then China and India would not be directly comparable. Central and provincial party leaders in China are *appointed* by an internal Communist Party process, whereas in India they are elected into office. However, having granted this major formal difference between the two, it is fair to say that the architects of economic reforms in India (Narasimha Rao, Manmohan Singh, P. Chidambaran, and Montek Singh Ahluwalia) and China (Hu Yaobang, Deng Xiaoping, Zhao Ziyang, and Zhu Rongji) can be associated with diverse ideological positions.

<sup>9</sup>See that aptly titled work by Kevin O'Brien (2008).

<sup>10</sup>Though I use the word "consensus" to describe lack of opposition within the leadership, and I use the word "consensus" in the context of deliberative institutions at the local level, these two contexts are different. The first refers to political consensus at the national level, in Parliament (India) and the National People's Congress (China). This is not where planning occurs; planning occurs in the planning bureaucracy, and the bureaucratic consensus I refer to in this latter context refers to institutions within the planning hierarchy.

as communalism (or the problem of religiosity in political life); civil order and strife, including urban and rural protest, also created sharp divisions in Chinese leadership circles, where leaders have periodically allowed pro-democracy movements to flourish while on other occasions (when leaders were opposed to such activism) have repressed such political expression.<sup>11</sup> For example, the last nail in the coffin of Congress Party ascendancy in Indian politics and the beginning of its contemporary “fragmentation” (in the words of two scholars) at both the national and regional levels in parliamentary representation has occurred under the auspices of the importance of communalism, but no similar set of oppositional forces have sustained a measured rebuff of the liberalization agenda.<sup>12</sup> In China, despite serious disruptions within the Politburo leadership after the 1989 crackdown of the student democracy movement, and despite periodic rumblings through the nineties about the cultural “pollution” that was accruing due to the opening up of the previously autarkic nation, these issues have not impinged on the viability of economic reforms in any significant manner.<sup>13</sup>

Thus, the chosen measurement of the dependent variable in this thesis cannot be said to be one chosen out of convenience; no other plausible alternate to measuring real opposition within the leadership—among elites, among different party and faction leaders, and indeed in any witnessed popular mobilization efforts—in either country offers a different value on this measure.

---

<sup>11</sup>For a discussion of why this might be the case in the Indian case, see Varshney (1998) who emphasizes the nature of elite-mass politics in contrast to the institutional features emphasized in this thesis.

<sup>12</sup>Kapur and Mehta (1999); Wallach (2008).

<sup>13</sup>There was some opposition to private entrepreneurs among ideological cadres in the early nineties, but this trend did not grow to significant levels (Young 1995:33).

## 1.5 Causal Mechanism

This dissertation argues that the deliberative institutions found within the processes of central planning in China and India are the proximate source of its long-term developmental success, even as the earlier periods of developmental “disasters” and lackluster growth of the sixties and seventies are taken into account for both cases. While most treatments of Indian and Chinese bureaucratic politics find much at fault in the design of state agencies in both nations, I point to the commonalities of organization in both as the source of what makes these cases similarly successful.

This claim of proximate causation has two components. One has to do with the earlier period of economic development, which is known as the traditional period of central planning. When the central planners and leaders of China and India kept the economy *closed* from international trade and financial fluctuations and severely distorted what are known as the “natural mechanisms” of the marketplace, I argue, they were actually laying the groundwork for future success. When viewed solely through the lens of growth indicators, these decades were indeed filled with an assembly of macroeconomic failures and mis-steps in social development, but what makes the Chinese and Indian cases distinct is that planners *learned* from these failures. Despite its colossal administrative and operational failures—stemming from its unwieldy ambitions—the central planning bureaucracy in both nations never quite gave up its overarching mission to reshape the economy into a fast-paced engine of growth, since planners and their political principals never quite gave up the belief that both

China and India possessed, in ample, all the native ingredients necessary for such growth. Through this iterative process of initiative, failure, learning, and re-building, by the late seventies, after encountering overcoming a sequence of developmental accidents and bad policy choices, the weathered institutions of planning were finally in a position to manage the opening up of the economy in a coherent and careful manner.

This is the second component of the causal claim made in this dissertation: the similar success of China and India in opening up their economies in the eras of liberalization is owed to the stolidity of these deliberative institutions, which sought consensus, compromise, and adjustment to policies as part-and-parcel of its unique approach to experimentation with the urban and rural economies. These deliberative institutions, I shall endeavor to argue, were different in significant ways from other planned economies that may have also possessed similar processes at face value, but did not contain within them the truly deliberative drive found in Chinese and Indian planning histories. For these reasons, I argue, the Chinese and Indian planners have continued to rely on these traditional modes of managing the planned economy to oversee the un-planning of the economy itself. The consensus generation that was necessary to coordinate preferences over the nature, pace, and sequence of opening up the trading and finance regimes has been similar in China and India, in quite counter-intuitive ways, especially considering their very different political regimes and governing political philosophies.

The heart of this causal mechanism lies in the intricate relationship between

political leadership and the governmental role of central planning. The central planner intervenes critically between the political preferences of party leaders and what can actually be accomplished “on the ground”, changing policy initiatives accordingly, and either slowing down or speeding up the rate of change as is required by the resistance to proposed changes. The central claim in this regard is the tradeoff between political consensus and bureaucratic consensus. When there exists political consensus across political factions, the central planner is able to mitigate the costs of bureaucratic government by minimizing the scope of deliberations within the bureaucracy. The burden of governance over policy initiatives falls on the political leadership itself in this case. However, in those situations where the leadership is divided over change—where political consensus is missing—the central planner shifts this burden to the bureaucratic hierarchy by enlarging the scope of deliberations. This reduces the speed of implementation, since generating this consensus across the wide and deep array of agency interests in these continental sized polities induces more compromise, more give-and-take across regional interests, and more amendments to existing proposals through this process. The ability, of the Chinese and Indian political systems to alternate between different deliberative environments is the source of its flexibility in designing new policies, without generating radical political opposition in the process.

## 1.6 Methodological Approach: Case Selection and Research Design

In this section I elaborate upon the social scientific approach adopted in this thesis and attempt to provide a methodological justification for the same. This thesis uses the tools of applied game theory to shed light on the above question for the Indian and Chinese cases. In order to contest the above argument about the salience of bureaucratic institutions to explain Chinese and Indian success, the propositions derived from the analysis of the games are applied to the period *before* liberalization and the early period *of* liberalization.<sup>14</sup> I focus on the history of development in the People's Republic of China and the Republic of India from the period of their inception as nation-states to the initial move to liberalize the economy in order to establish a case for the continuity of institutional design within the planning apparatus.

The focus on two “positive” cases to explicate the results of the theoretical analysis brings to mind a research approach based on a “most different systems design” (Przeworski and Teune 1970:34–39). In this method, often used in country-based case studies in comparative politics, a researcher will isolate two cases in which the dependent variable identified (a relatively “successful” transition to a liberalized economy from a planned economy without political disruption) are common in value to examples which are very different in value

---

<sup>14</sup>In Chapter 3 I further divide the earlier period of developmental history into two sub-periods: the first was a “high tide” of rapid and “successful” change under central planning, lasting through the late sixties, while the period from the late sixties and through the seventies in both countries was a time of relative *failure* of planning methods. The terms “success” and “failure” receive more precise treatment in the discussion that is contained in that chapter.

for any of the competing explanatory (independent) causes. In this set of observations from which we can *induce* a conclusion, the dependent outcome is observed to be the same, while the assortment of independent causal factors are all different in value in the cases *except* for the variable(s) which can be deemed to the sole set of *independent* causes. For example, in providing an explanation of the common features of the Chinese and Indian systems, I emphasize the salience of the informational and coordinating features of the central planning bureaucracies upon whose organization the developmental and liberalization periods of economic growth have been founded. The advantage of this approach is that I do not need any *direct* variation on the dependent outcome in order to substantiate my initial hypotheses; I “eliminate factors differentiating social systems by formulating statements that are valid regardless of the systems within which observations are made.”<sup>15</sup>

Employing such a research design implies that China and India differ on all counts except certain key common features of their bureaucratic organization, particularly the deliberative role of their planning and other bureaucratic apparatuses.<sup>16</sup> This is the only antecedent, such an approach suggests, that can help explain the commonality of the outcome I am observing. In almost all other dimensions of economic, social, and political development, these nation-states differ on grounds that political scientists and economists are usually concerned with. To focus on the most prominent points of difference, I observe that China is a communist society, a regime alternately described as: authoritarian, dictato-

---

<sup>15</sup>Przeworski and Teune (1970:39).

<sup>16</sup>Such a research design also implies that the stated relationships between the variables are deterministic and free of observational error. Despite the obviously untenable nature of these implications, the case studies are being generated as a “first cut”, an exploration of the hypotheses which could lead to further refinement and the positing of more exacting empirical analysis.

rial, one-party Socialist/Leninist, and to use the out-dated parlance of the fifties and the sixties, totalitarian. India, on the other hand is democratic, liberal, and a multiparty parliamentary republic. In terms of the division of regional authority, China is typically designated as unitary, while India is federal.<sup>17</sup>

Also, they both possess very different histories. India, in fact, did not really *exist* as much of a country before the British imperial rule designed its contemporary political form, mostly in the latter half of the Nineteenth and early Twentieth centuries. China on the other hand, has a long, unbroken period of domestic rule, although significant imperial encroachments had begun to emerge with the First and Second Opium Wars of the mid-latter Nineteenth Century, whereupon first British, then German, French, Japanese and Russian territorial seizures and concessionary demands carved multiple spheres of foreign influence in significant portions of what was then known as the Qing Chinese empire.<sup>18</sup> In any case, it is safe to say that India is a relatively recent bureaucratic and administrative object of first Mughal, then western imperial, and finally, nationalist design, while Chinese dynasties of one lineage or the other have held sway in a distinctly Chinese “nation” for over two millennia.<sup>19</sup>

---

<sup>17</sup>Interestingly, another set of scholars has also put forth a set of arguments that seek to diminish the formal features of the Chinese and Indian polities and instead focus on informal qualities of their regimes. In their approach to “federalism, Chinese style.” Barry Weingast and several of his coauthors have in fact argued that while China was in name a unitary regime, and while in name India was a federal one, on scores that are most conducive to promoting credible economic growth, the characterization is misleading. See Qian et al. (1995) and Qian and Weingast (1997); for an application of this explanation to the *Indian* case see Parikh and Weingast (1997). The Chinese central government could credibly commit to not expropriating the gains and rents generated due to rapid economic growth, and this helps to explain the regional creativity associated with the economic reforms and their success. The Indian state could not so commit, despite its being a purportedly more democratic and more open regime.

<sup>18</sup>As I discuss in section “On the question of history”, these threats to sovereignty did lead to similar leadership concerns over regionalism and territorial integrity.

<sup>19</sup>Scholars of *nationalism* will certainly quibble with these demarcations, since for them nations in their modern sense did not exist before the age of “modernity”.

I may further add that culturally, the Chinese nation is far more homogeneous in terms of ethnic, linguistic and religious diversity, *relative* to the Indian nation. To adopt John Furnivall's term, India is in many senses a *plural society*, composed of distinct community groups with their own set of languages, rituals, codes, customs, and patterns of intermarriage and kinship (1956). While *hanren* Chinese certainly contain within them a significant variation in many of these regards, it would be difficult to think of a single Indian group that could even begin to characterize what it means to be culturally "Indian" in a manner similar to how being "*han*" denotes being "Chinese."<sup>20</sup>

As Jasjeet Sekhon (2004) explains, there is a bit of semantic and conceptual confusion in how the *most different systems design* used by comparativists relates to the scientific process of inductive reasoning from detailed case studies, as outlined, most famously in John Stuart Mill's methods of Agreement and Difference. In particular, proponents of the application of a most different systems design approach declare that this is similar to a Millian Method of Agreement, in that what is similar between the key (and only the key) antecedent(s) of interest helps to point to areas where the cases "agree"; this point of agreement is what the cases share and what in turn helps explain the outcome. However, this is only one stage of the methodology used in a *most different systems design*, according to Sekhon. The second stage of this method of observational reasoning requires that I eliminate the causal effect of the independent variable isolated in the first round of observation. Ideally, I would like to be able to manipulate the

---

<sup>20</sup>I accept that these are broad statements and anthropological and sociological perspectives differ widely on a number of dimensions mentioned. While one may quibble with the subtler implications of many of these sweeping statements, as rough characterizations of broad differences between these two very different countries, I argue, this portrait of major differences is not controversial.

presence, for example, of deliberative institutions and the coordinating features of the bureaucracy, from the Chinese and Indian case studies, to see what this does to the outcome I have observed.

In other words, if I could manipulate this explanatory factor as in a laboratory setting, to see what effect a lack of such features of bureaucratic organization have on the Chinese and Indian cases, I could safely conclude that the factor that cannot be eliminated does indeed cause the phenomenon of interest. Social science of the type I am engaged in does not lend itself to manipulation of factors in this sense. It is thus difficult to apply the other standard method of elimination, the Millian Method of Direct Difference. As Sekhon explains, social scientists often invoke a far less satisfying Indirect Method of Difference by applying the Method in a second round of observations. In this second round, if I observe that neither the independent variable (I have isolated in the first round) nor the dependent phenomenon are found to exist, then I can conclude, weakly, that the absence of the former *seems to* explain the absence of the latter.<sup>21</sup>

For our purposes, the second round of applying the Method of Agreement leads to difficulties in any of its guises. A successful application of this weaker method of verifying the induced conclusion would require, strictly speaking, that I observe either directly (or through a counterfactual argument) instances where India and China did not possess these institutions and therefore led to problematic results in the eventual policy outcome that was promulgated under such an environment. I have attempted to provide such observational support within these two cases by focusing on some of the pathological outcomes

---

<sup>21</sup>Sekhon (2004:282–284).

that were witnessed in the Chinese and Indian experiences when the planning bureaucracies ceased to function in their normal ways, during the Chinese *Cultural Revolution* and during the period of Indian *Emergency* rule, discussed in both chapters Three and Four.

These explorations provide some limited purview into what may be observed when the key explanatory variable—the informational features of bureaucratic organization—were in disarray and/or dysfunction. I offer these illustrations fully well recognizing that they are not entirely satisfactory measures of the actual effects of planning—since it is difficult to know whether what is causing the perverse outcomes in these instances is the authoritarian and arbitrary behavior of the leadership itself, or is (as I would claim) due to the breakdown of bureaucratic practices which I think are the key explanatory factors.<sup>22</sup>

I also seek to supplement our overall discussion of the two positive cases by repeated instances of comparison and contrast with what could be thought of as a related but “negative” case, that of the former Soviet Union. The USSR differed both in the organizational design of its planning bureaucracies—no provisions for deliberation are observed—and in the dependent phenomenon—the attempt to liberalize resulted in the breakup of the USSR into different countries—from the Chinese and Indian cases. The discussion of this case is also less than fully satisfactory for similar reasons, for in order to be able to conclusively deduce anything from the different values for our favored two

---

<sup>22</sup>The discussion on the “off the equilibrium path of play” in these two instances is covered in Chapter Three, in the context of the game theoretic analysis there.

(independent and dependent) clusters of variables, all other dimensions of the comparison would have to be held constant.

That is, I cannot conclude if any number of the other reasons help explain the observed differences between the negative and positive cases, since these factors also differ; I cannot “remove the suspected cause, [deliberative and coordinating institutions within the planning bureaucracy], and then put it back at will, without disturbing the balance of what may lead to [successful liberalization without political disruption to national integrity].”<sup>23</sup> For example, plausible explanations for the breakup of the Soviet Union could proximately involve the imperial overstretch of its international strategy, which included the oversight over numerous Eastern European satellites, or the debilitating and costly arms race it was involved in during the Cold War.<sup>24</sup> As is well known, neither India nor China had such extensive external commitments and obligations; India in fact was the recipient of a substantial amount of foreign aid, from the U.S. in particular, and the Chinese Republic had achieved a *rapprochement* strategy with the United States under the Nixon administration. Despite these significant weaknesses to the double application of the Millian Method of Agreement, I nevertheless introduce the Soviet Union into the discussion at various instances for illustrative purposes.

---

<sup>23</sup>Sekhon (2004:284).

<sup>24</sup>For example, Ellman and Kontrorovich (1998) conjecture that planning could have continued to generate “satisfactory” performance in an otherwise intact USSR; they rely on reports from a variety of internal sources that suggest many sectors of the policy-making elite viewed planning in satisfactory terms but found political leaders were burdening the planning system with unsound policy *initiatives*.

## 1.7 Related Approaches to the Puzzle

Because this thesis uses formal modeling to study deliberation in bureaucracies and then tries to apply this to a puzzle about the success of economic liberalization in China and India through the use of analytic narratives, it contains points of convergence and points of divergence with a number of different literatures, with varying degrees of contact—some only tangential and others wholly coterminous. These individual points are addressed at length in various sections of the thesis, but here I consider the relatedness of the overall argument to the comparative politics/government literature on economic liberalization. Three general points discussed above can be underscored here for emphasis. First, this thesis is attempting to explain a political outcome—the lack of opposition to reforms in both China and India using the same set of explanatory factors in both nations. Second, the reasons for this common outcome in both nations are being attributed to features of the governmental institutions, for sure, but not to the formal features of the regimes of these two polities—in fact the emphasis is decidedly *not* on such items of difference.

The implications of these points are relevant for considering how existing studies of economic liberalization relate to the present effort. For instance, the arguments of the thesis are not trying to explain the success of reforms in and of themselves, or trying to delineate the determinants of success behind a reforms drive; much of the comparative political economy literature does just this, and therefore there is only minimal overlap between these arguments and the ones here. As I emphasize below, the thesis finds more in common with those stud-

ies that emphasize features in *common* with both nations, and those that lay emphasis on governmental factors—and in particular features of *bureaucratic organization*—that are not confounded by the particular regime environments of these polities. While such studies are more the exception than part of the larger trend in comparative politics, as I discuss below, they are members of a growing body of literature that seeks to operationalize concepts that travel across regime types.

Although there have been several studies in recent years that compare economic liberalization in China and India, there are not many that are directly geared to addressing why reforms have been *successful* in both. Not surprisingly, studies of economic liberalization and reforms that compare China and India emphasize the different fiscal, monetary and regulatory economic approaches each has differently use to yield different types of policy success. Some focus on the type of monetary and fiscal policies adopted (Bhalla 1995, 2002, Lane and Schmukler 2007); the degree to which each nation's ability to court and attract foreign direct investment is related to the policy coherence observed in each (Wei 2005, Prime 2009, Srinivasan 2006); the extent to which the reforms of their initially closed international trading regimes have yielded higher growth rates due to the gains from trade (Chai and Roy 2006, Wacziarg and Welch 2008:Chapter 5); and which of the two has better prospects in the still-delayed efforts to privatize the state-dominated sectors of the economy (Rajagopalan and Zhang 2008). These are studies that focus on economic strategies employed in each nation, and consider the politics of policymaking only incidentally. Another group of studies has emphasized some similarities in initial conditions, and they either predict (and offer reasons for) *failure* of reforms (Lal

1995) or their failure in one versus success in another (Mukherjee and Zhang 2007), or pit the two economies in competition with each other to determine which has a greater chance of eventual success (Huang and Khanna 2003, Prime 2009, Meredith 2007, Virmani 2005).

Important exceptions to this primarily macroeconomic approach are found in some recent studies that focus on capturing institutional arrangements that are outside the purview of the formal governmental features that political scientists usually focus on, and whose importance cannot be gauged by traditional labels. Necessarily, since China and India are dissimilar political systems, these analysts must rely on labels and categories that attempt to capture the similarity of these systems but not the diversity of these systems.

For example, a recent study by Philip Keefer (2007) emphasizes the need for checks and balances at the top level of government to explain the dual success of liberalization in both nations. Like this thesis, Keefer's analysis de-emphasizes the differences between the formal features of the Chinese and Indian polities and focuses attention on dimensions of analysis that are comparable *despite* differences in regime type. In particular he argues that the Chinese and Indian governments incorporated more checks and balances into their economic decision-making process at the onset of reforms; in the case of India this implied more points of veto and balance within the party structure and across different branches of government, while in China this implied more democratic decision-making within the Communist Party leadership.

Another exception is found in Assema Sinha's (2005) comparative study of *market preserving federalism* in both nations, which also focuses on the differences between the two nations in terms of outcomes, not the similar dimensions of their success. Sinha is engaging with an influential body of recent research that—again focusing on an institutional arrangement that is a construction of their scholarship rather than an actually evinced in the Chinese or Indian governmental framework—emphasizes the importance of *market preserving federalism* in explaining economic growth in polities with different types of regimes (Qian and Weingast 1997, Parikh and Weingast 1997, Qian et al. 1995). This approach holds that Chinese governmental norms better satisfy the historically tested qualities of successful state-driven economic growth and that India's do not, owing to the more market-friendly patterns of decentralization in the former. Sinha modifies this view by arguing that the relationship between decentralization and the central government's credible commitment to not confiscate regional gains from growth *may* affect the continued success of an economic reform agenda but that no deterministic relationship can be established between these two factors; she points to significant variation across and within both systems to establish this case.

Finally, another corrective in this vein is offered in a study by Pradeep Chibber and Samuel Eldersveld (2000), who show that—as far as decentralization is concerned—the support of key local elites was critical to the initial success of Chinese and Indian economic reforms receiving popular support. Like the studies above, Chibber and Eldersveld also argue for not placing excessive emphasis on the “authoritarian” versus “democratic” character of these two polities, and instead reason that local elites respond directly to the institutional incentives

that are offered to them, irrespective of the regime type such elites are housed in. Also related to the relationship between elites and masses—and the eventual success or failures of economic reforms as a result of this relationship—are a host of studies that attempt to solve puzzles similar to the formulated one in this thesis, and hold that shifts in elite preferences (Murillo 2002) or simultaneous shifts in both elite and mass preferences were crucial to the success of reforms in Latin America (Armijo and Faucher 2002). Other studies of economic reform without significant political opposition emphasize the strength of the ruling party in power (Li and Wang 2006).

More broadly, there is a large literature in comparative politics on the relationship between economic reforms and a nation's political institutions. Most of these studies take as their dependent variable the success/failure of reforms (i.e., their dependent measure is usually a composite index of *macroeconomic* variables). Comparative politics studies on the success of liberalization—measured in this way—have been dominated by a *regime-based* approach that links the success of liberalization to either simultaneous movements of democracy, or movement away from communism (Fidrmuc 2003, Fish and Choudhry 2007, Gans-Morse and Nichter 2008). Much of the contemporary debate contests regime type, the timing of reforms (Brooks and Kurtz 2007) or the creation and sustenance of pro-reform and anti-reform coalitions (Schneider 2004, Schamis 2002, Etchemendy 2001) as alternative combinations of composite independent measures brought to bear upon the success or lack of success of economic reforms.

More relevant to the arguments in this thesis is a subset of this work—even though it focuses on regime types—that is concerned with the factors that can help explain the success of the mobilization of opposition to reforms. For example Ellen Lust-Okar considers a puzzle, similar to the one in this thesis, for the cases of economic decline in Morocco and Jordan in the 1980s. She argues, that in these cases as well, the anticipated opposition to structural economic reforms never materialized in one case but they did in the other, and her study emphasizes the structure of government-opposition relationships to help explain why this was the case. The expectation is that economic reforms (in this instance induced by IMF-mandated austerity measures) would foster mobilization, but both nations experienced divergent responses despite experiencing comparable economic transitions. Key to whether or not the government that is authoring the change can manage to thwart opposition is whether or not factional divisions among the opposition parties can balance each other. That is, if the opposition can be *divided*, then opposition to reforms is less likely. This thesis shares with this work the relationship between leadership divisions over the content of economic policy shifts, and the *moderating* influence these divisions have on the type of opposition one witnesses to economic reforms.<sup>25</sup> Another example in this subset is the work of David Li and Yijang Wang (2006), who compare the political conditions for successful episodes of reform in China and Vietnam, when considered in contrast to the nations of East Europe. The authors emphasize the importance of *initial conditions*—the stability of the political parties and the enduring political institutions they have erected—in creating the foun-

---

<sup>25</sup>Lust-Okar (2004, 2005) focuses on the political manipulation—or the “structuring of conflict”—of elites by the dominant governmental group (a monarchy in the cases of Jordan and Morocco). In the argument presented in Chapter 4, the manipulation of leadership factions is orchestrated by a central planner who provides a partially private signal to each leadership faction so as to induce each to coordinate its response to a policy shift. See Roberts (2008) for a review of contending explanations of anti-reform mobilization in Latin America.

dation necessary for successful transition (i.e., liberalization without significant political opposition). This thesis also shares with this study a concern for initial conditions and their relationship to administrative reforms. As discussed in Chapter 2, the similar historical conditions of China and India prompted the first generation of leadership in both nations to erect similarly decentralized institutions of planning; these institutions have provided stability and continuity from the developmental period through the era of reforms.

Finally, the arguments of this thesis seek to modify and to build upon an earlier focus on features of *bureaucratic organization* as the independent or explanatory factors.<sup>26</sup> An earlier literature, derivative of the “developmental state” strand of explanations in comparative political studies, has emphasized differing features, or characteristics of developmental bureaucracies, to explain policy success and/or failure. This work finds its origins in the seminal study of the Ministry of International Trade and Industry (MITI) in the Japanese success story (Johnson 1982) and a more recent statement is found in Peter Evans’ seminal notion of “embedded autonomy” (Evans 1995a). Much of the research that has followed this emphasis on bureaucratic types (e.g., Cheng et al. 1998, Evans 1998) has, again, highlighted *economic* outcomes as opposed to governmental ones. Noteworthy in this approach—relevant for the argument considered in this thesis—is that this focus on bureaucratic organization provided a comparative framework for considering different regime environments within the same study. For example, Evans considered different ideal types of bureaucratic apparatuses—developmental or predatory—to explain the performance

---

<sup>26</sup>Studies that rely on bureaucratic organization (or particular features of the same) as the *independent factors* are also less frequently encountered in comparative political studies of economic reforms.

of different types of state intervention into an economy.

This same concern with the functioning of micro institutions across regime types is found in the more recent research programme in comparative politics that emphasizes “veto players” (Tsebelis 2002). This research agenda develops claims about governmental institutions without reliance on the regime context; this facilitates comparisons across systems since the theory, not relying on the regime-specific features to make its claims, can be sufficiently parsimonious to “travel” to different settings.<sup>27</sup> As George Tsebelis puts it, the “goal is to provide a consistent framework for comparisons across regimes, legislatures and party systems” (2009:292).

The micro institutional analysis emphasized in this thesis concentrates on those features of bureaucratic organization (informational) that allowed lower level agents of the planning bureaucracies in China and India to act as effective “vetoes” against unreasonable or unfeasible policies passed down by the central planner. Since the central planner and other political leaders sought to create economic policies that were likely to be well-suited to local conditions and therefore likely to be implemented with little resistance (when they had such scope for voicing concerns), they acknowledged and encouraged this “veto-playing” capacity. Although, as the theory in Chapter Four of this thesis elaborates, they did not do so in *all* instances.

---

<sup>27</sup>For a recent application of this approach to the study of bureaucracies, see Lapuente-Gine (2005).

## 1.8 A Summary of the Chapters

This section presents a summary of the body chapters of this thesis. I first state the contribution toward the overall argument each chapter intends to make and then summarize its main findings.

### **Chapter 2: Central Planning in China and India: Integrative Institutions**

**Argument:** Central Planning is supposed to be about rapid economic development. Its state-directed processes are geared to mobilize domestic resources, extract usable surplus for reinvestment in the economy, so as to promote a prescribed national agenda of economic progress. Instead, in this thesis, I am emphasizing the governmental goals of planning. In a regionally diverse economy, where the national “federations” of China and India were constructed as amalgamations of individual sub-systems, planning was a crucial ingredient in generating *national* patterns of development that took into account the differing preferences of different regions.

Planners in China and India quickly realized that a top-down approach to planning was not feasible in their polities, and instead began to decentralize their processes. Central planning created (over time) “integrative” institutions,

which brought together the preferences of different political actors in the planning process so that the different regions, localities, and sectors of the economy could *coordinate* over the planned growth of the economy. This chapter argues that given the histories and geographic constraints present in China and India at the time of the inception of Soviet-style planning, a nationally coordinated effort was required to govern the economy.

**Section 2.2:** This section presents a theoretical framework within which the choices of China and India to implement central planning can be viewed within a *coordination* framework. The choice confronted by a group of geographically adjacent regions is whether or not to centralize economic management under the auspices of a central coordinating activity—under one national economy—or to go at it alone. This coordination is further complicated due to the presence of network externalities, either positive or negative. How does the presence of these network effects inform the decision that each region is likely to make? This simple heuristic “model” of four cases considers this question in light of four related cases.

**Section 2.3:** The narrative in this section presents a discussion of the *initial conditions* in China and India as far as the regional macro-economic management of the economy is concerned. I argue that the immediate imperial and colonial histories in both nations offered little confidence in the ability of the central government—Republican in China and British in India—to fashion true developmental bureaucracies capable of transforming the countryside and creating an indigenous industrial base in the cities, in a manner that would elicit the

necessary cooperation from the provinces and states.

- First, in either country, there was no established local governing culture that was *also* integrated with a national aristocracy or an established manorial system; both of these crucial features *were* present in European history at the time of the Industrial Revolution, which facilitated the relatively easier penetration of the countryside by entrepreneurial governments in the urban centers.
- In the absence of such strong coercive rule at the center, the provinces in both China and India functioned as largely independent systems; below the immediate administrative taxation and judiciary (law and order) functions (which were decentralized to the district level in India and the county level in China), very little in the form of encouraging historical precedent offered itself at the time of the creation of these two young nation-states that would suggest inter-provincial coordination could be easily managed by a central government.
- Rather, the first generation of leadership in the newly independent nations—taking a revolutionary and socialistic cue from their Soviet counterparts—surmised that a “big push” effort in centrally enforced “planning” would be needed to achieve the type of growth and savings rates needed to simultaneously create and sustain modern urban industry and to feed the largely rural population, most of whom lived slightly above subsistence levels of consumption.

**Section 2.4:** The historical narrative in this section presents the early history of

national planning in both nations. Although the Chinese and Indian models of central planning were inspired from and derivative of the Soviet prototype, they faced important similarities that marked them as different from the case of the former Soviet Union. These differences radically altered the ability of the Chinese and Indian central planners to adjust and modify the objectives of any given five year plan from the cumulative experience that was being generated from failures of the immediately previous period. While on the surface the Soviet plan appeared better at managing the macro economy—and while the Chinese and Indian cases seemed to, especially in the sixties and early seventies, be exemplars of mismanagement—it turns out that the cosmetic stability of the Soviet Union was short-lived.

- The Soviet Plan was not interested in coordinating the preferences and experience of their vast continental-sized economy in any genuine way; differences of opinion were elided and voices that challenged the “party line” were squashed and bulldozed over.
- What the coercion at the top of the Soviet system hid was that there were no reliable means of information transmission from the provinces and localities to the center; when policies failed to be implemented and when targets were unsuccessfully met, the central planners in the Soviet Union had little reliable information with which to fine-tune or rectify their processes. Despite the surface-level *failures* of the Chinese and Indian cases, in contrast, these two nation states were able to better expose the delusory nature of some of the goals of central planning, go through the national “pain” of suffering the consequences of this over-ambition and to then modify the procedures and command protocols so that better results

could be realistically expected.

- Throughout the narrative, I offer contrasting illustrations with the very different internal mechanisms of planning that are observed in the Soviet case. While the Chinese and Indian planners learned from their failures and modified their ambitions and goals, the Soviet planners blindly forged ahead despite the unfeasibility of their over-ambitious goals, and, in the process, failed to coordinate regional preferences around national five year plans in any meaningful manner. When the time came to radically modify the closed economy, therefore, regions had very little “at stake” in the end-results, since they had never been given any “voice” in the policy process to begin with.
- At the very end of the first Five Year Plan in both nations, conditions on the ground immediately suggested a need to modify the manner in which regional preferences were combined at the center; the tension between the pressure to enforce central prerogatives and the functional deficiency of a system which could not meet expectations at the local level was not, as in the case of the Soviet Union, suppressed with solely coercive tactics. Instead, planners in China and India sought to decentralize decision-making so that overly centralized planning could distribute its responsibilities to lower rungs of the bureaucracy. As early as 1956, China began to experiment with decentralization in planning. In India, as early as the important 2nd FYP planners began to demand quality reports and proposals to be drawn up from the block, district and state levels. By 1963, several state-level planning boards had already been established. This process continued throughout the sixties in India, culminating in the 1972 broad-ranging integration of multi-level planning, during the implementation of

the Fourth FYP.

- The dysfunction experienced by Indian planning in the sixties and early seventies was taken to caustic heights in the Chinese case, naturally, as the system did not have the checks-and-balances of the political democracy that India was. As such, the efforts to experiment with different types of decentralization could be wrenched from the normal iterative process of learning—which it was in China for the most part—on occasion by Mao Zedong’s extreme radicalism; this is witnessed in the decentralization initiatives of 1958, 1963, and finally in the *Great People’s Cultural Revolution* of the late Sixties and early Seventies. Despite these blind spots, however, the retardation of central planning (as a result of this inefficient learning process) *did* manage to correct itself by the mid-seventies.
- In both China and India, the failures of the 1960s became the successes of the seventies, since the planning processes had been adjusting themselves despite these outward failures. By the seventies, the number of commodities under central purview, even in the case of China’s strict Materials Balancing system, was greatly diminished; a decreasingly smaller share of economic activity fell under the purview of the central planners. By the time the 6th FYP began to be implemented (1980-85 in India and 1981-1985 in China), central planners had already become poised to make radical adjustments to the manner in which the economy was governed. When it came time to liberalize *its* economy, the Soviet Union was forced to expose the internal weaknesses that its heavily top-down, centralized, and dictatorial central planning system had been suppressing.

### Chapter 3: Deliberation and Policymaking in Bureaucracies

After having considered in the previous chapter the geographic constraints of *scale* that undergirded and prompted adjustments within national-level planning, this chapter introduces, studies, and places in the context of the existing literature and sources the *informational* constraints that prompted a change in the very fundamentals of Chinese and Indian central planning. The coordination that was deemed necessary at the *national* level—due to historic and systemic factors—would have remained unrealized were it not for the fact that Chinese and Indian leaders actively cultivated and engineered fundamental *deliberative institutions* within the planning process. In this chapter I argue that these institutions were and are present and functioning within Chinese and Indian central planning in the manner described, and that their role was and is primarily *informational*.

**Sections 3.2 – 3.3:** I first establish the premise that in large-scale systems such as China and India (i.e., those systems in which there is significant regional disparity of interests, where national units are explicit confederations of independent systems), there is a crucial and necessary *deliberative* role played by the bureaucratic arms of government—specifically by those agencies responsible for the formulation and execution of national economic policies. Deliberation in state agencies provides for modes of communication, or “voice”, across different rungs of a bureaucratic hierarchy, so that problems associated with particular policy initiatives can be communicated upward and so that the optimal policy can be designed through a consideration of the preferences of different levels

of government. Although it may seem that “deliberative” functions are limited to legislative (formally decision-making) bodies alone, in contexts where legislative institutions are weak and inchoately formed or entirely missing, where membership is “uninformed” of conditions on the ground, a case can be made for bureaucracies playing this role.

**Section 3.4:** I show with Chinese and Indian materials, since the inception of planning, that these deliberative institutions serve to provide accurate information about how a current plan is operating within a planning “jurisdiction”, and how modifications are/are not likely to be received. This is information that is crucial to the proper functioning of the planning process. This chapter identifies three distinct microinstitutions. First, planners established protocols of *consensus* generation within discussion of policy changes; this allowed for the vertical and horizontal “coordination of preferences” as different agents considered the effects of planned changes. Just as the planners experimented, at the macro-level, with various forms of decentralization (covered in Chapter Two), they also experimented with various forms of micro-level consensus-generating mechanisms during the developmental period discussed.

Second, planners made increasingly more thorough and more efficient provisions to aggregate and collect information that provided the fodder for the various deliberative exercises. Through various methods, planners elicited and processed viewpoints and concerns from a variety of sources and then *coordinated* policy changes by considering these multiple points of approval and/or veto before any actual changes were drafted. I discuss the role of associated

agencies in China (State Economic Commission, Board of Governors) and India (Finance Commission, National Development Council) that housed these efforts of amalgamating these different streams of information.

Third, planners encouraged—indeed *demanded*—that local agents actively discuss and consider policy changes as they would affect their locales. *Local level deliberation* was facilitated at various levels of the vertical hierarchy; and just as different provincial heads would gather together to consider changes at the highest level of the planned effort, public participation was encouraged at the grassroots level, all in an effort to ensure that proposed shifts in plan priorities and allocations were both implementable and realistic.

## **Chapter 4: Consensus Deliberation and Divided Leadership**

**Model:** I explore a “cheap-talk” signalling game in which these deliberative functions of bureaucracies are modeled as communication devices based on signals from local bureaucratic agents upward through the hierarchy. This allows for the transmission of local preferences to the leadership, given the local state of the economy. Central leaders want this information so that better policies can be designed, since they care about accurately apprehending “conditions on the ground”, information known only to the local agent.

The local agent in turn is allowed to obfuscate his/her report, as is typical

in such models. However, the degree of obfuscation that is permitted is controlled by the leadership; this leadership consists of an entire range of viewpoints, which for the sake of simplicity in the game, are collapsed within two factions: one that supports the proposed policy shift and one that is opposed to it. If leadership can be *united* under a policy shift (either a retrenchment or an expansion of a particular sector of the economy under planning, for example) then the amount of discretion afforded to local agents is minimized. In the presence of excessive leadership disunity, agents are free to expand the magnitude of their obfuscation. The degree of leadership unity behind an issue, therefore, restricts the range of “deliberation” that a local agent can profit from. The interpretation of deliberation in this model is rather simple; it is construed as the ability of the local agent to alter her report of local conditions based on the particular bias this region possesses vis-a-vis the proposed policy shift.

Furthermore, the degree of leadership unity also critically affects the proposals that are sent downward *to* the local agent for consideration in the first place. To implement incremental change, the central leader wants to satisfy both factions (by choosing a median policy) and also take into consideration the local state of nature (the conditions of which are reported by the local agent through deliberation). She thus proposes a policy shift that is itself a midway between the reported local state of nature and the compromise policy agreed upon by both factions. Naturally, the greater the unity of the two factions, the less compromising the leader must have to be with regards to the proposals he/she makes. Again, the critical parameter is leadership unity. The first stage of the game thus involves a coordination between different factions of the leadership before the process of deliberation can begin.

The results of the game allow us to distinguish between four cases of reporting outcomes in the planning process. They help us to clarify the relationship between problems within the leadership, discussion over policy outcomes at the local level, and the organizational solutions that result from a resolution of these conflicts under the planning institutions of deliberation.

- *Reactive Centralization*: Leaders coordinate their responses and choose to oppose any changes to the status quo. Discretion to bureaucrats is minimized and their scope for input is curtailed.
- *Radical Decentralization*: Excessive *consensus building* and deliberation at the local level—fueled by minority support of policy changes—creates a situation where policy is radically localized and the central apparatus of planning is unstable. (This outcome does not hold in equilibrium.)
- *Decentralization*: This Pareto-Superior outcome results when majority support behind incremental change to policy facilitates consensus generation behind policies. Policy proposals have majority support and are deliberated upon by multiple levels of the planning hierarchy before approval and/or rejection.
- *Progressive Centralization*: Leaders again coordinate their responses through their unanimous support behind a policy shift. Here again, discretion is minimized due to unified support behind the change, but there is no requirement that bureaucratic consensus be generated for policies proposed.

The planner thus acts as a *mediator* between leaders on one hand and bu-

reaucrats on the other, gauges the state of division in each group and selects a policy pathway for required change accordingly.

## **Chapter 5: Divided Leadership, Deliberation and Pre-reform Planning**

**Analytic Narrative I:** This chapter applies the above claims from the formal model—the analytical relationship between leadership unity, policy shifts, and reports sent to the center—to sequential episodes of planning success and failure in the decades of the fifties, sixties and seventies, during and after the heyday of Nehruvian and Maoist experimentation with the rural and urban economies.

In China I cover the periods of initial planning success and radical experimentation which led to disaster (such as the Great Leap) under Maoist domination of the levers of the economy. The narrative clarifies how the organization of planning was adapted to changing political environments and traveled through the four different scenarios outlined above. As described by the model, the periods of relative success in Chinese planning occurred when Maoism was dominant but *checked* by a watchful minority; planning broke down in periods where aggressive minority support supplanted the usual “democratic centralism” within the CCP behind policy changes and created a highly unstable environment. The model also helps to highlight the independent role of generating bureaucratic consensus to veto bad policies and to slow-down change that was

too damaging to the economy. Absent such scope for deliberation, even in times of leadership unity, less than desirable policies emerged under the auspices of central planning.

In India, a similar set of fluctuations is observed, relating the strength of planning outcomes in times of majority rule under Congress. Like China, Indian planning experienced a period of relative success in the late fifties and early sixties, both in terms of the macroeconomic goals and in terms of generating organizational coherence. As the unquestioned ascendancy of the old Congress leadership waned under Indira Gandhi and as leadership unity began to fracture along factional lines in the late sixties and seventies, bureaucrats had increasingly lesser say into the construction of national policy, a trend that had already begun under the Lal Bahadur Shastri administration, which was deeply sceptical of the planned efforts to begin with. While the initial period of leadership unity did manage to push through wholesale changes (in the first three FYPs), these occurred in the absence of consensus deliberation as an institution within planning operations.

The parallel process of creating increasingly more robust grassroots level deliberations, at the district, block and village levels, was only realized (in fits and starts) by the late sixties and early seventies. As a result the earlier period of unified exuberance, without the ground-level consensus generations that is Pareto optimal (in the language of the model's results) produced unfeasible goals that were not properly realized. As the institutions for consensus generation *were* being erected, the simultaneous fracturing of the political leadership kept at bay a

truly successful planning effort in India well into the seventies.

Despite their regime differences—times of outright usurpation of economic policy by a minority faction are rarer in republican India— both the Chinese and Indian systems *have* experienced acute periods of systemic planning dysfunction, and the model helps to shed light on why this might have been the case. The narrative also discusses those episodes that are outside the purview of the model’s limited analytical gaze; important events such as the *Cultural Revolution* in China and the constitutional *Emergency* fomented by Indira Gandhi expose the model’s limitations as a descriptive tool.

## **Chapter 6: Divided Leadership, Deliberation and Reforming the Economy through Planning**

**Analytic Narrative II:** This chapter continues to use the game theoretic model of *consensus deliberation* and applies it to the period of reforms in both nations. This empirical chapter offers a twin analytic narrative to the one presented in Chapter 5; the continuity and similarity between the two chapters is critical, since these help to substantiate one of the primary claims of this dissertation: the same deliberative institutions within the planning bureaucracy facilitated the launching of the program of economic reforms. While the opening of the economy is supposed to herald the demise of the traditional central planning institutions, China and India instead continued to rely on the governmental func-

tions of central planning to propose, pass and see implemented the initiatory liberalization initiatives.

In this chapter, I argue, the model's ability to account for the variation within and across the cases is *enhanced*, even more so than its application to the the analytic narrative of the previous chapter, which covered the developmental periods. Curiously, leadership divisions over policy—after some initial wrestling—are minimized over time in both nations, and no leadership faction is able to generate the momentum to oppose economic reforms. This is true both for the internal factional rivals of Deng Xiaoping's opening of the Chinese economy as it is for Manmohan Singh's liberalization of India's *dirigiste* political economy.

The latter case is even more startling in this regard, since this initial period also witnessed the evolution of two coalitional platforms and the demise of Congressional ascendancy in the mid-nineties. Despite the growing strength of the BJP led coalition (which initially threatened to derail the reform effort), oppositional voices did not generate much resistance to the proposed policy initiatives that were being authored by the central policymakers and planners in New Delhi. In China, after an initial foray into traditional Maoist planning practices under the anachronistic leadership initiatives of Hua Guofang and the "whateverist" faction of the CCP, paramount leader Deng Xiaoping was able to maneuver across different factions of moderate and free-market reforms through the levels of decentralized bureaucratic consensus-generation to bring on board the regions and provinces of China.

The narrative in this chapter argues that the decreasing importance of ideology in the making of economic policy owes a great deal of the credit to the deliberative institutions of planning and the consensus generation mode of economic governance. In fact, there are no “outlier” episodes in the study of either of these two cases during the initial years of the reform period. India is covered from 1991 to 1998, and China is covered from 1979 to 1989 (just prior to the Tianananmen incident of pro-democracy mobilization and its subsequent crackdown). Despite the reach and magnitude of the changes brought upon by the eras of liberalization, the moderating influence of consensus generation allows central planners to adjust proposed policy shifts with the proper degree of regional and local support. Those areas that could adjust to changes quicker joined the bandwagon of reforms that much quicker. And those areas that resisted change were allowed to take their own course and establish their own pace in adopting reforms in the cities and the countryside.

## **Chapter 7: Institutional Selection Under Economic Reforms**

**Framework:** In this chapter’s framework I explore the deliberative, information-transmission content of planning in Chinese and Indian bureaucracies through a *mechanism design* framework. In this theoretical treatment, the Central Planner is allowed to *structure* altogether different bureaucratic arrangements to facilitate coordination and compromise across agents, not just control the extent of agency bias and discretion as an otherwise passive player in the reporting game. Although I do not present a full-fledged game theoretic

model in this chapter, I rely on the microeconomic theory of *mechanism design* to study the role of governmental *commitment* to reforms. Why is it that Chinese and Indian leaders chose to retain the institutions of planning just as the economies were abdicating the vision and control of state-led development in its traditional guises? This chapter explores why not abandoning these institutions made sense.

The study of deliberation receives a richer interpretation here, and it is capable of explaining more. This is because in this framework, the leadership has the power to design and *commit* over the long-term to particular institutional arrangements and consciously alter the type of reporting that occurs, as well as offer incentives to alter the behavior among agents. In contrast, in the cheap-talk signaling model of the previous chapter, the Central Planner more-or-less passively allowed the Agent to report on the local/regional state of the economy and to then facilitate a change in policy based upon the imperfect information reported from below.

For example, at the onset of economic liberalization (1991 in India, 1979 in China), the central planner can choose to either *remove* the planning machinery and allow regions and other organized interests to lobby for their particularistic interests directly to the center, or, alternately, retain the machinery of planning, local agents of the bureaucracy can be required to deliberate with each other, and to *then* send one joint report to the center. Does one arrangement profit the center more than the other? I find that the retention of central planning and its richer lobbying environment facilitates greater responsiveness from agents

and yields richer information for the center; thus, all are better off. The model sheds light on the counter-intuitive, yet rational, continued salience of central planning in the post-planned, “free-market” period in both China and India, two very different political systems.

**Analytic Narrative III:** I continue the narrative of China and India’s centrally planned economies by considering this initial phase of reform in both countries to consider the implications of the informal framework; as in Chapter Two of this thesis, I offer a brief contrast with the failure of the initial phase of liberalization in the former Soviet Union and the successor Russian Republic. The framework presented in the chapter offers a preliminary analytic substantiation of the logic of institutional selection that one observes in the Chinese and Indian cases. The dismantling of the maze of economic controls has been piecemeal removed in both economies *through* the existing protocols of central planning, as a product of a carefully considered and negotiated process of “give-and-take”, of regional compromise and an accommodation of the needs of different industrial sectors.

Spurred by acute economic crises, central planners and leaders initiated programs of liberalization and economic reforms in China (1978) and India (1985), supposedly marking the demise of the developmental period of central planning and the initiation of the era of economic liberalization. Scholarship is unanimous in heralding these periods as distinct breaks from the Maoist and Nehruvian developmental pasts. In these treatments, the sharp turn planners in these countries took entailed a substantive repudiation and defeat of the socialist (in

India) and revolutionary (in China) principles upon which the initial thrust of nationalist self-sufficient and autarkic development was molded. The countries planned to “open up” to outside investment, foreign trade, and attempted to integrate and adjust themselves into the more “natural” international division of economic labor.

Such developments would suggest that a dismantling of the traditional administrative levers, bureaucratic controls, and deliberative protocols of the planning apparatus would be part-and-parcel of this marked shift in economic management. Indeed, this is what we witness in the negative case of the former Soviet Union, which began *its* liberalization agenda with precisely this set of motivations. However, counter-intuitively, in China and India, what we observe is the *strengthening, modification, and reorganization* of the Planning Commission and its associated bureaucracies and ministries, and not the dismantling of the same. While economic reforms in both countries are on-going, and can be said to consist of several distinct stages, I focus only on the initial years of gradual change from planning to partial liberalization to offer evidence for the claim of the formal model in this chapter: Given a choice between perpetuating the old institutional devices of planning and dismantling the same, the central leaders of China and India chose the former, and for good reasons.

CHAPTER 2  
PLANNING AND COORDINATION IN CHINA AND INDIA: A  
THEORETICAL AND HISTORICAL OVERVIEW

## 2.1 Approach and Argument

This chapter has two goals. The first is to provide an analytic framework within which Chinese and Indian central planning can be interpreted as a governmental solution to a historically generated coordination problem of economic governance. As such, central planning constituted a comprehensive public good provided by the first generation of Chinese and Indian political leadership to nations that had significant regional (sub-national) identities. In the absence of the provision of this comprehensively engineered public good, I will argue through the comparative lens of this framework, the prospects of creating a united national economy—capable of withstanding the pressures of self-sufficiency in one period and of liberalization in another—remained dim. Through the simple heuristic game outlined in the first part of this chapter, I attempt to show how the *problem* of central coordination existed in the Chinese and Indian contexts not only if life within the national economy was viewed with *skepticism* by any given regional co-national, but also if it were viewed relatively *optimistically*—owing to the traditional coordination dilemma faced by the regional actors.

Furthermore, if the expectations of regional actors and leaders were such that there was little confidence that the national task of coordinating economic activ-

ity could not be performed without the bureaucratic machinery of central planning, the question is: what was the source of this pessimism? What were the governmental antecedents of Chinese and Indian pre-nationalist center-regional relations that gave cause for concern among the first generation of leaders who hastened to inaugurate the management of the economy under the auspices of Soviet-styled planning methods? And why did the concern for these originally Soviet-inspired methods quickly give way to an entirely different *problematique* in the parlance of planning: to finding the appropriate degree of governmental decentralization of the central planning apparatus itself?

The second goal is to provide a historical overview of central planning of the Chinese and Indian economies through the Maoist and Nehruvian developmental periods in which central planning as a national institution was established. The above framework stipulates that coordination was difficult across Indian and Chinese regional divisions, due to the inertia generated by the coordination problem—which required all members of continental-sized diverse polities to cohere as a national entity and as a national economy. Fueling this inertia was the historical precedent to the task of centrally managing these economies—a precedent fraught with thin cause for optimism. If these constraints were indeed genuine, then the planning exercises of China and India should be observed to be actively struggling against these constraints in their formative years, as different organizational forms were experimented with in the early planning experiences of both nations. The final section of this chapter presents an overview with just this goal in mind—to showcase how Chinese and Indian leaders alternately centralized and decentralized their planning processes, learned to truncate their ambitions in the process, and thereby derive a *workable* balance be-

tween centrally directed economic change and genuine regional participation in that change.

### 2.1.1 Theoretical Overview

I view central planning as the solution to a *coordination problem* between the different regional subsystems in both the Chinese and the Indian economies. If the problem was to coordinate economic administration and governance under the umbrella of a newly minted nation-state, then central planning would be the *global public good* that would supply this solution. I will show in this chapter that quite aside from the stated objectives of a central planning mission, the governmental roles of planning in China and India were geared toward providing a bureaucratic machinery that would join together a disparate collection of regional interests and provincial economies into one coherent network of economies—i.e., a *national economy*.

In order to do this, I first provide a heuristic statement of the problem to be solved (section 2.2). I present a simple game-theoretic framework in which I clarify the above-stated coordination problem and then briefly interpret the choices faced by national leaders in China and India in light of the results of what this game suggests. That is, in the absence of a central planner, what type of world did the regional leaders of China and India find themselves in? What type of historical precedent informed their choices? What kind of outcome

would managers of these new nations expect in terms of the long-term *coherence* of the new national economies in question if a central planner were to not be part of the governmental setup? The problem thus involved the strategic interaction of  $N$  regional co-actors who could (potentially) choose to either join a national coalition, or, alternately, go at it alone and choose not to join. More specifically, I view this as a problem of “coordination against constraints.” The constraints against which such a coordinated effort to create a national economy would have to struggle involved, primarily, the states and the provinces of China and India, which had, historically (at different times) functioned as relatively independent systems and sub-systems within larger regional and supra regional economic networks. There was little historic precedent—administrative or otherwise—to suggest that the coordination of economic interaction across these different sub-systems would yield either automatically or necessarily, simply because these were now formally nation-states. In fact, the implicit threat present in the juxtaposition of these two facts—the creation of a newly independent nation-state *and* the unrealized need to centrally manage a self-sufficient national economy—was that a breakup of the nation could follow from failed efforts to harmonize the two concerns. As I will argue, central leaders were quite cognizant of both this coordination problem and its obverse threat to national stability.<sup>1</sup>

An underlying premise of this reasoning seems to be that the Indian and Chinese leaders were prescient enough to be able to insinuate these coordinat-

---

<sup>1</sup>And later in the thesis, when the discussion returns to the national decision to move economic liberalization and reforms forward under the very same auspices of central planning, I will again argue that the same coordination problem—which the opening of the economy can potentially exacerbate—was again solved in the same manner, by relying on the integrative institutions of central planning.

ing tasks into the planning processes early on, and to facilitate and promote the type of experimentation that went along with finding the right division of central versus local authority. Where did they generate this perspective? Why was a centralizing effort such as economic planning given such a different coloring in the Chinese and Indian contexts? To attempt a first cut at answering this question, the narrative that follows considers the immediate historical background that may have informed these expectations held by Chinese and Indian politicians and planners as they started to engineer the institutions of planning. In particular this final section seeks to establish the *initial conditions* that shaped these expectations. In other words, if there was a recognized need in the forties and fifties to erect a strong central planning apparatus to solve the coordinating problem between regions, what was the source for this demand for institutional innovation? I argue, in section 2.3, that the immediate pre-nationalist histories of bureaucratic governance in both nations gave little confidence that this coordination problem could be solved without an artificial solution like central planning—which collapsed the economic activity of all regions and sectors of the economy under the auspices of a highly artificial and high-risk nationally coordinated effort.

### **2.1.2 Making Planning Fit Constraints**

The final section (2.4) provides a historical and thematic overview of the Chinese and Indian experiences with Central Planning in the developmental periods, from the establishment of the Planning Commissions in the mid-fifties through

the pre-reform era of Maoist and Nehruvian (and Gandhian) ascendancy. At the broadest possible level of observation, I attempt to interpret the motivation for this attempt at organizing the economy on the part of the first generation of leadership in both nations. The narrative shows that more than establishing a Soviet-styled central planning mission, the Chinese and Indian leaders were more concerned with treating central planning as an on-going experiment with a governmental form of varying degrees of centralization and decentralization. I attempt to shed light on this history by considering the problems of plan formulation and implementation and the limits imposed on these efforts by the systemic constraints of size and regional diversity. I examine the constraints that planners in both countries encountered when attempting to implement Soviet-style central planning, and how planners responded to these constraints. I argue that the cumulative process of responding to these constraints allowed the Chinese and Indian planners to similarly converge upon a workable division of authority across the rungs of the planning hierarchy, to discard those aspects of planning that did not work well, and to retain and refine those that did.

Through the course of the successes and failures of these experiments with different forms of planning, the Chinese and Indian planners eliminated from their planning ambitions those goals that were not feasible and retained those that worked well. As such, the organization of the planning bureaucracies *integrated* this planning experience into its processes through adjustment, experimentation and fine-tuning. The strengths of the integrative function of bureaucracies in these systems can be seen in the history of *rationalization* of the bureaucracy that we observe, primarily in terms of the *type* of centralization the planners sought to create.

In the narrative that follows (in section 2.2), I outline the major components of this rationalization in the positive cases of China and India, and also elaborate how and why the planning processes were *not* rationalized in this manner in the negative case of the former Soviet Union. At several points in the narrative I thus offer contrasting references to and discussion of the Soviet Union—which was the *parent* planning effort of which the Chinese and Indian cases were derivative—and the bureaucratic arrangements that created key differences in political outcomes, since the Soviet planning apparatus did *not* make room for the type rationalization observed in the positive cases.

### 2.1.3 Related Studies of Planning

Studies of central planning in both nations have emphasized the national vision for economic change that was fostered through the various Five Year Plans; planning has been evaluated as a tool of economic management. The success and failure, and indeed the evaluative criteria used to gauge the effectiveness of the planned efforts, therefore settled on the macroeconomic efficacy of the planned efforts. There is an extensive literature on both Chinese and Indian planning that evaluates the pre-reform period in light of the macroeconomic goals of the various Five Year Plans.<sup>2</sup>

---

<sup>2</sup>The literature relating planning efforts to its economic goals and objectives is vast and covers much of the work that has been written on planning. A representative sample of work that has informed this thesis would include the following: for the Chinese case, see Lyons (1987, 1990), Riskin (1987), Perkins (1973), Naughton (1991b, 1995, 1990), Lardy (1978, 1983), Eckaus (1967); for India see Government Of India (1958), Chakravarty (1987), Rudra (1992, 2002), Patnaik (1992), Singh (1993), Patnaik (1998), Crawford (1967), Bagchi (1991), Bhattacharya (1960), Datta (1997), Byres, ed (1997), Mohan and Aggarwal (1990), Byrd (1990), Chaudhuri (1969),

Similarly, studies that focus on the *politics* of central planning do so in order to evaluate how political leadership differently affected the governmental environments that planners operated in—so that these macroeconomic goals could be realized.<sup>3</sup> They often find that political interference promoted the wrong type of policies, in what should have remained a purely technocratic enterprise.<sup>4</sup> Chinese planning failed to realize most of its goals of economic growth and balanced development due to the excesses of ideology, in these treatments.<sup>5</sup> In the case of India scholars, native Indian scholarship on planning in particular (of differing political philosophic persuasions) often argued that the wrong type of *ideology* promoted the wrong type of policies.<sup>6</sup> Several scholars also consider how the Planning Commission lost its political strength early on due to insufficient insulation from proprietary interests, particularly the influence of business groups on economic policy.<sup>7</sup>

Studies that do *not* take as given the economic premises of the planned effort,

---

Gupta (1966, 1975 (Revised Edition)). Studies that deal with specific aspects of planning, particularly its informational processes and related features of administrative organization, have been cited elsewhere in the thesis.

<sup>3</sup>For Nehru and the early years of Planning in the Indian case see Frankel (1978:Chapter 4), and for the Indira Gandhi years see Frankel (1978:Chapters 10-13); Hanson (1966). For the early years of Maoist planning and the vicissitudes of different factions of the leadership and their affects on planning, and especially how these evolved during the early period, see Dutt and Costa (1980, 2008). These studies are further explored in Chapter Four of this thesis and contested against the findings of that chapter, which explicitly considers leadership effects on the organization of planning.

<sup>4</sup>See Prybyla (1977, 1989) for China; Bhagwati et al. (1970), Bhagwati (1993) for India. In other studies, such as Chibber (2003:Chapter 6) and Patel (2002) the authors examine the capture of the planning process by business interests and the resulting ineffectiveness of the Planning Commission to implement the changes mandated by Nehru and the early Congressional leadership in key areas such as: reducing the power of big business in India, effecting land reforms and reducing poverty in the countryside; on reforms in the countryside see Frankel (1978:80–82). A rather dismissive consideration of both is found in Nayar (1974).

<sup>5</sup>Williams (1990); Yang (1990:233-241)

<sup>6</sup>See Nayar (1997) and Rudra (1985).

<sup>7</sup>Chibber (2003:Chapter 6); For example, studies of the Governmental or political interpretations of the central planning experiences, by contrast, have been more limited.

but otherwise consider different motivations of the planned efforts are more scarce. Notable exceptions to this general characterization in the planning literature(s) is some work by Terence Byers (1994), Partha Chatterjee (1997) and Pramit Chaudhuri(1995). Derivative of an earlier approach promulgated by the seminal work of Pranab Bardhan(1984), these studies emphasize the “class character” of planning, and how planners sought to benefit, primarily, large farmer interests and industrial capital houses. The relatively “closed” nature of the Chinese political process does not lend itself easily to interpretations that make room for private actors in this way.

In contrast, I attempt to relate the coordination features of the planning bureaucracy to the integrity of the developmental vision that has been sustained both before and after reform periods. I consider in particular the manner in which these institutions facilitated, quite aside from their stated economic development objectives, the formulation of economic policy that took into account regional differences so that a national plan could be envisioned, at least on paper. Eliding or bulldozing over particularistic regional interests was not an option if such a national “plan” was to have any legitimacy and meaning in an economic system that could not function simply by fiat. I argue that Chinese and Indian leaders both understood and modified planning institutions in response to these domestic political constraints. As such, planners learned from the failed efforts of planning as well from the successes of planning, not just in terms of what would work in terms of macroeconomic goals, but also in terms of what was governmentally feasible. This motivation exists in stark contrast with the parent Soviet model of planning and the history of planning in that erstwhile nation.

Furthermore, to explore the coordination function of these agencies at this macro level of aggregation, I rely on a conception of the national *organization* (the subject of the Five Year Plans) as an aggregation of regionally salient units. The following narrative makes a case for the pivotal importance of centralizing institutions such as the Planning Commission in such an organization and attempts to underline their coordinating features as reflected in planning protocols and rules. In studying the role of the Planner as a *coordinator* of various region-specific interests, I consider the problem to be analogous to one of an organizational setting in which a central manager coordinates activities with regional divisions who are assumed to speak for their own division-specific interests.<sup>8</sup> This discussion leads us to the coordinating function of a central planner in this arrangement, and I attempt to identify exactly what the role of such an authority is in sustaining an organization of this type under the auspices of a central plan.

---

<sup>8</sup>Recent work by Vivek Chibber (2002, 2003) on the comparative effectiveness of central planning in India versus South Korea also considers the coordinating features of the bureaucracies of planning, although in a different way. Chibber focuses on the existence of a *nodal* agency—such as the Planning Commission—in being able to assert its authority over competing bureaucratic claims, and what might get in the way of the planning commission from so asserting itself. In the case of India, Chibber argues that the implicit compromise between industrial houses and the Nehru-led Congress to limit the nature and extent of state involvement in the private sector resulted in a much weakened role for the Indian Planning Commission in the manner he discusses. Chibber does not consider the *informational* components of bureaucratic organization, but instead focuses on the capture of economic policy by vested interests. A related perspective is offered in Wade (2005).

## 2.2 The Decision to Centralize: Regional Economies in Search of a Central Planner

To identify the need for the coordination provided by central planning, I first present a simple heuristic model of the national economy as an aggregation of regionally salient units, where to simplify matters, I assume that a representative regional leader speaks for a region's interests. The stylization of this argument is as follows: When these regional actors find themselves situated geographically adjacent to one another they experience positive and negative externalities (akin to a network situation) due to being in the company of a family of regions. The motivation the different regions have for forming a national economy stems from the fact that they can capture scale effects and share the expenditure of a public good (e.g, military defense), which is a smaller percentage of GDP in a larger-sized nation than it is in a smaller-sized nation. The setup aims to clarify how the presence of these externalities affects each region's individual decision to either join a coalition of regions or to remain autonomous, so that a national coalition of economies to speak of, can be facilitated. What is it about the relationship among these  $n$  regions that crucially impinges upon this decision? Under what conditions is such a coalition likely to hold in a long-run stable equilibrium?<sup>9</sup>

---

<sup>9</sup>In other words, I present an argument for the pivotal importance of centralizing institutions such as the Planning Commission and attempt to underline their coordinating features as reflected in their protocols and rules. This discussion leads us to the coordinating function of a central government in this arrangement and attempt to identify exactly what the role of such an authority (a 'state') is in sustaining an organization of this type (a 'nation'). While we recognize that a central government performs a variety of tasks, here we only consider how this central authority, personified as the proverbial central planner *administers* this cooperation between different regions.

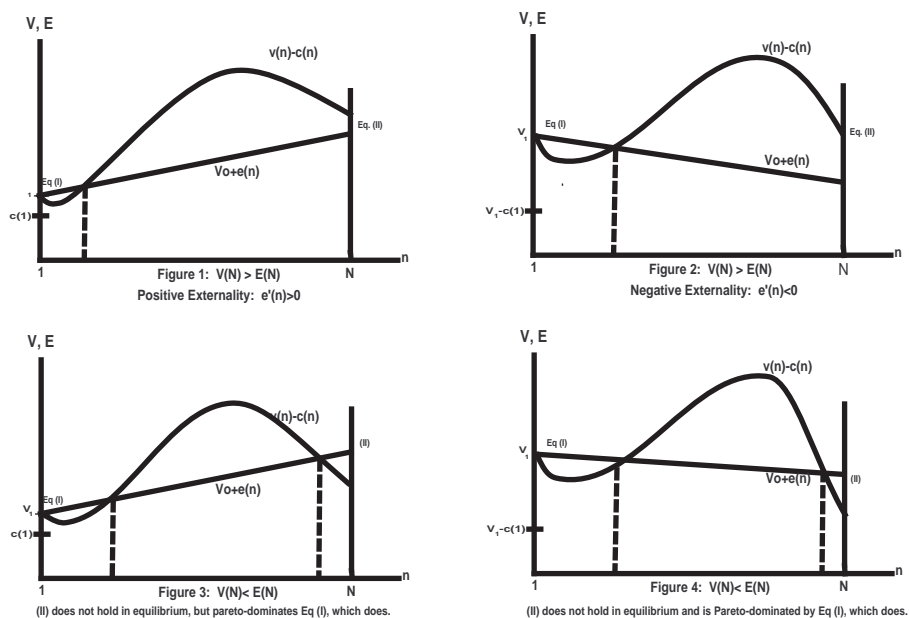


Figure 2.1: The Problem of Coordination with Network Externalities

The coordination problem between the regions can be understood with the aid of Figures 1 through 4. I state here the qualitative picture these four cases are trying to present.<sup>10</sup> Consider a (geographic) context characterized by a family of adjacent regions. Individuals in this geographic area consume both public and private goods. However, the nature of public goods is such that they are non-rivalrous but only *partially* nonexcludable. A network characterization of this environment implies that within a geographical boundary (a nation), every individual can enjoy the same unit of public good fully, but outside this region (but adjacent to it), individuals can only enjoy this public good partially. The full consumption benefits of a public good are thus only realized within the geographic boundary.

The figures above present variations on a relationship between the costs and the

<sup>10</sup>The full elaboration of the formalism behind this setup can be found in Joshi (2010a).

benefits faced by each of the  $N$  regions (which are assumed to be homogenous and having identical preferences). The  $x$ -axis measures the number of regions that join the coalition, while the  $y$  axis measures both the benefits  $V(n)$  and the externalities  $E(n)$  faced by each region. The externalities, which are linear, are captured in the downward sloping (negative externalities) or upward sloping (positive externalities) lines. These net benefits are increasing in the number of regions that join a coalition of regions under the same national economy. The curve in each graph shows this benefit attaining a strict maximum before diminishing returns set in, and beyond a certain  $\hat{n} < N$  number of regional coalitions, a less-than-full sized coalition obtains.

Note that the central planner him/herself is not modeled in this simple heuristic game, only the coordination difficulties faced by the regions in the face of different types of externalities. The central planner is viewing these choices as we are, in order to determine *where* and *why* coordination will be needed, and in which circumstances the promise of bureaucratic integration will be more or less appealing to regional preferences. The cases examined above differ in terms of the regions' anticipation of the benefits of cooperation. In the first case, coordination is unambiguously better in either the case of positive or negative network externalities; this is a representation of the traditional coordination problem, and for that reason the first cut at a narrative below focuses on this case. In particular we can see that for  $e'(n) > 0$  (positive network externalities), Eq II is Pareto superior to Eq I, and that the reverse is obtained with  $e'(n) < 0$  (negative network externalities); the presence of negative externalities places the regions in a strictly worse off state of the world. These represent fairly "ideal" conditions for the central coordinating authority; the model suggests that the planner

only has to provide the initial “big push” necessary to move the regions toward the Pareto-superior outcome (II), as in the case illustrated in Fig. 1. Not uncoincidentally, these big push motivations were explicitly underlined in the Herculean efforts at planning and mobilization and mass participation in the earliest days of state-formation in both India and China, as well as the Soviet Union. However, even here a substantial time-lag may be involved between the formation of such a coalition and the realization of this externality. So, the planner might have to retain her authority longer than the theory predicts. Each region is better off as it moves toward (II). Once having reached (II) however, the planner may then leave her job, as the more favorable outcome is realized. This is the expectation that the regions may also share, since once the job is done, planning can be “grown out of” (to adapt Barry Naughton’s apt phraseology). If the expectations are that the regions are in a world of negative externalities, then the planner’s job is more arduous. Eq (II) does hold in equilibrium, but coercion will be needed to realize an  $N$  sized nation, presumably with promises that the situation of negative externalities will be mitigated by planning, and that eventually we can all move back to the optimistic world of figure one.

How can these two cases be interpreted together? The consensus-forming experience of a group of regions may be characterized by either of the two types of externalities in the aggregate (since our benefit function is very general) or as characterizations of particular public goods and the effects that can be isolated from the same. We can also consider that in the aggregate, the initial period of nation-building may reside in Fig. 1, but that expectations may converge after a brief period to Fig 1, given the grand promises of nation-building and central planning. Alternately, we can interpret the initial period characterized, as

they traditionally are for the 1950s in both China and India, by the optimistic Fig. 1, where expectations were indeed grand and the “big push” was initiated with great relish. With the quickly deteriorating scenario in the countryside and the famines and food-crises that were experienced in both countries however, they may have moved into the world of Fig. 2 by the sixties. In either of these environments, any single nation, recognizing that it is strictly worse off under consensus rule, will not be able to secede, given the hostile environment it would find itself in. Little surprise then, that nations such as India and China are hyper-sensitive to defections throughout this early period, that they quickly moved to cement their territorial hold on as far-flung a continental empire as they could, and that they have been quite ruthless with any possible defectors.<sup>11</sup> The problem of the planner in the world of pure coordination is thus dual: to ensure a transition from a world of negative to positive network externalities, so that expectations converge to such a state, and to then credibly provide the machinery for solving the coordination problem.<sup>12</sup>

The scenario before national-consensus-building begins is hardly this rosy, however, and to introduce a bit of realism we examine the next case (“Claim 2”), which is related; here we relax the unambiguous effects of coordination, and (II) is no longer an equilibrium in either of the two types of network effects examined. Thus, the coordinating responsibilities of the nation-building authority are even *starker* here. Against the first claim, we note the contrasting welfare implications presented in the second result, illustrated in Figures 3 and 4 above.

---

<sup>11</sup>China’s claims over Tibet and India’s claims over the smaller regions of Arunachal Pradesh are the immediate examples one considers, but the entire process of establishing independent rule in India and Communist rule in China was of strong-arm aggression mixed with ideological persuasion. A larger discussion can go here.

<sup>12</sup>This argument is exogenous to the model.

In our “natural” family of likely co-nationals there are those regions that are always out of reach of any of these arguments of persuasion for creating a national coalition and the problem of the planner is to help the regions to choose between complete anarchy and disarray and to cobble together a second-best coalition that can somehow be joined together; a nation of size  $N$  will simply not obtain. The same argument as above holds for the role of the planner, but the job is much more tenuous now. Now, our story suggests, that the planner *must* stay all the way to ensure that  $n = N$ , by means of threat or coercion, or by the sheer weight and bulk of its bureaucratic authority. Thus there are those recalcitrant regions that will be forcibly asked to join—such as Tibet in China, and Hyderabad and Arunachal Pradesh in India, where the more *Machiavellian* of the Independence leaders and first Union Home Minister Sardar Vallabhai Patel sent the army to ensure that the reluctant Nizam of Hyderabad would “join the family.” Later, in Indira Gandhi’s centralization of 1971, she abolished all special privileged that had been agreed upon to the “India of princely states” to the independent kingdoms and annexed them outright, completing the process begun by Sardar Patel decades earlier.

Each of the four scenarios that are outlined in the above coordination dilemma prompt a centralizing authority to action, so that the pure game of nation-building and consensus generation is in all of these situations likely to provoke the emergence of a *state-building* exercise; this central authority might be engendered organically, as a process of the regions choosing to anoint a central authority in *primus inter pares* fashion, or it may occur at the behest of a group of ambitious political entrepreneurs—such as the Chinese Communists and the Indian Nationalists—who take it upon themselves to mobilize an army and a

population and initiate this process for themselves.<sup>13</sup> This is exogenous to our model, but either way, this exercise incontrovertibly implicates a statist machinery to encourage (or force) this cooperation—an army in the initial phase, with a coercive state apparatus to enjoin this cooperation over time, and a bureaucratic authority to cement this coordination in all of the spheres of national life where the provision of global public goods is warranted. The greatest and most daunting of these tasks, once the battles have been one and once territory seized as students of state-building have been pointing out for decades, is the one that relates to central planner providing the managerial infrastructure necessary for such coordination to bear fruit. As the regions see the Herculean effort that will be needed to overcome the Pareto-dominated outcome, even in the most optimistic story presented in Fig.1, the regions may not, however, be terribly optimistic, since it is difficult to imagine how an authority may be created that can be responsible for the provision of so comprehensively engineered a public good, one commensurate with the expected benefits of a large-sized nation.

Thus, a centralizing authority that promises to coordinate, must promise to do a lot in the initial phase of development. Note that the all-pervading vision of aggrandizement present in bureaucratic central planning for development in China, India and many other countries at similar stages of state-building entails promises to accomplish precisely this grand goal. Note also that the Indian and Chinese bureaucracies, at the behest of the “big push” of developmental planning sought to accomplish goals that from their very outset—the socialistic transformation of society—were promised a gargantuan transformation

---

<sup>13</sup>The Chinese communists relied heavily on the army for provincial administration in the time immediately following liberation; in four of the six regions the Military and Administrative Committees were directly responsible for governance (Harding 1981:35).

of society through managed change.<sup>14</sup> While China and India both have long, venerable traditions of bureaucratic rule,<sup>15</sup> the planning agencies that were delegated the formulation and implementation of developmental goals were *far* from the ideal-type Weber had in mind in one important sense. Due to the relatively low level of legal and administrative development in China and India at the time of independence, bureaucratic agencies were *not* specialized in function and role—critical to the coherence that Weber is searching for in modern agencies, a quality missing in older “traditional, charismatic” forms of rule.<sup>16</sup> The planning commissions in both China and India actually were and are complex conglomerates of numerous divisions, each charged with specific developmental tasks; there was no agency or commission comparable to, say, the much touted Ministry of International Trade and Investment (MITI).<sup>17</sup> This pattern of functional thickness is common to agencies in both countries. To make sense of this, consider again the reasoning employed by the  $n$  regions of our model above; each can see the Herculean effort that will be needed to overcome the Pareto-dominated outcome in Fig.1. And so observing, the region may not be terribly optimistic, since it is difficult to imagine how an authority may be created that can be responsible for the provision of so comprehensively engineered a public good, one commensurate with the expected benefits of a large-sized nation. It is no surprise then that planning promised to do so much; and it is equally unsurprising that in real terms it actually could do so little.

---

<sup>14</sup>Shue (1991:219); Chakravarty (1987:2-3).

<sup>15</sup>More on this in the final section.

<sup>16</sup>LaPalombara (1963:43).

<sup>17</sup>Morris-Jones (1967:130-134); Lyons (1987:204).

## 2.3 How did History Help Shape Expectations?

The framework presented in the last section provided an implicit motivation for the role of the central planner. But this analysis and presentation was static, freezing, as it were, the moment of choice the Chinese and Indian leaders faced when considering how to view their impending national economic unification. But where did these rational expectations derive from?

In this section, I ask: To what extent were these expectations historically determined? That is, if Chinese and Indian histories were significantly different (as argued in the section on methodological selection), what similar trends prompted central leaders and planners of the newly independent nations to design planning institutions in the manner that we have observed? If there was a recognized need in the forties and fifties to erect a strong central planning apparatus to solve the coordinating problem between regions, what was the source for this demand for institutional innovation? I briefly consider the Qing and Republican periods of Chinese development and the Mughal and British periods of Indian central-local relations in order to offer some suggestive responses to this larger query.

In general, I argue that the pre-nationalist histories of bureaucratic governance in both nations gave little confidence that this coordination problem—of how to unite different regional systems under one unified plan of rapid, transformative development—could be solved without a bureaucratic solution like

central planning, which collapsed the economic activity of all regions and sectors of the economy under the auspices of a highly artificial and high-risk nationally coordinated effort.

More specifically, in attempting to answer this question, I make two inter-related claims. The first is that leaders of both the Chinese and Indian nations interpreted their reality such that they believed they were in a predominantly historically-determined world, one in which the cumulative history of state-building and territorial harmony would be determinative of future progress. Second, expectations would have to be *created*, it was felt, by giving some degree of operational autonomy to the coordinating arms of government, and in imbuing this new autonomy a sense of state-building purpose that could not merely be reduced to the ideology of the ruling party. The validity of this hypothesis is borne by the actual behavior of the Chinese and Indian leadership, and in particular, in their desire (and limited success) in giving the new statist machinery this operational autonomy.

If we can stylize the “moment of ascension” of both CCP and INC in China and India, Nehru and Mao—and by extension Vallabhai Patel, Morarji Desai, Liu Shaoqi, Zhou Enlai and the upper leadership of Congress and the Communists—felt little optimism given recent history that expectations would be able to coalesce on their own around the benefits of coordination. To make sense of the initial conditions, as they stood at the time of the creation of the new republics, we recognize that the recent state-building efforts of the pre-Communist and pre-Congress polities were informed by a mixed history of,

admittedly, self-consciously designed and increasingly rationalized bureaucracies, but also as arrangements that had *failed* to achieve a credible precedent for smooth central-local relations despite the best of these attempts. That is, despite the strong bureaucratic traditions of both the British and the Qing, historical discontinuities in both countries provoked little confidence that central local relations could be effectively handled bureaucratically. The immediate imperial and colonial histories in both nations offered little confidence in the ability of the central government—Republican in China and British in India—to fashion true developmental bureaucracies capable of transforming the countryside and creating an indigenous industrial base in the cities.<sup>18</sup>

First, in either country, there was no established local governing culture that was *also* integrated with a national aristocracy or an established manorial system; both of these crucial features *were* present in European history at the time of the Industrial Revolution, which facilitated the relatively easier penetration of the countryside by entrepreneurial governments in the urban centers.<sup>19</sup> In the absence of such strong coercive rule at the center, the provinces in both China and India functioned as largely independent systems; below the immediate administrative taxation and judiciary (law and order) functions (which were decentralized to the district level in India and the county level in China), very little in the form of encouraging historical precedent offered itself at the time of the

---

<sup>18</sup>The initial conditions, as understood by Congress leaders is elaborated in V.P Menon's first-hand account of the unification efforts during the transition from colonial to independent rule (1956); also see Singh (1993) and Desai (2005:262-3, 302); for the Chinese Communist leaders' views see Meisner (2007:5-6, 37, 194-195); Whyte (1973), Myers (2000), and . An early, seminal articulation of the difficulties of unifying Chinese sub-systems is found in Sun Zhongshan, *san min zhu yi* (1985); for an early elaboration on the same by Mao Zedong (April 10, 1923) see his note, "The Foreign Powers, the Warlords, and the Revolution." (1994:157-161).

<sup>19</sup>For a broad enumeration of the differences between the European and Indian cases, see the debate between Mukhia (1985) and Sharma (1985); support for this consensus view on Indian feudalism is also found in Thorner (1956).

creation of these two young nation-states that would suggest inter-provincial coordination could be easily managed by a central government.

The main similarities that informed this viewpoint are identifiable: I first note that central-local relations in both multiregional polities had long been established through particular bureaucratic arrangements.<sup>20</sup> These relations were so managed as far back there were any such polities to speak of.<sup>21</sup> Moreover, due to their large sizes and regional and ethnic differences, both imperial bureaucracies were divided along metropolitan and provincial lines, and by late imperial times, the continental bureaucracies of both China and India had achieved regularized, revenue-based bureaucratic arrangements with localities.<sup>22</sup> The sub-continental bureaucracy that oiled the Mughal empire was a revenue generating and judicial system that was simple, heavily decentralized, and unobtrusive to the local society it governed, except in matters of revenue extraction, in which case it was ruthless, extractive and relentless.<sup>23</sup> India, like China, had a landed aristocracy, which, in contrast to Europe, was not rooted (necessarily) in the soil; there was no established manorial system in either.<sup>24</sup> The official nobility of Mughals were the *amir*, provincial governors (themselves only numbering around 8,000-9,000 in a population of eighty million-plus) who were distinguished from their lower level feudatory chiefs, the bulwark of the *zamindari*

---

<sup>20</sup>Shue (1988:79).

<sup>21</sup>The linkage between the bureaucratic arrangements of the Mughal empire and the creation of an “Indian” state is studied in Khan (2001).

<sup>22</sup>Shrader (1998:74–76). For the urban-rural division in Mughal India see Chaudhuri (1978); and in China see Rawski (2004).

<sup>23</sup>The shrewdness of this flexible approach of conscious non-involvement is explored in Heesterman (2004:294–296); the revenue-based system of *zamindari* extraction is outlined in Khan (2001:26–31).

<sup>24</sup>For the Indian case, the definitive statement is found in the work of Daniel Thorner (1956); Thorner’s views on Indian agriculture and agrarian structures also influenced the Planning Commission thoughts on the same, with which he was affiliated in the mid-fifties. In this vein also see Rudra (1981:2133–2143).

system. The actual involvement of the central administrative apparatus with the “ebb and flow” of rural life was tenuous and circumscribed, and the rural hierarchy of the Mughal state focused its attentions squarely on efficient revenue extraction.<sup>25</sup>

A similar pattern of revenue-based administration is found in late seventeenth and early eighteenth century Qing China. Following the rapid expansion of Qing suzerainty over hitherto undeveloped regions—aided by the commercial boom of the period in durable export—revenue functions were centralized and the discretionary power of local officials was curtailed as far as taxation policies were concerned.<sup>26</sup> The Qing strategy revolved around a nobility-based elite neo-Confucian ideology, which established a firm link between the imperial center and provincial chieftains (akin to the Mughal *amir*); similar to the Mughal *zamindari* system, this thinly composed web of officials kept in check the reformed Qing revenue extraction system by the early eighteenth century.<sup>27</sup> Like late imperialism in the subcontinent, Qing governance was *minimal* and aloof.<sup>28</sup>

Later Manchu efforts in Qing China and British efforts in India consolidated these revenue-generating functions as both late empires consolidated their geographic reach. To achieve compliance from these local agents, the Qing empire and the nascent British protectorate of the East India Company used similarly eclectic governing styles to govern the diverse multi-ethnic empires under

---

<sup>25</sup>Pearson (1976: 223–226); Edwardes and Garrett (1995:351–354).

<sup>26</sup>Wakeman (1985: 432, 446–448, 462–465); Zelin (1984: 118–121,1128–9).

<sup>27</sup>Hung (2009: 81–82).

<sup>28</sup>Strauss (1998:13).

their control.<sup>29</sup> Qing ability to empathize with traditionally non-Chinese traditions facilitated a far greater hegemony over traditionally non-Han Regions.<sup>30</sup> The British, for their part, also developed a distant way of centralizing revenues that reformed, revamped and updated (without dissolving) the established patterns of procurements in the countryside.<sup>31</sup> And like the Qing state, the British provided a far more “stable” governance than either the Mughal or Maratha/Peshwa regimes before it, as both had depreciated and retreated, by the early 17th century, into wasteful expenditure, conspicuous introversion and decayed aristocratic self-aggrandizement in the face of foreign threats, namely, the growing strength of the East India Company and its foothold in Bengal, Bihar and Orissa.

But the Chinese and Indian bureaucratic traditions faced significant differences as well, especially as far as rationalization is concerned. The immediate Chinese past of the dying Qing and the faltering Nationalist periods provided a famously grim picture in China. Despite the Qing’s attempts to placate rising outcry against its dying political institutions and unpersuasive reformist ideology, by making provisions for local elections, urban intellectuals fomented for reform, culminating in the 1911 revolution.<sup>32</sup> The ensuing chaos of the Nationalist period, first under the *Beiyang* regime of Yuan Shikai and later under the Nationalists proper of the Guomindang only helped to worsen confidence.<sup>33</sup> Yuan

---

<sup>29</sup>The British protectorates, the East India Company holdings and the colonial administration after 1857 retained the *mansabdari* system of the Mughals and the minimally intrusive revenue (taxation) and military (law-and-order) organizational hierarchies (Blake 1979:77–78). The different types of tenurial institutions under colonial rule are enumerated in Banerjee and Iyer (2005) for the Indian case and in Feuerwerker (1984) for the case of late imperial Qing China.

<sup>30</sup>Miller (2000:26)

<sup>31</sup>Washbrook (1981: 661–662).

<sup>32</sup>The inability of the Qing reforms to manage protest within the confines of civic engagement and debate is explored in Wakeman (1998).

<sup>33</sup>Strauss (2000: 81–82).

discarded whatever reforms the Qing had instituted in 1908-9, created a system that had no more legitimacy than the sum of its individual particularistic deals, while recalcitrant warlords engaged in haphazard and reckless militarization under the flimsy cult-of-personality driven Beiyang regime.<sup>34</sup>

The immediate period preceding the creation of Pakistan and India from the earlier British India was similarly centrifugal in its momentum. Ever since imperial legislation had provided titular autonomy for the provinces (in 1935) Nehru and other key Congressional leaders had remained very reluctant to relinquish provincial control to local ministries headed by rural Congress partners, concerned about how much influence new Delhi could actually wield; these same ministers had an antagonistic relationship to the civil service in the provinces, and nationalist leaders were skeptical that the latter would be able to be effective in checking centrifugal tendencies.<sup>35</sup> These centrifugal tendencies were exacerbated by the independent identity given to the princely states, which were nominally outside of the purview of the colonial government. The formal adoption of India as a colony had *halted* the process of central consolidation (an administrative struggle actively addressed by the Mughalate and the pre-1857 colonial administrations alike); these independent systems provided an alternative model to regional political aspirants to create regimes insulated from New Delhi, and they proved to be a “thorn in the side” of the post-1947

---

<sup>34</sup>Yuan recognized the importance of a modernized meritocratic bureaucracy and continued the personnel rationalization initiated under the dying regime, including a revamping of the examination system, a new policing system in the capital. However, there was an aversion to the traditional “checks and balances” institutions that were needed at the local level, including the halt of local council elections for administrators, which he replaced with county government functionaries (Myers 2000:49-51); Strauss (2000: 79–81). John Israel (1973:39) discusses Yuan’s attempt to fashion a new “dynasty.” In 1916 he tried to crown himself emperor, unsuccessfully.

<sup>35</sup>Misra (1977:344); Vepa (1972:457-8). This sentiment is voiced clearly in a letter from S. Satyamurti to M.K. Gandhi, dated July 1938 (Satyamurti and Ramanathan 2008: 35–36).

unification efforts of the nationalists.<sup>36</sup>

The reading of “initial conditions” was even more pessimistic in India, however. The main difference in the bureaucratic traditions is that late Imperial Chinese agents, even under elaborate revenue extraction schemes, were always implicated in a local “cultural nexus of power” that placed these agents in a patterns of symbolic representation that facilitated the merger of local and central authority.<sup>37</sup> Agents legitimized central rule by skillfully managing their authority as central agents with local missions, but in times of excessive revenue demands, this “cultural nexus” was taken to the breaking-point of legitimate rule. Legitimacy of central rule never existed on such cultural understandings in India; this has much to do with the fact that only imperial administrations to speak of in modern times have been those of “minority groups” (Mughals, British) who did not have the cultural scope for securing legitimacy in this way.<sup>38</sup> Indeed, historians agree that both Akbar’s conciliatory attempt to fashion a unified cultural language (akin to the neo-Confucian ethic of late imperial China) and Aurangzeb’s aggressive attempt to impose cultural homogenization from the top both failed, for different reasons and with different results—the former attempt merely dissipated into non-results, while the latter provoked stiff resistance from regional challenges to Mughal rule by Rajput, Sikh, and Maratha rebellions and the Mysore ascendancy in the South.<sup>39</sup> There is no evidence for example, from what we know about the bureaucratic apparatus of either the Mughal or British bureaucracies, that subcontinental agencies ever

---

<sup>36</sup>Desai (2005: 158–161).

<sup>37</sup>This terminology is credited to the analysis of Republican China by Prasenjit Duara (1991: Chapter 1); Duara (1987:133–135).

<sup>38</sup>For the limited ability of Mughal administrations to secure cultural legitimacy see Bandyopadhyay (2004:2–4).

<sup>39</sup>Edwardes and Garrett (1995:351–354).

possessed the extra-revenue capacity of the late imperial Chinese state under the Manchus.<sup>40</sup>

The administrative continuity between the British East India Company and the old Mughalate was mechanical and uneventful.<sup>41</sup> After the decree in 1765, the Company agents took over the responsibility of employing the existing patterns of the *mansabdari* system in the dying Mughal and Maratha north; the goal was limited to elaborate revenue extraction and local agents studiously avoided any attempts to legitimate central rule in any substantive manner that would have mass appeal. The state's agents in China have always played a greater role in establishing the legitimacy of the central ruler; in this sense the Chinese center-periphery relationship has traditionally been designed with greater awareness. The Mughals before the British had themselves relied on the strict loyalty of *mansabdari* military agents, with large landlords directly underneath them in the rural hierarchy; the *mansabdari* system did not, however attempt to interfere in local customs and state penetration into local reality was negligible. The British carried on this tradition of guarded non-involvement with care as long as they could ensure that the EIC was in command of commercial operations.<sup>42</sup>

---

<sup>40</sup>For example, consider the techniques of central control over local officials elaborated in Blake (1979:90–94); the Mughal techniques were aimed at controlling the discretionary power of officials over tax receipts, but made no attempt to insinuate the legitimacy of the officials with local leaders of rural social organizations in any noticeable way. This approach can be contrasted with the dense involvement of local leaders with rural civic life as presented in Duara (1991: Chapters 6 & 8).

<sup>41</sup>For an early description of the adaptation of the *mansabdari* system by the East India Company see Kaye (1853:202–208).

<sup>42</sup>Misra (1980). This perspective receives support in a more recent study of the administration under the auspices of the East India Company; see Bowen (2006:Chapter 7).

This mechanical pattern of disinterested rule over provincial economies—for the purpose of maintaining law-and-order and ensuring efficient rent extraction—did not endure indefinitely and the scope and range of civic involvement under the colonial administration expanded over time. Slowly, as the Crown moved closer and closer to center-stage in the subcontinent, the old pattern of non-interference was chipped away at, and questions of “representation” did indeed begin to creep in. In 1772 the “covenanted” services usurped the *mansabdari* system—the system of military chieftains that governed locally, and in 1792 Cornwallis disarmed the local *zamindars* and their policing *thanas* from which the localities performed their judicial functions. This “separation of powers” enshrined in legal terms what had been the hallmark of late imperial administration in the subcontinent all along, by giving form and title to the large landlord-based control over the countryside (without affecting ownership or the distribution of landed assets).<sup>43</sup> In line with this trend, all power was removed from provincial authorities through the Government of India Act (1919), and in 1937 all provincial subjects came directly, and legally, under central purview.

This incremental movement toward the creation of independent provincial identities continued throughout the first half of the 20th century and into the transfer of power to the Congress regime. These expansions of government purview into rural administration necessarily introduced matters of standardization into the rural administrative services.<sup>44</sup> Under Cornwallis and Hastings,

---

<sup>43</sup>For a detailed account of the manner in which the progressive inclusion of areas under colonial administration *standardized the existing forms of rural extraction without disrupting them* is presented in Stokes (1975).

<sup>44</sup>In some sense, as later commentators pointed out the momentum for provincial autonomy continued unabated into the crisis of linguistic reorganization of Indian states in the fifties, whereby language identity created demands for movements of autonomy in various sub-state regions, much to Nehru’s dismay. The sociology of the development of state-wise movements in India is studied in Dasgupta (1970).

main issues initially addressed by this impetus were those of representation, about who would staff the Conventional and Provincial bureaucracies, how they would be tested, what would qualify as a proper agent, and how they were to be enumerated. These were deeply contentious issues, and involved a degree of negotiation between the British and non-British organized interests. Thus, the British operations of local bureaucratic rule did begin to address personnel issues—so as to placate rising nativist demands for representation in the government services—but outside of this issue, the British bureaucrats remained in their workings, as non-committal as ever.<sup>45</sup>

Thus, to surmise, based on the problematic and underdeveloped center-state relations in both countries, that both Congressional and Communist leaders surmised, tentatively, that bureaucratic rationalizations along the lines of those that had taken place were not going to do. Rather, a “big push” economic growth plan that was being envisioned by the central planners would be required in which the new state would promise a historically unprecedented array of public goods.<sup>46</sup> For operational purposes, this required a gargantuan bureaucratization of the economy, but it was thought that this would be the price to pay for the type of state-building that was required.<sup>47</sup> Taking a revolutionary and socialistic cue from their Soviet counterparts—surmised that a “big push” effort in

---

<sup>45</sup>This paragraph relies heavily on Misra (1977) and Bhambhri (1971).

<sup>46</sup>Despite M.K. Gandhi’s stolid opposition to planned development, J. Nehru, V. Patel and S. Bose (representatives of three different factions of Congressional leadership) all invested in central planning the hope that it would accomplish these “big push” goals Chakravarty (1992a:277-281); key Congress resolutions adopting this stance include Karachi Congress (1931), Faizpur Congress (1936) and the Congress Working Committee meeting in Bombay (1934); also see Paranjee (1964:3-5); Brecher (1963); Varshney (1964). For the Chinese case, the comprehensive vision of planning is covered in Meisner (2007:115-116, 124-126, 142); For a motivation for the comprehensive motivation and agenda behind central planning efforts in general, using the language of public goods, see Yergin et al. (1998).

<sup>47</sup>Singh (1993); Chakravarty (1992b); Whyte (1973).

centrally enforced “planning” would be needed to achieve the type of growth and savings rates needed to simultaneously create and sustain modern urban industry and to feed the largely rural population, most of whom lived slightly above subsistence levels of consumption.

To identify similarities at an even more fundamental level, I note that the first generation of party leaders recognized the distinction between these state-building goals and the political party “ideology” that would run alongside. Both China and India, despite the overwhelming influence of the singular anti-imperial and nationalist parties (CCP and Congress) took pains to separate, conceptually, ideologically, and operationally, the divisions between state and party organizations; the Soviet leaders had no goal to maintain this distinction in their regimes. In China this was an on-going struggle, but it was an issue in India as well. The Soviet Union made no such attempt at discrimination, and happily conflated the two. The point is a somewhat subtler one that it would initially seem; the conflation between the originary statist machinery of China *and* India was certainly heavily populated by CCP and Congress functionaries; what is important is the distinction *in principle*; it is for this reason that when the time came to make this distinction more explicit, a transition could be contemplated, although such a transition is by no means easy. In India there were serious debates about whether bureaucrats should show formal allegiance to the political party in power *for their own effectiveness*. As B. B. Misra explains in his history of the Indian bureaucracy, Nehru was against such a conflation from the beginning.

Unlike the Congress ministries of 1937-9, the 1946-56 decade wit-

nessed a government of national talents at the Centre. It was not a party government, nor were party overtones allowed to figure to any marked degree. The magnitude of the post-Independence problems of reconstruction was National and attempts were made to meet them nationally.<sup>48</sup>

Similarly, the problem of the separation between the Party and the State was taken seriously in China as well. The Communists sought to *avoid* the direct interference by the party in government work, and instead instituted strong, frequent oversight that they termed “parallel rule.”<sup>49</sup>

But leadership was also, in both nations, divided on the virtue of such a large-scale bureaucratization, also, in part *from* the historical precedent bureaucratic rule provided. Mao Zedong was famously allergic to the evils of bureaucratism, but both Zhou Enlai and Deng Xiaoping, and even the premier statesman Liu Shaoqi on different occasions had voiced similar concerns.<sup>50</sup> Nehru, Gandhi, and a host of Congress leaders were equally suspicious of the “venerable” I.C.S (Indian Civil Service) tradition inherited from the British, especially since they had known the political meaning of “neutrality” all too well during their days of struggle with the Raj.<sup>51</sup> They only relented when Sardar Patel made an impassioned defense of the need of the “steel frame” of the bureaucrats lest a “picture of chaos” prevail over the whole country.<sup>52</sup>

---

<sup>48</sup>Misra (1986:330).

<sup>49</sup>Zheng (1997:49).

<sup>50</sup>Whyte (1991:235-6); Shue (1988:37).

<sup>51</sup>Rudolph and Rudolph (1987:75).

<sup>52</sup>Morris-Jones (1967:13); Zacharias (1946:314–317).

What the Chinese and Indian state wanted from their bureaucrats was thus a complicated and contradictory mixture of virtues.<sup>53</sup> Bureaucrats should not merely be extractive, but represent the genuine preferences of the localities they governed. “Neutrality” and professionalism in blindly implementing central plans was to be replaced by healthy discretion in both creating and formulating policies; the bureaucrats should be charged with the ideological mission of state-building and rapid development, but this charge should not come from a political party in principle. The task before the first generation leadership in the fifties was to transform their received statist personnel into something more than the “bureaucratic despots” of the old systems.<sup>54</sup> All of the tensions, between ideologically versus neutrally motivated bureaucrats, and between autonomous and party-captured state institutions were reflected in the developmental planning bureaucracies that the two states had erected by the mid-fifties. The planning apparatuses recognized the difficulty in decentralizing administration while consciously attempting to rationalize itself in response to these difficulties.

## **2.4 Experiments with Decentralization: Coordination Against Constraints**

In this section, I wish to clarify how the central planners attempted to manage the national economy through the auspices of “coordination against con-

---

<sup>53</sup>Strauss (2000: 80).

<sup>54</sup>Malenbaum(1963:156).

straints”, a problem in which a multi-regional, geographically complex nation-states was primitive to the problem.<sup>55</sup> These were the “givens” of Chinese and Indian history and geography which the central leaders ensured was given recognition when they adapted their planning arrangements. The main idea here is that the planners took these constraints seriously and attempted to reconcile their own motivation for what a central plan should encompass with the limitations these constraints implied. In order to accomplish this, the Indian and Chinese central plans adopted the bureaucratism of Soviet planning—its style, formulation methods, and its fanfare—but very little of its actual goals. These planning efforts adopted the organizational apparatus that they borrowed from Soviet planning, and then innovated this apparatus to suit their own domestic structural constraints while they *simultaneously* and incrementally dropped the most salient aspects over time about how the plan actually managed the economy.

The primary organizational difference between the parent Soviet plan and the organizing principles of Chinese and Indian planning methods can be described using the language of organizational economics. How can productive activity *within* an organization be managed? We can distinguish between a U-form and an M-form mode of coordinating internal activity within an organization.<sup>56</sup> A U-form organizational structure is *function specific*; in our context this refers to different aspects of production and/or consumption within the econ-

---

<sup>55</sup>By “primitive”, I am saying that regions are, in epistemological terms, the “primitive object” of the analysis, the lowest unit of aggregation at which a scientific observation is made. For example, in International Relations analysis, the nation-state is often the primitive object, while in studies of voting behavior, the individual voter and his/her choices are the primitive object. The regional diversity of nations such as China and India, in the present construction, imply that the various regional sub-systems are the primary “constraint” against which a central planner or coordinator must adjust his/her policy choices so as to maximize the utility of the same.

<sup>56</sup>See Williamson (1975:Chapter 8) for the classic statement about these forms.

omy. All such similar uses are grouped together in the U-form; hence, in the context of national economic management, such an approach is usually designated as one that emphasizes the control of central agencies. By contrast, the M-form organizing principle is one in which the organization is internally decomposed into “self-sufficient units.”<sup>57</sup> With this, Chinese and Indian planning not only moved away from the Weberian ideal, but also from the Soviet U-form of organization that they had earlier adopted.

The M-form of organization was what the Soviets used in their planning efforts; this was a sector-specific, functional approach to planning in which central ministries performed much of the implementation of planning goals.<sup>58</sup> In contrast, the Chinese and Indian planners adopted a primarily M-form approach to planning. In the latter, regions were key, although as I will discuss below and in the following chapters, central commissions and ministries also played a significant role (especially in the urban industrial sectors), often one as important as the sub-national provinces and states. As has been well-understood, the advantages of the U-form lie in the economies of scale that can be captured by aggregating similar processes, while the latter produces better results in terms of generating self-sufficiency among the units, so as to capture inter-regional comparative advantage and “synergies.”<sup>59</sup>

I use this organizational difference between the types of planning adopted in China and India, as they deviated from the command model of central plan-

---

<sup>57</sup>See Qian et al. (2000).

<sup>58</sup>Shaw (1985), Erlich (1967).

<sup>59</sup>A number of studies have cited this as a crucial difference in organizational form between the Chinese and other Leninist polities. Qian et al. (2000).

ning of the Soviet Union, to help frame the discussion about “coordination against constraints.” That is, I argue, the move *away* from this Soviet model is itself symptomatic of the Chinese and Indian efforts—and ultimate success—of searching for the appropriate model of decentralizing the planning processes. Both nations did this at (coincidentally) roughly the same time; in 1958 the Stalinist structure was completely undone just eight years after its initiation; the Chinese plan went from *tiao tiao* to both *tiao tiao* and *kuai kuai*, enshrining the regional principle of the M-form organization. With the Second FYP, India abandoned much of its earlier grand vision for comprehensive centrally mandated change and started soliciting significant input from local planning bodies.

Throughout their planning histories, the watchwords of Indian and Chinese planning have been decentralization of the administration and self-reliance. In contrast to the Soviet planning apparatus, the Indian and Chinese process of plan formulation sought to give increasingly greater local control where and when it could. Centralization occurred only through hasty retrenchment measures, when excessive local control threatened all systemic stability. The overall coherence offered by the planning commissions in these countries seemed authoritative, but in actual practice lead to disintegration in the management of the economy.<sup>60</sup> One way in which this happened is that to the planning commissions in both countries solicited information and encouraged the development of provincial plans. In both countries state/provincial planning boards were in principal delegated the authority of assessing the feasibility of targets on the ground. In this important sense the Chinese and Indian plans were organized *as aggregations of regional plans*, rather than the sector-specific approach of

---

<sup>60</sup>Lyons (1987) and Chibber (2002).

the Soviet model since 1958. After 1958, both systems continued to experiment with different types of multi-level planning so as to arrive at a distribution of authority that would represent both regional aspirations and national goals.

In China, the fulcrum of central planning has famously shifted from experimental decentralization and quick and hasty retrenchment; but what is constant is that whenever the Chinese economy has required coordinating it has turned to the plan; this is true of the entire developmental period. In contrast to the first Five Year Plan, the “wavelike” war against nature initiated by Mao Ze Dong in the *Great Leap* was an attempt to eradicate what he thought were major intractable contradictions in the Chinese economy. The fortunes of the SPC waxed and waned in response to the period ascendance of Maoist radicalism, which sought to take the local self-sufficiency principle to its extreme. When the pronounced centralization of the 1st Five Year plan was not appearing to solve the problem of unemployment and was not providing the proper incentives to the localities in the drive to increase agricultural output for urban investment, Mao lost patience and forced collectivization in a radical direction. During the 2nd Plan all of the leaders were searching for the appropriate mixture of central versus local control, but with the GLF intensification, the SPC waned in influence and there was a relative decline and lack of support for central planning.<sup>61</sup>

In the famous “Ten Major Relationships” speech of 1956 Mao outlined the contradictions that would be settled within the planning exercises.<sup>62</sup> The *Great*

---

<sup>61</sup>Mao’s “Sixty Points on Working Methods” appeared to explicitly expunge planning from the national experience; he himself at the time of formulation of the first plan had said that Sovietism in central planning was only a stop-gap arrangement, only a “lean to one side.”

<sup>62</sup>These included selecting from among a set of choices: heavy versus light industry versus agricultural investment; coastal versus interior development; developmental investment versus

*Leap Forward* planning constituted a “wavelike” war against nature in which localities were given wholly unrealistic “dual targets” to fulfill, the more ambitious (wildly unrealistic) of which was given to the localities to fulfill. These organs were resuscitated in the post leap restoration under the Chessboard Principle, which explicitly asked localities to view their position in relation to the rest of the nation in order to induce more coordinated behavior. Bo Yibo was brought in to recentralize planning, which he did under the banner of the “Seventy Articles on Industrial Policy” that he authored, and professional experts regained control of the SPC.<sup>63</sup> This was a defeat for Maoist radicalism, no doubt, and the experiment with administrative decentralization had been discredited for the time being.<sup>64</sup>

But despite this split within the leadership, attention did become squarely focused upon how to solve the problem of rural hunger created by the famine; much as India would take the problem of famine seriously under its Green Revolution, the Chinese planners began to identify High and Stable Yield Areas which would become possible to generate grain surpluses and avoid shortfalls. By 1961, planning had recentralized to the level before 1957, before it was destroyed in 1958. The Great leap caused severe damage to planning, carried some of the worst features of the very bureaucratism that Mao disliked to the local level and “perversely strengthened them.”—arbitrariness and subjectivity in

---

defense; and most importantly, the burden of local versus central authorities in planning. See Riskin (1987:Chapter 6).

<sup>63</sup>Recentralization of the industrial economy went hand-in-hand with the *decentralization* of the rural economy, as the basic unit of accounting in the countryside now became the production team, responsible for its own profits and losses (although the commune collectives remained the nominal house of basic administration of the government activities, albeit with much diminished importance.

<sup>64</sup>There was a brief attempt at decentralization in 1964, without much consequence.

decision-making, lack of institutionalized pressures against officialdom.<sup>65</sup> The crucial inputs to planning provided by mid-level departments were destroyed as instruments of control and their oversight, which was a basic incentive to coordinate the behavior of lower level functionaries was obliterated.<sup>66</sup>

The complexity of China's vacillation between radically decentralized and centralized planning is noticeable particularly in the next phase of Maoism, which occurred at the behest of the *Great People's Cultural Revolution*. As the devastated planning/administrative apparatus slowly began its climb up to coherence in the early-mid Sixties, Zhou Enlai called for a restoration of increased consumption (including grain imports) and self-sufficiency under the 3rd Five Year Plan, much in the same way that India scrambled to find foreign aid donations to meet its own grain shortfalls following the "dry years" of the mid-sixties before the "plan holiday" was called. In industrial policy, the emphasis was placed upon Third Front Development (1964-1971), whose investment jumped to 52.7% of allocated central investment, from a figure of 36.9% in 1958-1962. As Naughton points out, Third Front development, a "militarized leap forward" borne from the insecurity caused by the border conflicts in the southwest (Vietnam) and the northwest (U.S.S.R.), was a classic example of a plan-rational strategy aimed at the provision for the purposes of that most important of global public goods, national defense. Third Front investment reversed the focus upon spatial equality in investment in order to shield key industries from coastal exposure, but did so within the strictures of the 3rd FYP.<sup>67</sup> Between 1965-1971, 50% of capital construction went to Third Front programs. These pro-

---

<sup>65</sup>Riskin (1987:144).

<sup>66</sup>Riskin (1987:120).

<sup>67</sup>See Naughton (1991a) This paragraph relies heavily on this article.

grams dealt primarily with hydropower, aerospace, nuclear power, automotive and railroad industries.

*Simultaneously* however, the period between 1964-1971 saw an incremental decentralization of industrial policy. The initiation of the GPCR disturbed planning once again, disturbed this plan-rational strategy and radicalized, in the most devastating way, industrial policy back to the localities and regions. The old fight between Leninism and Maoism resurfaced, as planners were forced to centralize objectives and redistribution of investment, while at the same time allowing greater and greater discretion to the provincial regions to be self-sufficient. This involved the proliferation of small-scale industries throughout China, outside of the purview of the planners, beyond their control and direction. The planning apparatus was decentralized as well, and provinces and sub-national super-regions were granted greater financial and investment autonomy for non-military enterprises. Different bureaucratic bodies were irrationally collapsed, at the height of the GPCR during 1969-70 into a single “revolutionary committee.”

All in all, this was an ambitious, yet nationally “planned” experiment in “un-planning”, with decentralized coordination for radical self-sufficiency in the event of war, as only the contradictory Leninist and Maoist experimental methods could synthesize within their planning apparatus, now in the process of revolutionary metamorphosing beyond recognition! As it did before during the Great Leap, and as it would later in the transition between Hua Guofang’s failed petroleum plan and Deng Xiaoping’s ascension a decade later, the

contradictions were revealed *through the process of planning itself*. Zhou Enlai highlighted these contradictions starkly as he attempted to re-impose macroeconomic stability over investment. The difficulties encountered in this period had to do with the center's ineffectual control over investment; the goals—the apparently contradictory policies of Third Front Development and simultaneously self-sufficient decentralization—appeared to be wholly “rational.” The planning process again went through a phase of radical local control, and all authority was devolved to the enterprises, and all targets and requirements fell under the auspices of local and provincial plans.<sup>68</sup> Material Balances were simply discarded (for good this time) and all plan drafts were authored by the SOEs themselves, with the SPC being forced to agree with these locally-generated targets.

By the late 1970s, Third Front areas, due to the destruction of central control over investment, had seen their industrial capacity rise to the volume of over 29,000 units. The attempt was to *retain* coordination by allowing a healthy, nay extra-healthy dose of self-sufficiency for the localities, in which the center would retain control over consumption goods while allowing local governments to control the pace of investment. Again, in and of itself, this was a wholly rational and even shrewd strategy on the part of Mao. “[A] self-governing local community can sometimes be superior to the market in coordination and enforcement.”<sup>69</sup> Mao wanted local leaders to be accountable for their actions *to* the local politicians and wanted the local party apparatus to be not merely another rung in officialdom.<sup>70</sup> But at this time, unfortunately, the center simply lacked

---

<sup>68</sup>“Formulation and Implementation of Planning”, page 178.

<sup>69</sup>Bardhan (1996:141).

<sup>70</sup>Bardhan points to a study conducted by Dréze and Sen (1993) showing that in the context of village education, local Party officials of authoritarian China were far better at providing quality

the appropriate tools for this ambitious project of “indirect centralization” and had to re-trench in 1971.<sup>71</sup>

In India, in the 1950s, the greatest representation of outside bodies within the Planning Commission were those of the other central ministries, not of regional interests. However, in India as well, this focus gradually changed with time, as bureaucratic arrangements moved to a workable mixture of horizontal and vertical control. The need for a deeper penetration of governmental institutions of the countryside was recognized by the constitutional changes prompted by Nehru and Congress leaders in the early fifties to strengthen the participation of and input derived from village communities. Spearheaded by the Planning Commission itself, the Community Development Programme of (1952) and the National Extension Service (1953) were the precursors to the establishment of the multi-level *panchayati* system of local government.<sup>72</sup> This was an explicit decentralization of authority from the state level to the district level (*zilla parishad*), the block level (*tehsil*) and the village level (*gram panchayat*)<sup>73</sup> This decentralization of decision-making and information gathering and devolution of political authority had several components, including the creation of new electoral insti-

---

teachers and schools than was a counterpart village in India.

<sup>71</sup>In the continuing story of the demise and resurrection of institutions, earlier weaknesses and ambitions would later resurface in China, as tools sharpened and the central planners became more savvy about how to induce this local coordination. As Qian and Weignast (1994) have argued with a framework that has gained widespread currency in studies of economic reform, China was able to guide this coordinated local self-sufficiency to more practical ends in the reform period through the implementation of “market preserving federalism”, institutions that safeguarded local surpluses from central control and provided incentives for the growth of rural industry by the provision of *de facto* property and allocation rights to enterprises and local governments. Similar arguments have been made by Oi (1999).

<sup>72</sup>The Community Development Programme and the Extension Service were designed to encourage village-level self-sufficiency and electoral participation. See Seetharam (1990:9-11).

<sup>73</sup>The provision for *panchayati raj* was formalized upon the report of the Balwant Rai Mehta Committee, established in 1957 by Parliament (under Jawaharlal Nehru’s leadership). This provision is enumerated in Article 40, Part IV, “Directive Principles of State Policy” of the Constitution of India.

tutions, new participatory institutions and new initiatives to facilitate local planning at each of these levels.<sup>74</sup> The National Development Council, which coordinated discussions between the Planning Commission and the various state governments, approved these changes in early 1958.

As early as the momentous 2nd FYP in India, planners recognized the needs for a more regional policy and they called for block level, district and state level proposal to be drawn up.<sup>75</sup> The state level plans were essentially exercises in which the states attempted to adjust within the resource constraints that were given to them and to were provisions within which they could lobby for more central assistance.<sup>76</sup> In 1963 several state-level planning boards were established; the Indian central planners wanted bottom up planning, although in practice, the experience of 1963 revealed that due to the low quality of personnel this was not always as effective an exercise as the planners had hoped.<sup>77</sup>

Throughout the remainder of the sixties, planners tried to rectify this situation so as to prompt responses from the regions that would reflect not just

---

<sup>74</sup>Although the term “decentralization” is a term of contemporary social science scholarship, the substance of decentralization—the devolution and delegation of authority to lower level planning units has been a focus of Indian planning from the very beginning. See, for example, Planning Commission (1952:63-64); Planning Commission (1956:Chapter 11); Planning Commission (1961:Chapter 18). Different state governments have experienced varying degrees of success with their efforts to decentralize planning to the local level. Again, although the word “decentralization” was not really in vogue before the mid-eighties, scholarship on the state-level efforts of the seventies onward do emphasize the decentralizing nature of the *ad hoc* experimentation and reform of the planning process that occurred in various states (Jana 2004:Chapter 3). The next chapter considers the scholarship on decentralization in planning in greater detail.

<sup>75</sup>Rao (1989a).

<sup>76</sup>An overview of this process, from the earliest efforts of decentralization in planning to its most current expression, is found in Sanyal (2001:12-21) and in Neale (1985).

<sup>77</sup>See Sanyal (2001:11); Rao (1989a:411–412). For an elaboration of how this occurred (or failed to occur, as the case may be) in Rajasthan—with reference to the national pattern—see Mishra and Pal (2000:92–96); for a similar treatment of Maharashtra see Yugandhar and Mukherjee (1991:197–197); also see Jana (2004:72–74).

their parochial interests but also elicit from them positions about where they stood—as localities within the overall country-wide direction of the growth of the economy.<sup>78</sup> In 1972 multi-level planning was firmly integrated into the Indian planning process.<sup>79</sup> In May the Planning Commission addressed a letter to the states asking them to improve their coordination with each other. In fact, this effort was brought into focus in the 3rd FYP, where the planners declared the goal of bringing in cities with populations of over 100,000 under the direct purview of the plan through bottom-up planning; this was accomplished for 72 such cities and urban regions.<sup>80</sup> The 4th FYP extended this and sought to include all cities with populations greater than 50,000 residents.<sup>81</sup> These decentralization efforts constituted genuine attempts to induce local agents to participate in planning in something more than an perfunctory self-interested manner.<sup>82</sup>

Decentralization proceeded in India with the understanding that the planning machinery simply would not be able to function without adequate information flow from the lower levels of government to the higher rungs, something that frustrated the planners and prevented the plan from becoming anything more than nominal wish-lists.<sup>83</sup> Most of the plans developmental goals needed crucial information from the districts, and for the successful implementation of these goals, needed the district collector (the chief administrative officer at the district level) to aid and abet the planning process. With the district being the lo-

---

<sup>78</sup>Gupta and Atal (2004:270–274).

<sup>79</sup>See the discussion in Inamdar and Kshire (1986).

<sup>80</sup>Planning Commission (1961:Chapter 17: Administration and Plan Implementation – VI. Implications for Planning – 29, 30 and (especially) 31.). For an overview of the goals see Planning Commission (1961:Chapter 17: Administration and Plan Implementation – I. Administrative Tasks – 1,2).

<sup>81</sup>Planning Commission (1970:Chapter 9: Cooperation and Community Development – 9.29 (Consumer Cooperation); II. Community Development and Panchayati Raj).

<sup>82</sup>See Mathur and Narain, eds (1969).

<sup>83</sup>Rieger (1984); Nag (1949).

cus of all Indian administration for community development, the goal has been to place the heaviest burden on the district for gathering information.<sup>84</sup> As early as the First FYP there was a call for decentralized grassroots planning, and by 1959 there was a strong attempt to designate the District Collector the primary local coordinator of the planning process. Through the third and fourth planning periods there was also an attempt to integrate local administrators as well as rural denizens in Maoist style “mass line” campaigns.<sup>85</sup>

By the Third and the Fourth FYPs, village-level *panchayat* institutions had become, at least on paper, firmly involved in the planning process. In the duration of these first plans decentralization occurred as a learning process, much like China’s experience in the period leading up to the *Great Leap Forward*, in a process that revealed the limits of centralized top-down planning. As national planners came to realize that they were receiving inadequate information through a deeply flawed administrative filtering process, the scope of decision-making was incrementally expanded to cover more and more lower levels of decision-making.<sup>86</sup>

These nationally coordinated goals to introduce multi-level planning were, by all accounts disastrous at the local level. Input from local leaders suffered from an assortment of information and efficiency problems that fractured the industrial structure and made the most ambitious goals of national development unimplementable. In macroeconomic terms, the Chinese and Indian plans, even

---

<sup>84</sup>Hooja, page 53.

<sup>85</sup>See Palanithurai, ed (2006:Introduction). Several of the chapters in this study document how such campaigns functioned.

<sup>86</sup>This process is outlined in Paranjape (1984) and Bandyopadhyay (1996b).

during their periods of relative success, were dotted with disasters, and on balance produced a mixed record of achievement.<sup>87</sup> In China, after the first five year plan (FYP), not a single plan has been attempted to be seriously implemented beyond one year.<sup>88</sup> Indian planning, after the third FYP was found to be so incredibly inept that the leaders asked the planners to disband their apparatus and to “take a holiday”, literally, and has, in terms ability to actually plan for economic growth has been downgraded periodically through the eighties.<sup>89</sup> In fact, the integrated full-scale vision of comprehensive economic change presented with flourish in the First FYP receives no further mention or support in any subsequent FYP.<sup>90</sup> In this sense, the Chinese and Indian plans were, as far as their most ambitious goals were concerned, similar in their limitations.

What *separates* Chinese and Indian plans from their parent Soviet model is precisely that they *recognized* these limitations to their own ambitions. At crucial moments, central planning abandoned its vision and decentralized its processes, achieving a functional flexibility that by the time of economic reforms in the eighties was sufficient to smoothly allow a transition away from those parts of planning that did not work toward a model of planning that *could* work—and that has been working through the current period. This *realism* in the Chinese

---

<sup>87</sup>I do not review the statistics to paint a full macroeconomic picture of performance on standard measures, since these have received ample treatment elsewhere. On measures of growth, both nations were either average (India), or slightly above average (China), in comparison with other developing countries; India fares far better than China on measures of resource mobilization, including savings and capital accumulation, while China fares better in terms of social measures of planned efforts, including literacy, public health and reduction in mortality rates; on grounds of *efficiency* of resource use, both were dismal, while both had by the late sixties doubled their food consumption per capita (as measures from 1950). For more complete considerations of these measures for the period before the onset of economic reforms, see Prybyla (1977), Naughton (1990), Naughton (1991b) for China and Chakravarty (1987), Mohan and Aggarwal (1990), Byrd (1990), Khatkhate (1997), and Joshi and Little (1994) for India.

<sup>88</sup>Riskin (1987:xx).

<sup>89</sup>Rudra (1992).

<sup>90</sup>Mohan and Aggarwal (1990:689).

and Indian plans was prompted by, first, by the “problems of scale” that arose repeatedly from the management of a far-flung continental polity, and, secondly, because of internal organizational features that allowed for a reflection of those constraints in the planning process, which John P. Lewis has designated a “consequence of giantism.” Large size, population, and regional variation create the need for bureaucracies with excessive amounts of layers. To solve this problem, governments in such systems attempt to decentralize decision-making to lower agents without sacrificing organizational coherence. Efforts at multi-level decentralized planning in China and India served to create “self-adjusting servomechanisms that can generate streams of socially acceptable decisions without requiring continuing day-to-day intervention by officials.”<sup>91</sup>

The Soviet planning apparatus, unlike the Indian and Chinese refused to *learn* from its processes. Admittedly, its sector-specific planning organizations possessed superior and more mechanized means of information aggregation that declined to rely on territorial, horizontal gathering of information; as I discussed above, its ministerial system placed individual agencies in charge of entire sectors of the economy. In the initial decades of the New Economic Policy, this resulted in efficient and targeted mobilization of resources. However, the Soviets kept a blind-eye to regional preferences, and were thus able to push through more technical means of information gathering, and thereby command more commodities under the central plan.<sup>92</sup> When faced with the same constraints as the Chinese and Indian planners, instead of rationalizing by reducing the ambitions of the planned effort and decentralizing its processes,

---

<sup>91</sup>Lewis (1991:371).

<sup>92</sup>Huang Yasheng (1994:110-111) compares the information gathering processes of China’s State Statistical Bureau versus the Soviet Central Statistical Administration. I obviously disagree with Huang that the latter results in greater coordination between regions.

the Soviet system rationalized by *over-centralizing*, and in effect, compounding its informational and coordinating difficulties.<sup>93</sup> Thus, while the sector-specific approach of Soviet planning purported to be able to deliver goods to suit regional needs, since the underlying base of information it relied upon was corrupt, chronic shortages and unmet targets were the norm. As a result, there was tremendous waste, proliferation of effort and inter-branch (inter-ministerial and inter-sectoral) linkages never developed in the manner originally envisioned by *Gosplan* <sup>94</sup>

Combined with this deficiency in its organizational design, the coercive element of reporting in the Soviet system prevented the system from correcting itself in a manner that the Chinese and Indian systems could, at times experiment with. For example, as the coordinating failures of the Soviet planning methods became apparent to the Khrushchev regime by the late fifties (at about the same time that the Indian and Chinese systems were inaugurating their own decentralizing experiments), *Gosplan* authorities *did* attempt a transfer to the regional style of planning. This experiment, which lasted between 1958 to 1965, attempted to promote local level coordinating in a spirit similar to China's *Great Leap* drive at decentralized decision-making. The ministerial system was abolished temporarily and the USSR was divided into roughly 100 localities which were delegated the task of overseeing local development initiatives.<sup>95</sup> This effort failed spectacularly, and after the Khrushchev administration was ousted in 1965, the older branch system was restored.

---

<sup>93</sup>Dyker (1985:8–17).

<sup>94</sup>Shaw (1985:402–404).

<sup>95</sup>Shaw (1985:402).

The Soviet planners could have persisted and not given up so easily on finding alternate modes of organizing the planning apparatus, if the Chinese and Indian efforts during the same time period are any template to follow. But for this to have remained a goal, there would have to be elemental features in the design of the Soviet planning apparatus that gave incentive to local leaders to disobey (or not comply with) central directives when it was in the interest of their localities to do so, and to enjoin local leaders to be accountable to higher ups for performance in their areas, and indeed to represent the real interests of the locality in question. Such accountability and some minimal discretionary tolerance for obfuscation or non-compliance was simply not permissible in the harsh totalitarianism the Soviet case, as observers have long noted.<sup>96</sup> As Paul Gregory, a student of Soviet political economy puts it, “Faced with a need to delegate and the surfeit of politburo members loyal to encompassing interests, Stalin needed Gosplan and other functional agencies to serve as one-hundred percent loyal agents.”<sup>97</sup>

When Gosplan offered a contract, loyal agents (who had *no responsibility*—how could they be expected to with such unreasonable demands—for concrete economic results simply nodded their heads. This happened in the Chinese case as well, but here there was full recognition of this non-compliance; this recognition was precisely one of the roots of Mao’s frustration with bureaucratic commandism and his drive to make local agents central to evaluating their own condition. Thus, as Gregory explains, there was “no documented cases of Gosplan deviating from encompassing goals”; the only exception was 1929-30, when the

---

<sup>96</sup>Rutland (1985:147–153).

<sup>97</sup>Gregory (2003:308).

leadership itself was “purged for advocacy of moderate growth rates.”<sup>98</sup> Gosplan’s contemplation of changes to its directives were limited to what the politburo (and Stalin) wanted done, and there ended the matter.<sup>99</sup>

Thus, although there was much discussion about amending the Soviet system, local leaders had little incentive to report accurately about local conditions, and central bureaucrats had no expectations that the quality of information gathering could be meaningfully improved.<sup>100</sup> If the Chinese and Indian systems were able to experiment with different forms of decentralization with havoc-causing (and occasionally successful) results, at least they had the option of doing so. Soviet planners, on the other hand, were willing to delegate authority to local level planning agents, as several mini experiments showed, but they never enjoyed tangible results from these attempts, and returned to the over-centralized status-quo.<sup>101</sup> By contrast, both the Chinese and Indian efforts were “open” and involved at various points in their careers broad political participation and encouraged input from local leaders and agents.<sup>102</sup>

Consider the contrast and immediate up-dating that was involved in the Chinese planning process, which should certainly be more similar to the Soviet case than the Indian one, if “openness” in policy-making is the criterion. After the SPC issued control figures to the SEC (State Economic Commission), both central ministries and provincial governments would receive instructions;

---

<sup>98</sup>Gregory (2003:301).

<sup>99</sup>Lewin (1973).

<sup>100</sup>Shaw (1985:409).

<sup>101</sup>Erllich (1967:259–262).

<sup>102</sup>On this point, for a comparison with India see Eckaus (1967:372–373), and with China, see Oi (1999:116-117).

sub-provincial units would in turn receive their directives. Before 1957 there were twelve categories of broad targets. After plant directors reported that they could not comply with this central and vertical “encroachment” on their authority, in November of 1957 planners dropped eight out these twelve targets. Plant directors were immediately given more discretion to remedy the many unrealistic decisions that were being made at the top. (At the height of the GPCR decentralization craze, there were in fact *no* compulsory targets to speak of. The magical figure of “eight” was reverted to in 1978.) As early as 1956, Chinese planners contemplated the MB system, which was appearing to cause “much damage” in the countryside.<sup>103</sup> By 1958 the planners introduced the “double-track system” which involved vertical functional control in addition to horizontal territorial control to compensate for this planning unrealism at the top. Like the Indian planners, a strong effort was made for “bottom-up” plan to bring more realism and to reflect *real* local conditions into the planning process. The new method started creating *regional balances* which were then exported to the national plan; seven coordination regions were established, with each region serving as a storehouse of reports that came in from the localities; simultaneously, functional balances continued to be calculated. Obviously, this system was lugubrious and untenable, and planner had to tolerate a mini “breakdown” of planning in 1958 following this relaxation of strict central formulation; but what is important is that they attempted to modulate the MB system in efforts to respond to perceived bottlenecks, and were willing to relax central control and observe the results.

Chinese and Indian planning, having more or less abandoned a tight central

---

<sup>103</sup>“Formulation and Implementation”, page 177.

control over the economy after roughly a decade of such attempts, focused instead on maintaining inter-provincial and inter-regional balances. This meant that in terms of implementation, Chinese and Indian plans—in contrast to their Soviet counterpart—were limited and dysfunctional. However, in terms of the *formulation* of national goals and strategies, taking into account as they did (except in times of hyper-centralization) a variety of local perspectives, they were more realistic. Planners were acutely aware of their limitations and knew when to throw up their hands (which was on most occasions); the Soviet plan formulation stage was famously “unconstrained by reality.”<sup>104</sup> This may, as traditional commentators have emphasized, facilitated greater *macroeconomic* coordination from the center—why wouldn’t it, since regional preferences were merely squashed and elided?—but it failed to insinuate planning in the state-formation and sustaining exercise. Again, it is in the *failures* of planning that Chinese and Indian accepted their limitations and plodded ahead with governmental success.

Another example of how planning realism was achieved in the Chinese and Indian cases (in contrast to the parent Soviet case) is the manner in which agriculture was treated. Motivated by the Stalinist drive for securing a heavy industrialized foundation for the national economy, all three of these nations gave short shrift to their countryside, initially, treating them only as quick-and-dirty resource bases for inexpensive capital formulation that could then be allocated for investment in the urban economy steel mills. At the outset of their “big push” initialization efforts, the Soviet Union, China, and India had a common objective of institutionalizing “rural bias” in the domestic terms of trade so as

---

<sup>104</sup>Huang (1994:117).

to provide cheap inputs for industrialization (through small scale industrialization); urban prices were kept low for basic consumption goods.<sup>105</sup> When the rate of extraction was deemed to be insufficient to generate the requisite stocks of capital—as for example became acutely clear by the 1957-8 in China—each considered pushing this anti-rural bias to its logical conclusion through an involuntary collectivization effort. When, however, the ensuing economic policies started causing famines and starvation, India (with its most open information channels) and China (with its closed but permeable ones) both eventually re-trenched and experimented with milder forms of collectivization, made it voluntary, or abandoned it entirely.

In the Soviet Union, agriculture suffered the most from the perennially over-centralized planning apparatus.<sup>106</sup> Throughout their own collectivization drive, despite the reports that came pouring in, Soviet extractive capacity just kept pushing its proverbial steel boot against the necks of Soviet peasants; the protests and agony of worsening rural life simply did not effectuate any response from the center and provided no relief.<sup>107</sup> I can contrast Mao's "war against nature" with Stalin's "war against the peasantry." Whereas Mao's over-ambitious efforts to revolutionize the countryside—which in many senses were more radical than the commune system in the Soviet Union (actual communal kitchens were erected)—ended up with the Party admitting blame for its own policies through self-correction, self-criticism, and an overt change of leadership focus in the early 1960s. After Stalin's policies had caused famine and havoc in the countryside, the latter responded with widespread suppression of revolt,

---

<sup>105</sup>See Harris (1979), Lardy (1978:181-182) and Lardy (1983:Ch.2 & 3).

<sup>106</sup>Rutland (1985:143-145).

<sup>107</sup>Tucker (1992:192-216).

terror, and a return to the systems chronic pattern of displacement of responsibility to lower-level agents.<sup>108</sup>

One of the reasons that success in the countryside preoccupied Chinese and Indian leaders was that these political parties were themselves primarily rural based in their support. The CCP replicated its membership in the provincial agencies and the Party was in fact an amalgamation of regionally prominent leaders, as compared with the centralized, exclusively urban intellectual elite of the Bolsheviks. By 1949 the Chinese CCP had developed a cadre base of political and military personnel with deep roots in the countryside.<sup>109</sup> Similarly, Congress mobilization in the pre-independence period cemented Congress' hold through a patchwork of rural farmer interests, involving medium and medium-large farming interests.<sup>110</sup> In contrast the countryside was never part of the arrangement in the former Soviet Union, and Stalin's uneasy relationship with the countryside is well-known.<sup>111</sup> At its very outset, the Bolsheviks assumed control of the Soviet Union facing a hostile countryside, a hostile government bureaucracy, as well as a hostile army of the old state.<sup>112</sup> As a result of these differing focuses within the central planning process and the orientation of the leadership, China and India came to terms with their food shortage crises through these failed attempts at "squeezing the countryside", whereas I do not observe a similar correction in the Soviet case.<sup>113</sup>

---

<sup>108</sup>See Viola (1996:128–131).

<sup>109</sup>Zheng (1997:48).

<sup>110</sup>Franda (1962); Sharma (1999:80–82). The planning efforts *had* managed to eliminate most of the *zamindari* holdovers from the pre-independence period, although no distribution of assets occurred below this level.

<sup>111</sup>See Zenzinov (1925) for an earlier reflection on this issue with the Bolsheviks in general. Stalinist antipathy toward the peasantry in particular are elaborated upon more fully in Viola (1996) and Viola et al., eds (2005).

<sup>112</sup>Zheng (1997:48)

<sup>113</sup>Their experimentation with collectivization certainly lies on two different ends of an im-

The difference between these planning principles thus implied entirely different types of central coordination and scope for experimentation with the same. On the surface, the Soviet-type of ministerial control seemed to be better at coordination, but because it completely gave short-shrift to territorial preferences, differences, and needs, was committed to merely suppress these very real differences. As long as there was a coercive mechanism present to enforce this from above, the superficial coordinating device of this system seemed to be performing just fine, but in the absence of this coercion, the unsophisticated nature of its regional management strategy became dramatically apparent. Maoist and Nehruvian development—with its indirect approach and reliance upon the cell-specific local level functionaries and cadres—instead gave rise to a more autarkic, self-reliant, and less coercive model of “command and control.”<sup>114</sup>

---

plementation spectrum. While the Congress leadership in India in 1948 was most certainly not interested in anything approaching *real* Soviet-styled socialism in the urban industrial economy, it was, curiously, quite enthusiastic about socializing the countryside. But due to recalcitrant state-level rich and middle farmers who constituted the Congressional rural base, this was never seriously implemented. Later on, as Patnaik (1998) observes, this un-socialized countryside turned out to be quite helpful when responding to the profit incentives of the Green Revolution in the late sixties and early seventies.

<sup>114</sup>As commentators have pointed out, this multilevel planning apparatus was extremely useful in the reform period, which urged localities to fend for themselves and experiment with the new open-ness (Qian et al 1999).

Table 2.1: Initial Conditions

Policy	China	India
Capital Stock	Low	Low
Forex stock	Low	Low
Investible Surplus	Non-mobilizable	Non-mobilizable
Land-Labor Ratio	High	High
Skilled-Unskilled Labor Ratio	Low	Low

Table 2.2: Major Macroeconomic Management Strategies in the Planned Periods

Policy	China	India
Dampened interest rate	Yes	Yes
Artificial overvaluation of currency	Yes	Yes
Dampened Prices for Inputs	Yes	Yes
Dampened Prices for Agricultural Outputs	Yes	Yes
Allocation of Materials to Promote Target Sectors	Material Management System	Controlled Input Markets/Controlled Export Streams
State monopoly over agriculture	Direct Collectivization	Indirect controls (No collectivization)
International Strategic Isolation	Throughout Planned Period	Throughout Planned Period
Dampened wages in urban industry	Yes	Yes

Table 2.3: Major Reforms Initiated

Policy Change	China	India
Agricultural Liberalization	1978	1965
Industrial De-licensing	1983	1991
Privatization	NA	NA
Current Account Convertibility	1984*	1991*
Capital Account Convertibility	Partial	Partial

Table 2.4: India: Central Planning Objectives and Administration before Reforms

Name of Plan	Period of Implementation	Major Objectives	Administrative Change
1st Five Year Plan	1951-1956	Infrastructure and Agriculture: Integrated Development	Law and Order.
2nd Five Year Plan	1956-1961	Industry: "Socialistic pattern of Society" <sup>a</sup>	Community Mobilization <sup>b</sup>
3rd Five Year Plan	1961-1966	Agriculture: "Self-Reliance"	Poor Coordination
<i>Ad Hoc</i> Annual Plans <sup>d</sup>	1966-1969	N/A	N/A
4th Five Year Plan	1969-1974	Rapid Growth/Welfarism <sup>e</sup>	
5th Five Year Plan	1974-1979 <sup>f</sup>	Poverty alleviation	Rural Development Schemes
Rolling Plan <sup>g</sup>	1978-1983 <sup>h</sup>		

<sup>a</sup>This also began the process of importation of Soviet aid, including a few steel plants, and shifted the focus to heavy industrialization; this famous formulation of the 2nd FYP was the by-product of the Avadhi Session of the All India Congress Committee (AICC) in 1955

<sup>b</sup>Community mobilization was implemented under the Community Development and National Extension Schemes.<sup>c</sup>

<sup>d</sup>This also goes by the name "Plan Holiday"

<sup>e</sup>This plan also placed renewed emphasis on agricultural productivity, including subsidy provisions for key agricultural inputs: irrigation, fertilizers and farm machinery Planning Commission (1970).

<sup>f</sup>This plan was stopped one year earlier than planned, due to the change of regime in the Union Government. After the Janata Party came to power in 1977 and *disbanded* the Planning Commission personnel and re-constituted it under their own banner.

<sup>g</sup>This plan overlapped between across two versions: one version operated under the Janata Regime (1978-1983), and the new Congress administration authored its own 6th FYP in 19780.

<sup>h</sup>These were actually annual plans, approved on an annual basis by the National Development Council.

Table 2.5: China: Central Planning Objectives and Administration before Reforms

Name of Plan	Period of Implementation	Major Objectives	Administrative Change
1st Five Year Plan	1953-1957	Large Scale Industrialization <sup>d</sup>	Centralized Command Planning SSB, SPC, PPS <sup>b</sup>
2nd Five Year Plan	1958-1962	Unemployment	Collectivization <i>Great Leap Forward</i>
Post Leap Restoration	1959-1961	Agricultural Growth <sup>c</sup>	Chessboard Principle <sup>d</sup> SPC Restoration
3rd Five Year Plan	1966-1970	Third Front and Self Sufficiency <sup>e</sup>	SCCC Reestablished <sup>f</sup>
4th Five Year Plan	1971-1976	Five Small Industries <sup>g</sup>	
5th Five Year Plan	1976-1980	10 Years of Sustained Growth	

<sup>a</sup>Around 700 large-scale industrial construction projects were imported from the Soviet Union; handicraft and farm cooperatives were to be created; private industry was to be brought under the “planned economy”, i.e., the state sector. The plan also specified the building of an interior industrial base so as to begin addressing the spatial dimensions of development

<sup>b</sup>Under this “pronounced centralization”; the State Planning Committee was created from the old State Administrative Council; the State Statistical Bureau was created with 14 departments for all provinces except *xizang*(Tibet); the dual tracked reporting system was initiated; and corresponding planning organs were created in all other government agencies.

<sup>c</sup>Under the painfully lagged de-collectivization, there was a re-prioritization of agriculture as the foundation to growth and the rural industrial sector was almost completely dismantled.

<sup>d</sup>Under this principle the program of re-centralization following the disaster of the Great Leap and its accompanying famine, the state attempted to re-introduce coordination between the different local units, in contrast to the abandon of the same under the GLF radicalism (“Formulation and Implementation”, pg 171).

<sup>e</sup>The development of the 3rd FYP was interrupted in 1969 with the launch of Mao’s *da ge* Cultural Revolution

<sup>f</sup>See “Formulation and Implementation of Plans”, page 170.

<sup>g</sup>These industries were prioritized as input supports for agriculture, and involved the replication of Soviet-styled plants.

### 2.4.1 Redefining the “Problem of the Planner”

The rationalization of the planning process in China and India, in terms of decentralization, constituted the most direct manner in which planners attempted to coordinate national plans without reducing regional preferences in the process, but their willingness to inject realism in planning is reflected in even more fundamental ways. Consider the entire problem of planning itself. How can I characterize the “problem of the planner?” In traditional economic terms, the constrained maximization problem amounts to outlining a procedure for choosing from a set of feasible intertemporal programs, each of which is represented by a series of input-output matrices; this program is further simplified by dividing the economy into planned and unplanned subeconomies.<sup>115</sup>

Traditionally it has been assumed that the differences between the Chinese and Indian plans were far greater than they actually were. Stemming from similar initial conditions due to this regional diversity, and guided by similar initial goals for rapid economic development, the Chinese and Indian economies were in remarkably similar structural positions before reforms (Tables 1-3). The *distortions* in the macroeconomy and the perversion of price mechanisms that were erected to address the problem of rapid growth in the context of these con-

---

<sup>115</sup>Vohra (1987:198); Lyons (1987:188). The “problem of the planner” in materials balancing induces the coordination of economic activity of all of the agents and commodities in the economy, on both the supply and consumption sides; this is done through the issuance of binding particularistic instructions, operationalized through an Input-Output table, a matrix of vectors of dimension  $m \times n$  where  $m$  is the number of agents and  $n$  is the number of commodities. Each element  $x_{ij}^k$  of the matrix is the amount of commodity  $k$  to be moved from agent  $i$  to agent  $j$ . Each individual cell was derived through a “T” balance sheet of material balances which indicated the planned availability for a given sector; thus the optimization program of the planners involved the intersectoral balancing of all of these individual T-sheets.

straints in both economies was also the same. Finally, the means that were used to *correct* for these distortions were also same. Throughout this itemization, it is acknowledged that the Chinese went much farther than did the Indian economy in how these similar structural constraints were addressed, but this was a difference “in degree”, and not a difference “in kind.” For example, Barry Naughton (1990) provides an account of the Chinese move toward more guidance and indicative planning as the planning apparatus re-built itself from the dysfunctional mode of the later GPCR years.

In and of themselves, these similarities were not *uniquely* similar to China and India; they are the well known “trinity” of traditional development strategies known to many traditional economic systems, in which state-led developments initiates a “leap forward strategy”, followed by distortions in macro policies, followed by planned methods to implement the distortions and to buttress the imbalances created thereby.<sup>116</sup> Central planners were, in the face of these constraints, asked to engage in “big push” policy of wholesale economic change in the early 1950s; their attempts to implement what the political party leadership wanted it to implement, and the frustrations of the former in this process, bring to the surface the natural boundaries against which the social welfare maximization program of a stylized central planner had to brush up against.

In strictly economic terms, the Soviet and Indian plans appear to stand at opposite ends of planning ambition, with Chinese planning placed somewhere

---

<sup>116</sup>This strategy and China’s policies regarding the same are outlined in Lin *et al*( 1989). For a comparison between the two that addresses the similarities in their developmental strategies before see Srinivasan (1991).

in the middle, closer to the Soviet model. Indian planning was mostly heavily regulated guidance planning (the setting of broad targets and advising sectors of the economy and individual states to perform as per the recommendations of the plan). Investments into localities and taxes out of localities were the balancing act as far as the Indian plan was concerned. In China, by contrast, it was true materials balancing. Thus a plan created a balance sheet of all on-plan commodities in China, which did not happen in India. In India, the planners indirectly determined the inflows and outflows of trade and imposed restrictions on producer (output) markets, raw materials suppliers, and regulated much agricultural activity through dampened prices and a public distribution system (PDS) in the countryside, but there was no materials balancing.<sup>117</sup> As a compromise, crucial sectors of the economy were managed under public enterprises (as was the urban economy of China), but private competition was allowed in virtually all sectors of the economy. This methodology demanded that most commodities be brought under the purview of the state-run economy and not be left in the private sector, which, it follows, would have to be eliminated. But here again, some similarities between the Chinese and Indian plans are instructive from how they both detract from the Soviet model in light of experience.

In their initial conceptions of their planned efforts, Soviet, Chinese, and Indian planners all begin with a belief and motivation, in true socialistic spirit, that competition was wasteful. But only the Soviet planners went about systematically crushing capitalism and outlawing all forms of market activity. China grudgingly allowed a variety of un-planned activities to remain in op-

---

<sup>117</sup>The architect of the second plan and the two and four sector models that determined allocation, P. Mahalanobis *wanted* materials balancing, but was not able to push it through the planning committee because it was determined to be an infeasible endeavor for the Indian economy (Chakravarty 1987:23).

eration—especially for those consumer durables that the planners found too difficult to derive material balance tables for—and even facilitated and allowed for market forum, trade shows, and swap meets where producers could meet amongst themselves to meet their input needs. In fact, as Thomas Lyons (1987:204) cautions, the “meaning of economic planning in China is far from clear...any description of China’s economic planning must carry a strong warning that the system viewed at close quarters is likely to appear very different from what it is supposed to be in theory.” In actual practice the implementation of planning was left to such a broad latitude of discretion on the part of local agents, that the planning effort exaggerated the actual control these bureaucracies had towards enforcing a comprehensive vision. In China, so that the complementarities of planning would not create disasters like the Great Leap Famine, planners quickly disengaged themselves from strict enforcement of all but 56 of the most important heavy industry commodities, although this number steadily climbed upward from that low figure.

The point is that in China a much smaller share of economic activity actually fell under the plan’s auspices than is normally assumed; for example Susan Shirk argues that strict centralized planning never existed there (1993:29). In 1978 around 500 commodities at most under central planning, whereas Russia in 1987-91 had in excess of 20,000, which was down from a figure of around 65,000 in 1980! Industrial activity was much less concentrated in central hands than it was in the former Soviet Union, and by 1980 only 3% of Chinese SOEs were managed by central ministries.

The actual portion of the economy that was strictly mandated was very little in both China and India, and in this sense both were different (in similar ways) from the parent Soviet model. Despite the far greater latitude for private enterprise in the former, Indian and Chinese plans were both primarily interested in restricting the mobility of factors than in directly settling allocations for commodities in a serious way. Operationally, they were also similar in that both were concerned with manipulating industrial inputs rather than outputs. The Indian LPQR induced bureaucratic regulation and procedures aimed first and foremost to control the raw materials input markets (something that Indian industrialists have always complained about). Similarly, in China, the materials balancing focused on the inputs for the consumer sector but left enterprises to bargain over the outputs.

Thus, in actuality, the Chinese planners simplified their imported methodology considerably, in response to what they felt they actually could, realistically, accomplish through economic management. Planners truncated their time horizons, aggregated entire bundles of commodities, eliminated all but the most non-peripheral agents in their tables, truncated the plan into several mini-plans, and after a time completely abandoned the optimization program in total. The Material Allocation system of Soviet planning cut a number of corners not just in the greater number of aggregate categories—itsself a self-recognition of the limited capacity of the Chinese state to implement true balancing.

This truncation of ambition was guided by a direct observation of constraints imposed by regional diversity. The Material Allocation System divided com-

modities into three categories across two tiers, creating an incredibly complicated set of inter-locking property rights and control mechanisms. All of this meant that material allocations were divided up on a regional basis on the basis of the “dual track” planning system, in which enterprises became subject to either central or local allocations and control. This strengthened local planning and control especially over small-scale and non-key enterprises<sup>118</sup> (The Indian plan, incidentally, completely delegated the management of small-scale industries to the states and only concentrated heavy-large scale manufacturing in the hands of the New Delhi planners.)

As Christine Wong argues, this simplified the task of planning but it was done so in recognition of the fact that overall systemic coordination would not be possible; the fact that this was abandoned is inherent in the fuzzy inequality that now existed between ownership and control; the first did not imply the second in any direct relationship. The Chinese plan, thus moved in the direction (converged) of the Indian plan, fragmenting in to *tiao tiao kuai kuai* pieces of vertically and horizontally stratified methods of command. This decentralization, begun in 1958 was intensified during the period of the Cultural Revolution and its accompanying industrial policy, where dual-track control attained anarchic proportions, where provinces were encouraged to function as self-sufficient units and where duplicate industries proliferated without regard to national priorities or efficiency considerations of comparative advantage between the different regions. So even though all three planning visions promised to do *do a lot*, when the moment arrived for making a transition to a more liberalized economy, the Chinese and Indian plans rationalized themselves so that

---

<sup>118</sup>See Wong (1992).

they would now *do less*, while the Soviet plan tried to push ahead blindly and to *do more*.

CHAPTER 3  
DELIBERATION AND POLICY MAKING IN BUREAUCRACIES

### 3.1 Introduction

The over-arching theme of the discussion so far, which has provided a theoretical and historical overview of central planning in China and India, has been the role planning institutions played in the administrative *coordination* of the Chinese and Indian economies. The emphasis in the last chapter was on the *regional* constraints imposed on central leaders by the geographic diversity and historic separation of the various regional sub-systems of the Chinese and Indian economies. These constraints impinged themselves on the very definition of the “problem of the planner”, at the most general level of capturing what Chinese and Indian planning was actually about. To what extent should central planning follow the parent Soviet model? How should it be amended? How much of the Chinese and Indian economies should planners *actually* try to administer and control through the mandates of the annual and five-year plans? The chapter emphasized how leaders in New Delhi and Beijing experimented with different forms of centralization and decentralization and oversaw a historical evolution of the planning process that by the late seventies had moved the goals and functions of planning quite far away from its initially stated goals of centrally planned growth. By modifying the degree of actual central control over local allocative decisions, Chinese and Indian economic planning adjusted itself against these regional constraints. Although planning seems to have gen-

erated mixed results as far as traditional macroeconomic indicators of success are concerned, the evolution of the planning methodologies in both countries displayed a willingness on the part of planners to learn from their organizational and performance failures, amend their approach, truncate their ambitions and make more practical and workable the bureaucratic machinery of central planning. This experimentation with different organizational forms occurred in the face of real structural constraints that planners encountered when attempting to realize the stated goals of the individual five year plans. The narrative of the last chapter contrasted this willingness against the more stubborn approach of the former Soviet Union, which did not modify its processes, despite facing many of the same environmentally determined constraints of size and regional diversity.

This chapter also focuses on constraints, but ones imposed by *informational bottlenecks* encountered in the actual day-to-day tasks of central planning. Once the more fundamental questions had been encountered, addressed and experimented with, the task of the planners would be to address the actual execution-related procedural impediments to managing *policy making* through the plan. If there is one operating principle both consistent within both China and India and common across both of these cases, it is the inclination and unambiguous intent of the planners to insinuate within the planning protocols across the entire bureaucratic hierarchy processes which could generate more reliable *information* from the various levels of the urban and rural economies, so that local-level officials could be encouraged and required to implicate themselves in the very processes of policy formation and economic change. If *decentralization* was the manner in which Chinese and Indian planners adjusted to the regional constraints

of managing their continental-sized economies, the creation of *deliberative institutions* was the manner in which they resolved the *informational* constraints of the same.

In this sense, both of these chapters are apprehending the problem of planning at different levels of aggregation. The degree to which a central plan actually sets local prices and administers the flow of goods and services across the density of a localities economic activity is a decision made at the central level, in New Delhi and Beijing. This is not a decision that localities can have any say over, by definition and by the functions of the Planning Commissions and related central ministries and agencies. On the other hand, the processes that this chapter focuses on are only processes that can occur at the local levels—at the provincial, county and village levels (in China) and at the state, district, and *gram* village levels (in India). Deliberation is a local function, and it can only be an actual function of government if local-level agents actually deliberate. The quality and content of the reporting that occurs under these auspices is parameterized by the discretion that central leaders allow, but this reporting is, after all, something that the actual deliberator has control over. As I attempt to show in this chapter, there are actual institutions of deliberation within the organization of planning bureaucracies in China and India. These institutional innovations are encouraged (and indeed, mandated) by the central governments, but are also sustained by the consistent participation by local level deliberating agents who see it in their interests to so participate.

Since the central government in each of these two nations needs agreement

and cooperation from regional agents all the way down the provincial and rural hierarchies to the very basic local units of administration, the “search” for the right policy is forced to become a process, facilitated by a large amount of discretion delegated to these agents as well as by provisions made for lower levels of the hierarchy to take part in the discussions needed to discover this what the socially ‘optimal’ policy changes are. In this chapter I define what I mean by *deliberation*, argue for how and why deliberative institutions are crucial in bureaucratic settings, particularly in large, regionally diverse developing nations aiming at rapid economic transformation, identify the components of these deliberative institutions, and then offer evidence for the existence and salience of these mechanisms within Chinese and Indian planning processes.

### **3.1.1 Argument**

I argue that irrespective of the political ideology dominant at any given time, both Chinese and Indian bureaucratic organizations are similarly constrained by problems of scale that arise due to the size and geographic diversity and are thus technologically (non-ergodically) determined. Specifically, the claims in this chapter try to make more precise what those environmentally determined structural constraints are as far as *informational* capacities are concerned, and how these constraints similarly impinged on the central planning efforts of both regimes.

Although deliberative functions are traditionally studied in the context of voting (formally decision-making) bodies, in contexts where legislative institutions are weak and inchoately formed or entirely missing, where membership is “uninformed” of conditions on the ground (i.e., when there is systemic informational asymmetry), a case can be made for bureaucracies playing this role.<sup>1</sup> Mechanisms of deliberation are particularly significant, I argue, in large-scale systems—in which there is significant regional or divisional disparity of interests. These contexts include large nation-states, such as the United States, the former Soviet Union, China and India, where national units are explicit confederations of historically independent systems. Due to the constraints imposed by size and diversity, there is a crucial and necessary deliberative role played by the bureaucratic arms of government in these environments, specifically by those agencies responsible for the formulation and execution of national policies.

The first part of this chapter attempts to establish a case for deliberative institutions within bureaucratic functions. I attempt to make this case for *deliberative* functions of bureaucracies. In order to do this, I consider the usual treatments of deliberation in the political science literature, where the focus is on exclusively democratic environments and formally voting bodies. The discussion in the first part of this chapter (section 3.1) seeks to make a case for deliberative functions outside of these typical environments, to suggest that the search for the appropriate policy choices is a concern in non-democratic contexts as well.

---

<sup>1</sup>The contemporary rule-making strength of the Chinese and Indian national parliaments is gaged in ? and Kapur and Mehta (2006) respectively.

Furthermore, since deliberation is not usually studied in the context of bureaucratic organization, the next section (3.2) addresses the literature in political science on bureaucratic organization; here, I consider more recent arguments that seek to expand the traditional purview of bureaucratic analysis and to make analytical room for a consideration of deliberative functions by state agents. This discussion is motivated by observations by students of bureaucracy that law-making and policy-making can and does take place in state agencies, which are traditionally thought of as (merely) executive limbs of government. As such, this thesis attempts to contribute to the expansion of the traditional scope of bureaucratic analysis by blurring the boundaries of the traditional division of labor across different arms of government. Perhaps somewhat controversially, I abstract away from qualities of a particular regime-type to emphasize the generically *bureaucratic* nature of these deliberative institutions so that this analysis may have salience for any large-scale bureaucratic organization.

This discussion establishes the core requirements of a deliberative exercise and then extends this criteria to bureaucratic environments specifically. In the context of a bureaucratic organization, this argument yields three concrete *measures* using which the presence or the absence of deliberation can be gauged and studied in particular contexts. First, I argue that deliberative institutions allow for *local-level* deliberation at every level of such an organization, at every level of decision-making. In a bureaucratic hierarchy such as central planning, for example, the presence of deliberative institutions implies that there should be explicit provisions for local agents to consult with each other as well as with their higher-level counterparts over a particular policy initiative that is likely to affect their jurisdiction. Second, the consideration of the goals of delibera-

tion suggest that these discussions and exchanges of opinion are not free-form and without consequence. Deliberation seeks to create *consensus* among the participants in a deliberative exercise, and involves the actual interchange of viewpoints and modification of preferences such that components of a policy that do not yield agreement are “vetoed” while those components that do generate agreement are adopted and approved—by any given deliberative group at any level. Third, so that the results of this deliberative exercise can be instrumental in transmitting information to other jurisdictions, the requirements of deliberation suggest that *information* must be actively and consistently *aggregated* within a particular group of deliberators. These necessary and sufficient requirements of deliberation in bureaucracies form a three-part composite measure of the presence of such institutions within a bureaucratic setting.

The next part of the chapter (section 3.3) attempts to measure the scope of these deliberative institutions in the Chinese and Indian planning contexts. As I will show, the vibrant presence and importance of these institutions of planning can be evidenced by observing the proliferation of distinct deliberative processes within planning exercises and fora: those of information aggregation, of consensus generation, and local-level discussion, lobbying, and bargaining within the planned efforts. First, planning processes encouraged and sought to identify the best means of collecting and gathering information and improving the processes that sought to achieve this functional goal, so that bureaucratic agents could have ample material and viewpoints over which to discuss and to deliberate. Second, the protocols of planning actively sought to generate *consensus* among the various agents whose jurisdictions would be affected by the proposed shift in policies envisioned by the plan, and these protocols were

somewhat relentless in achieving this goal before meaningful change was actually sanctioned and pushed forward. Finally, extensive provisions were made, especially at the village, commune, district and otherwise *grassroot* levels of political action whereby crucial *input* could be funneled into these discussions, so that higher ups along the planning hierarchy could remain cognizant of the viewpoints of lower-leveled agents.

### 3.2 Deliberation in the abstract

The process of discovery involving the procedural test of the “reasonableness” of proposed laws and/or shifts in policy is termed deliberation. Deliberation is a search for a “reasonable consensus” as we understand the term, for example, in John Rawls’ articulation. The motivating scenario for Rawlsian reasonableness is found in the stylized behavior of a Liberal legislator. This legislator’s speech on the debate floor is constrained not just by the tangible codes and protocols of the governmental organ, but also by the shared understanding and common political vocabulary that his peers speak with. He only proposes on the debate floor that which he feels would be considered appropriate—within the bounds of permissible debate—by other peers, and all follow this norm. To quote Bernard Manin: “The relative force of a norm’s justification can only be measured by the amplitude and the intensity of the approval it arouses in an audience of reasonable people.”<sup>2</sup> A dual purpose is served through such an instituted agreement; such a process both constrains the range of political de-

---

<sup>2</sup>Manin (1987:xx).

bate but also simultaneously provides a permissible range of discussion within which honest and open debate can take place. Finally, the norm of reasonableness, since it structures debate in this way, allows for the possibility of an evolving political consensus around an issue as the debate extends over time. The challenge for a positive theory of deliberation is to be able to show how this reasonableness norm is structured in formal and informal rules, in actual institutions.

While debates about deliberation have received importance in recent years, focus has been exclusively tied to notions collected around the general heading of “deliberative democracy”, suggesting that the reciprocity, publicity, openness, accountability and public participation requirements inherent in the “methodology” of deliberation<sup>3</sup> are exclusively relevant to the spirit of representative governments and the indirect democracies that naturally house deliberative institutions.<sup>4</sup> Deliberative democracies in the ideal foster the promulgation of legitimate and just laws, which have been duly deliberated upon by a group (ideally the entirety) of the co-equal-in-status citizenry who are fully informed about the content of the debate matter. This description generates a picture of a liberal legislature, where members are seasoned in the “reasonableness” norm that informs public debate, which in turn presents procedures through which laws may be proposed, debated and then voted upon.

---

<sup>3</sup>I emphasize “method” as opposed to a theory, since as Hardin (1999) argues, tools for the latter remain incompletely developed.

<sup>4</sup>Emblematic of this approach is Guttman and Thomson’s *Democracy and Disagreement* (1996) which has aroused considerable interest and debate, including a lively conference at Washington University in St. Louis and other political science symposia. Some of the best of these critical reactions are captured in ?

Understood this way without refinement, deliberation is a feature of a Liberal political order. This is a problem for our goal insofar as we would like to ask if deliberation is relevant to governance in a more general setting, where the environmental variables will not overly restrict the explainability of the rules we discover. That is, in this thesis I hypothesize the existence of the process of discovery in contexts that are neither (necessarily) supportive of pure legislatures, nor even particularly Liberal or democratic settings. Recent political theory around deliberation helps us to disentangle ideas surrounding deliberation in the manner we would like. Positions in these debates have advanced a constructive critique against the ideological bias present in deliberation arguments in politics. These newer arguments serve to move the discussion of the salience of deliberation away from a moral theory of politics—in Rawlsian and Habermasian terms—into a true theory of public choice.

The major criticism against democratic deliberation (as a moral theory) is that it is often couched in remarkably apolitical terms, and that in these naive treatments the process of deliberation innocuously insinuate themselves in the ideology and values of democracy as if these were neutral categories, as if open debate and discussion were unproblematic virtues, freely available for any polity and group to readily adapt. There is little recognition, as critics point out, that the language of free debate is no less susceptible to strategic manipulation than are other types of “talk.” Even reasoned, free debate has a strategic content, and there may be no more effective way to conceal “true” preferences than through deceptive “declarations”—particularly *when* it takes place in open and honest fora aiming to do just the opposite (providing perfect opportunity for classically Orwellian double-speak). As Stanley Fish (1999) is always ready

to point out, whenever we include something *for* discussion, we necessarily exclude an entire host of other items that are not up for discussion.

Deliberation exercises are by definition focused on generating consensus and agreement, often deceptively so; it may be unrealistic to assume that individuals can reach agreement in discussion simply because they *are* co-citizens or co-nationals. The political obligations of citizens in a democracy may not necessarily require or even encourage them to reciprocal behavior with each other as far as the stated consistency of viewpoints is concerned; there may not necessarily be any extant debate norm that insists that citizens be accountable to their peers about the end-results of their deliberated positions. There *may* be such agreements in place, but that condition may be present in any type of setting; the question is whether such a norm exists, and this strong substantive claim must be demonstrated no matter what the underlying political philosophy of a regime may happen to be. On any matters that are discussed by co-citizens in the public sphere individuals can gleefully be consistently *inconsistent* in their modes of support—or unapologetically vague about the reasoning that has prompted their “vote” on issues.<sup>5</sup> Thus, none of the criteria that are accorded to the substance of the method of deliberation in a democracy may necessarily impinge upon the participants who are expected to be discussing the future of public policy. “Deliberation is very important in politics, but it cannot typically be very democratic.”<sup>6</sup>

---

<sup>5</sup>As is well appreciated, voting in privacy is one of the safeguards of democratic decision-making, and asking an individual to reveal for whom she has voted is an offensive and unacceptable question to ask in a democratic setting.

<sup>6</sup>Hardin (1999:116). Scholars also ask whether focus upon deliberation does not entirely “miss the mark.” Advocates of such criticism alert us to the fact, for example, that much of politics is about interests and short-term victories against one’s opponents, and they therefore suspect that a theory of deliberation can have little political content. Such viewpoints are presented forcefully in Shapiro (1999) and Hardin (1999).

Deliberation may also be *incompatible* with an overly democratic view of politics if one asks who it is that actually deliberates?<sup>7</sup> Even *in* a democracy, it is inevitable to conclude that deliberation can be anything but deliberation between elite intellectuals, informed policy makers and that small set of “concerned citizens” who choose to expend the cost and energy of making their voices heard. The goal of deliberation is to make decisions with the underlying reasoning infrastructure that will promote perspectives to be voiced and the underlying supposition is that all participants will attempt to come to the best decision so as to maximize welfare.<sup>8</sup> And in this goal, publicity and openness may harm and dilute the deliberative exercise, which is why it is often better for policy makers to retire to the proverbial “smoke filled rooms” of executive and elite decision-making where they do not have to appeal to the lowest common denominator that is so glaring in public opinion writ-large. (I may also add that this one of the reasons why juries are sequestered.)

The citizenry at large (even a much smaller subset of citizens, such as the elderly in the United States, who are disproportionately affected by Medicare reform, for example) finds it impossible due to the sheer density and volume of opinions involved to solve large-*n* collective action problems and congregate to deliberate effectively; that is why informed opinion on specific subjects is the stuff of expertise. This issue of size is present even in legislatures, where when representatives are faced with the need for deliberation to make an informed choice typically delegate authority to a committee, to a group of experts who in turn make proposal about what the parameters of the impending bill should

---

<sup>7</sup>Knight and Johnson (1999); Michelman (1999).

<sup>8</sup>In the context of *cheap talk* analysis, Joseph Farrell writes: “...[F]or example, even given an unlimited chance to talk, rational people may not reach an equilibrium, or may not escape a bad one.” (?:186).

be.<sup>9</sup> It is much more reasonable to envision the evolution of accountability and reasonableness norms to arise within such a specialized small group of decisionmakers, schooled and informed as they are in the assigned task of being experts in the issue at hand. As an antidote to these implications of expertise and size, Russell Hardin suggests that if there is reasoned debate among *anyone* in a polity it is among public officials, or bureaucrats in government.

Despite these criticisms, there *are* aspects of deliberation that we would like to retain after we discard the overly ideological flavor the theory has come to adopt. As an initial exercise in clearing the analytic atmosphere, James Fearon (1998) argues that basic questioning is sufficient to retrieve the notion of deliberation from first-stage moral arguments about politics into second-stage theories of how institutions may deliberate. In the sparsest of settings possible he presents a motivation for deliberation as a general device of discussion: “A group might want to discuss a problem rather than just vote not simply because discussion may improve the quality of the collective choice by itself, but also because as a by-product of improving the decision more members of the group will be brought to agreement and thus a greater number will work together to implement the decision properly or comply willingly with it.”<sup>10</sup> In this vein,

---

<sup>9</sup>Executive decisions can also be delegated to a group of experts who deliberate on the appropriate policy choice, such as in private meetings held by members of the board of the Federal Reserve of the United States, who meet in secrecy as the markets and investing public await their periodic decisions on what the prime rate will be.

<sup>10</sup>A major obstacle for conceiving of deliberation as discussion has to do, as Russell Hardin is careful to remind us, with the Hobbesian structure of moral argumentation present in any deliberative device; the possibility of an evolving political consensus in the extended post-constitutional phase of decision-making—as in the above Liberal legislature—presupposes the existence of an underlying agreement of fundamental moral principles in the first-stage, before the group of co-equal deliberators has retired from the ‘veil of ignorance’ and settled down in the more mundane legislature to begin the actual task of governance. When I apply a deliberative model to settings in China and India, I present arguments for why it is reasonable to take these constitutional choices as “givens.”

Catherine Hafer and Dmitri Landa (2007) explore an abstract game-theoretic model in which they explore how an audience's beliefs and views over a policy choice are likely to change as a function of their own previously held beliefs and the new messages they receive from a speaker. How such a group might coordinate through messages received in equilibrium through *cheap talk* is explored by Randall Calvert (2006).

Conceiving of deliberation as "discussion" in the abstract forces us to concentrate on the benefits that may be derived from this pure act of "information revelation" among decision-makers. Deliberation is about the full representation of views rather than the full representation of individuals and their preferences taken collectively. Thus conceived, deliberation as discussion is merely an alternative to, or at least a process identifiably separate from, voting as a decision-making mechanism. For example, two individuals may instead of outright casting a vote for a Republican versus a Democrat candidate for office instead discuss the merits of either politician beforehand and attempt friendly suasion grounded on some rules of debate. Within bounds of reason (within which these two political party labels are construed as a binary choice) one may even convince the other of changing her position, or even more modestly and more importantly, may convince her that it would be reasonable to do so, even if in the end the other individual chooses not to switch her position.

Thus, although deliberation may not alter the course of an election or reconstitute the details of a policy in a manner that all individuals may prefer, everyone can at least derive partial satisfaction from the fact that he/she has

had a chance to “have his/her say.” Successful discussion is not coterminous with successful (acyclical, non-pathological) voting, since the latter is an entirely different decision-making apparatus. Successful deliberation on the other hand is deemed so when views along the entire spectrum of possible ideal positions on a policy-issue have been openly aired; inasmuch, individuals may fail to generate such an understanding due to their own limitations, even in perfectly representative and deliberative environments, but it is only through the process of discussion that this ideal can be approximated. Catherine Hafer and Dmitri Landa present a game theoretic model of a group that updates its beliefs by applying their own pre-existing, innate beliefs against the new information provided to them by their interlocutors.<sup>11</sup>

At this level of generality we can also consider the *strategic* value of discussion in the abstract more clearly, as well as answer the criticism that theories of deliberation must necessarily be non-strategic and vacuous of political intent. We are one level removed from the normative world of democratic deliberation in that here we are placed in the entirely sparse setting of a sender, a receiver and the information content being transmitted between them. Of concern here is what mechanism sustains this dialogue and what type of *interpretations* can be assigned to those messages exchanged in equilibrium. In this environment it is easier to make claims about the virtue of debate; individual arguments seeking to establish the salience of deliberation must demonstrate, that, all other things being equal, deliberation helps political agents to coordinate their preferences and their ultimate decisionmaking so that it does indeed yield better outcomes than would be the case without deliberation.

---

<sup>11</sup>Hafer and Landa (2007).

Deliberation should somehow lead participants to reveal their true preferences even though they may not be materially rewarded for doing so in the current round of debate, and that they may reveal this information even when there is the possibility that they will be “ignored.” The clause against “material” incentives is important, because traditional approaches to studying intra-governmental behavior that focus on bargaining, logrolling or “exchange of favors” among participants have no necessary overlap with deliberative intent.<sup>12</sup>

Nor is the goal of group discussion to elicit the private information of an agent merely for the sake of discovering what may be proprietary or agent-specific knowledge. An agent may have private information without such information necessarily being proprietary as such. For example, from the external makeup of an agent (certain broad characteristics) we can arrive at a reasonable caricature of his/her likely voting behavior. Political profiling of such type does not change the fact that her voting preference is still private, and that there may be no readily-available device for her to reveal this information especially when material incentives do not require her to do so. This information, a complicated bundle of facts, must be revealed in a useful institutional context where it may be organized (i.e., a vote, a referendum, plebiscite, board-meeting, etc.).<sup>13</sup>

---

<sup>12</sup>The first of these is the distinction between pragmatic bargaining and deliberation. As Joshua Cohen (1999) puts it, when making a distinction between pragmatic bargaining and deliberation, collective-decisionmaking under deliberation “ought to be different from bargaining, contracting, and other market-type interactions, both in its explicit attention to considerations of the common advantage and in the ways that the attention helps to form the aims of the participants.”

<sup>13</sup>Fearon (1998:65). Pooling the list of motivations his contributors offer, Jon Elster summarizes in a recent edited volume the following arguments in favor of deliberation, which is said to: (1) assist in the revelation of private information; (2) assist in the overcoming of the limits of “bounded rationality” (3) force or induce a particular mode of justifying demands; (4) help legitimate the ultimate choice that is made; (5) be desirable for the sake of intellectually honest debate; (6) help induce Pareto-superior outcomes in the aggregate; (7) promote distributive justice by making the demands of claimants clearer; (8) promote the evolution of a larger political consensus among discussants; (9) improve the moral quality of the debate and of the

I conclude that the only requirement of deliberation is that it involves a “search for discovery”, a motivation to find the best policy outcome; that it is usually a “subordinate” decision-making (advisory) apparatus, subservient to the primary fulcrum of political movement—voting and unilateral executive decisionmaking; that deliberation is an activity “that might take place as much in a nondemocratic polity in which the search for good policy is taken seriously”,<sup>14</sup> that deliberation, if it is relevant to politics—in any polity—is a feature most likely to be found within the private confines of government (in its agencies, its internal subdivision, in sub-committees within committees, in its experts among experts, etcetera etcetera). Stripped of other non-essentials, deliberation reduces in the abstract to a method of discussion, and to non-bargaining, non-voting institutions of government in particular. The need for deliberation is imperfectly expressed in the deliberations of the U.S. Senate, in the meeting of the “hereditary peers” in Britain’s House of Lords, and in the elite elite advisory bureaucracies of Chinese and Indian economic planning agencies. It is in this “advisory” capacity *to* decision-makers that we can most fruitfully appreciate the salience of deliberation; that is why we need deliberative institutions, since they can accomplish for us what we could not accomplish without them. With this motivation, we examine bureaucratic governance as a *locus* of deliberation

---

discussants. (Elster, ed 1998:Introduction).

<sup>14</sup>Hardin(1999:15).

### 3.3 Deliberation in Bureaucracies: An understudied phenomenon

The difficulty in studying bureaucracies is due to the complex roles that state agencies are asked to play in modern societies, in both democratic and non-democratic settings. In an article on the positive theory of bureaucracies, Terry Moe asks the rhetorical question: “Legislators vote, but what do bureaucrats *do*?”<sup>15</sup> The point of the question is to underline the lack of agreement on how to characterize the objective interests of a state agent. On the other hand, the question of how to organize a bureaucracy to meet a regime’s goals is a problem faced by *all types* of government. Components of this problem include: How should authority be delegated? To what extent should it be decentralized across different rungs of a bureaucratic hierarchy? What qualities should bureaucratic personnel possess? And, how can the vast power delegated to bureaucrats—by necessity—be controlled?<sup>16</sup>

When considering the division of labor within government, for the sake of necessary simplification we separate the “three” aims of government into executive, legislative, and judicial branches. We recognize, however, that these divisions are crude and only capture a part of the full characterization that may be possible of governmental institutions and that these distinctions often need to be relaxed. That is, we recognize that there is a degree of functional overlap

---

<sup>15</sup>Moe (1997).

<sup>16</sup>A review of the vast literature, both classical in the sociological tradition (including the writings of Marx, Weber, and Emile Durkheim) and the contemporary political science literature (both using and not using formal mathematical approaches) is provided in Huber and Shipan (2002:Chapter 2).

between these organs. For example, judiciaries perform several tasks, a majority of which have to do with the interpretation of statutes and constitutional provisions, but also altogether non-intuitive ones, such as “seizing the initiative” from a legislature too divided to establish clear guidelines, or from a moribund executive too unwilling to act. Courts may also intervene to settle matters directly by judicial (as opposed to executive) fiat, as witnessed, for example, in the infamous *Dred Scott v. Sandford* case in U.S. legal history (1857), the recent (2001) intervention of the Indian Supreme Court in preventing the construction of a temple on a disputed religious site in the northern city of Ayodhya, or, the U.S. Supreme’s Court’s intervention into the (2000) presidential election in *Bush v. Gore*. Consider the following quotes from John Ferejohn (1995)

A singular focus upon politics in the legislative sense causes us to ignore the ways in which the law actually evolves, to undervalue other sources of law, and to pay very little attention to the distinctive ways in which non-legislative institutions operate to create law as well to enforce it.

And later:

Legislators, judges, and bureaucrats are all engaged in a normative enterprise—deciding how best to deploy the state’s coercive authority for public purposes—and it seems not only possible but likely that their actions are sometimes explained by what they think is right or just, as well as by beliefs that contain normative elements.<sup>17</sup>

Bureaucracies may similarly possess multiple roles and call upon the use of a

---

<sup>17</sup>Ferejohn (1995:191–192).

variety of talents on the part of their agents. A natural extension of this observation is that the greater a system relies on the expertise and knowledge of agents and their skills to implement the day-to-day tasks of governance, to that extent bureaucrats actually *dominate* the task of *policymaking* itself. Having stated this, the fact that authoritarian and command economies need to rely heavily on bureaucratic agents is not surprising, but that this feature is characteristic of modern *democracies* as well strengthens the importance of the claim that these agents are actually dominant in policymaking even when this does not appear to be their primary goal.<sup>18</sup> Having said this, however, most of the political science literature treats bureaucracies as relatively *passive* on the law-making side of government. Despite a venerable tradition, going back to the work of Max Weber (1947) through Michel Crozier (1964) (who identified the ideal characteristics of an agent), this aspect of agent and agency behavior has received very little attention, as Ferejohn's remarks above remind us.

In the contemporary political science literature, taking its inspiration from the new institutionalist school in economics (which focuses on organizational behavior), both informal and formal work since the eighties has sought to understand the behavior of bureaucratic agents largely through the *principal agent* framework, and the vast literature on *delegation* in particular.<sup>19</sup> Delegation is thought to occur from one branch of government to the other, specifically, from the rule-making body (a legislature in democracies and a political bureau in

---

<sup>18</sup>In the context of governing the economy, two seminal examples of studies that focus on the "administrative state" in modern democracies are Hall (1986) for the modern economies of Britain and France and Johnson (1995) for the case of Japan.

<sup>19</sup>Bendor (1988), Diermeier and Feddersen (2000). An informal treatment of principal-agent relations analysed in a comparative context is found in Adams (1996), who studies how different network patterns led to different degrees of organizational success in managing these relationships (in colonial Dutch Indonesia).

non-democracies) to a rule-enforcing body (a bureaucratic agency) with entirely different mandates. Much of the “governmental problem” of administration in this literature is prompted by a concern over *moral hazard* in the implementation phase of a particular policy. Following the lead of principal agent analysis in microeconomics, most approaches to studying agency in political science focus upon how to structure the behavior of local agents in the direction that best suits the interests of the political principal—in short, on designing institutions so that bureaucrats can be made to *work* properly, so that they not engage in shirking or in sabotage, the twin evils of degenerate agency behavior.<sup>20</sup>

Scholarship on bureaucratic organization *has* focused on the informational aspect of the relationship between agencies and their political principals (a legislator or an executive); that is, the other *principal agent* problem of hidden action, or *adverse selection*, has also been considered. In this literature, the focus is on the factors that determine the amount of discretion that bureaucracies are given by these principals, so as to divide the task of governance more efficiently across different branches. The central problem is between the expertise of the bureaucrats and the desire of politicians to control against the advantage expertise gives the former; this is a classically framed governmental problem in that politicians who want to design better bureaucracies are caught in a dilemma. For example, David Eptstein and Sharon OHalloran (1999) apply formal models to U.S. settings with this question in mind, and John Huber and Charles Shipan (2002) provide a more general comparative framework to pose this question across both presidential and parliamentary systems. In both of these frameworks, politicians want bureaucrats to have enough discretion to apply their

---

<sup>20</sup>Brehm and Gates (1997).

area-specific expertise, but that very expertise can in turn provide an incentive for abuse, corruption, and non-implementation of central directives at a divisional or regional level.<sup>21</sup>

But informational theories of bureaucracies have not extended to studying institutions of bureaucratic deliberation, where agents have a role in debating and discussing the virtue of policies themselves. In this vein, the extant political science literature is consistent with its tendency to diminish the law-making potential of bureaucracies. While it may seem that this lesser importance accorded to deliberative institutions within bureaucracy is appropriate, I argue that the Chinese and Indian materials prompt us to re-consider this conclusion. The Chinese and Indian materials, as argued in the next section, prompt us toward a more accurate structural (i.e., descriptive) understanding of how decisions are actually made, and we instead find a richer environment in which bureaucratic agents operate. Again, this is not to deny that the need to properly *control* discretion is important, but only to recognize that the roles and responsibilities of state agencies may be more complex; and the theory that I develop in the following chapters retains the concern political principals have over controlling wayward bureaucracies.<sup>22</sup> But, I argue, if bureaucracies are delegated the task

---

<sup>21</sup>Huber and McCarty (2004:482). Bendor et al. (2001) provide a summary of scholarship on delegation published in the eighties and nineties.

<sup>22</sup>As an exception to this general picture, we may refer to the focus on “bureaucratic autonomy” in some formal political science literature, which emphasizes the salience of agencies as houses of political entrepreneurship in their own right (Hammond and Knott 1996; Huber and McCarty 2002). This is a theme that has also received much attention within the comparative-historical tradition in sociology and political science as well. For a study of bureaucratic autonomy in early American state-building see Carpenter (2001); Evans (1995b) studies this issue in a comparative context focusing on developing nations. Chibber (2003) considers why the planned development of this capacity in the Indian case *failed* to materialize, while it did render spectacular successes through planning in the South Korean case for the same period. This earlier concern in the comparative politics and public administration literatures on the policy-making capacity of bureaucratic agencies has not carried over into the recent work on deliberation.

of *creating* or being involved in the creation of legislation, then it would make sense to suggest that they also perform those other functions that facilitate such choices and involvement—discovery, debate, discussion, and compromise; i.e., it would be reasonable to hypothesize a deliberative function to bureaucracies, which is a method of agreement found within the confines of one branch of government as it seeks to make its internal organizational “voice” coherent.

Much of the formal, theoretical, and experimental work on deliberation has been concerned with how deliberation can improve upon the institutions of voting. A classic, pioneering example of a formal modeling approach is offered by David Austen-Smith (1990), who studies a general model that considers how and under what conditions discussion of a piece of legislature beforehand can improve its ability to be passed. In this vein, recent work by Adam Meirowitz (2007) and David Austen-Smith and Tim Feddersen (2006) explores in greater depth under what conditions a group of voters—who do not necessarily have common values—would actually engage in an honest discovery of “policy truth.” Another theoretical aspect of this process of discovery involves the process of how a group of decision-makers accumulate information. There is a large literature that considers the problem of the *aggregation of information*, building on extensions and applications of the Condorcet Jury Theorem: Feddersen and Pesendorfer (1996) study how a decision-maker (voter’s) uncertainty can be mitigated by a partially noise signal; Krishna Ladha (1992) considers how information can be aggregated when decision-makers possess *correlated* values; David Austen-Smith and Jeffrey Banks (1996) argue that majorities do not aggregate information any better than smaller groups; Mark Fey (2003) studies the same question in the context of supermajorities; and David Miller (1986)

examines the effect of divided political leadership on information aggregation. Any theory of bureaucratic deliberation would need to include an information aggregation component into its design.

In conclusion, I would like to integrate a focus on deliberation with the pertinent aspects of the developing literatures on the study of bureaucracies in three ways. First, I want to retain the concern over the *truthful* deliberation over appropriate policies, as in much of the work on generating consensus in group settings—as in the study of legislatures, and the aggregation of information—as in the studies of juries. Second, I want to retain the concerns of the literature on delegation over how different conditions differently apportion amounts of *discretion* to administrative agents. Finally, I want to extend the focus on how policies passed by a rule-making body can be *implemented* by state agents in the bureaucracy, not only because these agents are likely to abuse their discretion, but because their local-level expertise may alert central decision-makers as to the *possibility* or effective implementation of central directives in the first place. Thus one of the goals of this thesis is to ground a formalization of the concern about the selection of *appropriate* policies squarely in a bureaucratic setting. I argue, that the way to do this is to actually take more seriously the discussion that is housed in bureaucratic processes. In the next section I consider how the Chinese and Indian cases prompt us in this direction.

### 3.4 Deliberation in Chinese and Indian Planning Bureaucracies

How valid and applicable are the above premises for studying bureaucratic deliberation in general to the Chinese and Indian cases in particular? In the last chapter, I argued that the scale constraints of managing the Chinese and Indian polities produce similar requirements on the central directives that are issued by the leaderships in Beijing and New Delhi. One example of the common forms of bureaucratic governance that are generated due to these constraints is precisely the *deliberative* role of state agencies such as the Central Planning Commissions in both countries, whose design and procedures reflected that leaders were aware of these constraints and tried to overcome them through conscious efforts of experimentation with different forms institutional innovation. In this section I will argue that Chinese and Indian planners addressed these problems in three crucial ways: in the installation of procedures within the planning process that attempted to aggregate information so that this deliberation could take place, in the search for bureaucratic consensus both horizontally and vertically across the statist machinery, and in the provisions for local level deliberation and lobbying.

### 3.4.1 Administrative law and policymaking

To consider the relevance of such questioning, I can submit a general query, but one that is pertinent here: Who actually drafts the laws in China and India? The answers to this question are ambiguous in both contexts, since the roles of individual branches of government have been poorly differentiated in the contemporary period. The administrations in both countries have explicit political purposes interwoven into their mandates, and the legislatures are either weak deliberative bodies (the *Lok Sabha* Parliament in India) or non-existent or nascent ones (the National People's Congress in China).<sup>23</sup> It is often quipped, for example, that the All-India Services draft the laws and the parliamentarians dutifully debate around the bill and bring it to a vote. In private discussions, members of the elite Indian Administrative Service (I.A.S.) relish in their unsung role as the bulwark of Indian society; exclamations that "they run the place since Parliament is too divided" are commonly phrased with one form or the other. As far as specific statutes are concerned, the Parliament discusses bills with broad, "pie-in-the-sky" vaguely stated mandates, and then the bureaucratic expert offers the law "as it should be read" on the books, through a process of internal negotiation and compromise.

Identifying such processes is even more complicated in China, since these bureaucratic organizations are in fact also Party organizations, with personnel often (but not necessarily) being members of both party and state organi-

---

<sup>23</sup>In presidential systems laws are passed through committee specialization within the legislature and in parliamentary systems (such as India) laws are generally understood to be designed by cabinet consultation with the ministries.

zations.<sup>24</sup> But as scholars have begun to identify the contours of the Chinese process of law-making, I find that here as well we are presented with a system that is “muddy” (in its various functional roles) at best. The actual drafting of legislation and policies to be implemented is involved in an excruciatingly complicated and piece-meal effort that sends potential bills through the entire specialized bureaucratic hierarchy in question, and only when the lowest rung has had a chance to make amendments will a bill return to the central level for final wording. This is remarkably similar to the manner if not to the exact form of bill drafting in India. Lieberthal and Oksenberg (1988) uncover, for example, the sheer density of compromise, discussion, and give-and-take that exists in the formulation of laws. Throughout the Maoist period (and the period of liberalization), the Chinese Communist Party (have) used their statutes only as “general and exhortative policy statements”, in fact often only as summaries of decisions already made by the bureaucracy “and to stimulate action by lower-level officials or the populace to implement policies that were themselves expressed in broad and general language.”<sup>25</sup>

As in India, the top political leaders and their staffs appear to outline the major contours of new policies, but the actual laws that are promulgated emerge out of a dense interaction between Party leaders, expert committees and the relevant bureaucratic ministries—akin to the fact-finding committees found in the U.S. Congress or the Indian *Rajya Sabha*. These cases are comparable because despite the degree of political monopoly held by any given group at any given instance, the systemic constraints for turning “what should be done” into “what can be done”—actual, implementable, and enforceable laws—similarly *necessi-*

---

<sup>24</sup>Wilson (2008:72–72).

<sup>25</sup>Lubman (1999:81).

tate a search for “bureaucratic consensus.” When such bureaucratic consensus is not forthcoming, no promulgation of laws occurs. “The protracted negotiations that ensue from high level “decision” often transform these bold initiatives into modest programs or turn them, in reality, into non-decisions.”<sup>26</sup> One of the most prescient watchers of the Indian political scene—Rajni Kothari—observes that when there is no agreement among the relevant experts around a particular policy shift, “[T]he usual complaint that files do not move in Indian administration is misplaced; the real problem is that files move far too much—both vertically and horizontally—and no one takes a decision.”<sup>27</sup>

Moreover, as I argued in chapter one, in the state-building initiatives of the early 1950s, the new government in the Chinese and Indian nations also found themselves having to provide for a far wider array of public goods and to manage a far more exacting type of intervention in the economy. There was little confidence that existing bureaucratic arrangements could satisfy these goals. At the time of the inception of these nation-states, the laws inherited from the older administrations (British in India and Republican in China) were viewed with outright hostility in The People’s Republic and with pointed skepticism in India. While both regimes were forced to retain personnel from the earlier periods, the rationalization of the statist apparatus was initiated with full recognition of the fact that these earlier approaches to law-making insufficiently took into account local conditions. To respond to all of these challenges leadership necessarily had to employ a greater role for *rule by administration* or “adminis-

---

<sup>26</sup>Lieberthal and Oksenberg (1988:26-7). In a detailed case study of the famous Three Gorges dam project, the authors show how despite strong political will at the center and a determination to push ambitious projects through, because the “supplementary decisions necessary to turn these major “decisions” into actual dam construction have not yet been “forthcoming” – progress on the project remained in abeyance.

<sup>27</sup>Kothari (1972:425).

trative law”, and as a result of such motivations excessive red-tape often served as the currency of governmental regulation of citizens and industry where ideologically and party politics could be separated from day-to-day governance.

The Chinese and Indian administrative systems employed institutions that “extensively transmuted legal forms into relatively more fluid administrative ones.”<sup>28</sup> In both countries, as a result, the law as such was “bureaucratic”—constituted by the procedures, regulations, and outright restrictions on activity that were determined as initiatives were passed down the levels of the bureaucratic hierarchy. Whether we consider China’s “fragmented authoritarian” governmental structure or India’s maze of red-tape and Kafkaesque procedures of bureaucratic tyranny, local and mid-level agents have traditionally possessed a great deal of veto-power and even decision-making authority. This process is engineered so as to be able to give final discretion to those agents best suited to determine to what degree such a statute/order is *implementable* locally or within a sector. These subordinates balance these local and sectoral interests, consider questions of feasibility as well as their own survivability, all of which informs the final perspective that they apply toward a particular policy. There is sufficient evidence from the autarchic phase that local agents in both countries had wide discretion with which they both interpreted laws and chose to enforce/not enforce them.<sup>29</sup> As their Indian counterparts, Chinese bureaucrats under Communist rule have traditionally been known to wield a considerable amount of discretion at the local level;<sup>30</sup> national Party leaders typically have “bureaucratic constituencies” whose support is crucial to any initiative they

---

<sup>28</sup>Lubman (1999); Rosen (1966)

<sup>29</sup>In Principal-Agent language, the agents had multiple principals and were assigned multiple tasks.

<sup>30</sup>O’Brien and Li (1999).

may want to see implemented;<sup>31</sup> Like Mao Zedong two decades earlier, Deng Xiaoping famously “played to the provinces” (in the early eighties) by slowly integrating local and provincial bureaucratic interests into his pro-reform coalition.<sup>32</sup>

### 3.4.2 Scale Constraints: Information bottlenecks

The scale constraints of the Chinese and Indian politics were a primary concern for the early planners and the CCP and Congress Party leaders that set into motion the planning processes in both countries. In particular, these individuals recognized that the key bottlenecks to the design and evolution of an effective and implementable central plan were the non-existent and/or dysfunctional channels of proper information transmission that could efficiently link the continental diversity of these systems into one organic decision-making whole.<sup>33</sup>

More pointedly, in the M-form territorial systems of planning that were erected by the Chinese and Indian planners, there was a greater functional demand for information at the local level, as compared to the ministerial U-

---

<sup>31</sup>Harding (1981:10).

<sup>32</sup>Shirk (1993:Part III).

<sup>33</sup>For a recognition of these issues in China see Huang (1994, 1995a,b, 1996b) and Halpern (1992); for India see Chand and Puri (1983:505–511); Goodall (1959:111–112); and for an early recognition of the problem see Varshney (1964); Hermansen (1969). On the importance of information to properly gauge the effectiveness of poverty alleviation schemes within planning efforts see Paul (1984:760-1); for a general theoretical treatment of informational constraints in planning for developing countries see Watson and Dirlam (1965).

Form system, where ministries would bypass the entire vestiges of local, rural, and province-wise storehouses of concern; thus quality information at the local level was imperative at the local level of aggregation.<sup>34</sup> In both nations, the augmentation of these information gathering capabilities seems to have taken long paths to evolve into adequate levels—indication enough that that this is and was a real problem in these large system. In India this process continued through the entire planning period and culminated in the passing of the 73rd and 74th Amendments to the Constitution, which formally devolved significant leverage over local-level development to village government (*panchayats*); this was preceded by a series of studies and recommendations throughout the seventies by planners such as Ashok Mehta and M.L. Dantwala in 1978, which impacted the language of decentralization of the administration in the 6th and 7th FYPs.<sup>35</sup> In China, although similar efforts had been initiated as early as the mid-fifties, Huang Yasheng argues, the requisite improvement in the capabilities of the State Planning Commission and the State Statistical Bureau were woefully inadequate even as late as the mid-seventies, and only saw a sufficient improvement no earlier than 1987.<sup>36</sup>

Information asymmetries and the resultant problems of adverse selection and moral hazard are of course inherent to principal-agent relationships such as those between a central planner and provincial, or local agents; that the Chinese and Indian planners tried to mitigate or address these issues in repeated instances of experimenting with different modes of information gathering separates these two systems from their parent Soviet model, which elided or sim-

---

<sup>34</sup>See Huang (1996a:69–70).

<sup>35</sup>See Rao (1989a:411). For reflections on the variable success of these efforts across Indian states, see Bardhan (2004).

<sup>36</sup>Huang (1995b:19).

ply refused to recognize the organizational bottlenecks inherent to central planning.<sup>37</sup> A preponderance of the local-level studies of the administrative protocols of Soviet planning are unequivocal in their assessment that Soviet administrative methods designed to exercise central management over regional units did not take seriously the problems of information asymmetry.<sup>38</sup> While these problems were recognized, *Gosplan* leaders threw up their hands in frustration.<sup>39</sup> This problematic situation did receive some attention by the early seventies, but even as far as this is concerned, the effort to induct sub-central government into the planning processes never reached below the provincial (republican) level in the USSR, and there were no provisions made for what I have termed local level deliberation.<sup>40</sup> As such, the planning authority was terminated with *Gosplan* and the ministries; republican governments, the enterprises in the cities, and the communes in the rural areas were *not* construed as part of the active planning machinery as such.<sup>41</sup> In contrast, the Chinese and Indian planning apparatuses struggled against the bottlenecks of a large continental sized polity, significant regional and local recalcitrance, and poor infrastructural and often poor political support.<sup>42</sup>

---

<sup>37</sup>In fact the most general statement I can make in this regard is that the Indian and Chinese planners took the problem of *delegation* itself, very seriously. As I explored in the previous chapter, planners concerned themselves squarely with the *how* and the *why* of delegation in the face of inadequate resources; that sufficient authority should be delegated to agents for them to accomplish their participatory role in the planning process was never really in question; only in question were questions of “degree” not questions of “kind.” See Agarwal (1984:152).

<sup>38</sup>See, for example, Levine (1962); Rutland (1985); Davies (1966).

<sup>39</sup>For a description of the *principal agent* problem in the Soviet planning hierarchy and the problems related to local bias and ineffective solutions to the same, see Gregory (1990:15–24).

<sup>40</sup>Shaw (1985:403–409).

<sup>41</sup>Gregory (2003:127–139)

<sup>42</sup>For example, while from one perspective the Indian Planning Commission lacked sufficient constitutional authority (was “merely an advisory body”), Chibber documents how when faced with blockages in information flows, planners would push against these obstructions rather than abdicate the effort (2003:210–211).

### 3.4.3 The Search for Consensus: The Aligning of Preferences

The recognition and the awareness of this information asymmetry led, very early on, for leaders to frame one of the central goals of planning to be the search for consensus across Chinese and Indian regional diversity. Indeed, the search for consensus—so vital a premise to our characterization of deliberative functions—was entrenched in the earliest visions of planning in China and India as revealed through several aspects of the initial design.<sup>43</sup> By *consensus* I mean an “alignment of preferences”; that is, by consensus I refer to the outcome of intra-bureaucratic discussion, debate, and exchange of ideas designed to diminish differences in preferences and viewpoints.<sup>44</sup>

The generation of *consensus*—variously thought of as a purely administrative imperative, a grass-roots (India) mass-line (China) process, the resolution of a conflict of visions between different geographic sub-systems, or, finally, an adjustment between different elite visions of policy goals—is the most difficult aspect of coordinating activity in these types of complex social systems (Boisot and Child 1999).<sup>45</sup> In fact, as studies of complexity in such systems indicate, the generation of a meaningful consensus would seem to constitute a *necessary condition* for any realistic change in policy.<sup>46</sup>

---

<sup>43</sup>R.M. Sundrum defines consensus as a collective interpretation of national strategy (?:1003). Also see Paranjape (1984:120).

<sup>44</sup>While it may seem that informational processes such as these—particularly ones that I purport to model through the game theoretic lens of *cheap talk* analysis in the next chapter—may seem to be of secondary or even tertiary concern to as down-to-earth a governmental phenomenon as administrative central planning and the management of economic resources, I argue that in fact these processes predominate in these large-complex systems.

<sup>45</sup>For an insightful discussion of complexity in the planning process itself, as applied to problems of rapid economic transformation, see Patnaik (1992).

<sup>46</sup>Scores of studies of Chinese and Indian planning emphasize precisely this point. For exam-

There were two aspects to the generation of this consensus; one was vertical, as planners attempted to reach into both the farms in the rural economy and the enterprises in the industrial sectors. The other was horizontal, as different levels of political authority gathered reactions and proposals at their own level, so as to coordinate different streams of upward-flowing information; most salient in this regard are the state or provincial levels, where the geographic diversity of these systems was most crucially represented by sub-national planning processes.

The reality of substantial variation of priorities at the local level and the mutually overlapping, often incompatible mixture of visions that would proliferate, would mean that in real terms, both Chinese and Indian planners had to accept local non-compliance of central directives as a fact of life under planning, and local cooperation was expected under voluntary rather than compulsory auspices.<sup>47</sup> The realities of this system thus further augmented the need to elicit this consensus from all agents involved in the transformation of policy. At the very least, both Congressional and Communist leaders needed to “bring on board” state/provincial leaders to effect a particular policy shift, and it is at this level that policy shifts in planning either passed because party leaders generated the necessary *consensus* or faltered and were displaced for a later time if such a consensus failed to materialize.<sup>48</sup> In fact, in many senses, the initial stage

---

ple, see Chakravarty (1987:*passim*); See the study of the consultative processes of the CPC in Liu (2005). Liu also concurs that in terms of complexity, “only India is comparable.” (pg. 12);

<sup>47</sup>See Veit (1978:142); Lyons (1990:52–53).

<sup>48</sup>For China see Shirk (1993:Part III); Shirk (1992); Lampton (1992); Lieberthal and Oksenberg (1988); Naughton (1991b); Harding (1981:10); O’Brien and Li (1999). For India see Pedersen (1992); for the importance of “policy consensus” in the planning process in the early period, see Wilcox (1965:116, 118–120) and Ray (1982) who studies the evolution of consensus through the seventies; in an insightful review, Punjab planning commissioner Nirmal Mukarji explores how the initial consensus broke down in India by 1967 (1993:2071); Kothari (1970) covers the

of planning—the generation of this consensus—often substituted for more substantive (or material) changes, and elided the real implementation difficulties that lay underneath.<sup>49</sup>

In order to facilitate a consensus that exhibited these features, the political leadership endowed to the planning process—inchoately at first, followed by fits and starts—mechanisms wherein deliberations could coalesce into consensus mechanisms. In both countries, the vagueness of the initial plan targets required these projections to be continually revised and reassessed. A network of horizontal and vertical links between ministries down to provincial and sub-provincial levels kept in motion a flow of information that continually considered proposals, targets and revisions in a never-ending search for the “right balances.” This constituted the alignment of viewpoints between the sub-economies of the nation in the most literal sense. However, for all the flurry and activity, nothing was actually happening in material terms; the entire process was characterized by a long discussion (with multiple stages) about what *should* happen.<sup>50</sup> The need to arrive at meaningful and implementable targets, combined with the initial haziness of information, forces the agents to converge upon a collective solution through the sharing of information and perspectives.

In both countries, each sub-national division of planning seeks to identify a

---

pre-1970 period of changing consensus; Paul (1984:763, 765); Sundrum (1972a:935, 941); Sundrum (1972c:*passim*), Rao (1989b,a), and Paul (1971) discuss bureaucratic consensus across the hierarchy in planning. Bagchi (1991) presents an analysis of how the rhetoric of planning in India was integral to its goals of generating a “patchwork” policy consensus. For a background about the *failure* of India’s chief ministers to arrive at a consensus over land reforms see Koshy (1974:49). For an elaboration of the importance of generating consensus in planning in general, see Friedmann (1967) and Ackoff (1977).

<sup>49</sup>See Rondinelli (1978:56).

<sup>50</sup>See Paul Appleby’s report for the Government of India (1953). The “babbling” nature of deliberations often implied deliberations that concluded with very little by way of conclusion: see ?; Berger (1975); the “fuzzy and equivocal” nature of the language often used by empty planning documents is explored in Lewis (1962:Chapter 1).

division-specific target. This target is proposed, revised and sent back up the ladder for approval at each stage of revision; this takes place continuously.

This process is evident at the provincial and sub-provincial levels in actual terms—inputs versus outputs for all major agents on the supply and consumption side—for each of the divisions considered. In China this literally ends up on a materials balancing sheet whereas in India the Finance Commission (FC) handles the balance of what is owed for projects being assigned to the state; but the process is similarly iterative.<sup>51</sup> In effect the Planning Commission coordinates a discussion between the National Development Council (a supra-coordinating body that oversees the planning process) and the individual public lobbies that exist within the organization—representation from the different industry groups and raw materials suppliers. A similar forum exists within the Chinese planning process as well, known as the “Board of Governors” meeting, in which the provincial leaders congregate before each planned announcement to deliberate upon provincial interests vis-a-vis the next planning period. Thus, what the planning process accomplishes at the plan formulation stage is to establish a consensus through repeated interaction, each stage of which can be considered a deliberative stage (forum). The entire process involves a sequence of such deliberative stages.

---

<sup>51</sup>See Jagota (1963:191–195).

### **Caveat: Some differences in consensus environments**

Since the culmination of the generation of consensus was different in both countries in terms of how the planning processes amalgamated the various viewpoints mentioned above (at the national level), I briefly mention the key environmental differences between the two systems as far as this is concerned.

In India, the Planning Commission began, as so many of its commentators have bemoaned, as an agency without any “real teeth.” Created through an executive order under the first Nehru administration, the fortunes of the PC in India have waxed and waned much like the occasionally defunct SPC in China.<sup>52</sup> The Indian Planning Commission was designed as a mediating body between central and state-wise preferences over policy change. However, since the Indian plan has been more *indicative* in nature and has not traditionally adjudicate preferences in exactly the same manner as the Materials Balancing system of the PRC, a clarification of the different processes will be helpful here.<sup>53</sup>

The issue of balances is addressed through the way in which off and on-plan outlays are differently handled. As an example of how the bureaucracies managed this, consider the relationship between the financing of the plan in India managed through the Finance Commission (FC). Although the FC works

---

<sup>52</sup>For a recent exposition on the effects on this, see Chibber (2002:961–962) and Chibber (2003); for an earlier treatment of the same see Crawford (1967:231–237). In fact, through the eighties, as the reform movement got underway, there have been attempts to give the PC real constitutional authority through a legislative amendment (Paranjape 1990).

<sup>53</sup>Although here as well, as I discussed in the previous chapter, by the 1980s China had moved squarely into the camp of “guidance planning”, as the last vestiges of the old MB system were phased out Naughton (1990).

closely with the planners, the provision for the FC is a constitutional one (Article 280) and is in principle a provision to ensure the states' fiscal autonomy, a right guaranteed by the Constitution. The FC is, accordingly, a semi-judicial body appointed by the President every five years. In practice, the FC is a watchdog committee that seeks to ensure discipline on state budgets, to whet individual projects past the Planning Commission and then reject any expenditures that may threaten large deficits.<sup>54</sup> During the first three FYP periods the states rose in revolt against this discipline, and the domain of the FC was downgraded in that it was now only to impose this discipline on *off plan* outlays (and to recommend a proper taxation schedule for each state to meet its payment obligations). While the on-plan outlays were also supposed to be under its purview, the FC was asked to pass all state-specific plan expenditures through the Planning Commission before granting approval.<sup>55</sup>

This rarely happened in practice, and parliamentarians as well as cabinet ministries were apparently complicit with this outcome, and did little to alter this *de facto* concession to state-wise interests. Moreover, this procedure is not faithful to the original Constitutional provision for an independent Finance Commission that has the autonomy to challenge the Center's budgeting.<sup>56</sup> In response to the opposition of the state governments during the earlier phase of hegemonic Congress rule, the Planning Commission was evolved, actively, as an "alternative mechanism of financial relationship between the central and state governments" so as to soften the direct provision for the FC.<sup>57</sup> Thus, it can

---

<sup>54</sup>Thimmaiah (2002).

<sup>55</sup>The Planning Commission, a non-constitutional body without any real implementation power—is only an "advisory body."

<sup>56</sup>During the 10th and 11th FCs, the Commissioners did manage to raise their voice in protest against central policies.

<sup>57</sup>Thimmaiah (2000).

be seen that the central government used the Planning Commission to redirect states' finances toward the center, by side-stepping the constitutional provision that was supposed to ensure against this. The softened discipline fell under the more lax environment of the PC, and the outcomes reflected the greater latitude of this environment for acceding to individual states' lobbying efforts. This process of attaining the right balances within each fiscal relationship was one deliberative stage, and here as well several such stages can be identified.

#### **3.4.4 Information Aggregation: Lobbying and Veto Power**

The role of *information gathering* at the central level from sub-national organs as a *precursor* to the actual establishment of guidelines, quotas and procurements was keenly recognized early on by planners as they attempted to decentralize the gathering of information and delegate to lower units the task of coordinating deliberation *at* their respective levels.<sup>58</sup>

In both systems, these level-specific deliberative processes are initiated with the SPC and the PC issuing broad and (often vague) goals to the provinces/states and central/union ministries for consideration. This provides the base-line proposed *shift in policy* that the planners envision; but without the input and the discussion that then follows, at the local levels of the district and village (India) and township and commune (China)—and in the industrial en-

---

<sup>58</sup>Sundrum (1972c:1028–1029); Desai (1963); Bandyopadhyay (1996a:3111,3113); Jagota (1963:176); ?:161–162.

terprises in both—these broad targets would have little useful informative content. Thus, the aggregation and collection of information is a crucial prerequisite for the alignment of viewpoints.

To consider the rural economy, in China we would identify targets that the provincial-level planning body sends down for consideration to the commune, brigade, and team; in India we would identify the state level proposals and schemes issued by the chief minister's planning office and then sent down for consideration to the district, village, *panchayat*, *zilla parishad* and *vikas samiti*, the cognate rural components. At the very bottom of this pyramid, in the ideal, both nations were to directly communicate with the citizenry and assimilate their demands and concerns as the upward movement of information was initiated. This level-specific report is then sent to the next level of the planning hierarchy.<sup>59</sup>

In both nations we observe this upward flow of information as each level is asked to perform a mini consensus exercise at its level, exchanging information across the relevant agencies horizontally and gathering and synthesizing information from *below*. In India, all of the states were required to solicit from villages and districts information about the feasibility of certain proposals; these lower units were in turn required to propound district and village plans which would themselves form the basis of the draft plans presented by the state governments.<sup>60</sup> In India the deliberation exercise received explicit treatment in the planning documents, and by the mid-seventies a well-rehearsed and promoted set of procedures had started to become consistently applied in the planning

---

<sup>59</sup>Sundrum (1972c:1033-34); Agarwal (1984:150).

<sup>60</sup>Malenbaum (1963:160); Bandyopadhyay (1996b:3111-3112); Chandra (1988) presents a number of interesting comparative comments on local level planning.

process.

The adjustment over the handed-down mandates by the central Planning Commissions in both nations, both in terms of the scale and the details of a particular policy shift, were filtered through a discussion and deliberation framework before they received ratification from each rung of the planning bureaucracy.<sup>61</sup> At each stage, the ability of horizontal and vertical units to provide input not only served as an effective *lobbying* mechanism by which their concerns and reservations about a particular policy or target could be voiced, but also functioned as an imperfectly instituted *veto* over rival attempts to dictate policy within a jurisdiction.

The easiest case to establish the existence of this ground for lobbying within planning and the existence of a substantive veto-power on the part of planning agents is in the case of the provinces, states, autonomous regions, and union territories of China and India. As regional preferences were integrated through the discussions within the planning process into the cumulative national “vision” outlined in the ‘goals and objectives’ of each completed planning document, this was the most obvious environment in which the alignment of regional preferences was facilitated over time. In India the states have most tangibly made their presence felt in the direction of national policy through their lobbying efforts within the Planning Commission.<sup>62</sup>

In China as well, the “provinces individually formulate policies (and in-

---

<sup>61</sup>Lyons (1990:47–49).

<sup>62</sup>Jagota (1963:172–179); Chanda (1958:81–93).

terpret central initiatives) in attempts to regulate the activities of [their own] unplanned agents...from the point of view of their constituencies, the responsibilities of provincial leaders include protection against external disturbances and excessive exactions benefitting outsiders. The assertions and behavior of provincial leaders frequently seem to reflect a regionalist perspective."<sup>63</sup> The provinces and states, respectively, in China and India are actually the source of the specific form of larger national directives that are shaped after the process of deliberation is concluded in one time period. Moreover, the *developmental* concern for regional inequality, such a strong component of the planning efforts in both nations from their very inception of efforts, was a programmatic way of bringing the administrative issues of inter-regional disparities "to the table."; a similar interpretation could be offered to the focus on the *self-reliance* demanded of regional or state/province-wise units. That these were real intentions can be seen clearly in the proliferation of independent systems under the GPCR in China.<sup>64</sup> The relatively greater individualistic character of Indian sub-national systems is well known and uncontroversial, an unchanged facet of regionalism throughout the planned period.<sup>65</sup>

---

<sup>63</sup>Lyons (1987:119). Also see Potter and Potter (1990:271-2).

<sup>64</sup>See Wong (1992:574-576); Naughton (1990); for a discussion of how this consensus was arrived at in India, see Sundrum (1972b).

<sup>65</sup>This is because agricultural policy, which is the main concern of state budgets in India is constitutionally a state-wise concern.

### 3.4.5 Local Level Deliberation

The importance of information gathering and consensus generation persisted not just across the regional–ministerial and provincial—breadth of the planned economy, but in fact extended all the way down into the depth of the industrial and rural economies and the planning hierarchy. That this problem of gathering information from the very lowest levels of aggregation was recognized and addressed is witnessed in the creation of coordinating machinery *within* the regional units in both nations.<sup>66</sup> For example, by the Third FYP in India the absence of this required sub-state-level machinery, or the lack of effectiveness of existing procedures, had become glaringly obvious, and the Planning Commission initiated a renewed push in the direction of developing sub-regional coordination.<sup>67</sup> Throughout the sixties planners attempted to modify the procedures for deliberation so that reports on progress of plan implementation, including observed errors in execution, could facilitate a revision of objectives and sectoral and/or regional targets.<sup>68</sup>

More generally, what may be referred to as *local-level deliberation* constituted a well-noted and documented aspect of both planning apparatuses. To properly place the relevance of the crucial informational input of these lower-level units, it would be helpful to summarize the discussion so far as far as the overall machinery of planning is concerned: I note that the observed processes of the minutiae of planning in both nations can be roughly divided into two stages;

---

<sup>66</sup>For India see ? :161; As early as 1949, in a precursor to initial debates on planning, this issue received central importance (Nag 1949:103–104).

<sup>67</sup>Paranjape (1984:114–121).

<sup>68</sup>Agarwal (1984:148–50).

local-level deliberation is concerned with this first phase of planning, which is an information-gathering or processing stage.<sup>69</sup> This first stage involves each relevant level of bureaucratic strata responding, discussing and processing the initiatory proposals that have been issued to them by their higher-ups. The first stage of planning, therefore, is a clarification of the goals, objectives, targets, and demands of each cluster of planning interests.

Local level deliberation was centered at the State Planning Department, which would draft an “approach paper” to each of the individual state departments. These papers would enumerate a list of funds, schemes and projects (for every district) in the state, which were themselves sent down to the rural administrative hierarchy — the district collectors, to the *Zilla Parishad* secretaries, and to the *vikas adhiaris*. The *adhikaris* would in turn submit a list of formulated plans to the *panchayat samitis* or village councils, who would then deliberate and comment on the resources available for the said proposals, gather suggestions on the proposed schemes and submit the results of lobbying by particular interests for non-proposal schemes, and, also attach to this report their own proposals for independent self-funded schemes. These would in turn be submitted to the *zilla parishad*. In their meetings, the latter body would, with the help of the District Statistical Officer, devise detailed district-level budgetary plans based on the *samiti* reports and recommendations. This process was overseen by the District Collector, who would then supervise the submission of the completed efforts to the Heads of the State Departments for approval, where the final reports eventually would make their way to the National Planning Commission via the State Board. Upon central approval, these district and *samiti* targets would in turn be

---

<sup>69</sup>See Lyons (1990:47) for China and Paul (1971:M3–M4) for India.

handed to the various District Collectors for implementation.<sup>70</sup>

In both nations, deliberation by local levels, is, in a sense a constitutional requirement: local governments of different levels are *obligated* to report on both conditions and progress on developmental issues to higher levels, and the latter are supposed to solicit and cumulate these findings.<sup>71</sup> Unlike India, however, China's efforts at local-level deliberation have had two distinct institutional incarnations. In India, there has been an overall trend, starting with the Second FYP, intensified in the Fourth FYP, and continued through the seventies and eighties with the new *panchayati raj* movement of the eighties toward increasingly more institutionalized and refined village-level involvement in the planning process.

In China, the earlier more radical attempt at local-level deliberation occurred at the behest of the decentralization drives that revolved around the *Great Leap* of the late fifties and early sixties. In these, the *commune* and its three-tiered governmental system—including the commune itself, the brigade, and the team—became the local warehouse of planning and implementation; the commune was the two-way fulcrum of information flow from the localities to the provincial government. Roland Berger (1975) reports that in a manner similar to the guidance planning of India, the SPC sends directives to the provincial governments, who in turn would direct these provisional targets downward for local

---

<sup>70</sup>This section relies on Inamdar (1992); Paranjape (1984); Economic Advisory Council To The Prime Minister (1983); Hooja and Mathur (1991); Mathur and Narain, eds (1969); Sen (1972) provides a detailed account of the methods and techniques used by state-level planners; several state-based studies of this general process are studied in the articles by Devendra Babu, The Hunger Project, PRIA, and G. Palanithurai in Palanithurai, ed (2006).

<sup>71</sup>Constitution of China, Chapter III, Section 5, Article 110.; Constitution of India, Part IX, Articles 243 (in particular see 243G, 243Y, 243ZD, 243ZW).

level consideration, refinement and discussion into nine rough divisions of the economy (akin to India's state-level "departments.") In a manner analogous to the disaggregation of goals and quotas from the district to the village level in India (which began in October 1952), the administrative regions (the immediate sub-provincial level) similarly coordinates different aspects of their own regional and sectoral portion of the plan with townships, factories and counties at lower levels. Deliberation then occurs at these lowest levels of aggregation.<sup>72</sup>

### 3.5 Conclusion

Thus the procedures used by both Chinese and Indian planning systems to elicit, compile, synthesize and transmit the information from lower rungs of the polity are remarkably similar. The "approval" process that transforms draft plans and proposals into the raw material for the actual plan (a plan document in India, Materials Balance sheets in China) is thus a two-way street, or "two sides of the same coin." (Berger 1975:558). I have argued in the previous chapter that the central political leadership wanted the planning process to become decentralized over time, since they were interested in coordinating preferences over the direction of the economy as well as in assessing the feasibility of particular goals. This search for appropriate and passable laws is naturally part-and-

---

<sup>72</sup>See Meenakshisundaram (1994:38-40); Berger (1975:559-561); Lyons (1990:48).

### Local Level Deliberation in the Indian Plan

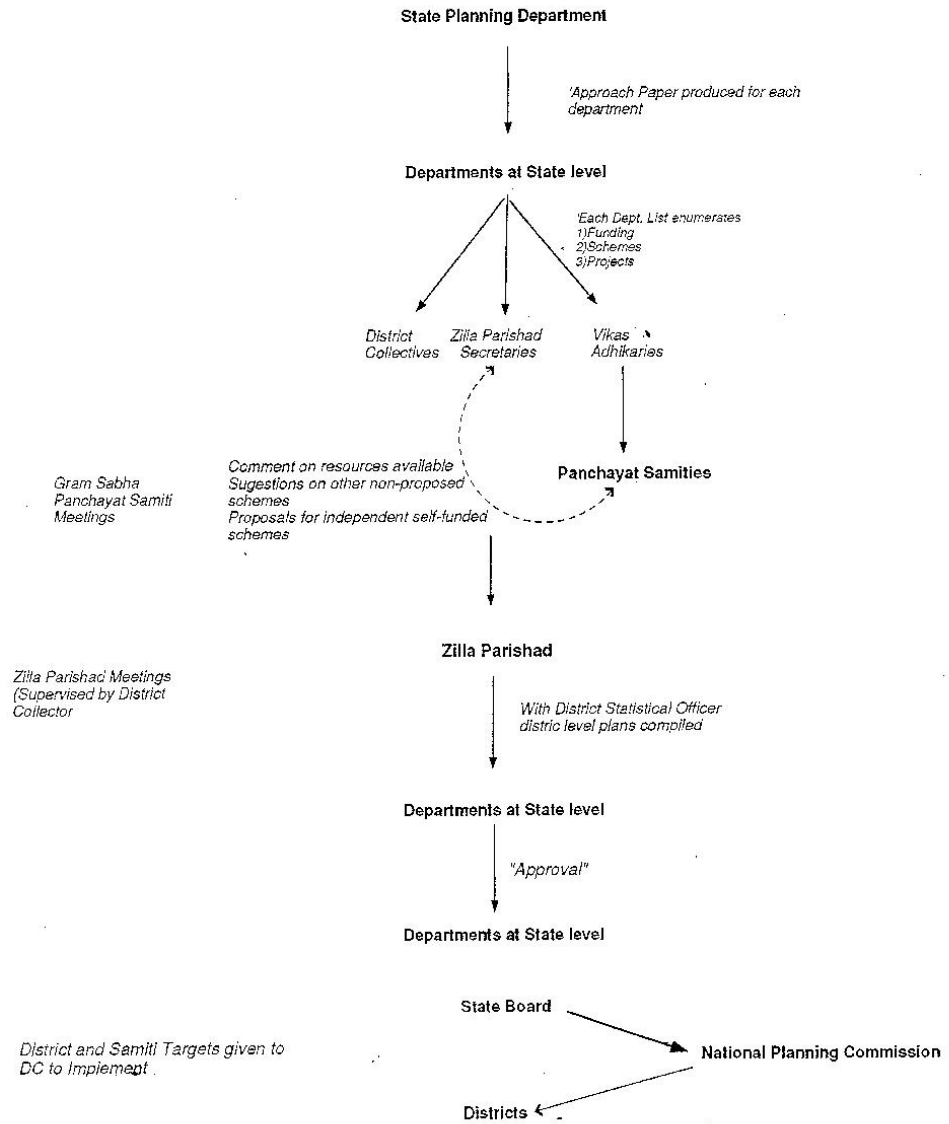


Figure 3.1: Local Level Deliberation in the Indian Plan

## Formulation and Implementation of Central Planning in India

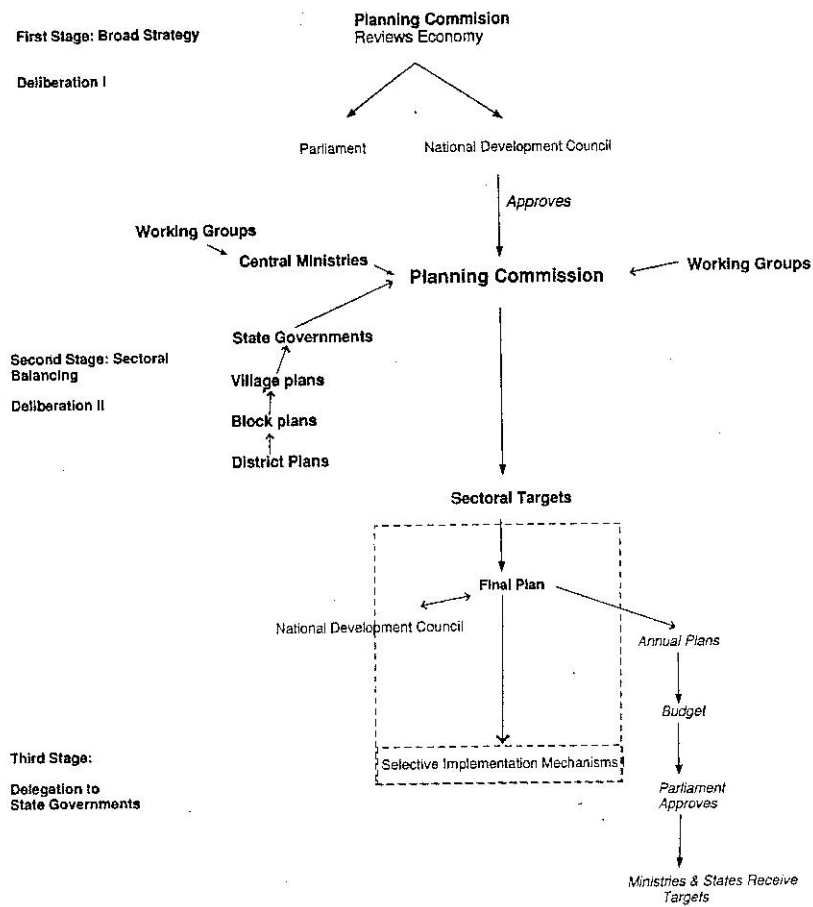


Figure 3.2: Formulation and Implementation of Central Planning in India

Formulation and Implementation of Central Planning in China

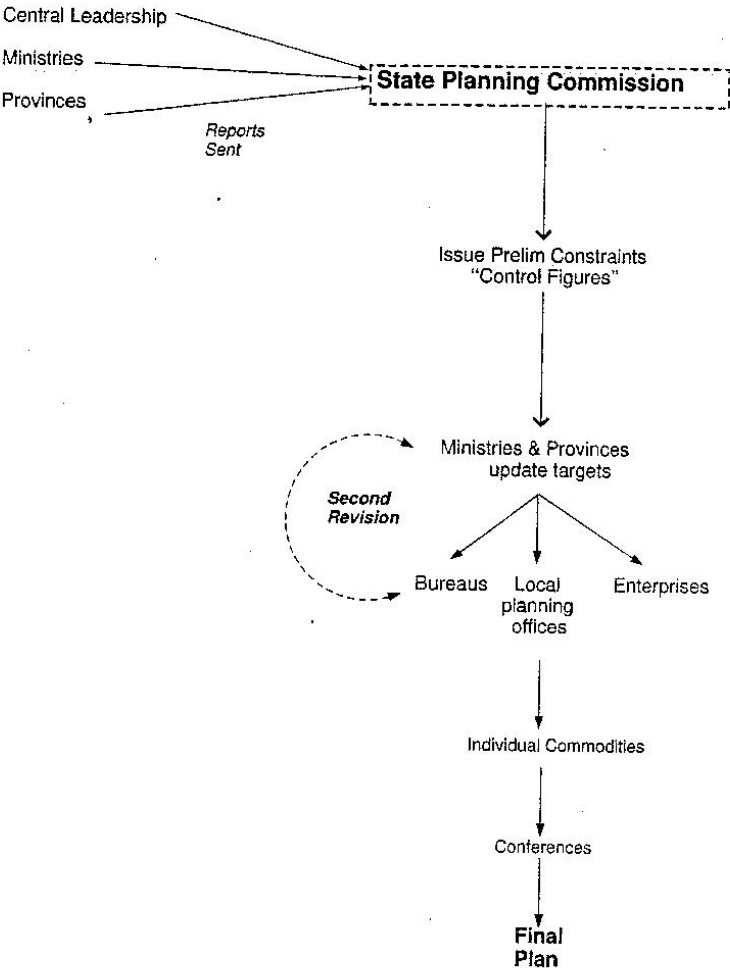


Figure 3.3: Formulation and Implementation of Central Planning in China

parcel of the experimentation that took place with decentralized planning.

Both Nehru and Mao wanted the search for the appropriate divisions of authority and responsibility for planning to constitute a genuine process of discovery. During the decentralization drive launched at the beginning of the *Great Leap Forward*, authority was devolved in order to facilitate greater efficiency in gathering information from the local levels. Officials were asked to (in a recurring theme of Maoist campaigns) “personally investigate.” And, also in the great style of “long march elders” politics—continued by Deng and Jiang in the nineties—Mao undertook his own personal extended national tour as a public exercise of personal investigation in early 1958.<sup>73</sup> And to show that these words were not *only* words, Mao publicly disavowed his own earlier ready assimilation of Soviet methods and experience throughout this campaign and then urged party and state leaders to examine the “fundamental political and economic assumptions with which they approached their work.”<sup>74</sup> He was urging these local leaders to devolve power and responsibility in a meaningful way, so that decentralization would not merely reduce to chaos, but instead constitute a pragmatic yet principled search for the appropriate division of authority.

While we may think that these type of musings are and were too abstract for the relatively uneducated planners, a more careful review of what the planners actually *did* forces us to rethink such quick dismissals. Often the solution to an administrative problem—like all problems—is to initially render it in an exaggeratedly abstract manner. As Lucian Pye observes, administrators would also

---

<sup>73</sup>Harding (1981:169).

<sup>74</sup>Harding (1981:172).

retreat to the reified language of ideological goals in the presence of concrete hindrances, where the range of preferences may be too wide and where unity may be lacking on a particular issue.<sup>75</sup> This is a crucial quality of deliberation. As it turned out, nothing was too abstract for the planners; this was the case not just for India's over-trained professional statisticians but also for the less formally educated Chinese planners. The conferences that the Maoist mobilization campaigns sponsored "were held in a number of central ministries to consider "politics rather than business", the "abstract" rather than the "concrete", and "theory" rather than "reality."<sup>76</sup>

It is thus no coincidence that both the Indian and Chinese planning systems quickly started to emphasize a bottom-up highway of information gathering in juxtaposition to the presumed primary channel of centralized command, which is the hallmark of central planning. The last chapter highlighted how the overall trend in both planning systems was a simplification of the latter and an intensification of the former channel. In China, as early as 1943, Mao Zedong exhorted the consolidation of the *mass line*, whereby he insisted upon the active gathering of information from the lowest level of aggregation, its consolidation across rungs of information processing, and finally, its dissemination as a conjoined unit of party policy.<sup>77</sup> Moreover, this process was to be repeated, *ad infinitum*, until the search for the optimal policy was rendered "over and over again in an endless spiral, with the ideas becoming more correct, more vital and richer each time."<sup>78</sup> In India, this process started early on, with the Second FYP;

---

<sup>75</sup>Pye, page 49.

<sup>76</sup>Harding (1981:172).

<sup>77</sup>Berger (1975:558).

<sup>78</sup>This is from Mao's On the Correct Handling of Contradictions among the people. Quoted in Berger (1975:558).

the Third and Fourth FYPs extended the advance “mass line” process there, and the difficulties in gathering information upward through the planning hierarchy were squarely addressed.<sup>79</sup>

Thus, the scale constraints of Indian and Chinese geographic diversity imposed upon the wishes of the first generation of planners and politicians; while their wish was to approximate a degree of derivative but Soviet-inspired centrally planned socialism (in India) and peasant communism (in China) through the command economy, these efforts were stymied by a variety of informational bottlenecks, which prompted a search for consensus, which called for a de-centralization of administrative procedures around planning. The actual mechanisms erected by the planned apparatuses through the sixties and into the seventies reveal both the glaring imposition of these structural conditions and the solutions the planners tried to implement in addressing them. As such I can make two claims by way of summarizing the discussion so far. First, sufficient motivation for and demand for deliberative institutions existed in the planning processes. Secondly, the planning processes supplied these deliberative functions in no mean measure.

---

<sup>79</sup>The Planning Commission asked the villages and districts to start drawing up their own planning assessments in April 1954 (Malenbaum 1963:159-160); the first guidelines for district level planning were enumerated in 1969 (Rao 1989b:1399).

### 3.5.1 Differences with existing studies on Chinese and Indian Bureaucratic Organization

In this section I consider the difference with the focus on the *deliberative* mechanisms within the Chinese and Indian administrative hierarchy of central planning and the traditional approaches to studying bureaucratic organization in these two countries. Overall, I argue that the approach offered in this thesis complements and builds upon existing research on these two countries and replaces some normative characterizations with positive-theoretic analysis. The information gathering processes within Indian and Chinese administration have been studied, with slightly different perspectives, in both sets of literatures; in Chinese studies, the present thesis falls within the purview of the “fragmented-authoritarianism” school of studying bureaucratic organization and policy-making, and in Indian Studies, the arguments in this thesis supplement existing studies that consider the function of interest groups and lobbying processes within the bureaucracy as a pivotal actor in India’s “political economy.”

The dominant tradition in Chinese studies on bureaucracies holds that below the very apex of the governmental party structure, the Chinese decision-making apparatus can be characterized as a “fragmented authoritarianism” system, in which decision-making and implementation procedures are “loose and disjointed.”<sup>80</sup> In this type of system, agreement and informal ratification are

---

<sup>80</sup>Lieberthal and Oksenberg (1988); Lampton (1992); Halpern (1992); Shirk (1992, 1993); Bachman (1991).

needed across a variety of bureaucratic bodies—those that are functionally relevant to a given policy bundle—before a policy can be accepted and begun to be implemented.<sup>81</sup> Moreover, the authority division between these bodies may not be very strict; what is relevant is that acceptance amongst the relevant bodies is needed to facilitate overall policy coherence and to indicate the viability of policy implementation on the ground.<sup>82</sup> The proponents of this paradigm submit that the behavior of this type of “fragmented system” is somehow contrary to “rational” decision-making, that it “weakens” the system of governance, and that it creates a preponderance of haggling and bargaining over particularistic deals that often leaves the original policy in diffuse disarray.

Studies on contemporary bureaucratic politics in India share a similar normative bias when studying the effect of bureaucratic organization on measures of development, growth and efficiency. Like their counterparts in the Chinese “fragmented authoritarianism” tradition, these studies link features of bureaucratic organization, practice and informal norms to perceived causes of slowdown, retardation of policy and non-implementation of central directives. In studies that seek to interpret the effect of bureaucratic organization in policy terms, scholars focus on the prevailing features (akin to the “fragmented” and “disjointed” character of Chinese bureaucracies) obfuscation, delay and evasion by local state agents.<sup>83</sup> Since “party” and “state” (i.e., the bureaucracy) can be

---

<sup>81</sup>Scholars in the bureaucratic tradition emphasize the “fragmented” nature of authority in the Chinese system to also challenge a dominant school of thought within Chinese studies that emphasized the relative unity of Leninist regimes.

<sup>82</sup>This view is presented in the first chapter of Lieberthal and Oksenberg (1988) as well as in the “Introduction” to Lampton (1992).

<sup>83</sup>For example, Robert Wade (1985) focuses on the internal corruptibility of transfers within bureaucratic arrangements to explain retardation of developmental initiatives; Peter Evans (1995b:60–69, 88) emphasizes the semi-*predatory*, rapacious tendencies of Indian state bureaucracy resulting in the mixed results of less-than-satisfactory industrial transformation; an ever harsher assessment is made in Lal (1988) who criticizes the bureaucratic autonomy of the In-

more clearly isolated in the Indian case, however, the normative thrust of these studies is even stronger; as a result of the “wasteful” and “rent-seeking” nature of the Indian bureaucracies, scholars diagnose that the Indian polity is subject to a host of societal pressures, proprietary interests, and organized lobbies that have diminished the effectiveness from the Union government’s stated goals of central planning (Chibber 2002, 2003, Denoon 1998, Pedersen 1992) and from effective economic change (Rudolph and Rudolph 1987; Kohli 1989, Varshney 1985, 1999, Bardhan 1984). In the language of these analyses, “red tape”, corruption, and endemic non-implementation of central goals by state-level and sub-state level agents have been the hallmark of the Indian governance system.<sup>84</sup> Indeed, what we know of implementation of policies in India, going as far back as the half-hearted attempts at collectivization and the failed land reforms of the fifties/sixties is that local agents (who serve multiple principals) may happily ignore policies as if these policies did not exist, owing to the exorbitant amount of discretion they are given.<sup>85</sup>

Both of these traditions of studying bureaucratic politics—by treating features of bureaucratic organization and professional culture as independent

---

dian state on several fronts, while a milder criticism in a similar vein is provided in Joshi and Little (1987). The wasteful tendencies of particularistic interests that have infiltrated regulatory agencies is explored in Krueger (1990) (a general treatment with application to the Indian case), while the particular ineffectiveness of the *planning bureaucracy* in India is considered in Chibber (2002).

<sup>84</sup>Pedersen (1992);Bardhan (1984).

<sup>85</sup>7:80–82. While this is often attributed to the fact that these agents *are* responsive to incentive systems put in place by state-level leaders of the provinces on some occasions and on their central ministerial superiors on others, for most of the early years the center and the regions had the same political party in power (Congress), until this party began to see its unquestioned hold over the regions diminish intermittently since 1967. In northern India, where the land reforms and other policies of the New Delhi government failed just as strongly as they did in the provincial anti-New Delhi Dravidian south (where anti-centrist regionalism is strongest in India), Congress hegemony was unchecked until well into the eighties; so this explanation is not very robust.

variables and by considering the dependent effects on measures of economic development—share certain blind spots due to their excessively normative and insufficiently analytic approaches; these studies treat as axiomatic the corrupt, wasteful and redundant features of agency behavior in these countries.

In contrast, in this thesis, I follow a minority tradition within the study of bureaucracies that seeks to counteract this consensus viewpoint that informs studies of bureaucracies in general and of Chinese and Indian development in particular.<sup>86</sup> In this tradition, what have traditionally been seen as “weaknesses” of bureaucratic life, such as the ones characterized above, have in alternate treatments been viewed differently. In these more critical perspectives, much of the “muddling through” behavior of state agents and its associated pathologies are viewed as rational responses to the environmental and political uncertainty that they operate in.<sup>87</sup>

For example, in our context of bureaucratic planning, corruption and other such endemic bureaucratic phenomena may arise out of the central planner’s attempt to control the local agent in light of a welfare maximizing objective function whose form may not be immediately obvious. For example Jonathan Bendor (1985) explains why one may see duplicate processes at work in agency behavior that on the surface appears to be merely wasteful or repetitive; “parallel systems” in bureaucracies are erected, Bendor instead argues, because of

---

<sup>86</sup>Earlier (and some more recent) proponents of this “minority tradition” include Landau (1969, 1973b,a); Niskanen (n.d., 1975); Lindblom (1959); Bendor (1985, 1995).

<sup>87</sup>‘Rationality’ here refers to the political economy usage, as opposed to “bureaucratic rationality” or “Weberian rationality”; in rational choice analysis an individual’s preferences (and by extension her choices) are said to be rational when they satisfy certain technical criteria (a binary relation on a finite set that satisfies transitivity and completeness axioms).

the high probability of failure on any given pathway to the eventual policy goal. Multiple simultaneous processes mitigate against informational imprecision and other uncertainties. Another example is found in the work of Abhijit Banerjee and Rohini Somanathan (2001), who discusses the prevalence of red-tape—found for instance in Indian economic development—under the purview of a benevolent central planner. Calling such phenomena as red-tape or bribery “misgovernance”, Banerjee argues, may mis-apprehend the rapacity of local government agents in that it does not adequately consider why these agents must be having the discretion to act in such rapacious ways to begin with. He argues against such pejorative labels by first recognizing that governments seek to act precisely where markets may either be incomplete or failing on the supply side, thus prompting governors to assign broad delegatory powers to local agents. In other words, these inefficiencies may have rational explanations.<sup>88</sup>

While the present study retains the focus on the primary importance of bureaucratic organization offered by these studies, it differs with them on the welfare effects of these features; in other words, our treatment renders these features *as* rational responses to a system that has a plurality of voices, concerns and interests that seek to make their positions heard within the confines of a particular policy. As such I do not necessarily see this authority as “fragmented”, in that meaningful divisions within the authority that decides on policy shifts is, I postulate, a key feature of all large-scale systems. Nor do I focus on the tendency of multiple interest groups to “slow-down”, halt, or alternately “fracture” the policy-process in India. It is interesting to note that while both take

---

<sup>88</sup>This discussion can go as far back as James Scott’s 1976 novel interpretation of corruption. Another exception to the view of bureaucrats as sources of inefficiency is found in Robert Wade’s (1982) innovative study of irrigation systems in India.

the regime characteristics of these regimes as salient, they differently emphasize the same quality of policy phenomenon: *slow-down* and a retardation of the evolution of policy change.

As theoretical explanation as well, these existing studies do not provide a particularly persuasive explanation. Most of the works cited above settle upon issue-specific case-studies with very little in terms of generalizable claims that can effectively travel from case to case; rather they offer insightful (and persuasive in their own right, given the value of what I learn from the case) interrogations of particular instances of policy slow-down and attribute these to either the “fragmented” or “fractured” nature of policy change. They also attribute to the bureaucracy an interest-driven role in this process, in that the policy bureaucracy is seen as an organized interest in its own right. Exemplary of this orientation in the China field China field is David Bachman (1991), who explains the failures of the Great Leap Forward as a capitulation by the CCP leadership to different organized planning interests. Similarly, Pranab Bardhan (1984) sees bureaucrats as an entrenched interest that may oppose change in some instances while promoting it in others. Without such ability to generalize, conclusions of the above-mentioned works consider the normative implications of their analysis; overall, the implication in both sets of studies for these two countries is that these types of particularism in bureaucratic behavior have a welfare-reducing effect on optimal policy design and execution.

The lack of theoretical generalizability is of relevance not just for its aesthetic or abstractly methodological concerns. Rather, these treatments encounter dif-

difficulties when considering the variation we observe, for example, in the policy process, as it pertains to the bureaucracy. If these polities are plagued by bureaucracies in the manner that these studies suggest—such that they can over-ride leadership goals and imperatives—than how do those same bureaucracies turn around and promote reform and policy success in other instances? Invariably, analysis must introduce new variables and new considerations to account for the observed variation. Also, it is difficult to reconcile deficient-bureaucracy explanations (for policy failures) on one hand with the power of social and/or leadership groups (Bardhan 1984, Rudolph and Rudolph 1987, Kohli 1989), or entrepreneurial groups (Pedersen 2000) and leadership strength on the other hand (to explain policy success). The same explanation (however imperfect in its own right) should at least attempt to account for the variation with the same set of explanatory factors.

For example, in the case of China, what is clear is that the fortunes of the planning efforts are directly correlated with fissures within the leadership. The SPC in China became more irrelevant and dysfunctional precisely in periods of heightened Maoist ideological ascendancy, and rehabilitated itself in periods of divided leadership where pragmatism and less radical postures were taken by the political leadership. Presumably, the fragmented authoritarianism of the system did not radically shift from period to period, but the outcomes did indeed vary. The ability of the leadership to effectively generate a *consensus* seems to be the main ingredient in explaining either the periods of rehabilitation or the periods of reform; conversely, the inability to generate this consensus seems to have slowed down policy as the process would reflect the compromises effected by top political leaders.

Similarly, in the Indian context, while the entrenched power of bureaucrats is certainly well-documented, it is also true that different political administrations could alter the effectiveness of the planners' efforts at implementing the FYPs effectively. Here I note the relative success of planning under Nehru (up till 1964), the deterioration of planning under Lal Bahadur Shastri's administration—which was suspicious of planning and much of Nehru's *dirigisme*—or the renewed focus upon poverty alleviation schemes implemented, not unsurprisingly, under Indira Gandhi's populist appeals of *Garibi Hatao* in the mid-seventies. Furthermore, as Atul Kohli (1989) has emphasized, the bureaucracy was responsive to the renewed efforts of a close coterie of administrators in the Rajiv Gandhi administration as India began to consider efforts to liberalize its close economy in the mid 1980s.

Thus, while this thesis retains the emphasis upon the “fragmented” and (at various times) welfare-reducing effect an expansive bureaucracy has had on traditional efforts at planned growth and reform, I instead consider a more systematic relationship between leadership and bureaucratic organization. In particular, I wish to consider how provisions for deliberation were altered in rational response to salient policy divisions within the political authority that was debating changes in economic strategy, and the relatively apolitical economic *planners* that sought to mediate the “facts on the ground”—of a somewhat recalcitrant, regionally diverse, and differently endowed planning hierarchy—with the political vision (often “fractured” and “fragmented”) that emanated from the top party leaders.

This thesis also retains the focus upon the efforts of different groups and organized interests to *lobby* through the planning process, and the importance of these groups in altering the implementation and effectiveness of economic policies. However, since I want to consider how this lobbying effort varied across time in a consistent (i.e., explainable) manner, I seek to integrate this focus within the search for consensus within bureaucratic processes that actually facilitated and sought to implement this economic change—the planning apparatus.

For example, in the models I study in the next chapter, I attempt to link divisions within the leadership to different institutional choices made by the planner in how policy changes were discussed within the planning bureaucracies. I also study how the advantage gained by these institutional alternatives available to planners had importance in the *post-planning* period of economic reforms as well; counter-intuitively, the political leadership revamped and reinvigorated the planning bureaucracies in multiple stages just as the traditional planned economy began its journey “out of the plan.” It is precisely *since* these continental-sized polities were so fractured (both in bureaucratic and in leadership senses of the word) that they relied so heavily upon norms within the planning process to prevent these divisions from becoming unmanageable.

CHAPTER 4  
CONSENSUS DELIBERATION AND DIVIDED LEADERSHIP

### 4.1 Introduction: The Need for a Unifying Framework

As argued in the last chapter, existing approaches to studying bureaucratic organization in China and India leave room for modification in several ways, especially as they apply to the effect this internal organization has on designing and shaping policy outcomes. In particular, these studies encounter difficulties when attempting to account for *variation* across individual case studies of policy-making, even when these are restricted to one nation. Since these studies focus overwhelmingly on the “pathological” nature of bureaucratic performance in these two systems—on slowdown, delay, corruption, “fragmented authority”, etc—they share a reluctance to view agency behavior more dispassionately; the analysis is typically normative and the focus is largely on the welfare-reducing effects of having to filter policy change through the governmental hierarchy. The insufficiently analytic approach cannot account for the fact that the same system of rules and procedures is sequentially responsible for pathological policies as well as incredibly innovative ones; while in some policy spheres the Chinese and Indian polities often seem “stuck in the sand”, in others they often experience rapid policy progress; while the moribund bureaucratic organizations underlay the policy stagnancy of certain periods in their developmental, pre-reform eras, these same moribund bureaucracies played a critical role in getting reforms off the ground, surpassing all predictions of reform failure and

reversal.

Clearly, a unifying explanation must account for this variation. For example, in the case of China, what is clear is that the fortunes of the planning efforts are directly correlated with fissures within the leadership. The SPC in China became more irrelevant and dysfunctional precisely in periods of heightened Maoist ideological ascendancy, and rehabilitated itself in periods of divided leadership where pragmatism and less radical postures were taken by the political leadership. Presumably, the fragmented authoritarianism of the system did not radically shift from period to period, but the outcomes did indeed vary. The ability of the leadership to effectively generate a *consensus* seems to be the main ingredient in explaining either the periods of rehabilitation or the periods of reform; conversely, the inability to generate this consensus seems to have slowed down policy as the process would reflect the compromises effected by top political leaders.

Similarly, in the Indian context, while the entrenched power of bureaucrats is certainly well-documented, it is also true that different political administrations could alter the effectiveness of the planners' efforts at implementing the Five Year Plans. Here I note the relative success of planning under Nehru (up till 1964), the deterioration of planning under Lal Bahadur Shastri's administration—which was suspicious of planning and much of Nehru's *dirigisme*—or the renewed focus upon poverty alleviation schemes implemented, not unsurprisingly, under Indira Gandhi's populist appeals of *Garibi Hatao* in the mid-seventies. Furthermore, as Atul Kohli (1989) has emphasized, the bu-

reaucracy was responsive to the renewed efforts of a close coterie of administrators in the Rajiv Gandhi administration as India began to consider efforts to liberalize its close economy in the mid 1980s.

The variation that needs to be accounted for is not only limited to the different episodes of economic development in the pre-reform period—in *both* China and India. Any robust explanation should also attempt to accommodate—as is required by the larger puzzle in this thesis—the onset of economic reforms and the period of liberalization. That is, we should not have to turn to another set of explanatory factors to explain how the period of economic of economic reforms share some of the weaknesses of those studies that tried to make sense of the traditional developmental period of Maoist China and Nehru-inspired *dirigiste* India. For example, in the case of the latter, which has witnessed several attempts to liberalize the economy prior to its final push in 1991, authors typically offer a different explanation for each episode of liberalization.<sup>1</sup>

As stated in Chapter 1, the lack of opposition to economic reforms despite the dramatic contest over elections and parliamentary seats is a glaring political puzzle, the lack of a satisfactory answer to which has prompted some observers to attribute the lack of division over economic reforms due to their “stealthy” manner of implementation.<sup>2</sup> The idea here is that by not promoting liberalization in a dramatic fashion with excessive fanfare, successive governments were able to maintain continuity in the reform agenda without providing space for

---

<sup>1</sup>For an effective refutation of the *ad hoc* nature of these arguments in the case of India see McCartney (2009). Also see ?, Pedersen (2000), and Denoon (1998) for less critical syntheses of existing arguments.

<sup>2</sup>See Jenkins (1999); also see an earlier insight by Ashutosh Varshney (1998) along similar lines.

political disruption to a delicate policy process. However, this only begs the question: Why was there an agreement between political parties if this were the case? In an open democratic forum, with a vicious political marketplace where competition is indeed ruthless, the question is why *wasn't* the stealthiness of these reforms not brought to light by political opposition who could have easily tried to make “political hay” while the light of economic reforms shined?<sup>3</sup> In other words, “reforms by stealth” is not an explanation for the explanandum, the existence of a consensus itself.

Alternately, some studies offer the viewpoint that there must be some degree of state autonomy to enable and implement a reform process. Perhaps the theoretical approach in this thesis has some minimal overlap with such arguments, since without the independently designed and evolved institutions of *central planning* reforms had no platform that could bring together diverse regional and sectoral viewpoints; further, the institutions of deliberation which were the micro-foundation of the planning process (as shown in *Chapter Three*) facilitated the aggregation of concerns, the expression of ground-level vetoes and the necessary discussion over policy initiatives handled by the state/provincial and sub-state/sub-provincial subsystems in China and India. The arguments in the thesis have attempted to go further and to actually specify what these micro-foundations of “state autonomy” are, without which the latter is a less-than-precisely stated term of art.

Thus, in the treatment of this thesis, the institutional features that explain

---

<sup>3</sup>For a convincing and comprehensive refutation that *any* electoral logic prompted opposition to reforms by any of the major political parties—which it didn't—see Panagariya (2004c).

the rather unproblematic and sharp turn of economic management away from autarkic, closed, socialist-inspired state-led growth in China and India were founded upon the critical intervening institutions of deliberation in central planning that had been evolving and meeting with repeated bouts of experimentation and reformulation throughout the sixties and seventies. By the late seventies, as a less ideologically charged leadership was beginning to move away from the more leftist policies of the seventies, the micro-institutional foundations of this shift were already installed in the state's capacity for bureaucratically managed economic change. This is a trend that was unaltered (but only intensified) throughout the eighties and the nineties, despite the occasional voicing of opposition by leftist and nativist/nationalist parties in India and conservative minority factions (where conservative is anti-market Maoist) in China.

Thus, while the theoretical approach—presented formally in this chapter—retains the emphasis upon the “fragmented” and (at various times) welfare-reducing effect an expansive bureaucracy has had on traditional efforts at planned growth and reform, I instead consider a more systematic relationship between leadership and bureaucratic organization. In particular, I wish to consider how provisions for deliberation were altered in rational response to salient policy divisions within the political authority that was debating changes in economic strategy, and the relatively apolitical economic *planners* that sought to mediate the “facts on the ground”—of a somewhat recalcitrant, regionally diverse, and differently endowed planning hierarchy—with the policy shifts (often “fractured” and “fragmented”) that emanated from the top party leaders. Likewise, the modeling approach also retains the focus upon the efforts of different groups and organized interests to *lobby* through the planning process, and

the importance of these groups in altering the implementation and effectiveness of economic policies. However, since I want to consider how this lobbying effort varied across time in a consistent (i.e., explainable) manner, I seek to integrate this focus within the search for consensus within bureaucratic processes that actually facilitated and sought to implement this economic change—the planning apparatus.

To summarize, in the model I study in this chapter (and consider the implications of in the following two chapters), I attempt to link divisions within the leadership to different institutional choices made by the planner in how policy changes were discussed within the planning bureaucracies. I also study how the advantage gained by these institutional alternatives available to planners had importance in the *post-planning* period of economic reforms as well; counter-intuitively, the political leadership revamped and reinvigorated the planning bureaucracies in multiple stages just as the traditional planned economy began its journey “out of the plan.” It is precisely *since* these continental-sized polities were so fractured (both in bureaucratic and in leadership senses of the word) that they relied so heavily upon norms within the planning process to prevent these divisions from becoming unmanageable.

### 4.1.1 Model: Consensus Deliberation

The game in this chapter studies the relationship between leadership unity (around a policy shift) and the amount of discretion that is allotted to state agents who consider policy shifts. The game makes claims about how variation in this unity amends the planner's proposals to the bureaucratic hierarchy, and how this in turn leads to different deliberative environments where the policy is discussed. Different deliberative environments denote different types of strategic information transmission regarding the policy initiatives that are considered by local planning agents. This chapter's model thus attempts to make more precise the role of information transmission within the governance of economic planning in China and India.<sup>4</sup>

The game takes as its baseline framework the Crawford and Sobel (1982) technology common to all sender-receiver games in the recent literature on manipulative experts. I study a variant of a simple cheap-talk signaling game in which the deliberative functions of bureaucracies are modeled as communication problems between a Central Planner, factions of the political leadership, and bureaucratic agents who have heterogeneous preferences. These devices provide for vertical information transmission along the rungs of the bureaucratic hierarchy and through a search for "reasonable" policies facilitate the long-term alignment of preferences among its levels. The main theme in this paper is that the ability of different factions of the leadership to coordinate their

---

<sup>4</sup>I study the information content of this bureaucratic hierarchy fully well recognizing that this might not be the most glaring "political problem" of organizing bureaucratic behavior in these countries, but only that it is *an* important one.

response to any proposed shift in policy affects the type of deliberation that agents engage in and in turn affects the policy changes that actually take place. One of these deliberative environments is that of *consensus deliberation*.

First, I establish the premise, unremarkable in and of itself, that leadership support behind a policy shift dictates *what* a planner tries to get implemented and *how* she goes about securing bureaucratic compliance for its implementation. In other words, the planner considers the type of support a policy proposal has before sending it down the rungs of the agency for deliberation and implementation.

I use these premises to study the benefits and costs of leadership coordination, which stems from the conflict of interest between the key players. The political (party) leadership is interested in and sees the benefits of coordinating around a proposed shift in policy, although different factions of the leadership have individually different preferred policies; together these factions would like to minimize bureaucratic non-compliance and maximize the quality of information they receive from these agents. Without a doubt, the central planner for her part cares about this compliance and this information, but is most interested in seeing her policy shift proposed and implemented. (Some faction of the leadership may be starkly opposed to this in the first place, for example.) The agents who actually have to whet and eventually implement these changes in the central plan want to insinuate their biases and capture as much discretionary leverage as they can in the task of doing so. All sets of players *do* care about the *realism* of policy shifts—in that any shift in policy must always

reflect a compromise with actual conditions “on the ground”—but they have divergent preferences about what is most important. The model makes these premises more precise.

The analysis that follows from these divergent preferences does suggest a few interesting and testable claims. Leadership unity is not a panacea for seeing the right changes made in either the goals or the particulars of a class of policy concerns; such unity does manage to push through high-risk (and, perhaps high-return) policies with relative ease and savings on bureaucratic-informational drift, but in other instances also enables the rigid retention of the status-quo *when* drastic changes are of the essence. The contrapositive of this statement is that dangerous policies—the product of unhealthy experimentation for example—can speed to rapid implementation, with disastrous results, and thoughtful correctives to stagnant and degenerate conditions may be hastily and irrevocably consigned to the dustbin of policy history.<sup>5</sup>

In times of sharp leadership divisions on the planner’s recommendations, discretionary bias allotments are higher, but there is always the guarantee that piecemeal progress can be achieved without radical disruption. During such times of incremental change, however, the high bureaucratic-informational drift can lead to the retardation or severe slowdown of policy changes requested by the planner. I apply the results of this model to the trials, tribulations and occasional policy successes of Chinese and Indian planning in their early develop-

---

<sup>5</sup>The terms “right policies” and “dangerous policies” are imprecise and only hold relative meaning in context of a particular case and a particular problem in economic governance; the narratives that follow on India and China attempt to bring make this terminology more meaningful in light of the particular histories I am considering.

mental periods.

The saving grace in this setup is the possibility for *consensus deliberation* in the planning hierarchy. Institutional rules dictate that under certain conditions, more effective forms of deliberation can be utilized to “bring more voices to the table.” As such, the game presents two different deliberative institutions within the same extensive form setup and considers how leadership unity affects the planner’s choice between these two, and how the ability of the leadership to coordinate over goals enhances the generation of bureaucratic consensus in the deliberation process.

While these formalizations are not startling in and of themselves from a technical point of view, taken together, these claims about the salience of deliberative institutions are an attempt to differently contribute to our understanding of bureaucratic organization. The previous chapter has presented some of the *political philosophy* claims of the proponents of deliberative within the larger literature of bureaucratic organization and has discussed the applicability and validity of this approach to the two cases I study (China and India). In this chapter I present the formal model and apply the results of the findings to the Chinese and Indian cases.

### 4.1.2 Game Theory: Deliberation and Cheap Talk

The relation of this work to models of deliberation and to bureaucratic organization has been covered in the previous chapter's discussion of the extant literature. Here I mention the specific technology used, and how I seek to build on existing applied models.

The present paper is inspired by and is related to a host of political economy papers that interpret political institutions through the governmental role their informational processes perform.<sup>6</sup> These can be broadly divided into two categories: one in which the organizational authority (or the "principal") cannot fully commit to a particular mechanism, and one in which, in alignment with the traditional principal-agent approach in organizational economics, the authority *can* so commit. (The latter group of papers is considered in Chapter 4, where I attempt to construct a *mechanism design* model of bureaucratic deliberation.) I briefly outline how this present chapter relates to the "cheap talk" literature of strategic information revelation.

Like most applied papers in "cheap talk" analysis of political institutions, I use the Crawford and Sobel (1982) technology to construct a costless signalling environment consisting of a biased expert (a bureaucratic agent) who possesses private information and an uninformed decision or law-maker (a central plan-

---

<sup>6</sup>Bendor and Meirowitz (2004) study several generalizations of the informational role of delegation; Diermeier and Feddersen (2000) describe Congressional hearings in the U.S. in their most obvious interpretation, that of their informational role. Snyder and Ting (2002) study political parties as providers of "informative brands" of governmental content.

ner). Most of the applied papers in this vein use this abstract environment and add elements of a particular organization's design to focus on the institutional features they are interested in isolating. One of the earliest examples of studying political institutions in this way is found in the work of Gilligan and Krehbiel (1987), who provide an informational interpretation for standing committees in the U.S. House of Representatives. A provision is made by House rules for the existence of standing committees that deliberate expertly on the specific implications of a bill. By restricting the flexibility it possess in response to committee recommendations, the house institutes a restrictive 'closed rule' against these recommendations so as to provide an incentive for committees to provide increasingly truthful and accurate advice. Extensions of this line of research are found in Krishna and Morgan (2001a), who evaluate the relative salience of the institutions Gilligan and Krehbiel study (open versus closed rules) with greater precision and Dessein (2002) who makes explicit the condition under which political authority may choose to delegate rather than engage in communication at all. One of the pioneering examples of this approach in organizational economics is found in Aghion and Tirole (1997), who argue (more generally) that a principal may delegate formal authority to an agent so as to provide similar incentives to improve the quality of information gathering by the latter: while *real* authority may be retained by the principal, he/she may delegate *informal* authority to the agent to facilitate this governance goal.

Like these papers, our attention is focused on those equilibrium policies measured from a given status quo policy. Focusing on this particular class of equilibria is appropriate, since laws and regulations seldom arrive from a legal or regulatory vacuum, but are rather extensions and modifications of existing

ones. A shift in policy is usually a decision about how to amend existing authority around a particular issue within a “politically feasible neighborhood”, rather than one about departing radically from existing procedures. In economic planning for example, annual and longer-term meetings by planners considered piecemeal changes to existing quotas and guidelines, and implemented incremental retrenchment or augmentation of existing outlays.

The deliberative model of bureaucratic exchange in this paper differs from existing models in the applied political economy literature (Gilligan and Krehbiel 1987; Potters and Van Winden 1992; Baron 2000; Krishna and Morgan 2001b; Li 2007) on several counts. Structurally, I embed the signaling environment in a larger interaction between a Central Planner and different elements of the political leadership, who *jointly* determine the institutional channels through which information transmission occurs. This is facilitated by the model in two ways. First, this paper endogenizes the selection of the “status quo” policy by permitting the political Leadership to adjust in equilibrium policy proposals sent by the Central Planner for implementation. Secondly, the model also allows this Leadership to delegate variable amounts of allowable bias to the Agents in the planning hierarchy. Both of these magnitudes are endogenized as a function of the leadership’s ability to coordinate over these decisions. This feature, where the Planner can select different reporting/deliberation environments, in a sense allows the Central Planner to facilitate the policy-making process by translating the wishes of the political leadership into different types of reporting institutions. I integrate these concerns of political leadership within the choices of the central decision-maker—or Planner in our parlance—through the use of a partially noise signal to different leadership factions; this Planner

is able to induce different types of deliberative environments through the use of *correlated strategies*. While many applied papers allow leadership to make a selection over alternate institutions where expertise can be generated (for example, Baron 2000 and Gilligan and Krehbiel 1987, 1989; Epstein and O'Halloran 1995), our model attempts to further this approach by embedding the signaling or reporting stages within a *correlated equilibrium*.<sup>7</sup>

Using this equilibrium solution concept, the factions of the Leadership are able to rely upon an agreed-upon *correlation device* to help them select from among a menu of delegation possibilities. Based on an expert understanding of the bureaucratic hierarchy under her purview, the Planner selects the institutional environment within which the Agent or Agents will be asked to deliberate. I consider two environments: single and double agent (consensus) deliberation. The institutional choice generated by single-Agent deliberation in our model is similar to the game studied by Gilligan and Krehbiel (1987) and Epstein and O'Halloran (1994) and the model of consensus deliberation shares features with Gilligan and Krehbiel (1989) and Krishna and Morgan (2001b, 2001a) on how to incorporate multiple senders with different biases.

Through the institution of *consensus deliberation* with two agents, moreover, our model advances another feature: when considering the heterogeneity of the preferences of the two Agents who are trying to achieve a consensus over the proposal, the model allows for the *variability* of this bias by considering its differential effects across a range of preferences for the second Agent. In most

---

<sup>7</sup>To my knowledge, such an approach to model a signaling environment has not been applied in the applied political economy literature.

applications of this approach (Gilligan and Krehbiel 1987; Krishna and Morgan 2001b; Epstein and O'Halloran 1999, 1994) this bias is arbitrarily fixed and held constant for analysis.

The motivation for the concern over these different institutional arrangements was provided in the last chapter, and in the final section of this chapter I use the materials on China and India to substantiate the appropriateness of the stylization of these particular institutional designs. In the next section, I present the details of the models and its major analytic claims.

## 4.2 Model: Leadership Unity and Consensus Deliberation

**Parameters:** There are two parameters of interest:  $\alpha \in [0, 1]$  and  $\beta \in \{0, 1\}$ . The first ( $\alpha$ ) is given exogenously, and measures the fraction of the leadership that supports an impending policy shift proposed under central planning. With  $\alpha = 0$  the leadership is unanimous in its rejection of the policy shift, and with  $\alpha = 1$  the leadership is unanimous in its support of the policy shift. At any value between these two extremes, the leadership is divided in its support. This parameter is common knowledge and purports to be an accurate reflection of the given state of political unity around a proposed change in a law or policy. The second parameter ( $\beta$ ) is a dummy variable for the type of decisionmaking the Central Planner can *choose* to employ for a given policy shift; the rules alternate between *Single-Agent Deliberation* ( $\beta = 1$ ) and *Consensus Seeking Deliberation* with

Table 4.1: A list of variables and parameters used

$a \in \{\text{High, Medium, Low}\}$	An <i>announcement</i> made by the Central Planner ( $P$ ) to individual factions within the Leadership concerning the likely bureaucratic resistance to shifts in current plan allocations.
$\beta \in \{0, 1\}$	Determines deliberative rules. A value of 1 indicates that the two leadership factions have chosen to <i>coordinate</i> their responses to the announcement of a policy shift and 0 indicates no coordination.
$p_s$	The initial announcement of a policy shift made by $P$ .
$s_q$	The status quo (default) policy.
$p_i$	The proposed policy sent by the $P$ after the two leadership factions have announced their positions.
$\hat{b}$	The endogenous amount of discretion allocated by $P$ to $A_1$ after the leadership factions have announced their policy positions.
$\gamma \in (1, \infty]$	The amount by which $A_2$ discounts the allowable bias.
$b$	An exogenous amount of bias held by $A_1$ .
$\theta$	The state of nature.
$r_1(\theta)$	The report sent by $A_1$ under single-agent deliberation.
$r_1(r_2(\theta), \theta)$	The report sent by $A_1$ under consensus deliberation.
$r_2(\theta)$	The report sent by $A_2$ .
$l$	The <i>law</i> passed by the planner after receiving the Agency report(s).

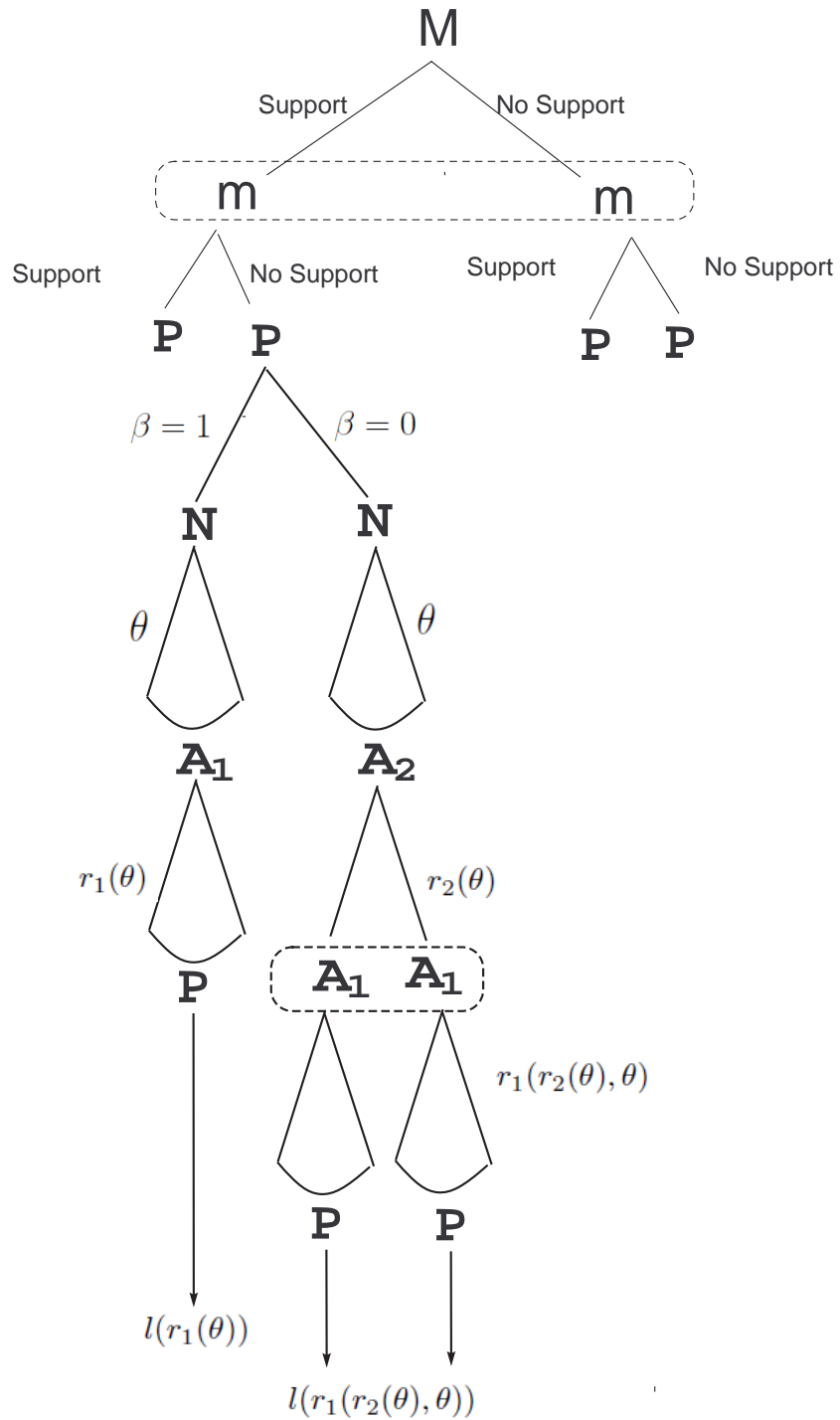
two Agents ( $\beta = 0$ ).

**Players:** There are five players in the extensive game I study, not including Nature.<sup>8</sup> I begin with two individual leaders of two distinct *leadership factions*:  $M$  and  $m$ . I can think of these two individuals as, minimally, two representatives of the two factions, as a majority and minority (opposition) leader, or even as leaders within the Planning Commission that represent two different schools of thought on Planning.<sup>9</sup> Individually these two factions allow the model to capture divisions within the central authority, and the effects of the same on the bureaucratic process of deliberation. The coordination between the Leadership and the bureaucratic agents that deliberate over policy is managed by the Central Planner (P) herself. This individual announces shifts in policy, seeks leadership support for these shifts and then delegates to the bureaucracy the task of deliberating over the policy in question. Finally, in the case of *consensus deliberation*, two bureaucratic agents,  $A_1$  &  $A_2$  allow the model to minimally capture pluralism within the planning hierarchy. These two agents in the planning apparatus are asked to deliberate jointly over the proposed shift in policy. While they react *simultaneously* to the proposed changes, I assume, without any loss of generality, that there exists a hierarchical stratification between the two; namely  $A_2$  is the bureaucratic agent in charge of planning immediately below  $A_1$ . The case of *single-agent deliberation* involves reporting by only agent  $A_1$ .

---

<sup>8</sup>I use capitals to refer to the key players: Planner, Leadership, and Agents.

<sup>9</sup>In the Indian context we can think of majority and minority coalitions within the *Lok Sabha*, and in China we can think different coalitions that form along a vote in the National People's Congress. However, in this paper, I focus more narrowly (and more relevantly) upon factions *within* the political parties that dominated the Chinese and Indian political scene in the early period of planning, the CCP (Chinese Communist Party) and the Congress Party, respectively. In China, of course the CCP still reigns supreme, while in India the party system has become increasingly less dominated by Congress since the early eighties.



An Abbreviated Game Tree for Deliberation Model

Figure 4.1: Game Tree: Single Agent and Consensus Deliberation

## 4.2.1 Stages of Play

### Leadership Stage

The game begins with the Planner,  $P$  announcing a *policy shift*  $p_s$  from the status quo,  $s_q$ . This policy shift can be interpreted either as a change in the magnitude of outlays for a particular sector of the planned economy, as allocated by the central plan itself. This outlay can also be more broadly construed as a measure of the material support that is given to this sector in various other forms—tax breaks, subsidies, loans, etc. I consider two distinct types of shift: Under central planning, for any given dimension of policy, the Authority may wish to promulgate a policy that either *expands* the status quo *ex ante* or contracts it.<sup>10</sup> For example, if a particular sector of the economy is financed and managed under the planning authority, the Central Planner ( $P$ ) may wish to either enhance capacity or, alternately, cut spending and support to this sector.

### Definition

(3a) When the Authority announces a new policy shift  $p_s$  such that  $p_s > s_q$ , this is termed an *expansionary* policy shift.

---

<sup>10</sup>This assumption that policy shifts can be of two types does not alter the mechanics of the model in any qualitative way; it merely allows us to use the results to distinguish these two cases.

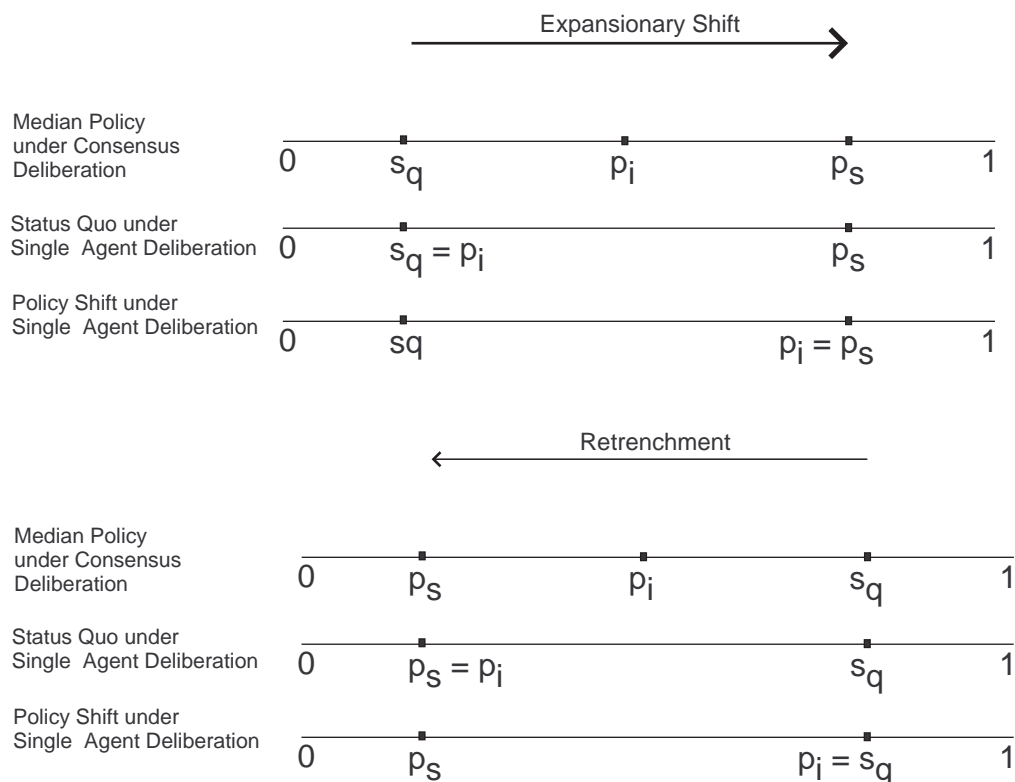


Figure 4.2: Policy Shifts: Retrenchment and Expansion

(3b) When the Authority announces a new policy shift  $p_s$  such that  $p_s < s_q$ , this is termed a *retrenchment* policy shift.

(I do not consider the case where  $p_s = s_q$ , since such a policy shift is redundant.)

After this policy is announced, two factions of the leadership react (or “vote”) on this proposal, in the *Leadership Stage* of the extensive game and play a simultaneous, one-shot game. Each faction of the leadership must choose from a set of binary responses around this policy shift:  $\{Support, Not\ Support\}$ . The dual response determines the value of parameter  $\beta$ . Let  $\sigma_i$  denote the strategy

of player  $i$ . When  $\sigma_M = \sigma_m = \textit{Support}$ , or when  $\sigma_M = \sigma_m = \textit{Not Support}$ , then  $\beta = 1$ . When  $\sigma_M \neq \sigma_m$  then  $\beta = 0$ . Thus  $\beta$  is a measure of the presence or absence of *coordination* among the leadership in its response to policy shifts by the Planner. A coordinated response indicates *undivided* leadership, while an un-coordinated response indicates *divided* leadership around an issue or policy. The factions have mixed preferences over outcomes: each has its own preferred policy position ( $M$  prefers  $p_s$ , whereas  $m$  prefers  $s_q$ ), but there are gains to both from coordinating on a response to any policy announcement by the Planner. The utilities in our environment in particular are as follows:

$$U^M = |p_i - s_q| - \frac{\hat{b}}{2} \quad (4.1)$$

$$U^m = |p_i - p_s| - \frac{\hat{b}}{2} \quad (4.2)$$

The first term captures their preference over ideal policies, while the second term measures the loss due to a lack of coordinated response. The utility representations assume that both factions share equally in the welfare loss due to the discretion that must be permitted to push these policy changes through.

This interaction among the Leadership has two distinct effects, both of which determine the institutional setting under which bureaucratic deliberation will occur. To clarify terminology, I make a distinction between single-agent and double agent deliberative institutions. When there is no coordination between the two leadership factions, I interpret this scenario as one in which there is a lack of political will to seek a bureaucratic *consensus*; only one Agent's viewpoints are solicited in this instance. By assumption, divided support translates

into a proposed policy position  $p_i$  that is a mean compromise between status quo and the policy shift. Further, the amount of bias that this agent is allowed to insulate his report with is relatively larger.

**Assumption 1:** The *strength* of a policy shift ( $p_s$ ) or the retention of the status quo ( $s_q$ ) is determined by the faction of leadership support behind it. For example, if the entire leadership *supports* a policy shift (i.e.,  $\alpha = 1$ ), then  $p_i = p_s$ , and if the entire leadership *opposes* a policy shift (i.e.,  $\alpha = 0$ ), then  $p_i = s_q$ .

**Assumption 2:** When there is an un-coordinated response, i.e.,  $\beta = 0$ , the proposed policy is mean compromise between the extremes of support and non-support, as indicated by the factional leadership positions.

Assumption 1 allows us to relate the response of the political party leadership to the technical specifications of the central planner, who is in principle an apolitical player. The assumption says that if more members of the Leadership support the raw recommendation of the Planner, then the recommendation receives proportionately more support. Assumption 2 captures the idea that the support behind any such policy proposal is further strengthened if divisions within the Leadership can be overcome; if different factions can “get on the same page” and see the collective wisdom of a particular shift in policy, irrespective of factional policy predispositions, this increases the support behind such a shift. To

simplify matters from a computational point of view, I consider a special case of the two leadership factions — majority rule in the leadership; namely, by assumption, one faction ( $M$ ) is the simple majority of leaders (i.e.,  $\alpha > \frac{1}{2}$ ), one faction ( $m$ ) is the minority, and leadership outcomes are always decided in favor of the majority. This assumption allows us to consider only integer values of  $\alpha$ , and does not alter the qualitative results of the analysis.<sup>11</sup> These assumptions yield:

$$p_i = s_q(1 - \alpha) + \frac{1}{2}(p_s - s_q)(1 - \beta)(1 - \alpha) + p_s \cdot \alpha - \frac{1}{2}(p_s - s_q)\alpha(1 - \beta) \quad (4.3)$$

The above rule may seem overly artificial, but, I argue, is actually straightforward and intuitive. The new policy  $p_i$  is a linear combination of the existing status quo and the proposed policy shift. When  $\beta = 1$ , the new default policy is merely found at either of these two endpoints—depending on how the leadership has coordinated its response—while when  $\beta = 0$ ,  $p_i$  is located halfway between these two when the factions  $M$  and  $m$  have failed to coordinate their response to a policy shift.<sup>12</sup>

I further assume that divided support also implies that the amount of bias this agent is allowed to insulate his report with is relatively larger. When the two leadership factions are able to coordinate a response, policy shifts are effectively

---

<sup>11</sup>Long-time observers of Chinese politics at the highest levels of the CCP have observed an operating principle and norm (firmly enshrined since at least 1941) of “democratic centralism” in which the party position would be brought into consonance with the majority viewpoints around a divisive issue (Dittmer 2002:22).

<sup>12</sup>The special case of majority rule in the Leadership that I consider always locates the compromise policy as an exact mean; different selection rules in the Leadership would locate this compromise position at varying points between 0 and 1.

steered either straight to the new proposal ( $p_s$ ), or rigidly retained at current levels ( $s_q$ ); this allows the Planner and the Leadership to economize on the discretion Agents possess. This intuition guides the following assumptions:

**Assumption 3:** Relative to the systematic bias possessed by  $A_1$ , coordination in the leadership response allows the Planner to *halve* the allowable bias from existing levels.

It would seem that an uncoordinated response—i.e., a divided leadership—would retain the pre-existing bias  $b$ , but I further assume that the cost of this bias is greater when a policy shift has only *minority* support (of the faction  $m$ .)

**Assumption 4:** Relative to the systematic bias possessed by  $A_1$ , a lack of coordination in the leadership response forces the Planner to *double* the allowable bias from existing levels.

$$\hat{b} = \frac{2b}{\alpha + 1}(1 - \beta) + \frac{b}{2}(\beta) \quad (4.4)$$

Assumptions 3 and 4 are, taken together, both strong and substantive. Our justification here is that leadership division provides more leverage to Agents to take advantage of these splits at the top; conversely, unity and cohesive lead-

ership diminish this leverage. These are fact of life that are recognized by the Planner, who must accommodate this leverage by acceding to more discretion afforded to the Agents, reflected in the variable amounts of bias,  $\hat{b}$ . Assumption 4 in particular also makes sense because this leverage would naturally be greater (in degree) when only the *minority* is pushing a policy shift, certainly a fact not missed by local agents; such an agent is acutely aware that divided leadership of *this* variety is an indication of very weak support for a policy indeed.

Thus, in instances of a coordinated response,  $p_i$  is located at either of the two positions,  $s_q$  or  $p_s$ —depending on what the Leadership wants—and the allowable bias  $\hat{b}$  is also minimized. The definition implies that under different decision rules, Agent bias can be known to range from  $\frac{b}{2}$  to  $2b$ . Figures 4.1 and 4.2 below summarize the discussion so far:

		<i>m</i>	
		Oppose	Support
<i>M</i>	Oppose	$s_q$	$\frac{p_s + s_q}{2}$
	Support	$\frac{p_s + s_q}{2}$	$p_s$

Figure 4.3: Leadership Effect on proposed policy:  $p_i$ .

		<i>m</i>	
		Oppose	Support
<i>M</i>	Oppose	$\frac{b}{2}$	$2b$
	Support	$b$	$\frac{b}{2}$

Figure 4.4: Leadership Effect on allowable discretion to Agent:  $\hat{b}$ .

### Institutional Selection Stage

In the next step, the Planner submits the compromise policy from the Leadership:  $(p_i)$ , an announcement of the discretion facilitated under the current plan ( $\hat{b}$ ) along with instructions  $\beta \in \{0, 1\}$  about how to gather information for the proposed policy shift.

Depending upon the institutional choice made by the Leadership and implemented by the Planner, two distinct paths of deliberation are followed in this stage. When the Planner ( $P$ ) implements the decision of the Leadership factions  $M$  and  $m$  to coordinate (i.e., when  $\beta = 1$ ), then the Planner  $P$  sends the policy proposal to only one Agent,  $A_1$ , who in turn acts alone without consulting with his immediate lower counterpart in the bureaucratic hierarchy of planning. Alternately, when the Leadership factions have not coordinated over their response, the planning proposal is filtered through a consensus-seeking mechanism of deliberation involving two agents,  $A_1$  and  $A_2$ .

The idea here is that if there is Leadership coordination, then the Planner is less reliant on facilitating a bureaucratic consensus on the ground to push poli-

cies through. Under normal circumstances, however, leadership unity of this type is exceptional in most contexts, and more often than not, I would expect divided support for policy change. In such cases, a mean compromise position is decided upon, and the Planner instead turns to the bureaucratic hierarchy to generate support, consensus, and approval across the various rungs of the hierarchy. To capture this effect, I consider two distinct levels of the bureaucracy.

### **Single-Agent and Double-Agent Deliberation with Consensus**

One of the following two reports is filed by the planning bureaucracy, given the institutional path carved by the policy shift:

- The Agent  $A_1$  files a report based upon his joint deliberation with  $A_2$ :  $r_1(r_2(\theta), \theta)$ .
- The Agent  $A_1$  files an individual report based solely upon his information and biases vis-a-vis the local state of the economy:  $r_1(\theta)$ .

In the present scenario, the agent  $A_1$  gathers information based upon the local state of the economy,  $\theta \in [0, 1]$ , a random variable with a uniform distribution and considers the policy shift within her own level of the bureaucratic hierarchy, without consideration for its effects or probability of success of implementation at the immediate lower level of the planned economy.

The alternate scenario, that of *deliberation with consensus*, where two Agents ( $A_1, A_2$ ) deliberate over the report, requires that both submit reports with due consideration of each other's preferences. As before, the two Agents observe the state of the local environment, information revealed to them through  $\theta \in [0, 1]$ . I assume that both  $A_1$  and  $A_2$  observe the same state of the economy (they share this private information), but that they hold different interpretations—hence preferences—about its content. Each Agent uses this information to calculate a signal  $\bar{r}_1 = r_1(\theta)$  and  $\bar{r}_2 = r_2(\theta)$ . The Planner (and the leadership *through* the Planner) only observes the signals  $\bar{r}_1$  and  $\bar{r}_2$  but not  $\theta$ . This captures the imperfection of information between these two rungs of the bureaucratic hierarchy and the Planner, but these signals are “cheap talk” since  $\bar{r}_1$  and  $\bar{r}_2$  do not directly figure into the objective of either the Planner or the two Agents. Moreover, the ability to send the signal  $r_i$  is uncorrelated with the sender  $i$ 's type (i.e., given the state of the local environment that is determined by nature.)

Assume that the Planner holds the prior belief  $\mu$  that  $\theta$  is uniformly distributed  $\theta \sim U[0, 1]$ , and let  $\mu(\cdot)$  be a cumulative distribution function on the state of the local economy ( $\theta$ ). Upon receiving the signal from the Agent, this prior may be revised to form a posterior belief  $\mu = \mu(\theta | r)$ , where updating occurs by Bayes' Rule. Finally, the Authority selects a unidimensional law  $l \in L \subset \mathbb{R}$  to be implemented as a result of the local report; by this rule/law I mean the adjustment in policy, either expansion or retrenchment, in the allocations of one sector of the planned economy. Assume that  $U^P(\cdot)$ ,  $U^{A_1}(\cdot)$  and  $U^{A_2}(\cdot)$  are all concave in  $l$  and attain the following maxima:

$\forall i \left( l_{Max}^{A_i} = l^{A_i}(r_i(\theta)) \right)$ , where  $l^{A_i}$  is increasing in  $r$ .

$$l^P = l^P(r_1, r_2)$$

So all signals  $r_i(\theta) = \bar{r}_i$  are used to calculate optimal actions but are not directly affecting the payoffs for either party. What all three—and hence all five—care about is the eventual policy outcome,  $l^*$  but not  $r_1$  or  $r_2$ . Also, the local Agents are systematically biased by variable amounts that are common knowledge.

$$U^P = - \left( l - \left( \frac{\theta + p_i}{2} \right) \right)^2 - (\hat{b} - b) |p_s - p_i|^2 \quad (4.5)$$

$$U^{A_1} = - \left( l - \left( \frac{\theta + p_i}{2} + \hat{b} \right) \right)^2 \quad (4.6)$$

$$U^{A_2} = - \left( l - \left( \frac{\theta + p_i}{2} + \frac{\hat{b}}{\gamma} \right) \right)^2 \quad (4.7)$$

The first dimension of the Planner's utility function (4.5) captures the deviation (loss) from any departure from the ideal policy of the Planner, namely  $l = \frac{p_i + \theta}{2}$ . The second dimension measures the cost (in bureaucratic discretion allocated) needed to move the policy shift from this proposed policy, either through a re-trenchment of planning or an expansion of it. The first Agent's utility captures the usual local bias associated with a manipulative expert. The term  $\hat{b}$  is determined endogenously as part of the *Leadership Stage*. The second Agent ( $A_2$ ) helps us to capture the interaction along the bureaucratic hierarchy once the Planner

has announced a policy shift and after the Leadership has declared differentiated support for it. The second Agent is downward biased along a continuum of possible modifications to  $A_1$ 's preferences:  $A_2$  "discounts"  $\hat{b}$  by an amount  $\gamma \in (1, \infty]$ . As  $\gamma$  approaches  $\infty$ , the second Agent's bias is almost diminished—thus aligning his preferences (in the limit) with those of the Planner. At the other end of this continuum, i.e. as  $\gamma$  reduces arbitrarily closer to 1, his preferences coincide with those of  $A_1$ . In the case of an *expansionary* move by the Planner, the Agent should serve as a moderation to the inclination of the first Agent to upwardly bias the reports sent upward to the Central Planner.

The quadratic-uniform case of the above utility functions is the leading example of the above properties used in all applications of cheap talk signaling based on Crawford and Sobel (1982). Quadratic preferences allow for a clear representation of the difference between the positions of the sender and the receivers; for example between  $P$  and  $A_1$ :

$$\| l_{Max}^P - l_{Max}^{A_1} \| \in \mathbb{R}^1.$$

This difference represents the divergence of preferences between these two players and serves as a restriction the quality of the information that can be transmitted between the two. The Planner would like the ultimate law that is promulgated to be a compromise between the local state of the economy and the policy proposal handed-down by the leadership ( $p_i$ ). The bureaucratic Agent, on the other hand, would like to exaggerate this local condition, and would like the former to believe this exaggeration, and thus his ideal law is a compromise between the local state of the economy *and* this exaggeration. Similar differences exist between  $A_1$  and  $A_2$  and between  $P$  and  $A_2$ .

Under provisions for deliberation, I examine the reporting equilibrium under conditions where the proposed policy shift  $p_s$  is either a retrenchment or an expansion of existing capacity. I solve the game using backwards induction. I first analyze the result of the deliberation stage between the single agent and the Planner to determine the equilibrium set of *reports* that are sent to the Planner. Such an equilibrium has three constituent parts.

**Definition 4:** A *reporting equilibrium* is a *pbe* of the game in which:

(i) The Authority holds beliefs by construction, using Bayes' Rule where possible:

$$\mu^*(r^*(\theta))$$

(ii) The Authority selects  $l^*(r^*(\theta))$  given these beliefs, where

$$l^*(r^*(\theta)) \in \text{Argmax } EU_P(\mu^*(r^*(\theta)))$$

(iii) The Agent reports  $r^*(\theta)$ , where

$$r^*(\theta) = \text{Argmax } EU_A(l^*(r^*(\theta)))$$

### Reporting Equilibrium with One Agent $A_1$

**Claim:** *With Single Agent Deliberation, there exists a symmetric one-step equilibrium occurring at the proposed policy  $p_i$ .*

**Proof:** Let  $\beta = 1$ . If policy shift is an *expansion*, let  $s_q > 2\hat{b}$  and  $p_s + 3\hat{b} < 1$ . If policy shift is a *retrenchment*, let  $p_s > 2\hat{b}$  and  $s_q + 3\hat{b} < 1$ . Then  $\exists p_i(2\hat{b} < p_i < 1 - 3\hat{b}) \rightarrow (\mu^*(r^*(\theta)), l^*(r^*(\theta)), r^*(\theta))$  is a *reporting equilibrium* where the triplicate is defined as below:

$$\mu^*(\theta) = \begin{cases} \theta = 2r_1^*(\theta) - 2\hat{b} - p_i & \text{if } r_1^*(\theta) < p_i - 2\hat{b} \\ \theta \sim U[p_i - 2\hat{b}, p_i] & \text{if } r_1^*(\theta) = p_i \\ \theta \sim U[p_i, p_i + 2\hat{b}] & \text{if } r_1^*(\theta) = p_i + 2\hat{b} \\ \theta = 2r_1^*(\theta) - p_i & \text{if } r_1^*(\theta) > p_i + 2\hat{b} \end{cases}$$

$$r_1^*(\theta) = \begin{cases} \frac{p_i + \theta}{2} + \hat{b} & \text{if } \theta \leq p_i - 2\hat{b} \\ p_i & \text{if } p_i - 2\hat{b} < \theta \leq p_i \\ p_i + 2\hat{b} & \text{if } p_i < \theta \leq p_i + 2\hat{b} \\ \frac{p_i + \theta}{2} + \hat{b} & \text{if } p_i + 2\hat{b} \leq \theta \end{cases}$$

$$l^*(r_1^*(\theta)) = \begin{cases} r_1^*(\theta) & \text{if } \sigma_A \equiv r = r_1^*(\theta) \\ p_i & \text{otherwise} \end{cases}$$

I show that neither the Authority nor the Agent have an incentive to deviate from the above specification. First consider the strategies of the Agent and let  $\epsilon > 0$  be an arbitrarily small deviation. As before, let  $\sigma_i$  denote the strategy of player  $i$ .

(i)  $A_1$ 's strategy dictates that  $\theta \leq p_i - 2\hat{b} \rightarrow \sigma_{A_1} = \frac{p_i + \theta}{2}$ . The Authority enacts  $l^*(r(\theta)) = \sigma_{A_1}$ . Since this report results in the optimal policy for the Agent, there is no incentive to deviate.

(ii)  $(p_i - 2\hat{b} < \theta \leq p_i) \rightarrow \sigma_{A_1} = p_i$ . Suppose the Agent observes  $\theta' = p_i - 2b + \epsilon$ . The Authority enacts  $l^*(r(\theta)) = p_i$  if the Agent follows his strategy and enacts  $l^*(r(\theta)) = p_i + 2\hat{b}$  if the Agent deviates to the next report. For  $\sigma_A$  to be an equilibrium strategy, the following must be true:

$$-\left(p_i - \left(\frac{p_i + \theta'}{2}\right) - \hat{b}\right)^2 \geq -\left(p_i + \hat{b} - \left(\frac{p_i + \theta'}{2}\right) - \hat{b}\right)^2$$

Which is:

$$-\left(-\hat{b} + \frac{1}{2}(-\epsilon + 2\hat{b} - 2p_i) + p_i\right)^2 \geq -\left(\hat{b} + \frac{1}{2}(-\epsilon + 2\hat{b} - 2p_i) + p_i\right)^2$$

This simplifies to:

$$2\hat{b}^2 \geq \epsilon\hat{b}$$

Which is true.

Now consider a deviation from the other direction; when the Agent sees  $\theta' = p_i - \epsilon$ , the following must be true:

$$\begin{aligned} -\left(p_i - \left(\frac{p_i + \theta'}{2}\right) - \hat{b}\right)^2 &\geq -\left(p_i + \hat{b} - \left(\frac{p_i + \theta'}{2}\right) - \hat{b}\right)^2 \iff \\ -\left(-\hat{b} + \frac{1}{2}(\epsilon - 2p_i) + p_i\right)^2 &\geq -\left(\hat{b} + \frac{1}{2}(\epsilon - 2p_i) + p_i\right)^2 \iff \\ \epsilon\hat{b} &\geq 0 \end{aligned}$$

The inequality is satisfied by assumption.

$$(iii) \quad (p_i - \hat{b} < \theta \leq p_i + 3\hat{b}) \longrightarrow \sigma_A = p_i + \hat{b}.$$

When the Agent sees a  $\theta' = p_i + \epsilon$ , the following must hold in order for it not to be profitable to deviate to the lower report  $r(\theta) = p_i$ :

$$-\left(p_i + 2\hat{b} - \left(\frac{p_i + \theta'}{2}\right) - b\right)^2 \geq -\left(p_i - \left(\frac{p_i + \theta'}{2}\right) - \hat{b}\right)^2 \iff$$

$$-\left(\hat{b} + \frac{1}{2}(-\epsilon - 2p_i) + p_i\right)^2 \geq -\left(-\hat{b} + \frac{1}{2}(-\epsilon - 2p_i) + p_i\right)^2 \iff$$

$$\epsilon\hat{b} \geq 0$$

Now consider a deviation from the other direction. When the Agent sees  $\theta' = p_i + 2\hat{b} - \epsilon$ , the following must hold for the Agent to not want to deviate to the lower report:

$$-\left(p_i + 2\hat{b} - \left(\frac{p_i + \theta'}{2}\right) - \hat{b}\right)^2 \geq -\left(p_i - \left(\frac{p_i + \theta'}{2}\right) - \hat{b}\right)^2 \iff$$

$$-\left(\hat{b} + \frac{1}{2}(\epsilon - 2\hat{b} - 2p_i) + p_i\right)^2 \geq -\left(-\hat{b} + \frac{1}{2}(\epsilon - 2\hat{b} - 2p_i) + p_i\right)^2 \iff$$

$$2\hat{b}^2 \geq \epsilon\hat{b}$$

Again, this holds for  $\hat{b} \gg \epsilon > 0$ .

(iv) Finally, when the Agent sees any  $\theta > p_i + 2\hat{b}$  and reports as per his strategy, the outcome is his optimal policy, so no deviation is profitable.

Now consider the strategies of the Authority, given her beliefs which are consistent with Bayes' rule by construction.

(i) If the Authority believes that  $\theta < p_i - 2\hat{b}$  and enacts  $l^*(r_1^*(\theta)) = r_1^*(\theta)$ , she can precisely infer the true local state  $\theta$ . For (i), without loss of generality, assume that  $\hat{b} = b$ . The expected utility is then:

$$EU^P = -\left(\left(\frac{p_i + \theta}{2} + \hat{b}\right) - \frac{p_i + \theta}{2}\right)^2 = -\hat{b}^2$$

Were she to instead enact  $p_i$ ,

$$EU_{p_i}^P = (p_i - \frac{p_i + \theta}{2})^2 = -\left(\frac{-\theta - p_i}{2} + p_i\right)^2 = \frac{-(\theta - p_i)^2}{4}$$

Any change of strategy would yield:

$$\Delta = EU_{p_i}^P - EU^P = \hat{b}^2 - \frac{(\theta - p_i)^2}{4} = \frac{(2\hat{b} + \theta - p_i)(2\hat{b} - \theta + p_i)}{4}$$

Since  $\theta < p_i - 2\hat{b}$ , the above is strictly negative, so such a change is not profitable. This can be seen by evaluating the value of  $\Delta$  if I consider a deviation to  $\theta' = p_i - 2\hat{b} - \epsilon$ , where as before  $\epsilon > 0$  is arbitrarily small. This gives

$$\hat{b}^2 - \frac{(-2\hat{b} - \epsilon)^2}{4} = \frac{-\left(\epsilon(4\hat{b} + \epsilon)\right)}{4} = -(\hat{b}\epsilon) - \frac{\epsilon^2}{4},$$

which is always negative for  $\hat{b} \gg \epsilon > 0$ .

(ii) If the Authority believes that  $p_i - 2b \leq \theta < p_i$  and enacts  $l^*(r_1^*(\theta)) = p_i$ , her expected utility is:

$$\int_{p_i-2\hat{b}}^{p_i} -\left(p_i - \frac{p_i + \theta}{2}\right)^2 (\hat{b} - b)|p_s - p_i|^2 \mu(\theta) d\theta = 2(b - \hat{b})\hat{b}(p_i - p_s)^2 - \frac{2\hat{b}^3}{3}$$

If she were to instead deviate to the higher report for the same beliefs, her expected utility would be:

$$\int_{p_i-2\hat{b}}^{p_i} -\left(p_i + \hat{b} - \frac{p_i + \theta}{2}\right)^2 (\hat{b} - b)|p_s - p_i|^2 \mu(\theta) d\theta = 2(b - \hat{b})\hat{b}(p_i - p_s)^2 - \frac{14\hat{b}^3}{3}$$

Since the first is greater than the second, it is not profitable to deviate for this interval of the domain.

(iii) If the Authority believes that  $p_i - \hat{b} \leq \theta < p_i + 2\hat{b}$  and enacts  $l^*(r_1^*(\theta)) = p_i + 2\hat{b}$ , her expected utility is:

$$\int_{p_i}^{p_i+2\hat{b}} -\left(p_i + 2\hat{b} - \frac{p_i + \theta}{2}\right)^2 (\hat{b} - b)|p_s - p_i|^2 \mu(\theta) d\theta = 2(b - \hat{b})\hat{b}(p_i - p_s)^2 - \frac{14\hat{b}^3}{3}$$

If she were to instead deviate to the lower report for the same beliefs, her expected utility would be:

$$\int_{p_i-\hat{b}}^{p_i+2\hat{b}} -\left(p_i - \frac{p_i + \theta}{2}\right)^2 \mu(\theta) d\theta = 2(b - \hat{b})\hat{b}(p_i - p_s)^2 - \frac{2\hat{b}^3}{3}$$

Since the first is greater than the second, it is not profitable to deviate for this interval of the domain.

Thus, neither the Authority nor the Agent can profitably deviate from the stated strategies, given the constructed beliefs of the Authority. *Q.E.D*

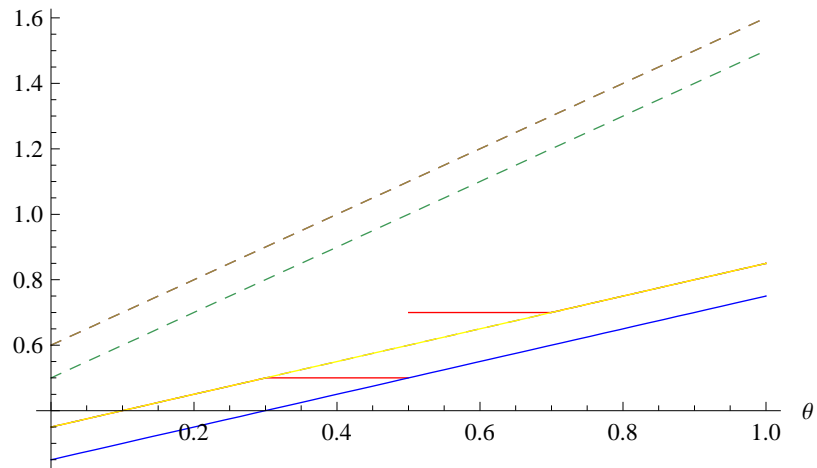


Figure 4.5: Reporting Stage Equilibrium with Single-Agent Deliberation

Figure 4.5 shows an example equilibrium derived for an *expansive* policy shift:  $p_i = .5$ , with a bias of  $\hat{b}=.1$ . The equilibrium law function is indicated in red and has two flat portions centered around the proposed policy  $p_i$  where the “step” occurs. The blue line and the dashed yellow lines indicate the preferred policy for the Authority and the Agent respectively, for this deliberative environment. The dashed green and the dashed black lines demarcate the respective boundaries for the law function and the report; only values within these boundaries would be observed in any equilibrium.

### Consensus Deliberation: Reporting Equilibrium with *Two Agents A<sub>1</sub> & A<sub>2</sub>*

The alternate institutional environment in which deliberation can occur takes into consideration the preferences of a yet lower level agent in the Planning hi-

erarchy, but one who is assumed to be *downward biased* in favor of the status quo ( $s_q$ ) level of sectoral allocation. This agent does prefer to move policy closer to the *true* state of nature, but wishes to compromise between this state and  $s_q$ ; this is reflected in the utility function for  $A_2$ .

**Claim:** *The Reporting Equilibrium with Two Agents moderates the report sent to the Planner.*

(The same boundary conditions from the earlier equilibrium hold.)

$$\mu^*(\theta) = \begin{cases} \theta = 2r_1^*(r_2(\theta), \theta) - 2\hat{b} - p_i & \text{if } r_1^*(r_2(\theta), \theta) < p_i - 2\hat{b} \\ \theta \sim U[p_i - 2\hat{b}, p_i] & \text{if } r_1^*(r_2(\theta), \theta) = p_i \\ \theta \sim U[p_i, p_i + 2\hat{b}] & \text{if } r_1^*(r_2(\theta), \theta) = p_i + \frac{2\hat{b}}{\gamma} \\ \theta = 2r_1^*(r_2(\theta), \theta) - p_i & \text{if } r_1^*(r_2(\theta), \theta) > p_i + 2\hat{b} \end{cases}$$

$$r_1^*(r_2(\theta), \theta) = \begin{cases} \frac{p_i + \theta}{2} + \hat{b} & \text{if } \theta \leq p_i - 2\hat{b} \\ p_i & \text{if } p_i - 2\hat{b} < \theta \leq p_i \\ \theta + \frac{2\hat{b}}{\gamma} & \text{if } p_i < \theta \leq p_i + 2\hat{b} \\ \frac{p_i + \theta}{2} + \hat{b} & \text{if } p_i + 2\hat{b} \leq \theta \end{cases}$$

$$r_2^*(\theta) = \begin{cases} \text{Consensus} & \text{if } r_1^* \leq \frac{p_i + \theta}{2} \\ \text{No Consensus} & \text{if } r_1^* > \frac{p_i + \theta}{2} \end{cases}$$

$$l^*(r_1^*(r_2(\theta), \theta), r_2(\theta)) = \begin{cases} r_1^*(r_2(\theta), \theta) & \text{if } \sigma_{A_1} \equiv r = r_1^*(r_2(\theta), \theta), r_2(\theta) \wedge \sigma_{A_2} \equiv r_2^*(\theta) = \text{Consensus} \\ p_i & \text{otherwise} \end{cases}$$

First note that any report  $r_1(\theta)$  submitted by  $A_1$  must satisfy the following inequality for it to elicit a consensual response from  $A_2$ :  $\frac{p_i + \theta}{2} \leq \theta + \frac{2 \cdot \hat{b}}{\gamma}$ , or, when  $\theta \leq p_i + \frac{2\hat{b}(\gamma - 2)}{\gamma}$ . The domain of potentially non-consensual policies can be calculated by considering the limiting value of  $\gamma$  from the LHS:

$$\lim_{\gamma \rightarrow \infty} p_i + \frac{2b(\gamma - 2)}{\gamma} = p_i$$

A similar calculation from the RHS yields that for all values:  $\theta \leq p_i + 2b$ ,  $A_1$  must amend his report. Thus the range of restrictive reports is:

$$p_i \leq \theta \leq p_i + 2\hat{b}$$

For this segment of the domain,  $r_1(\theta)$  can be no higher than  $\theta + \frac{2 \cdot \hat{b}}{\gamma}$ . The remaining part of the proof is identical to the previous claim. *Q.E.D*

The three graphs below illustrate examples of restrictive reports under consensus, for three values of  $\gamma$ . The dashed line indicates the preferred report by  $A_1$ , while the red line indicates the restrictions to the same. For the segment of the domain identified in the analysis above, the dashed line may not fall below red

line, within the segment of the range indicated by the two flat portions of the equilibrium proposal with one agent, shown here in purple.

Figure 4.6 shows three values of  $\gamma = 1.1, 2, \text{ and } 1000$  for which deliberation with the second agent  $A_2$  serves to modify the equilibrium reports stated in the previous claim. The magnitude of this restriction is increasing in  $\gamma$ .

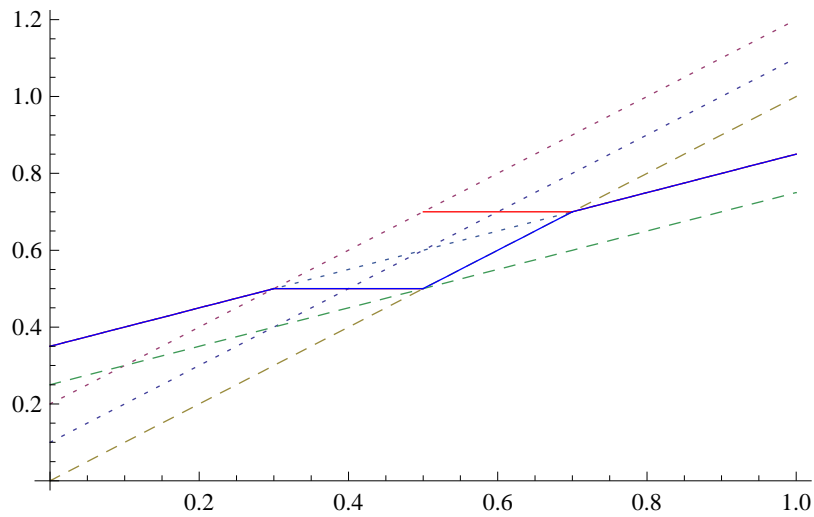


Figure 4.7: Reporting Stage Equilibrium with Consensus Deliberation

Figure ?? shows the same numerical example solved for a double-agent deliberation with consensus. The equilibrium itself is in blue, and the segment of the domain that is *amended* due to the process of deliberation with the second agent is indicated in red. The equilibrium report is closer to what is welfare maximizing for the Planner, whose preferred policy is indicated with the green dotted line.

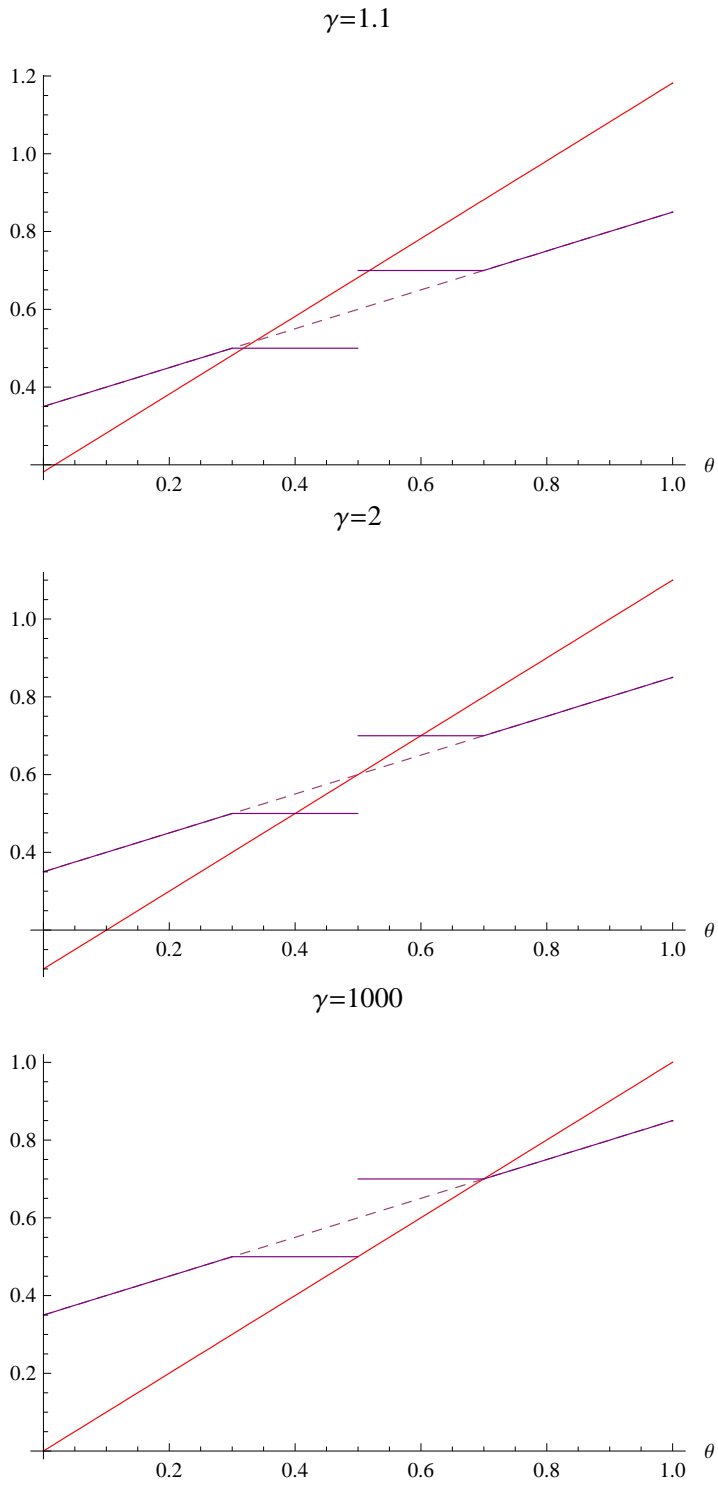


Figure 4.6: Diverging Preferences between Two Agents: Three values of  $\gamma$ .

**Corollary 1 to Reporting Equilibria:** *Consensus deliberation is welfare enhancing for the Central Planner.* This follows from a straightforward calculation of the expected utilities in each case.

### Solving the Leadership Stage

I now solve the leadership interaction in the preliminary stage of the game between the two Leadership factions, the majority  $M$  and the minority  $m$ . The Leadership Stage uses the results of the backwards induction analysis to arrive at the equilibrium choices of the two Leadership factions. I solve for *correlated equilibrium*. This is reasonable, since the Planner acts as a dispenser of a *public signal* to the leadership factions: Along with the announcement of a policy shift ( $p_s$ ) she/he also indicates privately to each portion of the leadership—the majority and the minority—the likelihood of the passibility of the new policy, as a function of the recalcitrance of the bureaucracy associated with the policy change. The informal description of the correlated equilibrium is as follows (where, as earlier,  $\sigma_i$  denotes the strategy of player  $i$ ):

- Planner ( $P$ ) chooses an *announcement*  $a \in \{\text{Resistance to Policy is High, Resistance to Policy is Medium, Resistance to Policy is Low}\}$ .
- With  $a = \text{“High”}$ ,  $P$  prescribes [ $\sigma_M = \text{Don’t Support}$ ,  $\sigma_m = \text{Don’t Support}$ .].
- With  $a = \text{“Medium”}$ ,  $P$  prescribes [ $\sigma_M = \text{Support}$ ,  $\sigma_m = \text{Don’t Support}$ .].
- With  $a = \text{“Low”}$ ,  $P$  prescribes [ $\sigma_M = \text{Support}$ ,  $\sigma_m = \text{Support}$ .].

With this specification, the Planner is able to recommend policy shifts of  $p_s$  and  $s_q$  during periods of low and high bureaucratic resistance to change, respectively. In these same periods, however, the Planner is able to minimize on the allowable bias  $\hat{b}$  available to Agents and to focus on *single-agent* policy-making. In periods of medium, or relatively neutral resistance to change, due to the perceived division within the Leadership factions, the Planner is able to seek *consensus-seeking* deliberation with multiple agents on the ground to ensure incremental progress in the direction of  $p_s$  in a climate of divided (but majority) support for this shift. With *consensus-seeking* deliberation, therefore, the burden of passing the necessary changes relies more on reporting from and agreement among bureaucratic Agents.

Recall that the utilities for the two factions (4.1 and 4.2) are

$$U^M = |p_i - s_q| - \frac{\hat{b}}{2}$$

$$U^m = |p_i - p_s| - \frac{\hat{b}}{2}$$

The two factions “solve” the Reporting Equilibria (derived above), so that they can evaluate the different effects of choosing to either support or to not support the announcement of a policy shift ( $p_s$ ) made by Planner ( $P$ ). I represent the choices in this strategic form representation of the game:

		<i>m</i>	
		Oppose	Support
<i>M</i>	Oppose	$-\frac{\hat{b}}{4}, -\frac{\hat{b}}{4} - p_s + s_q$	$\frac{1}{2}(-2\hat{b} + p_s - s_q), \frac{1}{2}(-2\hat{b} - p_s + s_q)$
	Support	$\frac{1}{2}(p_s - s_q - \hat{b}), \frac{1}{2}(s_q - p_s - \hat{b})$	$-\frac{\hat{b}}{4} - p_s + s_q, -\frac{\hat{b}}{4}$

Figure 4.8: Payoffs for Pure Strategies at the Leadership Stage

**Claim:** *Correlated Equilibrium With Two Leadership Factions:* Let  $\phi \in \Delta(\Sigma)$  be the Correlated Strategy posted by the Central Planner ( $P$ ), where  $\Sigma$  is a set containing three states of local bureaucratic condition, to which only the  $P$  but not the Leadership Factions are privy:  $\Sigma = \{\text{Bureaucratic Resistance is High, Medium, Low}\}$ . Let  $\psi_M : \Sigma_M \rightarrow \Sigma_M$  be faction  $M$ 's strategic response to this recommendation, and let  $\psi_m : \Sigma_m \rightarrow \Sigma_m$  be faction  $m$ 's strategy.

Then  $\forall \sigma \in \Sigma (\phi_\sigma = \frac{1}{3} \wedge \psi_M(\sigma) = \sigma = \psi_m(\sigma))$  constitutes a *correlated equilibrium*.

**Proof:** The claim above states that both factions follow the recommendation of the Planner. Following Myerson (1994), I find Correlated Equilibrium by solving a linear program on joint probability distributions over the pure strategies for each faction:

$$\max_{\phi(\sigma)} \phi_{M_o, m_o} \left( \left( -\frac{\hat{b}}{4} \right) + \left( -\frac{\hat{b}}{4} - p_s + s_q \right) \right) + \phi_{M_s, m_o} \left( \left( \frac{1}{2}(-2\hat{b} + p_s - s_q) \right) + \left( \frac{1}{2}(-2\hat{b} - p_s + s_q) \right) \right)$$

$$+\phi_{M_s,m_o} \left( \left( \frac{1}{2}(p_s - s_q - \hat{b}) \right) + \left( \frac{1}{2}(s_q - p_s - \hat{b}) \right) \right) + \phi_{M_s,m_s} \left( \left( -\frac{\hat{b}}{4} - p_s + s_q \right) + \left( -\frac{\hat{b}}{4} \right) \right)$$

subject to

$$\phi_{M_o,m_o} \left( -\frac{\hat{b}}{4} - \left( \frac{1}{2}(p_s - s_q - \hat{b}) \right) \right) + \phi_{M_o,m_s} \left( \frac{1}{2}(-2\hat{b} + p_s - s_q) - \left( -\frac{\hat{b}}{4} + p_s - s_q \right) \right) \geq 0$$

$$\phi_{M_s,m_o} \left( \left( \frac{1}{2}(p_s - s_q - \hat{b} - \left( -\frac{\hat{b}}{4} \right)) \right) + \phi_{M_s,m_s} \left( -\frac{\hat{b}}{4} + p_s - s_q - \frac{1}{2}(-2\hat{b} + p_s - s_q) \right) \right) \geq 0$$

$$\phi_{M_o,m_o} \left( -\frac{\hat{b}}{4} - p_s + s_q - \frac{1}{2}(-2\hat{b} - p_s + s_q) \right) + \phi_{M_s,m_o} \left( \frac{1}{2}(s_q - p_s - \hat{b} - \left( -\frac{\hat{b}}{4} \right)) \right) \geq 0$$

$$\phi_{M_o,m_s} \left( \frac{1}{2}(-2\hat{b} - p_s + s_q) - \left( -\frac{\hat{b}}{4} - p_s + s_q \right) \right) + \phi_{M_s,m_s} \left( -\frac{\hat{b}}{4} - \left( \frac{1}{2}(s_q - p_s - \hat{b}) \right) \right) \geq 0$$

$$\phi_{M_o,m_o} \geq 0$$

$$\phi_{M_o,m_s} \geq 0$$

$$\phi_{M_s,m_o} \geq 0$$

$$\phi_{M_s,m_s} \geq 0$$

$$\phi_{M_o,m_o} + \phi_{M_o,m_s} + \phi_{M_s,m_o} + \phi_{M_s,m_s} = 1$$

A closed-form solution cannot be easily derived for this problem in a convenient representation of the results. Therefore, I apply a normalization to the utility functions of the two leadership factions, and consider one of the two cases of policy shift, namely, an *expansionary shift*. This yields a ranking of the payoffs that is easily represented numerically. Since all outcomes are restricted on the

Real line between 0 and 1, I scale both components of the utility functions for  $\alpha$  and  $1 - \alpha$  factions in the same manner. Recall that  $\hat{b}$  ranges from  $\frac{b}{2}$  to  $2b$ , and that both factions care about the distance between their respective *ideal* points and  $p_i$ . In these cases, the normalized allowable bias is

$$\tilde{b} = \frac{\hat{b} - \left(\frac{b}{2}\right)}{2b} = \frac{\frac{2(1-\beta)b}{\alpha+1} + \frac{\beta b}{2} - \frac{b}{2}}{2b}$$

And the utility payoffs are re-scaled, for the majority:

$$\begin{aligned} \dot{U}_M &= \frac{p_i - s_q}{p_s - s_q} - \frac{\tilde{b}}{2} \\ &= \frac{\alpha p_s + \frac{1}{2}(1 - \alpha)(1 - \beta)(p_s - s_q) - \frac{1}{2}\alpha(1 - \beta)(p_s - s_q) + (1 - \alpha)s_q - s_q}{p_s - s_q} - \\ &\quad - \frac{\frac{2(1-\beta)b}{\alpha+1} + \frac{\beta b}{2} - \frac{b}{2}}{4b} \\ &= \frac{5\alpha + (\alpha(8\alpha + 3) - 1)\beta + 1}{8(\alpha + 1)} \end{aligned}$$

And for the minority faction:

$$\begin{aligned}
\dot{U}_m &= \frac{p_i - p_s}{s_q - p_s} - \frac{\tilde{b}}{2} \\
&= \frac{\alpha p_s - p_s + \frac{1}{2}(1 - \alpha)(1 - \beta)(p_s - s_q) - \frac{1}{2}\alpha(1 - \beta)(p_s - s_q) + (1 - \alpha)s_q}{s_q - p_s} \\
&= \frac{\frac{2(1-\beta)b}{\alpha+1} + \frac{\beta b}{2} - \frac{b}{2}}{4b} \\
&= \frac{7\beta + \alpha(5 - (8\alpha + 5)\beta) + 1}{8(\alpha + 1)}
\end{aligned}$$

This normalization is achieved at a loss of generality, but not one that is significant for our purposes: The other case, of *retrenchment*, is qualitatively analogous. We can produce the game matrix in Figure 3.4 as before. It is now be easily seen that the *correlated strategies* enumerated in the claim are such that no faction has the incentive to deviate. Also, this outcome is Pareto superior to the only Nash equilibrium of the game, namely when the majority supports the shift while the minority opposes it:  $(\sigma_M = s, \sigma_m = o)$ .

		<i>m</i>	
		Oppose	Support
<i>M</i>	Oppose	0, 1	$\frac{1}{8}, \frac{1}{8}$
	Support	$\frac{3}{8}, \frac{3}{8}$	1, 0

Figure 4.9: Payoffs for *Normalized Pure Strategies* at the Leadership Stage for an Expansionary Policy Shift

### 4.3 Discussion: An Interpretation of Four Scenarios

In this section I discuss the theoretical results of the model. First, I explain the relevance of each of the key parameters and provided interpretations of the same in light of what these parameters mean in the context of central planning. Second, I focus on the four outcomes (three equilibrium and one non-equilibrium), generated by the *Leadership Stage* of the extensive form game, so as to translate the theoretical results into a four-fold typology cognizable within the literature in comparative politics on decentralization.

$m$			
		Oppose	Support
$M$	Oppose	<i>I</i> Reactive Centralization	<i>II</i> Radical Decentralization
	Support	<i>III</i> Decentralization	<i>IV</i> Progressive Centralization

Figure 4.10: An Interpretation of Four Scenarios.

#### 4.3.1 Endogenous amounts of Allowable Bias

I first provide an interpretation of the meaning of the baseline bias  $b$ . The model has this built-in bias to account for the deviation the agent favors from the ac-

tual state of nature (which the Authority wants accurate reporting on), but this need not be the only interpretation of this value. While this bias is traditionally viewed as an exaggeration favored by the agent for reasons of personal gain, we consider this agent to be a “representative” of her/his particular locality or subdivision in our setup. In this regard, if the function of this agent is to aggregate the preferences of his locality into the reporting that occurs, then it is reasonable to propose that these preferences would be reflected in the report through this bias. In other words, the Agent needs this cushion to make clear what the net assessments on the ground are, over and above a strict reporting of a particular condition; the more latitude he/she has in doing so, the more accurately these local preferences can be reported.

For example, if a particular commune’s agent has been asked to report the amount of tons of wheat produced during the past season (so that a new target can be set for the current season), then the value of  $\theta$  would measure this quantity; however, if this agent knows that only by under-reporting this actual amount does the commune stand a chance of keeping most of its members alive through the current season—as reported by the different households—then this agent may find it rational to lie. The differences in  $\hat{b}$  (the endogenously generated value of  $b$ ) thus reflect differences in degree of reporting allowed to the agent for the same set of existing conditions. In practical terms this means that if a particular policy is a going to be extremely difficult to implement in the said locality, then the agent would like a higher range of allowable bias within which these claimants can make their voices heard. These magnitudes can be thought of as “reports within a fixed number of pages”, such that more pages give the agent more space within which the policy recommendation can be pulled in

one direction with the addition of one additional “voice” in the report.<sup>13</sup> Such reporting, moreover, since it has been officially sanctioned and encouraged by a differentiated party, does not involve greater than normal costs (i.e. with undue disciplinary coercion or threat).<sup>14</sup> As such, we can expect slowdown, excessive delay and rent-seeking within the context of radical policies.

On the other hand, with the other extreme value of the allowable bias (when  $\hat{b} = \frac{b}{2}$ ), we could witness constriction of the size of this report. At this other end, the local agent must necessarily eliminate from consideration a number of local concerns in his reporting. The converse of the above disclaimer about penalties applies here: exceeding the allowable bias *would* allow a penalty (although this is not explicitly quantified in the model). Thus, agents are not only asked to eliminate a range of their concerns that arise from their deliberations, they are provided an incentive to be over-zealous in the passing of the proposals sent down to them and to *over-comply* with the said mandates as a result of strictly abiding by the disciplinary boundaries of the allowable bias.

---

<sup>13</sup>This characterization of the reports is not arbitrary, but is similar to the restriction of the vocabulary of the reports to the cardinal value of the messages that make sense in equilibrium. See Farrell and Rabin (1996).

<sup>14</sup>The only duress of such a policy is implicit in the different length of different reports mandated by the Planner; once a certain “length” has been approved, the Agent is free to report as long as he/she remains within the limits established.

### 4.3.2 Single-agent Deliberation

The two cases of single-agent deliberation ( $\beta = 1$ ) that hold in equilibrium can be distinguished from each other by noting their values of  $p_i$ . When leaders are able to unite their different concerns under one banner against the proposal of the Planner, then the status quo level ( $s_q$ ) of the policy in question is rigidly retained. In this case the discretion delegated to the bureaucracy is minimized, and political leadership wholesale rejects any proposed directions. The lack of possibility of any proposed change in this instance is attributed to the total lack of leadership support behind the policy, rather than the inability of bureaucratic deliberation to deliver results. Similarly, when leadership is able to unite their differences in undifferentiated *support* for the said shift, such that  $p_i = p_s$ , what is pushing this policy through is the leadership consensus, and not the set of concerns on the ground about whether or not this policy is implementable—even if serious concerns remain about the feasibility of the proposed changes at lower levels of implementation. Thus, as long as these policies themselves are “sound”, there is little bureaucratic waste or delay associated with these outcomes.

### 4.3.3 Divided Leadership and Double-Agent Deliberation

The two other cases, where  $\beta = 0$ , hold the possibility of *incremental* change when the leadership is divided. We have  $p_i = \frac{p_s + s_q}{2}$  when either only the ma-

jority or only the minority factions support a policy shift. The cost paid by all members of the leadership and the planner herself is the level of power—and hence the power to amend—afforded the planning hierarchy which is asked to generate a *bureaucratic consensus* absent agreement among the political leaders. The intuition here is uncomplicated: policy change is slower with divided support and needs input, approval and agreement by multiple levels of the hierarchy for change to occur. The magnitude of  $\hat{b}$  expands the *power* of lower rungs of the hierarchy to modify the concerns of the immediately higher level, and this power is increasing in the value of the bias. The interests of the Planner therefore lie in limiting this discretion where possible; his ideal policy has already been realized, and only the costs associated with shifting from  $s_q$  remain. These are nil in the case of majority support for the movement toward  $p_s$ , but are  $b \cdot \left| \frac{s_q - p_s}{2} \right|^2 > 0$  when only the minority supports this transition; in either scenario the targeted  $p_i$  remains unchanged. Thus, from the point of view of the Planner, the latter case ( $\beta = \alpha = 0$ ) is indeed *pathological*. This also makes sense in ordinary parlance: the costs associated with any movement away from  $s_q$  toward  $p_s$ , however incremental, are likely to be exorbitant when only a minority of leadership supports this trend. As the Planner sees the *workable* alternatives in front of him/her, this pathological outcome is best avoided altogether.<sup>15</sup>

---

<sup>15</sup>The social welfare of this case is also strictly lower than the other three cases, as witnessed in the Leadership Stage.

#### 4.3.4 The Central Planner's Correlated Strategy

With this motivation, the Planner constructs her portrait of the hierarchy under her control by focusing on what is important: is the bureaucracy likely to be compliant with this proposed shift? Once having formed that impression, the Planner goes about signalling to the two factions (differently) in such a manner that she is able to elicit leadership unity around  $p_s$  when the bureaucracy is likely to be compliant and around  $s_q$  when resistance to change is likely to be relatively high. In a situation of mixed, or alternating support, the Planner might observe, for example, that provincial or state level governments will go along with the change in principle, but will find stiff resistance at the county or municipal level (in the case of agricultural reform), or at the enterprise and sectoral level (in the industrial economy.) In this case of mixed resistance, the Planner has an incentive to retain divisions within the leadership so that incremental change can be realized while costs associated with exorbitant discretion can be minimized ( $\beta = 0$ ,  $\alpha = 1$ ).

What the model helps us to clarify is the correlation between problems within the leadership, debates in economic policy over the direction of planning, and the organizational solutions that result from a resolution of these conflicts. Disagreements over the direction of policy are of course part-and-parcel of any meaningful heterogeneity within a group of leaders, and the upper echelons of the Communist Party in China and the Congress Party in India would not be expected to be different. Even Mao Zedong and Jawaharlal Nehru, despite their charismatic styles of leadership, revolutionary credentials, and unambiguous

control over their respective political parties, faced significant opposition in the days of the initial fervor of planning. However it was the manner in which these divisions were accommodated within the norms of party leadership that made the difference across different periods of planning. The simplifying assumption made in the model is that the leadership settles issues through a “majority rule” mechanism; this is a necessary simplification for tractability, but among the set of reasonable decision rules, I argue that it is as reasonable as any other, a *pares inter pares* among such rules. In effect, what this mode of adjudicating conflicts within the leadership means is that if some minority faction were to rear its concerns over a particular issue in planning, then the revolutionary majority behind Mao or Nehru would cement the fate of the former and relegate it to “minority status” if this faction could not be persuaded to change its views, “purged” (figuratively), or assimilated into the majority if persuasion of this variety *could* work.

In this way, as a first order approximation of leadership debate over issues of policy, the model also implicitly concerns itself with deliberation within this leadership. If assimilation and consensus cannot be achieved among leaders who initially disagree, then the Planner is required to choose  $\beta = 0$  and delegate the tasks of discussion and implementation within the bureaucracy to multiple agents and numerous constituencies, by encouraging these interlocutors to seek consensus with lower-ranked officials. In these cases of *double agent consensus deliberation* the scope for discussion within the bureaucratic hierarchy is expanded and there is a requirement that agents seek consensus across vertically stratified jurisdictions. Furthermore, in these instances, the Planner lives with the long-run “status quo” allowable bias value of  $\hat{b} = b$ , and sees no sav-

ings in this regard—which she would were  $\beta$  equal to 1.

On the other hand, as long as the policy shift does have majority support, the Planner does not have to capitulate to relatively exorbitant values of the same, i.e., when  $\hat{b} = 2 \cdot b$ . The correlated strategy of the Planner is designed to occlude this most perverse choice available to the leadership, which is the situation where the majority and the planner are at loggerheads, while the minority faction appears to support the proposed policy shift. This situation can be described as *radical decentralization*, where there is excessive consensus building founded on heavily padded reports. This outcome does not yield from the equilibrium correlated strategies in the proposition, and under routine circumstances, the Planner's announced signals to the leadership are designed to draw attention away from such a situation. In this scenario the Planner is forced to maximize latitude to the Agents, and the added latitude proliferates into duplication, excessive reportage, redundancy in information, and a proliferation of reports that cannot be usefully aggregated (since consensus deliberation is perhaps strained).<sup>16</sup> These are all reasonable observations because although this expanded reporting is placed under the beneficial institutional purview of consensus deliberation, it is rather functioning as a spendthrift latitude afforded to individual agents who are forced to contend with exorbitantly biased lower rungs of planning.

---

<sup>16</sup>These interpretations of Quadrant *II* are somewhat loose in that they are taking liberty with the model, strictly speaking; there is no aggregation mechanism in the present version of the model.

CHAPTER 5  
DIVIDED LEADERSHIP, DELIBERATION AND PRE-REFORM  
PLANNING

**Analytic Narrative I: Applying the Model To Pre-Reform China  
and India**

Despite the regime differences and the very different leadership selection mechanisms in both nations, we find an interesting parallel in the development of leadership unity and the effect this parameter had on the type of policies that were formulated. This parallel development of planning in the Chinese and Indian Republics can be divided into three cognate periods, with the same sequential development. The first begins with the initiation of the First FYP, and encompasses what we may term the “heyday” of Nehruvian and Maoist planning. This is also the period of initial planning *successes*, in some macro-economic and organizational terms. This label of “success” is qualified by the fact that it is a relative weighting when viewed against the preponderance of planning *failures* starting in the latter half of the sixties and extending into the long decade of the seventies, culminating in the organizational disruptions of Chinese and Indian developmental history and planning—the Cultural Revolution in the former and the Era of the Emergency in the latter. This middle era of relative failure constitutes the second period within the life of central planning. This era saw a deterioration and disruption of the bureaucratic functions of planning and produced the organizational chaos from which the planning apparatuses of both

nations attempted to resuscitate themselves as they moved toward the beginning of the period of the opening up of the economy (1978 in China and 1985 in India). The exact start of the third period is slightly different in both cases in terms of the *dates* but is identical in its substantive demarcation: the beginning of the period of economic liberalization and reforms.

In this chapter I apply the results of the game theoretic model of the previous chapter on deliberation to the Chinese and Indian cases for the first two periods identified above.<sup>1</sup> To organize the discussion I focus on two broad policy areas in both nations—the rural and the industrial—to highlight leadership divisions over policy and the effect these had on the organization of central planning and deliberation. The propositions to the game in the previous section imply several claims that can be contested against the Chinese and Indian materials. I argue that the model helps to shed analytic light on the two cases, while the narrative does produce some “blind spots” to which the results of the formal analysis cannot speak. I clarify both aspects of these claims below.

### **China: From Maoist Ascendancy to *Wenhua Da Geming* (Cultural Revolution)**

The initial period of ideological fervor and leadership unity, borne from the struggles of the Civil War with the Nationalists, the anti-imperial efforts against their Japanese co-conspirators, and the struggles of the Long March was remarkable in its efficiency in motivating the original surge of the First FYP in

---

<sup>1</sup>The third period is discussed in the final chapter of the thesis.

1953 (whose documentation was not officially processed until 1955).<sup>2</sup> Unlike India (and the former Soviet Union, for that matter), there was little dissension among the major CCP factions as to the scope and intent of the radical, transformative *land reforms* that would be effected in the countryside, wherein all large-scale landlords and most medium-scale owners were asked to surrender their assets to the state.<sup>3</sup> The Chinese leaders and economic planners, who had already begun to *learn* from their experimental “pre” First FYP in Manchuria, were becoming disillusioned with what they saw as the excessive centralization of the Soviet planning model; the rising contention between the CCP leadership and the Soviet desire to focus exclusively on heavy industry with high targeted rates of capital investment eventually led to a split, and by 1960, just as the Second FYP was half-way through its implementation, the Soviets pulled out and left the Chinese to their own designs.<sup>4</sup> Initially this rallied support among the leadership for the position of Mao and the planners, but eventually fissures started to appear between the different factions as to the actual extent and substance of how much decentralization was optimal, in both the urban and rural economies. This was the genesis of the leadership division that would animate Chinese leadership politics for the next two decades.

The formal model provides significant purchase on the major ideological/leadership divisions in Chinese politics during the first decade and a half of CCP rule, the period between 1949–1966, and how these affected the qual-

---

<sup>2</sup>Avery Goldstein (1990) refers to this period as one of “bandwagon politics” within the leadership.

<sup>3</sup>Much of the factional struggle had been fought *before* the creation of the People’s Republic and the Communist ascension to power (Wilson 2008:72).

<sup>4</sup>Actually the Second FYP was never executed with one document, but rather consisted of annual *ad hoc* plans drawn up one after another by the SPC and the SEC. The final document was put together incrementally.

ity of bureaucratic organization in central planning. As long as these “splits” within the leadership were handled democratically and consigned to the confines of intra-party norms, I argue, the model helps to integrate the ebb and flow of the relative strengths of each of these two factions with the actual changes made to the rules that governed the planning apparatus. The ‘two lines’ of Chinese politics, one led by Deng Xiaoping, Chen Yun, and Zhou Enlai were decidedly more “conservative” and ‘pragmatic’, as was their label, while the leftists were led by the Chairman himself, Liu Shaoqi and others who wished to continue the ideological struggle and transformation of the Chinese masses into a truly radical peasant–nationalist–communist movement. Differences in the goals, objectives and motivations of economic growth fell distinctly around these two positions.<sup>5</sup> Everyone agreed that decentralization was necessary and that over-centralization had hindered coordination and stifled local initiative. More local control was also needed due to the transfer of most private enterprises under provincial and local management in 1956; the differences lay in the extent to which this decentralization would go.

Before the split between the two “lines” had achieved any significance, however, there was a long initial stabilizing period in the history of the PRC which cemented the organizational basis of planning which was to follow ( $\alpha = \beta = 1$ ). The perception within the statist machinery of planning was that central directives had the support of all significant strands of the leadership, and bureaucrats could not extract any significant leverage against one faction through the support of another.<sup>6</sup> The perception among the highly disciplined and vertically

---

<sup>5</sup>A fuller elaboration of the differences in management style and approach of the two factions is available in Paine (1976:1365–1368).

<sup>6</sup>Dittmer (1978).

stratified hierarchy of the planning apparatus was that there was perfect harmony between a small group of leaders who represented each of the factions and who had the support of the planners in the State Planning and Economic Commissions (SPC & SEC).

As the case for ( $\alpha = \beta = 1$ ) specifies, this gave very little leverage to agents within the hierarchy to voice excessive concerns and to initiate any significant quibbles with the directives that were handed down ( $\hat{b} = \frac{b}{2}$ ) or to deviate from the strict dictates of the information transmission procedures that were put into place by Zhou Enlai and Liu Shaoqi. There was little room to subvert national policies at the lower level, even when the target rates of savings and accumulation were exorbitant and indeed wholly unrealistic. Armed with this political weight behind it, the State Statistical Bureau (SSB) consolidated its “monopoly power” and independence from local politics and demanded a high amount of obedience in its reporting practices<sup>7</sup>; it streamlined the forms and procedures used to transmit reports to the center along the hierarchy, controlled who reported to whom and what the scope of such reporting would be.<sup>8</sup> Under this strict leadership oversight, a smooth transition to the agreed upon  $p_s$  was underway, and the trend toward *overcompliance* was firmly entrenched within the strictures of the planning hierarchy.<sup>9</sup>

---

<sup>7</sup>The SSB was not only in charge of generating information and compiling appropriately formatted reports, but was also a watchdog organ over the activities of local branches of other state agencies responsible for the implementation of plan targets (?).

<sup>8</sup>?:61–62.

<sup>9</sup>Goldstein (1995:319). We would further qualify the analysis by emphasizing that this equilibrium characterization is only restricted the SPC, SEC, and the SSB; ministries associated with other functions within the Chinese bureaucracy often operated under different environments, as Nina Halpern argues. Many of the non-planning commissions—where leadership consensus was not developed, or where institutions for the development of this consensus were absent, there was little coordination and bargaining across organs, making such bureaucratic agencies “functionally specialized processes.” See Halpern (1992:128-130).

The combination of single-agent deliberation—fueled by leadership unity on matters of rapid economic development and industrial transformation—and ideological fervor and conformity of thought induced unreliable reporting, exaggerations about the feasibility of certain policies and insufficient scope for lower-level agents to voice complaints. In short, the system (as discussed in Chapter One) was *too* centralized. While deliberation occurred in *pro forma* fashion, the amount of discretion available to individual agents under this reporting regime constricted the veracity and usefulness of the reports, especially since there was neither “check” nor “balance” on reporting by lower levels. It should be noted, however, that what ailed this setup—over-compliance—was not an inevitable outcome in and of itself; rather, the emphasis upon high speed, quick results and unrealistic standards forced downward by a unified political leadership elicited this response. As the model suggests, the combination of these two structural factors *can* lead to over-compliance.<sup>10</sup> However there is no direct implication about the quality of reporting in and of itself under this equilibrium outcome; one could postulate sensible policies pushed through with little scope for local distortion, with consensus formed down to the village level—as was the case, for example, with the rapid efficiency of the land reforms of the early fifties, and the implementation of the *Green Revolution* in high-yield areas almost a decade later.

Nevertheless, serious disagreements within the leadership had already begun to form as a result of this *over-compliance* and cosmetic reporting. Zhou Enlai and other “pragmatists” began nudging, as early as 1957, the political leadership to remove the unambiguous support it was offering to unrealistic

---

<sup>10</sup>Williams (1990:353-4).

targets. What particularly worried the “pragmatists” was the fact that given the particular reporting “trap” lower-level bureaucrats found themselves in, there was a positive pressure to further exaggerate already unrealistic standards issued in the industrial and rural sectors.<sup>11</sup> The radical–left line, led by Mao and Liu Shaoqi, favored decentralization of oversight in which local and provincial Party apparatuses would be super-delegated much of the earlier central responsibilities. Others on the more market-socialist, “pragmatist” end, such as Chen Yun (Minister of State) and Xue Muqiao (minister of the SSB) favored decentralization directly to enterprise management with little Party oversight. In the course of the debate, both positions were amalgamated into the final Party position, and any open split was deferred to a later time. This was an effectively managed division within the Leadership, such that there was a majority consensus on the same change promoted earlier, albeit with more of an emphasis on decentralized consensus-generation within the bureaucratic hierarchy. In short, there was an agreed-upon transition from Quadrant *IV* to Quadrant *III*.

The forging of this unity, under the strong-arm leadership of Mao Zedong, managed to prevent this conflict from deteriorating into a debate between state-socialism and Leninist orthodoxy—a debate that clearly could not be managed within the four walls of Party ideology. The planners instead translated these different positions into different modes of organizational conduct.<sup>12</sup> Chen Yun and Xue Muqiao proposed to distribute regional party oversight to greater central regulation on one hand and to greater enterprise autonomy on the other,

---

<sup>11</sup>The primary criteria used to evaluate the output of a particular local jurisdiction—be it an enterprise, a rural county, or a brigade was quantity of output in procurements or quotas; neither efficiency nor any quality control was instituted in the evaluation process (Liu and White 2001:1098).

<sup>12</sup>See MacFarquhar (1958).

making less relevant the middling regional Party interference which they said stymied lateral coordination of supply and distribution. The issue in this case was certainly about “control”, but the factions of the leadership were able to appeal to intra-Party debate norms and to come up with an organizational solution that was temporarily agreed upon. Following the November 1957 State Council announcement, a system of “dual leadership”—by all accounts a novel innovation—was instituted, in which existing enterprises under central control would fall under divided oversight of central and provincial authorities, and newly decentralized enterprises would only have their profits divided between central and local collections (usually under a sharing ration of 80:20).<sup>13</sup> The ideological position against state socialism remained, but the real concerns of enterprise management did not go unanswered. Despite this salvaging of these two “lines” against the growing and glaring problems of the planning hierarchy’s data transmission processes, the Eight Party Congress made clear (only internally) that splits within the leadership were starting to become severe and spill into visibility by local agents, especially concerning the questions surrounding the extent and depth of *rural collectivization*.

As attention shifted to the rural economy—and while the planners figured out what to do with the unrealistic targets mandated by the “big push” in the industrial enterprises—the disputes between the Zhou and Liu factions started to translate into a renewed effort on the part of planners to elicit better information from the rural localities. On April 1, 1955 the statist organs of planning began a large-scale drive to solicit information from lower-level agents about the feasibility of turning the countryside into an army of *communes* where the

---

<sup>13</sup>Naughton (1995:100-104.).

production of food would fall under the collective purview of individual units in true socialist fashion. However, this prescription for information-gathering carried with it the twin ills we have been mentioning in this regard: a constricted reporting bias and single-agent deliberation; under the aegis of perceived leadership *unity* this merely intensified the over-compliance and multiplication of bad information; there was little scope for real debate under these rules.<sup>14</sup> As Roderick MacFarquhar puts it, the “sloganeering” approach to unrealistic planning had now become the official party line, just at the onset of the *Great Leap* launch (1958:327).

Although there was broad agreement among the leadership that collectivization in some form was necessary, the main issues that remained outstanding were ones that revolved around the speed and intensity of the establishment of rural communes. Mao Zedong, with his program for rapid acceleration, was forced to curb his ambitions for collectivization, and his earlier *Twelve Year Plan for Agriculture* was kept out of official Second FYP formulations during the Eighth Party Congress. Leadership consensus appeared to be moving *away* from the direction of solving deeper issues of class and socialism and instead focusing squarely on questions of how production and distribution could be rationalized with the actual conditions of the Chinese economy. Mao had battled with his opponents within the Party from 1954 in Party meetings that happened throughout the country; by the time Li Fuchun, Vice President of the State Council and one of the proponents of slowdown, summarized the evolving consensus on the accomplishments of the First FYP and the working discussions around the Second, it appeared that everyone was in agreement on a drastically reduced pace

---

<sup>14</sup>Oksenberg (1966).

for collectivization and a greater focus on improving agricultural productivity and that Mao would have to go along with this.

The internal mechanism of consensus-generation within the leadership—overseen by the State Council and the planners—thus did facilitate the rounding of discussion, the collection of viewpoints, and promoted some degree of give-and-take on issues of collectivization. The period between the winter of 1952-3 and high tide of the *Great Leap* which lasted from 1958-1961 witnessed several advances and reversals in the pace and intensity of collectivization as the central leadership and the rising ideological frenzy prompted grand-scale experimentation with the countryside. Within this period there were three nationwide large-scale efforts at collectivization with hasty retrenchments and periods of “consolidation”, but the overall trend was toward higher risk policies that would make the rural communes a working reality.

Rural cadres in effect considered two different implications of these leadership debates over the future of rural reform: while  $p_i = p_s$  was clearly equivalent to an advancement of the rural commune agenda and the establishment of the Agricultural Production Cooperatives, they also understood that with mixed signals  $p_i = \frac{p_s + s_q}{2}$  meant a consolidation of the gains from land reform with a mixture of household contracting and controlled private market activity by households. We can fine tune the characterization of this period by saying that these alternating shifts in policy (through the course of this experimentation) vacillated the outcome from Quadrant *IV* to Quadrant *III* in our model, depending on the province and the commune in question.

This vacillation, did not, however, alter the long-term trend toward increasingly more radical policies in the countryside. Following the announcements made at the Sixth Plenum of the Seventh Central Committee Conference in October 1955 it became increasingly clear to them that leadership was uniting (for the time being at least) under collectivization; as long as this unity was observable “on the ground”, the stable equilibrium outcome predicted by the model provides a reasonable characterization of events.<sup>15</sup>

Despite several attempts by the conservatives to reign-in this trend, Mao initiated the “high tide of Socialism” in 1957 that signalled to provincial and sub-provincial planners that leadership support had been effectively united under the new  $p_s$  position. By sponsoring the accompanying *Anti Rightist Campaign*, leadership unity was unequivocally signalled to the countryside. With this effort, Mao thus threw a wrench into these discussions and arbitrarily brought the debate to a halt with his speech on the “The Question of Agricultural Cooperation.” Party officials were shocked at Mao’s willingness to discard the painstaking consensus that had been evolving and his strong-arm endorsement of the radical line.<sup>16</sup> However, despite this shock, none of the key leaders openly voiced any significant opposition.

As Deng Xiaoping put it in a talk with certain members of the Central Committee in 1980: “Comrade Mao [Zedong] got carried away when we launched the Great Leap Forward, but didn’t the rest of us go along with him? Neither Comrade Liu Shaoqi nor Comrade Zhou

---

<sup>15</sup>Yang (1996:30-31).

<sup>16</sup>Naughton (1995:136-7).

Enlai nor I for that matter objected to it, and Comrade Chen Yun didn't say anything either."<sup>17</sup>

With the initiation of the subsequent *Great Leap Forward*, this period in Chinese planning can be unambiguously characterized by parameters of our model in the equilibrium outcome we have been describing:  $\alpha = 1, \beta = 1$  indicate support for the policy by the majority, with a private rift in Party leadership, but one which had not yet spilled over into open purview. At the initiation of the 1957 "push" that intensified the collectivization effort, there was virtually no open intra-Party rift.<sup>18</sup> As dictated by this equilibrium outcome, *Leap* was indeed great, pummeled through by a vociferously ideological Party which had somehow managed to cobble together a brutal if coherent unified voice. The reporting from the bottom during this period drove home the excesses of the previous big push industrialization into the countryside, so that the planning mechanism lost all steam. Goals were fantastic wish lists that simply could not be realized and the SSB deteriorated into chaos. Ideological fervor depleted the already minimized bureaucratic bias, and bureaucratic consensus was absent due to the lack of open division in the Party. The wildly exaggerated reports under these circumstances would prove to be the paradigmatic examples of *over-compliance* in the Maoist period, as outlandish reports circulated to the provincial levels from the starving municipalities and communes without having any effect on the policy recommendations of the higher level; "politics" and not "planning" was in command.<sup>19</sup>

---

<sup>17</sup>Quoted in Yang (1996:34).

<sup>18</sup>Bachman (1991:6).

<sup>19</sup>Riskin (1987:Chapter 6). The detailed excesses of the famine are not explored here, but the administrative deficiencies of the same have received comprehensive treatments in Bachman (1991) and Li and Yang (2005).

The post-Leap period of recovery began in 1961 with the planners and the planning apparatus removing the hot air from the ideologically charged empty single-agent deliberation that had subsumed the Leap years; in terms of our model, we *finally* see a movement from quadrant *IV* to quadrant *III*. With the shift to this outcome, as the model suggests, the discretion available to local agents, particularly leaders of the brigades, teams and communes was increased (“doubled” in relative terms, in fact) and the empty rhetoric of single-agent deliberation under the damaging policy auspices that had generated the famine conditions was abated.<sup>20</sup> This was facilitated by the increasingly open rift within the Party becoming more apparent to rural agents, as provincial-level planners began to give more authority to the communes for (consensus-based) more accurate and realistic reporting.<sup>21</sup>

Our model also facilitates a consideration of a variety of types of consensus deliberation in this case; the relevance and the significance of the  $\gamma \in (1, \infty]$  parameter is pertinent here. Consensus deliberation suggests that lower-level teams and brigades now had the freedom to amend the recommendations of the commune, county or provincial planning bureaus with varying degrees of non-consent. This had several aspects. One aspect of the lower-level unit’s voice involved the issue of collectivization itself: should the local kitchens be dismantled altogether? Second, to what extent should household contracting *zeren tian* be implemented? As the planning atmosphere relaxed in 1962 from the earlier frenzied pace and intensity of over-compliance, different provinces started to generate different styles of recovery and evolve different degrees of

---

<sup>20</sup>For a discussion on how the rules of bureaucratic deliberation changed with the removal of “severity” within the leadership environment see Su and Yang (2000).

<sup>21</sup>Bachman (1991:Chapter 9).

province-based standards, including aggressive individual farming in Anhui, Guizhou and some parts of Hunan provinces.<sup>22</sup> The equilibrium under consensus deliberation suggests that the lower levels (brigades in some areas and teams in others) of the rural planning hierarchy have the “veto power” to modify the commune and province-level recommendations made under this more lax reporting regime.

The return of the “pragmatists” to ascension following the disaster of collectivization discredited Mao and also underlined the fact that Party norms were still in operation in 1962. It was clear to everyone that Mao Zedong was in “retreat” and that some sanity was being restored in economic policy in the countryside. As such, despite the purges of 1958 (Zhu Ronji of the Planning Commission) and 1961 (Peng Dehuai during the Lushan Conference), ideological fervor started to die down as the enormity of the damage caused by the policies and the famine became apparent. The leadership began to scale-down the communes, and Mao Zedong was forced to yield to the move toward (private) household contracting. Leadership division was now clear and out in the open, and consensus deliberation in different provinces prompted autonomous movements toward differing degrees of de-collectivization.<sup>23</sup> The new median compromise  $p_i$  was restored under the conservative leadership of Deng Xiaoping and his planner, Chen Yun.<sup>24</sup>

---

<sup>22</sup>Yang (1996:84, 89-90).

<sup>23</sup>Yang (1996:88-91).

<sup>24</sup>Schlack (1989:159–160).

## India: From Nehru to Indira Gandhi's *Emergency*

As in China, the Planning Commission in India served—from its very inception—as a tool to manage debates and policy differences between different factions across the political and ideological factions within the dominant political party, Congress, and its equivalent of a Politburo, the All India Congress Committee and to establish and secure a national *consensus* around policy positions.<sup>25</sup> In both, particularly in the fifties, functional differentiation between Party and Planning personnel was blurred, and top party leaders were also planners, including Nehru in India and Li Fuchun and Bo Yibo in China. Much like Mao's personal hold on Chinese political leadership at the inception of Communist rule, India's first prime minister, Jawaharlal Nehru, had a similar position of unrivaled ascension during the fifties; only his death diminished his unquestioned status as the leader of India and its one-party dominant system of Congress Party rule.

The “big push” approach he initiated in centralized coordinated planning with the First FYP outlined the grand wish list of Indian development which had been discussed and debated in Congressional working groups since the early part of the thirties, well before the formal independence of the Indian Republic.<sup>26</sup> The First and Second FYPs also instituted the moderate *dirigisme* associated with industrial controls and regulations. The constituent elements of this “big push” *dirigiste* approach are the familiar emphases on savings in the coun-

---

<sup>25</sup>Byrd (1990:715).

<sup>26</sup>The preliminary grand debates of Indian planning that occupied Congress leadership in the thirties and forties are covered in Chakravarty (1992b).

tryside and reinvestment into heavy industry in urban areas, combined with the promotion of domestic infant-industries and an import-substitution approach toward foreign trade, so that the domestic market would be insulated against foreign trade and competition.

This first period of Nehruvian ascendancy (1947-1964) can be compared with the “bandwagon” period of Chinese politics (1949-1966); there was little opposition to Nehru within the party, the opposition outside of Congress had little electoral power, and we are squarely in the world of single-agent deliberation under unified leadership:  $\alpha = \beta = 1$  and  $p_i = p_s$ . Regional pressures from state-wise Congressional components were not absent, but Nehru’s personality and political capital were able to overwhelm such divisive pressures during this period.<sup>27</sup> Along other key issues, leadership consensus also prevailed, but in the opposite direction, as Congress leaders reached an understanding about the extent of the *radicalness* of Indian planning. No foreign capital would be expropriated and land-reforms would not be comprehensive or involve outright confiscations, as they were, for example, in China or Sri Lanka (although absentee landlordism was virtually abolished). This relative conservatism in economic policy also kept a safe distance from any planning efforts at redistribution of income or any coercive or forcible forms of savings.<sup>28</sup> On these issues, we find the characterization of the consensus period to be:  $\beta = 1$ ,  $\alpha = 0$ , and  $p_i = s_q$ .

With this support, Nehru and the other planners set into motion the principles that would guide Indian development, and state and sub-state level bu-

---

<sup>27</sup>See Harrison (1956:631-635).

<sup>28</sup>Nayyar (1998:3124).

reaucrats were expected to push through these policies (and keep others at status quo levels) which had almost unanimous leadership support. There was little scope for excessive voice. In relative terms, the allowable bias in this case ( $\hat{b} = \frac{b}{2}$ ) reflected the overarching goals of coordination across state and sub-state units, but not the excessive proliferation of particularistic bureaucratic demands as would be the case with consensus deliberation. During this period Nehru saw to the establishment of the Planning Commission as well as the National Development Council, the latter of which performed roughly the same functions as China's State Economic Commission. The NDC was in fact established by Nehru to effect this cooperation between the planning effort and the consensus formed across the regional spread of Congressional influence. In a healthy pace of achieving such a national synthesis, the NDC met twenty times between November 1952 and November 1963 (the period that Nehru was alive.)<sup>29</sup> Moreover, the NDC had the additional political responsibility of not just coordinating the details of the PC with the other ministries, but also of ensuring that the draft plans took into account "how far the States [were] prepared to go in carrying out the Commission's centrally determined priorities."<sup>30</sup>

Almost from the beginning, these two coordinating bodies were designed to reflect the wishes of the cabinet and the Union government and to supersede debates in parliament.

The power of the Central government on these matters is so great that at the planning stage agreement will be reached reasonably close

---

<sup>29</sup>Singh (1993:31).

<sup>30</sup>Misra (1986:336).

to the Centre's position. In these circumstances Indian plans can only be the product of a group very near the top of political and administrative life.<sup>31</sup>

The intense period of unity in the Congress between the national in parliament and the state-wise leadership (on whose support the national leaders were reliant for their majority) saw the facilitation of cooperation on all spheres across all of the states that Congress governed. Thus, a shorthand for this period is one of efficient *centralization* under the auspices of the planning apparatus; most issues were squarely in either Quadrant *I* or Quadrant *IV*, reflecting leadership consensus on these issues. (As in China, the measure of leadership unity is seen in the compliance of the provincial wings of the party in power.) By 1962 the membership of the PC, for example, included five ministers, reflecting the length and breadth of Congressional viewpoints: G.L. Nanda (Minister of Planning, Irrigation, and Power), Morarji Desai, Krishna Menon, T.T. Krishnamachari (Deputy Chairman), and Nehru himself (*ex officio*); this reflection of political leadership eventually moderated its membership to include those commissioners appointed by the Prime Minister solely on the basis of planning expertise.<sup>32</sup>

Interestingly, the parallel with Maoism in China is exact to another order of detail within this initial period. We note that the strongest period of this ascen-

---

<sup>31</sup>Malenbaum (1963:161).

<sup>32</sup>In addition, to the *ex officio* status of the Prime Minister, was the Minister of Finance as well as other central ministers, and leaders of the Industrial Licensing Committee, the Development Councils and the Central Statistical Organization, headed by P.C. Mahalanobis, India's premier planner-cum-statistician. See Misra (1986:335-6) and Malenbaum (1959:*passim*).

dance in Nehru's status had peaked and had already started to decline by 1956, although no faction within Congress openly challenged his leadership authority as long as he was alive.<sup>33</sup> Similarly, while Mao Zedong remained unquestioned as supreme leader well into the seventies, the particularly messianic period of Maoism started to be internally assaulted with the disasters of collectivization of 1956-7, in "milde" precursors to the *Great Leap*. Thus, both leaders by the late fifties had witnessed an erosion of their unqualified and unquestioned dominance, and the equilibrium outcome used to qualify the coordination of leadership factions starts to change around that time. Much like the case with Mao, popular mobilization and an expanded scope for deliberation, i.e., the change in value from  $\hat{b} = \frac{b}{2}$  to  $\hat{b} = b$  occurred *only* after opposition within the Party started to interfere with the goals of planning as Nehru saw them.<sup>34</sup>

Accordingly, the scope of deliberation was expanded, first in 1956 with the "people's plan" and in 1961 with the "professional's plan", additions to the Second and Third FYPs, respectively, of local level deliberations and the inclusions of professional opinions into the upward transmission of information.<sup>35</sup> It speaks to the relative stability of postwar politics in India that leadership unity was rattled after the death of Nehru but not shaken entirely. As such we only see the movement from Quadrant *IV* to Quadrant *III*. The excessive idealism associated with the old Nehruvian  $p_s$  was moderated, and in both agricultural and industrial policy there was a slowdown of reforms, as evidenced in the de-

---

<sup>33</sup>No plan after the First FYP carried the same sense of integrated vision (envisioned by Nehru's brand of socialism); the Second and Third FYPs already witnessed a diminishing of this initial consensus.

<sup>34</sup>This improved, however the informational basis of the Second FYP, as compared to the first, whose documentation and preparatory research was based on an admittedly "slim informational basis." (Goodall 1959:328).

<sup>35</sup>1957 was also the year in which the *panchayati raj* institutions were beginning to be established in the villages.

sign and implementation of the Third FYP. However, the relative unity of the Congress government at both the Union level and the absence of significant opposition in any of the states under Congress, created the critical mass of unified support that fueled the success of the First, Second and Third FYPs.<sup>36</sup> Indeed we can consider a larger period of 'developmental consensus' within Indian politics (with variations, as discussed above) from 1949-1966.<sup>37</sup>

If the main "lines" of Chinese political divisions existed between the "pragmatists" and the "leftists", in India the median leadership position was perhaps slightly to the right of the "pragmatists" on matters of industrial policy and considerably more conservative on matters on reforming the rural economy. In fact, in radical and Marxist critiques of Congressional "hegemony", the Congress Party is seen as a coalition between rural oligarchs and petit-industrial bourgeoisie in the cities. These two fixtures of this coalition kept India "locked in place" in a "low-level equilibrium trap of underdevelopment" in the language of these analyses.<sup>38</sup> The Congress Party contained within it a spectrum of ideological positions, from more left-leaning stalwarts such as Desai, Gadgil and Deshmukh to the centrist Congress position of Nehru himself—Fabian socialism for lack of a more precise term.

To simplify matters, leadership consensus began in 1947 to the left of Nehru on industrial policy, was moderated to Nehru's liking by 1957, and then saw an incremental movement to the the leftist end of Congress leadership as the sixties

---

<sup>36</sup>Goodall (1959:326-327).

<sup>37</sup>Nayyar (1998:3123).

<sup>38</sup>See Bardhan (1984); Chibber (2003); Bagchi (1991); Kaviraj (1986) provides the most extensive discussion.

progressed. While the PC was essentially an advisory body (with no constitutionally mandated executive teeth), this increasingly vocal leadership within Congress made more strident appeals to the constitutional provision found in the Directives Principal of State Policy to justify this more politicized role for the PC.<sup>39</sup>

We can usefully distinguish the evolution of the two broad policy positions, involving urban industry and rural industry, during this initial period in light of the different factions within the Congress Party. First, we consider the industrial economy in the cities. Congress's urban base consisted of domestic industrialists and middle-class professionals. A leadership consensus had evolved on matters of state regulation of the economy such that *dirigisme* was imposed through state controls in the plan, but outright quotas and goals were restricted only for the Public Sector Units (PSUs, which in China are termed State Owned Enterprises—or SOEs), and the private industrial sector was moderated by licensing and import/export stream restrictions, and a dizzying maze of direct and indirect controls set into motion by four primary documents: The Industrial Policy Resolution of 1948, the Industrial Development and Regulation act of 1951, as well as the First and Second FYPs.

The long and the short of these massive interventions in the private industrial economy were to 1)restrict imports on consumer durables; 2)protect scarce raw materials markets so that they could be used strictly for domestic production; 3)protect the small-scale industrial sector; 4)reserve heavy capital-intensive

---

<sup>39</sup>On differences within the A.I.C.C. see Potter (1986:121-6).

industries (such as iron and steel, large-scale manufacturing and machinery).<sup>40</sup> This policy package experienced significant fluctuations, prompted by changes in the division of the leadership. Originally, we could characterize the Nehruvian position from the initiation of planning extending to the Third FYP as occupying Quadrant *III* of our game matrix, where  $\alpha = 1$ ,  $\beta = 0$ , and  $p_i = \frac{p_s + s_q}{2}$  under consensus deliberation; while leftists in Congress wanted more government involvement in the economy, more *dirigisme*, restrictions on imports, protection of domestic industry and protection for the organized labor unions<sup>41</sup>, the domestic industrial base lobbied for the public sector to be contained to minimum levels, while it was happy with the restrictions on imports but not the protected status of the raw materials markets.<sup>42</sup> This position was supported by the centrist and right-leaning Congressmen such as Morarji Desai and Lal Bahadur Shastri.

However, as Nehru passed from the scene, there began in Congress circles a fight—as in China’s case—between liberal (more moderate) factions of the leadership and rising leftist voices who wanted to take policy further in the direction of statism. The consensus established under Nehru’s leadership witnessed a sharp breakdown following his death, prompted by fiscal crises due to depleting foreign exchange reserves as well as the dismal performance of the Indian economy against the targets established in the Third FYP. Nehru’s more moderate statism, consisting of open lobbying from industry and labor, started to receive pressure from the increased assertion of leftist elements within the Congressional coalition as well as from the right by liberalizers, such as Lal Bahadur

---

<sup>40</sup>These items are discussed across a variety of sources, but a nice summary of the same is provided in Mohan and Aggarwal (1990), and a period-based account is provided in Varshney (1964).

<sup>41</sup>The organized labor unions constituted about 10% of the urban industrial workforce.

<sup>42</sup>Kochanek (1968, 1974).

Shastri's administration, which immediately adopted a more relaxed statism in a liberalizing trend. First, under Shastri (who was suspicious of planning exercises to begin with), there was an initiation toward more liberalized and more relaxed statist policies; with Indira Gandhi's ascension in 1967 she started pushing in the opposite direction.

The second bundle of policies that started to receive pressure at almost the same time came from the other component of Congress's traditional base of support, rural landed interests. While these same interests had earlier been successful in seeing that land reforms were not advanced in any significant manner under the Nehruvian consensus, they now began to assert a more aggressive posture within their Congressional lobbying efforts.<sup>43</sup> As their factional strength rose within Congress (supported by on-the-ground mobilization which had begun in the early 1960s), they demanded a reduction of welfare spending in the villages, greater breaks on taxes accrued from grain sales, and liberalization of the countryside in the wake of the *Green Revolution*.<sup>44</sup>

Thus, this was a highly unstable period as three different leadership factions—those supporting the industrial bourgeoisie and liberalization, those supporting more *dirigisme* and statism, and the rural base of support (embodied in the rise of Andhra Pradesh's Sanjiva Reddy)—pulled the Congressional median in different directions. The result, for a brief period between 1965-69 was

---

<sup>43</sup>A comprehensive overview of the rise of these interests, both electorally and within halls of Congressional leadership, see Varshney (1995a).

<sup>44</sup>Liberalization in the context of the *big farmer* lobby also meant a reduction on land ceilings, the removal of restrictions on the production of cash crops (such as cotton and sugarcane), access to specialized credit, as well as the removal of export restrictions. See Swamy (1980) and Koshy (1974:48–50).

a dissolution of the planning and deliberative functions of the planning apparatus. This can be seen from the initial reactions to the food shortage crisis of 1964-5; when Shastri tried to generate a planned response to the crisis from the Chief Ministers in the NDC, but was unable to generate a cohesive response.<sup>45</sup> Similarly, in Industrial policy, the simultaneous push-pull effect from both the left and the right of the Party created several knee-jerk movements and fluctuations in national policy. For these reasons, for this brief period, we assign to industrial policy a short-lived, unstable residence in the non-equilibrium outcome of Quadrant *II* in our model, where mixed leadership support behind change creates a curious situation where minority factions are driving change, albeit intermittently. As such, with pressures from both factions and fundamental uncertainty in both the urban and rural economies—compounded by food crises and foreign aid shortages—planners threw up their hands and declared a plan “holiday” from the period 1966-69.

This outcome is inherently unstable, and the Indira Gandhi administration—after first faltering and then dissolving the existing Congress Party—reasserted central control over economic policy in 1971 with a reinstatement of *dirigisme* and a strengthening of the state’s control over the economy. After the plan holidays are taken into account, and after the unstable period of the late sixties had elapsed, the growing strength of the left in the *Lok Sabha* leadership saw the gradual re-instatement of the extreme *dirigisme* of industrial policy, leading up to the 1973 nationalization of the banks and Indira Gandhi’s adoption of mass populism in her rhetoric.

---

<sup>45</sup>Ray (1982:1620).

As Indira Gandhi consolidated her break with the old Congressional leadership, her new Congress-O (later to be Congress (I)) Party realized that it could, by itself, capture a majority in Parliament through direct appeals of *populism*, and the new  $s_q$  further strengthened the state's economic policies around the old Nehruvian *dirigisme* in Quadrant I.<sup>46</sup> More leftist Congressmen, such as Jagjivan Ram, Chandra Shekhar and Mohan Dharia began to demand greater complicity from state-wise planning heads to increase the pace and scope of *dirigisme* and rural reforms. These trends continued under Indira Gandhi's (often reluctant) accession to the rising political left within her Party, and, in industrial policy, we see a *reversal* to the diminished values of bureaucratic discretion, and the pressures to heavy compliance, as planners were asked to insinuate an "anti-poverty", pro-employment, and nationalistic self-reliance focus in the Fifth FYP ( $p_i = p_s, \beta = 1, \hat{b} = \frac{b}{2}$ ) (Quadrant IV).<sup>47</sup> Simultaneously, in the case of rural policy and the relaxation of controls in the countryside, we can effectively identify the less controversial evolution of a new  $p_s$ , as Congressional leadership coalesced around the *Green Revolution* and the rising demands of medium and large-scale agricultural interests; this consensus—stationed in Quadrant III—outlived Shastri and Gandhi's regime, as no Congressional leader sought to seriously undermine the power of this dominant member of the Congressional coalition.

---

<sup>46</sup>Despite the fracturing of the old Congress Party along the factional divisions of the old Guard (Congress-R(equisitioned)) and Gandhi's faction (Congress-O rganization)), Congress-O managed a healthy *Lok Sabha* victory in 1971 and state assembly victories in 1972; this was due largely to her personal popular appeal among the electorate (Kochanek 1974).

<sup>47</sup>Potter (1986:155-162).

## The Cultural Revolution and the Emergency

Finally, we consider some of the blind spots generated by the model's results, and its difficulty in speaking precisely about the two important events in the developmental histories of China and India. The breakdown occurs when we consider the radical shifts associated with the *Great People's Cultural Revolution* in China (starting in 1967) and the period of *Emergency Rule* in India (1971-73). Is it possible to accommodate these disruptions? Were these violations of the "rules of the game" that governed how divisions in the leadership would affect the bureaucratic organization of the state planning apparatus? Without the aid of the model, I argue, it would be difficult to speak precisely about the institutional effects of these two calamities on Chinese and Indian governance. However, a consideration of the different equilibrium outcomes allows us to usefully distinguish between the ability of the model to serve as a descriptive tool for the Indian Emergency Rule (which *is* described by the results of the game) and the *Wenhua da geming* Cultural Revolution (which the model cannot account for within its confines).

We have seen that the model does help explain the results of leadership breakdown as events *culminated* in these gross excesses; however, the actual repercussions of the events themselves on central planning and its functions are not predicted by the model's results in any precise manner. In terms of the lived reality of these two scenarios, this failure to accommodate of course makes perfect sense: both of these periods implied a total breakdown of the intra-party and intra-governmental *norms* that guided development in both nations from

their inception. They are in fact viewed as deep tragedies and serious aberrations in the narrative of economic growth and governmental stability.

In China, this period is known as the “lost decade”—in terms of education, economic growth, planning, and social progress of all varieties. India’s relatively shorter—yet more surprising—usurpation of power by Indira Gandhi threatened to undermine the basic tenets of that democratic republic. While the institutions of the judiciary were eventually able to rein in this excess in India, and while the excesses of the *Gang of Four* and the radical disruption caused to social and economic life in China ultimately led to a cessation of the mayhem associated with the *Cultural Revolution* in China, the unilateral moves of one element of the leadership seriously undermined the credibility of each of these systems. The model fails to easily predict these dis-junctures in institutional history, since the game studied above *assumes* the operation of the norms of intra-party mediation among elites, the independent functioning of the institution of the Planner, and the menu of delegatory functions available to the bureaucracy in implementing policies. All of these assumptions fail to hold in the case of the *GPCR* and the *Emergency Rule*; for the instant moment just when these drastic steps were taken, leadership norms had totally broken down and any meaningful opposition faced imminent threat and arrest.

In China, for example, the fact that the basic organizational apparatus of the government was breaking down was symbolized by the surprising purge of Peng Chen (among the top ten leaders of the CCP) who was the effective *chargé d'affaires* of Party policy toward how the state was organized. The plan-

ning apparatus was dismantled, in effect, from both the top and the bottom. The Planning Commission and its associated bureaus (primarily the State Bureau of Statistics, the National Price Control Commission, and the State Capital Construction Commission) saw over half of its forty-five members removed from office, including eight out of the seventeen deputy directors of the PC itself, in 1967.<sup>48</sup> At the operational levels the planning processes were so radically decentralized (as far as industrial policy is concerned) that duplication of effort and fragmentation of control over resources proliferated to absurd levels.<sup>49</sup> Consensus deliberation was in full force *below the provincial level*, and the provinces themselves functioned as more or less independent system, with super-ordinate amounts of latitude internally ( $\hat{b} = 2b$ ), but with the central government's effort to coordinate *across* these provinces grinding to a virtual halt.<sup>50</sup> This was radical decentralization at its most inefficient, from a central planning perspective.

Thus, for the case of the Chinese Cultural Revolution, I would argue that the leftist wing of the CCP leadership, certainly in a minority, pushed for a rapid transition to  $p_{1-\alpha} = p_{s'}$ , while the majority conservative and moderate elements, in a somewhat reactionary stance (relative to Chinese political parlance) wanted to avoid the disasters of the early periods at all costs and opposed these policies. This outcome would bring us to Quadrant *II* in our game-matrix. Furthermore, with Mao's radical usurpation of Party and state processes, the discretion of bureaucrats to engage in having their voices heard was blown to super-ordinate levels. This was manifest in the *Red Guard* mobilization in which Mao Zedong famously exhorted an army of radical party functionaries to go to war with

---

<sup>48</sup>Prominent among these, the key planner Bo Yibo was also removed. See Diao (1970:74–75).

<sup>49</sup>Wong (1992:572–574).

<sup>50</sup>Harding (1972:70).

the four *olds* of *fengjian*—or the feudal mindset of those elements of Chinese social and statist organization that still retained these, in his mind, antiquated practices. Integral to the rejection of these was the statist tendency, the long-standing Chinese tradition, if one will—of overbureaucratization, commandship in the state, ossification at the behest of rules and regulations (all particular terms in Maoist legerdemain). Mao and the radicals in the Party felt the stranglehold from the conservative elements in the Party using the rules and regulatory frameworks of the bureaucracy to extinguish the revolutionary agenda, particularly with the ascension of the latter in the post-Leap recovery phase in the early sixties.<sup>51</sup>

Some interpretations of Mao's moves consider the GPCR as a principled move against reactionary statism, an ideologically (if perversely) driven logic; others see it as a straightforward fight between different factions of the CCP leadership, with Mao playing dirty as he saw the initiative rapidly slipping away. Our model can perhaps intervene here. The open fracture in the leadership in China in the post-*Leap* recovery had the effect that the local and lower levels of the planning bureaucracy (at the sub-provincial levels of the county—commune, brigade, and team) no longer believed they were operating under a situation of leadership unity.<sup>52</sup> Furthermore, with the institutionalization of consensus deliberation, different localities were pushing the recovery in different directions. In and of themselves, these were “healthy” developments by any standards. Leadership, prompted by *majority support* was moving incrementally toward incremental progress in Quadrant *III*-based consensus delibera-

---

<sup>51</sup>This outcome has been discussed in more detail in the previous chapter, in the section on *deliberation and voice*.

<sup>52</sup>Oksenberg (1966:3-4).

tion. As discussed in the previous chapter, however, Mao became increasingly alarmed at precisely this “comfortably statist” state of affairs and re-instated his anti-statist, anti-bureaucratic penchant for radical decentralization in policy and planning. The moves were *so* radical that they involved the rapid breakdown of planning to a degree that was avoided even at the pinnacle of the *Great Leap* debacle.

Continuing to suggest that our model is appropriate for this time period strains the assumptions and premises upon which it is founded, for the simple reason that the arrangement between the leadership and the planners and the rules that governed the delegation of responsibility to agents all broke down in explicit terms. For this reason, we attribute a measure of  $\hat{b} = 2b$  to this period to characterize the relative *over-abundance* of discretionary drift meted out to the radical elements of the Party and the State who all but usurped normal activities in the planning (and most other) processes. We recall that this outcome,  $\hat{b} = 2b, p_i = \frac{s_g + p_s}{2}$  does not hold in equilibrium, and we must resort to an explanation that adjusts the assumptions in order to maneuver this data into our theory. This may not be as damaging, strictly speaking, since any given model can only explain so much; furthermore, given the rather uncontroversial characterization of this period as a total breakdown of the rules that governed Chinese planning, we would certainly not expect the model to support this example without difficulty.

In the case of Indira Gandhi’s India, the situation is a bit easier to gauge. Finding the leadership of the Congress being dragged in one direction by the

Syndicate, the iron-willed Gandhi decided to take matters into her own hands and initiate a direct populism with regard to economic policy with her *Garibi Hatao* (abolish poverty) drive in the cities and the villages. She challenged the old guard of Congress by divorcing her faction (which turned out to capture the majority in any case), and she seized the electoral initiative away from the leftist parties by inaugurating her own blend of statism. This same logic drove her, eventually to circumvent governmental norms and declare a Constitutional emergency in 1975.

Thus, the Indian case of *Emergency*, by contrast *can* be understood within the range of permissible outcomes. This is because Indira Gandhi's appeal to the Emergency was a legal process after all, invoking and abusing a constitutional provision. This provision was itself overturned by the Indian Supreme Court just two short years later, and Indira Gandhi herself emerged back as the champion of the Indian electorate in the 1980 general elections. The army did not implicate itself in civil matters—as it did in the Chinese case—to quell the Red Guard Movement. Most importantly, there was not the total breakdown of central planning as occurred in China. All of these reasons together, allow us to characterize the brief Emergency period in Indian development as being safely described by the *coercive* application of leadership toward the implementation of  $p_s$ . It should be noted that in the Indian case, the ability of the bureaucrats to voice concerns and to deviate from the central mandates was *diminished* rather than enlarged to absurd proportions as was the Chinese case. Bureaucratic over-compliance was the norm during the Emergency, setting  $\hat{b} = \frac{b}{2}$  as the appropriate measure for this period.

However, the model may fail to capture Indian reality as well, if one further probes the assumptions of the model. The correlated equilibrium is motivated by the Planner assessing the conditions of the bureaucracy in order to signal the leadership about the appropriate institutional form of delegation—in the case of central planning. Thus there is every indication that consensus deliberation was facilitated, but that it was empty. The data on the Indian case is mixed on whether such extant processes were allowed to function in the way we have said that they do. The model helps to underscore the relation of leadership norms and bureaucratic organization as long as the structural governmental norms were followed, but creates difficulty when there is significant question as to whether these norms were themselves grossly violated. As such it might be a stretch to use this description of reality in the Indian case for these reasons, even though the actual outcome can be reckoned with.

To further underscore the salience of leadership unity behind policy shifts during times of extreme movements in  $p_s$ , we can usefully compare the radicalization of planning under the Great Leap Forward and the radicalization under the *Cultural Revolution*. Both involved a dismantling of the planning apparatus—the former in agricultural policy and the latter in the industrial sectors, respectively. In the former, however, these changes were executed with stolid leadership unity.<sup>53</sup> The latter saw a complete breakdown of leadership unity, as Mao broke all protocol and norms of Party accommodation of dissent and openly waged war against the Party and the state. In the former, as our model suggests, over-compliance and blind adoption of the shifts initiated at the center should follow as  $\hat{b} = \frac{b}{2}$ , while in the latter, we swing to the other

---

<sup>53</sup>The only major challenge to leadership unity *prior* to 1955 in fact was the Gao-Jao affair of 1955, mentioned in the previous section.

extreme of excess local domination of the planning process, with the wildly exaggerated claims under  $\hat{b} = 2 \cdot b$  rule.

## Concluding Remarks

As one of several caveats to the analysis offered here, we note that regime type does have an indirect effect on the distinctions we make between the Chinese and Indian cases and between different examples within each case that we consider. The threshold of leadership unity is somewhat unclear in our treatment, and this does relate to the different modes of government. In China, leadership divisions are only visible to the population once the authorities allow this discussion to become visible to the statist machinery and to the masses at large. As the debate raged on in the late fifties and culminated into the Great Leap, the CCP still managed to retain differences as a private intra-Party matter. After the disaster of the Great Leap, these differences could no longer be brushed under the carpet, and the period of recovery slowly made these manifest in the period between 1961-66, as Mao and the radicals were openly and plainly sidelined. Indeed it was precisely this *open threat* to his hegemonic position within the Party apparatus that consigned Mao to rebel against its own strictures in the period that immediately followed. Thereafter, leadership divisions in the CCP were no longer containable, and we see a lot more movement across the three equilibrium outcomes in our model in the periods that follow—including the GPCR, the ascension of the Gang of Four, the shaming of the same, the transition authored by Hua Guofang, the derelictions of Zhao Ziyang, and finally the

consolidation of the reform program under Deng Xiaoping's leadership in the early eighties.

India's leadership divisions were and are much more straightforward to gauge. In India, leadership divisions—attributable to the democratic multi-party system—are difficult to keep private. For example, In the period of Nehruvian ascendancy (1949-1964), much like the period of Maoist ascendancy in economic planning (1951-1961), disputes existed across leadership factions, but these disputes were subject to negotiations and management within the confines of the Party, without debate spilling into the public sphere.<sup>54</sup> But the fact that Lal Bahadur Shastri so quickly began to deteriorate this broad consensus over the direction of growth within the AICC under Nehru took almost no time to become apparent to the statist machinery. The internal breakdown of planning in China was prompted by the excesses of 1959, but it took ten years before planning itself broke down as an institution. In India, merely two years after the death of Nehru, planning took "a holiday" during the 1966-67 *ad hoc* plans. Like Chinese planning—and around roughly the same time—by the late 1960s, the central planning apparatus was seen to have "broken down" in the face of large-scale macroeconomic challenges. However, while we may think that the openness of India's regime might make the model a cruder explanation of the relationship between planning and leadership there, it is also true that the model does a better job of explaining variation within the Indian case. We do not have to accommodate events such as the *cultural revolution* off the equilibrium path of play.

---

<sup>54</sup>Ray (1982:1620-23).

Thus, as a first approximation of leadership debate over issues of policy, the model also implicitly concerns itself with deliberation within this leadership. If assimilation and consensus could not be achieved within the leadership, then the Planner is required to choose  $\beta = 1$  and delegate the tasks of discussion and implementation within the bureaucracy to singular agents and particular constituencies. In this case, the scope for discussion within the bureaucratic hierarchy is minimal and there is no requirement that agents seek consensus across vertical boundaries.

What the model helps us to understand is how deliberation in bureaucracies helped to moderate the trends toward excessively aggressive policies in both Chinese and Indian economic policy. These institutions were not always successful—particularly when the rules of the game designed by the participants themselves were violated—and more often than not, policy goals, per se, were only lugubriously or ineffectively met. However, as a system of managing leadership disputes *over* policy direction, goals, and the primary thrust of the government's involvement with the economy, these deliberative institutions served as an anchor for intra-party disputes. As the discussion was forced through the rungs of the bureaucracy (sometimes somnambulant sometimes violently) excessively ideological debates of these often “strong-minded” regimes was brought to the ground of debate. Since the legislatures in China and India often found it difficult to house practical solutions to divisive policy issues, this happened in the actual state agencies that managed this change. Finally, the salience of these deliberative functions, as we have been arguing, is no better understood than in the fact that at the time of reforms, both China and India returned to the plan to proceed in the direction of liberalization. That the rhetoric

of liberalizing the economy—state should not be involved in markets and all that—seemed to suggest the jettisoning of the plan aside, the plan continued to be the fulcrum of debate in the Chinese and Indian economies.

While the virtues of the overall approach of formal modeling, and its differences with the extant literature on Chinese and Indian economic development have been considered at length in the previous chapter, it would be helpful to highlight some of those earlier remarks to reiterate the added value of this approach.<sup>55</sup> In addition to the analytical points mentioned above, the modeling effort helps to integrate diverse viewpoints in the traditional literature in South Asian studies and Chinese studies, which often treat intra-leadership divisions within the political leadership and the divisions within economic policy-making as separate concerns. This is most clearly seen in the primary approaches to studying *Chinese* politics, where the intra-party struggles of the CCP during the Maoist period are treated in the “elite factionalism” literature on policy-making (Baum 1994; Dittmer 1978, 2002; Nathan and Tsai 2002; Woodside 1991; Pye 2002; Goldstein 1995), and questions of bureaucratic organization are handled by a different set of studies (Oksenberg 1966, 1974; Lieberthal and Oksenberg 1988; Whyte 1991; Harding 1981). Attempts to integrate the two into an over-arching framework have not been theoretically transparent, and individual episodes are treated as intrigues within leadership at a particular point in developmental time that do have links to the bureaucratic apparatus of policy-making, but only in an arbitrary and episodic manner (Baum 1991; Lee 1978;

---

<sup>55</sup>As mentioned, Chapter Two contains a lengthier elaboration on how the present approach can be contested against existing perspectives on Chinese and Indian affairs, and I do not include the details of this larger discussion here, but only refer to some of the implications of the that discussion.

Chang 1969, 1978).<sup>56</sup>

In the discussion of the pre-liberalization era of the Indian economy, India scholars have likewise attributed a great deal of importance, naturally, to the changes at the top of Congress leadership (Varshney 1985, 1999; Kochanek 1968; Sengupta 1996; Kohli 1989). While there have been attempts to link the development of a bureaucratic consensus (by the political leadership) and the contours of economic policy (Jenkins 1999; Saez 1999; Shirk 1992, 1993; Shue 1991, 1988; Bagchi 1991, Denoon 1998) we have not seen the development of a systematic framework in which different episodes of such instances of consensus can be linked to structural conditions of these polities. The role of lobbying, though not exactly synonymous with deliberation as we have used it, of the economic policy process *has* received concerted treatment, particularly in the Indian studies tradition (Kochanek 1974, 1985, 1987; Rudolph and Rudolph 1987) , but in China's more opaque system as well (Lampton 1992; Yang 2006); these studies point to the growing influence of interest groups and their penetration of bureaucratic processes, but as of yet, the specification of a general mechanism by which this occurs—and the institutional rules that facilitate this influence—remains poorly specified.

And while studies have brought to light the information processes *within* the bureaucracy to emphasize their critical role in implementing and approving policy changes (Halpern 1992; Oksenberg 1974; Bandyopadhyay 1996b) these

---

<sup>56</sup>An exception to this in the political science literature on Chinese politics is found in David Bachman's (1991) seminal work on the Great Leap Forward, in which he explicitly considers the relationship between the CCP central leadership and the Planners at the outset of the Leap effort. In the Indian case, Bardhan (1984) remains a novel attempt to link elite political groups to both the bureaucracy and to policy processes within a political economy framework.

works do not provide much of a causal explanation of why these information processes change over time or who does the changing; rather they are treated as “problems” within the bureaucratic organization that somehow different political actors must overcome if policy success is to be realized. However, we argue, the agency of the leadership in question is a critical missing factor in these analyses. It may be the case that political principals (leaders, planners) actively *structure* different information-gathering environments depending, as your model suggests, on the nature of the policy in question, on the state of leadership support, and with an assessment of the likelihood of implementation of a particular policy on the ground.

If consensus occurs under the rule of Mao and Nehru in some instances but fails to materialize in others, what explains the difference in outcomes? If the bureaucracy is complicit with policy in some periods of the same political party faction in power and not in others, what explains the difference in the behavior of these state agents? If there is a “bandwagon effect” among lower-level planners such that “over-compliance” is the temporal norm, why do we see at other times these same bureaucrats—under different policies but the same leaders—obstructing, delaying and subverting the wishes of the central planner and the political leadership? While the model we have analyzed is admittedly simple and incomplete (in that important institutional differences between China and India are not captured or rendered moot), it is nevertheless an attempt to bring these diverse concerns together under the umbrella of the same theoretical explanation.

Finally, we return the discussion to a final aspect of the model that might initially seem a strain to intuition: the conflict of interest between allowable bias and the type of deliberation that is chosen by the planner in the Delegation stage. From the guidelines of the Planner's utility function, a minimization of bias *and* the quality of the information are both important. However, these concerns are mitigated to some extent by the preferences of the political leaders, who are in some sense the principals of the Planner. There is thus a three-way conflict of interest between these two and the Agents, who only care about maximizing the size of their reports. When the Planner is able to see that the political leadership is united in a certain direction (toward  $s_q$  or  $p_s$ ), the Planner seizes on this opportunity to minimize the loss to discretion and to capitulate on the deviation from the policy that will minimize her loss in the second dimension of her utility function.

This all makes sense if the policy shift to begin with is a sound one, as in the cases of land reform and the initial drive toward capital-intensive industrialization in China or the removal of "anti-developmental" interests (the feudal holdings of princely estates, the strength of extractive multinationals, and the restriction on inefficient domestic monopolies<sup>57</sup>) from the economic scene in India. The flip-side examples of these success stories also exist, however; seen in retrospect, the *failure* of land reforms or the aggressive (coercive) policies of family planning in India, or the blind drive toward agricultural collectivization in pre-Leap China had deleterious consequences for social welfare. That is, if the policy itself is based on unsound principles this outcome, although highly favorable to the Planner and the Leadership (which is united in its sup-

---

<sup>57</sup>Byrd (1990:732).

port), might over-ride bureaucratic wisdom on the ground, and thus create an “empty” deliberative exercise in which much deliberation occurs across the different hierarchical levels, but the restrictions on the relative size of the report,  $\hat{b} = \frac{b}{2}$  and the lack of consensual coordination along the rungs of the hierarchy diminish its usefulness as a corrective to bad policies.

CHAPTER 6  
DIVIDED LEADERSHIP, DELIBERATION AND REFORMING THE  
ECONOMY THROUGH PLANNING

**Analytic Narrative II: The Early Period of Economic Reforms**

This chapter presents a narrative that covers the initial series of moves that set into motion the Chinese and Indian programs of economic reforms. In terms of its temporal coverage, the scope is far narrower than the previous chapter, which spanned the period from the inception of central planning to its near-complete collapse(s) under the *Emergency* in India and the *Great People's Cultural Revolution* in China. This chapter attempts to shed analytical light on a far briefer period; I investigate the context and entry of each nation into the contemporary period of liberalization and economic reforms, extending from the time reforms were launched going up to the period in which they were consolidated. In the case of India, I cover the initiation of reforms, first (briefly) in 1985 and their full-scale inauguration since 1991; China's case covers the prior-to-reforms transition period of 1976-79 as well, in which the last throes of central planning were experienced, and the momentous initial years of reforms, the period of 1979 to the mid eighties, when the reforms experienced a slowdown and then a rejuvenation of effort.

I demonstrate—to substantiate the claims outlined in the introduction of this thesis—that the same institutional logic that animated economic planning in the

pre-reform developmental period continued to do so as reforms were getting started as it relates to the crucial relationship between *leadership divisions* over policy, the policy shifts proposed by the technocratic planner(s), the actual policies that saw the “light of day”, and the type of deliberative environments these adjustments in policy were filtered through.

The discussion in this chapter aims to show that not only does the framework outlined in Chapter 4 retain its explanatory usefulness in the early period of reforms in both China and India, in fact its ability to capture empirical reality is enhanced. The overall trend, as the narrative below will demonstrate, is for leadership divisions themselves to be curiously *minimized* in both nations during this time of economic upheaval, an observation that goes to the heart of the puzzle that this thesis began with. There are no “outlier” episodes of political Quixoticness, such as the *Emergency* rule under Indira Gandhi’s India, or the far more bizarre episode of the Chinese *Cultural Revolution*, with which the narrative must wrestle to bring key episodes within the purview of the game’s equilibrium results.

Instead, the observations of both cases point to an interesting convergence of observed outcomes: just as these two very different political systems somehow managed to erect similarly structured bureaucratic planning processes—in response to the similarly perceived environmental parameters of informational constraints—they also experienced remarkably smooth and undramatic forays into economic liberalization. In terms of the relatedness of the model and the different examples covered in the narrative, this means that there is less fluc-

tuation between the observed values for the equilibrium solutions. As the narrative concludes, it will be observed that the long-term trajectory of reforms in both nations places each squarely in a situation described by Quadrant *III* of the Leadership Stage in Chapter 4: a majority support for liberalization and economic reforms is sustained by bureaucratic consensus and the delegated effects of deliberation along the entire rung of the planning hierarchy. The latitude accorded to the planning process diminishes any given agent's individual bias in the matter of adjusting a particular policy, because the policies of the lower agent constrict the former's report. The reason that this a "healthy level of deliberation", using the intuition provided in the game, is because of the fact that while leadership unity is not whole around economic liberalization—or the particular dimensions of economic reforms in question—there is nevertheless majority support for reforms.

Just as there is not much movement across the different quadrants of the Leadership Stage as different values of  $p_i$ ,  $\hat{b}$ ,  $\beta$ , and  $\alpha$  are noted from the observed outcomes of the initial years of planning, there are also no brief perturbations that shift the observations in unstable and short-term residence in non-equilibrium scenarios, such as the values of  $p_i$ , and  $\hat{b}$  for Quadrant *II*. In spite of the enormity of the changes being considered and then ultimately implemented, and despite the ascension of different leadership factions into power, the era of reforms in both countries has remained remarkably nonplussed in terms of the effects of the different political platforms and mandates these different politicians came into power with or became associated with on the viability of the reforms themselves. Thus, what I establish in the course of the discussion is how it is that both cases can be observed to move toward that stable equilib-

rium outcome designated by Quadrant *III* in the analysis.

If as I have suggested the institutions of deliberation within planning served to moderate leadership divisions within pre-reform developmental period, then these same institutional provisions should be in operation as the shifts in economic policy implied a diminution of economic planning itself. And this only needs to be considered a “contradiction in terms” if the notion of planning is restricted to a certain type of economic management principles—such as the form of ownership, the nature of strategic allocations, or indeed the entire venture of state socialism itself. However, as I have tried to argue throughout the thesis, planning was a lot more than that, and was not even primarily that. More particular to this chapter, I show that by the early eighties, as key leaders sought to extend the frontiers of the Chinese and Indian productive capacities closer to their respective Pareto Frontiers, one key aspect of the political management of the economy had been addressed and solved: the issue of leadership division over the question of economic liberalization.

This is evidenced in both cases, despite their very different political regimes, and despite the ideological orientations of their ruling coalitions. While there is universal agreement on the *value* of the dependent outcome, which is that there was no significant political opposition to reforms. What existing explanations *do not* agree on is why this is the case. This is true for explanations that focus either exclusively on the Indian case or exclusively on the Chinese case. Given this, one would expect that an explanation that seeks to account for variation across both of these cases in a consistent manner would be even more

difficult to manage. In fact it is precisely because these are two very different political systems that researchers typically seek different sets of circumstances to account for each case individually. In contrast, I hope to show, through the language of the framework in Chapter Four, that the institutions of deliberation that animated the developmental period had, by the time of reforms, stabilized into routine and reliable mechanisms of economic management and policy formulation. The application of the game's results is therefore less strained, policy convergence more streamlined, and the observed outcomes in relative consonance with what the game would expect "play" to look like, as both polities equilibrate to the Pareto superior outcome of a majority-supported economic liberalization agenda, implemented gradually and slowly, founded upon a thoroughly apolitical/non-ideological bureaucratic process of *consensus deliberation*.

### **Leadership Division and the Governmental logic of Planning**

As argued in the past two chapters, the degree of leadership (dis)unity over policy shifts implied different deliberative environments (consensus versus single-agent deliberation), differing levels of endogenized bias ( $\hat{b}$ ) and different default policies  $p_i$ . In covering the Chinese and Indian cases, I again document the relationship between leadership divisions, differences over the initial scale and scope of reforms, and the intervention of a governmentally-minded planning process into these debates.

While at first brush the issue of leadership unity and its relatedness to bu-

reaucratic discretion may seem commonplace, in the case of China and India this relationship has led to counter-intuitive empirical trends. The greatest threat in a polity besieged with a multiplicity of regional, sectoral and “public and private demands groups” (to use a phrase of Lloyd and Susanne Rudolph) is that policy can become either ideologically charged so that pathological policies are adopted or that it can get so divided that no innovation is possible. For instance, during their developmental periods, both China and India experienced repeated instances of leadership-based pushes and pulls (prompting episodes of either policy stagnation or ideologically charged excess) as a result of a lack of bureaucratic consensus emerging on the ground.<sup>1</sup>

Empirically, several pertinent facts concerning the management of the economy before liberalization and after liberalization can be noted. In the developmental period, as I discussed in the previous chapter, there could be rapid swings in economic policy, followed by the planning apparatus accommodating and eventually moderating the policy shifts offered by the central planner in light of the different types of leadership unity that remained in the background. This developmental period, in both nations, included episodes of policy advancement, as in the the cases (in both nations) of the mobilization of savings and resources (and creation of capital stock), the Green Revolution (in India), the eradication of antiquated tenurial systems (also in India) or the abolishment

---

<sup>1</sup>Since the simple model of Chapter 4 is neither applying an *evolutionary* equilibrium solution concept, nor taking it account structural *dynamics* of the type I am alluding to here, the incremental benefits of the institutional arrangements it is trying to capture are not directly translatable in terms of its equilibrium outcomes per se. All that can be claimed is that with probability  $\frac{1}{3}$  each of the three equilibrium outcomes are equally likely to hold under the correlated strategy of the Planner. Therefore, any interpretation offered regarding the observed stationarity of outcomes in the Chinese and/or Indian cases in one of these three outcomes at particular points in time, then one must necessarily travel outside of the formal claims to make sense of why either economy (could possibly) be stabilized in the observed Quadrant.

of feudal landowning patterns altogether (in China); also included in this period were singularly promoted policies that were not necessarily welfare increasing for the individuals affected by these policies, and also those that were outright vilifications of common sense, such as the *Great Leap Forward* and the redundant economic production and inefficiencies witnessed during the *Cultural Revolution* (in China), the lack of progress on rural land reforms or the stagnant *dirigisme* of the urban industrial economies (of India).

In addition, there were disruptive pushes and pulls between different factions of economic policies in both nations. Fundamental to the shifts of the sixties and seventies in China, from the conservative factions (that wanted more sanity and more scope for private market-friendly policies in the rural economy), to the radical wing under Mao, and later with the anarchic disarray fomented under the leadership of the Gang of Four, were the simultaneous goals of accommodating leadership disunity on fundamental matters of how the economy should grow and a central planning bureaucracy and hierarchy that tried to accommodate local demands and these wildly fluctuating central goals. Cognate events in India, from the extreme *dirigisme* of the sixties, to the populist nationalization under Indira Gandhi in the early seventies can also be noted in this same vein, although they often lack the dramatic twists and turns of the Chinese case.

On the other hand, the period of reforms in both nations are markedly missing these wild fluctuations. Instead, there is remarkable leadership unity and consensus around the overall direction of economic reforms, and both of these

liberalization initiatives are several decades into their respective trajectories. This overall puzzle in the case of these two economies (particularly in light of the often arbitrary policy trajectories of the developmental period) has been recognized in the case of individual observations of China and India, but no satisfactory solution to this puzzle has as of yet been offered. If no satisfactory solution to puzzle, as I am arguing, exists for each individual case, then it certainly comes as no surprise none exists for the dual positive cases of China and India, when viewed together.

However this thesis tries to do just that — consider the puzzle to be one that captures the empirical reality of both nations. But in the context of the reasoning offered here, the task of answering the puzzle's quandary is made *easier* not more difficult, since considering the two nations together draws the attention of the analysis to the factors that may be isolated (as being common across the two). Again, while this discussion is only suggested but not directly implied by the formal features of the extensive form game of deliberative institutions, the juxtaposition of these two facts is suggestive in itself.

The path to correcting for economic excesses and, for lack of a better phrase, policy *irrationality*, seems to have “hit home” following the dismal performance of the Chinese and Indian economies during the seventies, when evaluated against the comparatively better performance of their Asian neighbors, the backdrop of the oil and energy crises, and the periodic bouts of balance of payment shortfalls. These, as background factors may have prompted a gradual tempering of policy excess in the mind of Congressional and Communist

leaders, as many in the China and India fields have suggested, but the invocation of these factors as *explanations* for policy coherence in the era of reforms are somewhat *ad hoc*, outside the measurable purview of domestic institutions, and ultimately, from the point of view of a robust explanation, neither here nor there. While these external triggers may certainly have had some relevance insofar as the preferences of planners is concerned (i.e., those central bureaucrats who wished China and India to become more reasonably integrated with the global economy) the ability to translate this wish into workable domestic policies would have remained wishful thinking if it were not for the presence of the features of the planning process that could facilitate this alignment of views across the regional diversity of these nations.

By the end of the nineteen seventies, local-level deliberation and the decentralized processes that accompanied it were firmly in place in both nations. Depending on the policy area, leadership unity differed across contexts, with either unanimous support—with  $p_i = p_s$  behind (or opposed to— $p_i = s_q$ ) far-reaching policy initiatives, or with majority support behind a median position ( $p_i = \frac{p_s + s_q}{2}$ ). In China the long road back to reconstruction of the planning apparatus had continued throughout the seventies, and in India the Emergency had self-corrected itself by the time Rajiv Gandhi's administration started to chip away at the licensing regimes which had hitherto shackled Indian private firms. This initial 1985 pre-cursor to the more far-reaching reforms that would take place in July 1991 brought together majority support for a new *policy shift* away from the strictures of the autarkic phase and started the move towards more relaxed regulatory environments.

## India: From Left to Right—Evolving Consensus in the 1990s

*In order to collectively deliberate upon and arrive at a common understanding and strategies concerning critical issues requiring coordinated action by the Centre and States, discussions with Chief Ministers have been held frequently in various forums.*

UNITED DEMOCRATIC ALLIANCE, *Report to the People*, 2004.<sup>2</sup>

The Indian case, starting with the contemporary push for liberalization in 1991, exemplifies the above argument. This can be observed most clearly if one is to examine the evidence from this period in comparison with preceding attempts at opening the economy. Several authors have noted that prior to the 1991 push for reforms, earlier attempts had been contemplated in policy circles, if not outright attempted, most notably in the attempted devaluation of the currency in 1966 by planners under Indira Gandhi.<sup>3</sup> The difference between the abrogated attempts of 1966 and then much later in 1985 (as a precursor to the full-scale initiation) and the unbroken push since 1991 is the different *deliberative environments* within which these reforms were attempted: those of *consensus deliberation* for the period after 1991, in contrast to the *radical centralization*—where policies are sent to the planning bureaucracy under unitary political support—of the earlier attempts.

The model itself does not take into account the *reasons* for these different en-

---

<sup>2</sup>United Progressive Alliance Government (2008:30).

<sup>3</sup>Mukherji (2000); Denoon (1998); Ahmed and Varshney (2008); Kudaisya (2002).

vironments; indeed  $\alpha \in [0, 1]$  is an exogenous parameter. However it would be uncontroversial to add that the leadership environments of Indian parliamentary politics were more unified in 1966 and 1985 (since the Congress Party held majorities in parliament) as compared to 1991 (when the P.V.N. Rao administration led a Congress-dominated coalition which no longer retained its parliamentary majority). In fact these three periods can be said to fall along a continuum of cases, where the degree of leadership unity behind a reform decreases over time while the degree of opposition increases over time. The former period was marked by fractious rivalry within the Congress Party, but were still unified against a relatively far weaker (in numbers) political opposition; the same is roughly true for the Congress Party in 1985, which had ascended to parliament largely on a sympathy wave following the assassination of Indira Gandhi. Thus opposition to the reforms introduced was more than the largely internal opposition in 1966, but in an intermediary position to the *relatively* higher level of initial mobilization efforts against the 1991 reforms; the latter was evidenced in the case of mobilized efforts against the 1994 efforts to join the WTO under the auspices of the “Dunkel Draft”—the name given to the name of the agreement which would make India signatory to the newly created post-GATT organization.<sup>4</sup> The coalition politics that have marked India *since* the assassination of Rajiv Gandhi (1991), by contrast, have been dominated by the norms of democratic rules of government formation in a multi-party parliament. Thus, the differences and degrees of leadership positions are greater in the nineties (as the reform agenda was inaugurated), and any given political party’s native strength is matched by competing organizational efforts.<sup>5</sup>

---

<sup>4</sup>For the 1985 reforms see Kohli (1989, 2006b). For opposition to the Dunkel Draft see Lakha (1994) and Sen (1992).

<sup>5</sup>The political fragmentation is explored in Kapur and Mehta (1999).

The relevance of these distinctions for the discussion of the Indian case is that they draw attention to the differentiated effects of these two deliberative environments. It is keeping these differences in mind, I argue, that analytical sense can be made of why the former cases of attempted reform did not endure, while the latter have endured (for about twenty years as of the time of this writing). This is so, despite the curious fact—mentioned above—that the earlier periods were marked by greater leadership unity (dominated by one political party), while the latter period is marked by rival coalition governments (where power-sharing is less dominated by any one party). As the following discussion argues, in fact, political fragmentation has *fostered* policy stability under consensus deliberation. In the context of the game presented in Chapter 4, this is not remarkable, since periods of policy unanimity are decidedly Pareto inferior to periods of majority support for a policy (compare the summed payoffs for  $\alpha$ -Faction and  $1 - \alpha$ -Faction for Quadrants *I* and *IV* versus that of Quadrant *III*; Quadrant *II* of course does not hold in equilibrium). The exogenous conditions for political competition are themselves reflected in the leadership divisions over policy shifts, since  $p_i = p_i(p_s, \alpha, \beta)$ .

The different equilibrium outcomes imply different natures of political opposition. In periods when the outcomes are characterized by unitary leadership support behind a policy, the policy is indeed fueled by this unified support, but these policies are not being filtered through the consensus generating deliberative process of Quadrant *III*. In these cases, when the leadership shifts, so may the policy itself. Thus, while the 1966 (to a greater extent) and the 1985 (to a lesser extent) episodes were elite-managed and driven with little dissension at the top levels of policy-making in New Delhi, as the leadership changed,

so did support for these policies. In contrast, the far more gradual evolution of economic liberalization started in 1991 under *consensus deliberation* have fostered change that is incremental, longer lasting, and unconstrained by particular leadership personalities.

To further clarify the present argument, it would be helpful to underscore some points of transition between the developmental period and the initiation of the contemporary epoch of liberalization in 1985. Buttressed by a large majority in parliament and an overwhelming popular mandate, Indira Gandhi's thrust since her electoral win in 1971 (and continued upon her return to office after the Emergency interregnum) was characterized by bold, somewhat hasty moves. Even if we close our eyes for the years of the official *Emergency*, the period surrounding these years was characterized by marked "leftism" in economic policy, with constricted scope for deliberation, and a direct appeal to populist change:

Instead of relying on elite intermediaries, decentralized patronage networks, or a strong local organization, the prime minister spoke directly to voters of the need to "abolish poverty". Her campaign was based on broad populist promises to improve the lot of India's vast underclass, and centered on developing a personal connection between the prime minister and the voters.<sup>6</sup>

The populist style adopted circumvented the decentralized incremental ap-

---

<sup>6</sup>Hankla (2006:8).

proach that had characterized Congress rule until the 1967 elections, and the centralized decision-making that led to the nationalization of banks and the Union government's confiscation of the supply of credit were all episodes in a period of elite-run centrally orchestrated shifts in policy with little consultation with Congress' own allies, let alone other organized groups that could have found sufficient voice in a more decentralized consensus-based approach. This period can be captured by Quadrant *IV* in the four-part scenario of the Leadership stage, where  $p_i = p_s$  and where  $\hat{b} = \frac{b}{2}$ .<sup>7</sup>

However, while Indira Gandhi began moving the economy in a direction prompted by her overwhelming popular mandate to govern, she started to over-reach in her capacity to invigorate the economy. The key policies her administration enacted, such as Monopoly and Restrictive Trade Practices Act (1973), the Foreign Exchange Regulation Act (1973) and the nationalization of General Insurance and abolition of the Privy Purses of the princely states (1971) have been deemed, in retrospect as constituting little more than knee-jerk populism couched in an outward attempt to redirect growth towards exports and to reinvigorate the private sector;<sup>8</sup>

The problems that were identified in the previous chapter associated with life in Quadrant *IV*—termed “over-compliance” in the cases of Maoist and

---

<sup>7</sup>The excesses of this semi-authoritarian flavor of rule extended into other realms of policy excess as well, include forced sterilization under the sway of anxiety-ridden population control measures and reckless politicking in volatile states such as Punjab and its Akali Dal faction.

<sup>8</sup>Just to cite one pathological aspect of these policies, it has been noted that while services were nationalized, restrictions on foreign imports and exports increased in the period between 1969-1979, creating further restrictions on growth both domestically and internationally. This dual stranglehold created the infamous “parallel” or black economy of underground trade and exchange (Bhargava 1988:68-71). Also see Bhargava and Balachandaran (1977).

Nehruvian zeal for rapid change—bedeviled Gandhi’s efforts; most of these policies were ideologically motivated and un-grounded in any coherent economic strategy, and the move toward greater statism on behalf of business interests was not necessarily a sound policy from the point of view of the economic advisers in Gandhi’s administration itself.<sup>9</sup> Ideological excess, unmoderated by the “healthy” questioning of such positions by either a minority faction or consensus deliberation ( $\beta = 0$  and  $\alpha = 1$ ) subsumes this possibilities by the setup of the game) can lead to less than ideal policies pushed forward. The constricted latitude under this environment (Quadrant *IV*) which I have characterized as *radical centralization* meant a virtual circumvention of lower level planning agents and an ideologically-motivated dispensation of central policy directives from New Delhi. Planning saw a near-collapse in this environment (as I covered in the last chapter), and the era of *Emergency* cemented the fundamental unsoundness of this unified (under leadership) set of policies that were imposed without the benefit of *consensus deliberation*.

Not unsurprisingly, after the debacle of the *Emergency*, when Indira Gandhi formed a new government under her leadership, the orientation toward the economy changed drastically. Despite her yet-again impressive electoral victory (on behalf of her Congress-I Party), by this time the conventional opposition had—following the disgrace of the national government—become more institutionalized, and a furthering of unsound policies was unlikely to have been sustainable. The renewed Indira Gandhi of 1980 was, in Atul Kohli’s words, casting off the inefficient policies of inefficient state involvement. He captures the movement from Quadrant *IV* to Quadrant *I* in the four-fold typology better

---

<sup>9</sup>Kohli (2006b:1257).

than I can:

The changes were nevertheless profound; they involved a shift from left-leaning state intervention that flirted with socialism, to right-leaning state intervention in which the ruling elites recommitted themselves to a more sharply capitalist path of development.<sup>10</sup>

Thus, the strong *radical* centrism of an earlier administration became the strong *reactive* centralization of its early 1980s reincarnation—again, with Indira Gandhi returning to office in 1980 with an overwhelming electoral mandate for her political party

The movement *back* to a healthier (i.e., Pareto superior) Quadrant *III* was only inaugurated with Rajiv Gandhi's ascension to Prime ministership in the 1984 largely sympathy-driven electoral victory of Congress-(I) under his leadership. Rather than a flat *corporatist* venture into state-business alliance (of the East Asian variety), the early indications were that *liberalisation* now implied a consideration of labor, agriculture *and* the concerns of the big business houses. More workable mixtures of policy initiatives were offered, proposed and funneled through the long-winded bureaucratic channels, and the business interests that had singularly received special treatment under Indira Gandhi's regime now became intertwined with the bureaucratic deliberative apparatus to yield more careful, piece-meal results for de-regulating the maze of industrial licensing and

---

<sup>10</sup>Kohli (2006b:1255).

state monopoly.<sup>11</sup> The lobbying effects of this deliberative vetting of industrial and norms around licensorial procedures was designed to manage the effects policies would have on exporters and owners of the hitherto protected raw materials markets who.<sup>12</sup>

The relatively slower-paced but more effective (and long-lasting) changes that actually passed through the rungs of the bureaucracy in this period—and which filtered their way upward toward actual legislated changes—of the 1990s thus reflected the divided leadership that both characterized Indian political/parliamentary reality at this time and the designation of majority-impelled support for policy change *and* minority opposition of the same (i.e.,  $\alpha = 1$ ,  $\beta = 1$ ). The mixture of reforms the planner(s)—Manmohan Singh, Montek Singh Ahluwalia, and others—initially wanted (deregulation, full-scale privatization of the PSUs, fiscal discipline in the public sector, and a reduction in the legal power of labor to strike and slow down production) were (appropriately) *moderated* and scaled down to feasible and actually implementable levels; only deregulation and a gradual reduction in impediments to export and import flow, current account convertibility and moderate changes to fiscal discipline were realized in these early years of the nineties.<sup>13</sup>

Recognizing policy-life within Quadrant *III* of our model goes a long way to understand how the reforms proceeded in the initial phases of India's crit-

---

<sup>11</sup>Kochanek (1995, 1996); Kedia et al. (2006).

<sup>12</sup>Some of the conflicts managed in these years between different proprietary interests are discussed in Bhambhri (1996:50). Although he focuses on a Marxist-inspired normative critique of the involvement of bureaucracy in the process of globalization, his descriptions nevertheless aid in relating the bureaucracy's role in moderating domestic policy during the early period of reforms.

<sup>13</sup>Kohli (2006a:1362).

ical post-1991 liberalization initiatives (up to and including the 1996 elections when the Congress *lost* its majority coalitional control of the lower house). Opposition to reforms, intermittently and consistently by the minor leftist parties persisted, as the Congress and the policy consensus moved away from the originary statism not only of Nehru, but its renewed counterpart in the Indira Gandhi initiatives of the seventies; but this opposition was managed internally within the Congress-led alliance that pushed reforms forward until the National Democratic Alliance (NDA) took over policy initiatives in the 1996 general elections.<sup>14</sup> The latter, a BJP led opposition coalition which decidedly upset the Congress coterie, initially blustered a *Swadeish*—or econo-nationalist platform which threatened to derail the reforms initiative. But it was precisely the piecemeal tapering of reform successive reform packages in the early period of the 1990s that slowly chipped away at their most severe objections to economic reforms, such that the NDA (under the handling of the Ministry of Finance under Yashwant Sinha) gleefully carried on the liberalization program with renewed gusto once it itself came to form a national government in 1996.

Simultaneous to the incremental modification of policy shifts (our shorthand for which is  $p_i = \frac{s_q + p_s}{2}$ ) is the decentralization implied by *consensus deliberation* in Quadrant *III*. The relative weightings of the *allowable bias*, it should be recalled, place the informational latitude available to deliberating agents in this quadrant at  $\hat{b} = b > \frac{b}{2}$ , which is not provide the savings in informational drift to the Planner, found at the extreme indicated. The other extreme of allowable bias  $\hat{b} = 2b$  never holds in equilibrium, but the distinction between these two magnitudes bears to be kept in mind. The profligate decentralization of the lat-

---

<sup>14</sup>Arulanantham (2004).

ter unstable scenario denotes exorbitant levels of information drift where local rungs of the planning policy hierarchy is busy in volumes of deliberation which is not constrained by political oversight and supervision—directed as it is by a minority-fueled policy shift. In contrast, the Quadrant *III*-based bias dissolves the savings in allowable bias enjoyed by the planner in cases of centralized unanimity (Quadrant *I* and *IV*), but is nevertheless still overseen by what would be expected and desired in the “normal course of policy affairs”—policy shift enunciated by the Planner and receiving majority support.

This analytic ideal is unambiguously approximated by the state of policy affairs in the early nineties as the reform agenda was being consolidated in the Indian states. Especially as a portrait of deliberation below the central level (in the provinces), it designates a policy reality wherein the center orients national priorities but the regions have strong veto power as expressed through their bureaucratic deliberations. Indeed, the state-level responses in India were free-form and varied wildly. Individual states either took the initiative to healthily take advantage of the move away from the *dirigiste* status quo—such as Tamil Nadu, Andhra Pradesh, and Orissa—or adopted a protectionist policy of retreat—such as the initial responses in states like Maharashtra and West Bengal.<sup>15</sup>

While national party leaders of the BJP were virulent opponents of the initial foray into the WTO (under the *Dunkel Draft*, circa 1994-5) when they were in the opposition, the *regional* party leaders—and indeed the regional cohorts of their national coalition government—were deeply dependent upon the en-

---

<sup>15</sup>Jenkins (2004).

trepreneurial middle classes and small businesses that sought to profit the most from the unshackled Indian economy. When the BJP coalition of 1998 actually investigated the local level responses to its policy platform, which had initially been blindly ideological, the ensuing deliberations in its state-wise units cast a different shadow over the eventual quality of legislation that was recommended to its parliamentarians by its planners. Thus, while the central cabinet was dominated by *swadeshi* ideologues, the actual portfolios in charge of policy received considerable regional pressure to moderate the opposition to liberalization, and included the full diversity of the BJP's regional constituents: the Telegu Desam Party in Andhra Pradesh, the All India Anna *Dravida Munnetra Kazhagam* led by J. Jayalalitha in Tamil Nadu and the Bihari-dominated *Samata* Party of George Fernandes.<sup>16</sup> Under such diverse regional influences the NDA introduced the IRDA Bill deregulating domestic industry operating under foreign equity; they passed two amendments (1999, 2002) to the nation's outdated Indian Patents Act (1970) bringing Indian law in closer to (required) conformity with the WTO-mandated *Trade Related Intellectual Property Rights* (TRIPS) patent regime;<sup>17</sup> the mandated WTO-driven changes to custom duties and import restricts were similarly phased out; stopped protecting significant originally protected domestic industries (such as tobacco and liquor); and even went so far as to redefine *swadeshi*—or the Hindu equivalent of “buy Indian” to mean *globalisation*.<sup>18</sup>

Thus, as is prompted by a designation of Quadrant *III*, two (expected) fea-

---

<sup>16</sup>Arulanantham (2004:14). Also see Varshney (1995b).

<sup>17</sup>And, in further support of the argument in this chapter the Congress-led UPA coalition government furthered this commitment to WTO standards by pushing other amendments—with the support of the Communists!—in 2005, after having first issued a 2004 presidential “compliance order; see the report in Kumara (2005).

<sup>18</sup>See the fine discussion in Arulanantham (2004:6).

tures of liberalization policy are found to be evident in 1990s India, as a national consensus was being evolved over reforms. One is a median policy compromise between what the planner wants and what the status quo is. The second is a “healthy” decentralization where the lower rungs of decision-making have greater authority. In India, while national priorities were indeed re-prioritized through a central coordination of the necessary bureaucratic bodies, the states themselves began to wield considerably greater autonomy as far as the individual implementation of liberalization policies was concerned. But this decentralization was an effort to expand the scope of deliberation under a majoritarian support for policies, *without* abandoning the planning process itself. Amaresh Bagchi explains

While the states now have more room to pursue their policies, the practice of getting the states to have their “plans” approved annually by the Planning Commission continues, with the Commission acting as a channel of fiscal transfers parallel to the Finance Commission. Attempts are also afoot to get the states to implement economic reforms in line with those initiated by the Center through “reform-linked” assistance.”<sup>19</sup>.

And later,

The Planning Commission still draws up five-year plans, setting targets for state GDP growth even though the financial resources to

---

<sup>19</sup>(2003:26).

achieve the targets are no longer available.<sup>20</sup>

More generally, the environment of consensus deliberation embedded within a *decentralized* framework (Quadrant *III*) has resulted in the delegation of some components of a particular class of policy initiatives to the sub-national/local jurisdictions and the retention of the other components of this same class within the purview of central planners. With this development, local level planning affords local jurisdictions latitude and flexibility in devising uniquely feasible policy initiatives—conditioned to the state of nature on the ground—while the center is able to coordinate a national *orientation* around the larger direction the policy class should be moving. A typical example is that of foreign direct investment, where the central planners have within their control the levers over import duties, whereas local planners can adjust the incentives they offer to capital imports and investment that affect their own jurisdictions (and their jurisdictions alone).<sup>21</sup>

Similarly, in this vein of simultaneously re-centralizing priorities and furthering decentralized lobbying and information aggregation into policy discussions, in 1998, the BJP led NDA coalition government further restructured the policy process and bolstered institutions of deliberation. The Deputy Chairman of the Planning Commission regained some lost political clout and a variety of subsidiary commissions and subject groups were established to bring together a vacillating approach to the 1999 Union budget. While the coalition govern-

---

<sup>20</sup>(2003:39).

<sup>21</sup>Singh and Srinivasan (2006:308-310). A revealing case study of West Bengal is presented in Gillan (2001)

ment and the planners tried to push through shifts in policy that would have furthered and intensified corporate de-licensing and overseeing the bolstering of the foreign exchange and money laundering regimes, minority opposition slowed down this push in the manner that would be expected by the stable equilibrium of in Quadrant *III*. This gave the sense, from the point-of-view of outsider observers of a policy process where *ad hocism* was the operating principle, but in reality the slowdown and necessary modifications of the variously proposed  $p_s$  shifts in policy were part-and-parcel of *consensus deliberation*.<sup>22</sup>

### **Post Maoist China: From Ideology to Consensus**

*The struggle between the proletariat and the bourgeoisie at present finds concentrated expression in the struggle waged by our Party against the 'gang of four'.*

STATE PLANNING COMMISSION (CHINA), Great Guiding Principle for Socialist Reconstruction, November 1976.<sup>23</sup>

In many senses the economic policies before 1978 in China (as were the economic policies before 1991 in India) were *politicized* or driven by the ascendance of ideological positions among dominant factions in the Politburo's leadership.

---

<sup>22</sup>Kapur and Mehta (1999:170-174). Although his explanation for gradualism is not consistent with the one in this thesis, Arvind Panagariya discusses the critics of Indian gradualism by pointing to the soundness of the economic policies that were evolved in this slow-paced approach to liberalization (2004b).

<sup>23</sup>A Planning Commission mandating to itself the task of uprooting ideology from economic policy.

Through an incrementally evolving contrast, it can be noted that economic policymaking after 1978 in China (and after 1991 in India) has become less and less ideological; the *governmental* as opposed to *political* institutions of planning are greatly responsible for this adumbration of interest and ideology-driven considerations, although the paths to this long-term outcome were by no means un-rough. The factional struggles that permeated in the immediate aftermath of Mao Zedong's demise in China were more internecine, more serious in terms of the political philosophies of different leaders, and far more tangible than the already-in-motion consensus deliberation underway in Indian policy circles during the initiation of the latter's economic reforms package.<sup>24</sup>

Three broad factions can be identified, as far as the direction of the economy is concerned, cognizable within the parlance of the analytic model with relative ease. One faction, a decidedly minority wing, preferred the Maoist status quo, and the other two preferred to move away from this status quo, although at different speeds. Moderates (Chen Yun, Bo Yibo, Hu Qiaomu, Li Peng and Deng Liqun) wanted to slowly integrate plan principles with market rules so that the latter could be gently filtered into productive processes at the micro level, while a more impatient set of reformers (headed by Deng Xiaoping's lieutenants, Zhao Ziyang and Hu Yaobang but also including the "pragmatist" Wan Li) wanted to move away from closed trading and financial regimes with more speed.<sup>25</sup>

The natural *direction* policy should take was obvious to the core majority of the

---

<sup>24</sup>For a detailed (and deeper than presented here) exposition of the philosophical differences in the former case, see the study by Kalpana Misra (1998).

<sup>25</sup>Baum (1994:9-12). These divisions denote the evolved views of these leaders, as they can be placed in the early-mid eighties; there are discrete moments in time when a given one of these three espoused a policy position different from what has been labeled above, but this is the consensus view in the literature. See Bachman (1986) and Solinger (1982, 1984). Also, there was occasional intra-factional rivalry, as in the case of Hu's disagreement with Zhao over the case of enterprise autonomy (Baum 1994:11).

CCP (who in the view of most analysts of the time constituted a group that could be termed “moderate reformers”); this involved some healthy relaxation of state monopoly control in both the rural and industrial economies and the final casting away of the most unworkable elements of non-market price and output mechanisms.<sup>26</sup>

However, actual control of the top levers of the state rested with a leadership faction led by Hua Guofang (the new Chairman of the CCP), the immediate successor to Mao Zedong. Deng Xiaoping (various titles) and the moderates in the Party had to recover the initiative from the potentially reactionary and backward-moving economic management agenda of Mao’s appointed successor and his coterie of Maoist traditionalists, led by Hua Guofang. Hua’s initial approach to addressing economic reforms was reactionary, rigid and staunchly pro-Maoist. Having little else to “hang his hat on” in terms of personal intellectual contribution to Party debates and positions, Hua settled on his cache as Mao’s heir-apparent and, upon the latter’s demise, initiated an emphatic return to the policies of the Chairman, including the economic radicalism that characterized the most adamant and entrenched principles of Maoist policy. Most famously *liang ge fan shi*, famously terms the “two whatever policies”, embodied this blindly animated return to Maoist style of economic management (i.e., let us “return to whatever Mao would have wanted.”). Needless to say this move was highly insecure, highly reactionary and lacking in much imagination.

The short years of 1977-1979 characterized this brief tenure in Quadrant I, before reformers seized the initiative in the Third Plenum in 1979. Policy con-

---

<sup>26</sup>See Solinger (1993:Chapter 1).

trol was re-centralized after the *Gang of Four* were disposed of, and any remaining radicalism was reined in. In these two interim years, years marked by a retention and reification of the Maoist status-quo ( $p_s = s_q$ ), a return to Maoist principles was mandated by the overwhelming (unanimous, in the model's language and assumptions) leadership support behind this return. Deng Xiaoping, who orchestrated the planners and the planning process, had little choice but to comply with this leadership outcome, and leaders were encouraged to make an all-out effort to return to the vestiges of central planning under the "Ten Year Plan" of 1975, and the sense given by planners to the leadership was that the bureaucracy would not yield at all to any innovations outside of the acceptable and tried-and-true Maoist/Stalinist strategy of capital-intensive development and rigid planned control of the economy.<sup>27</sup>

It is fair to characterize the brief Hua period of Chinese economic management, therefore to Quadrant *I* of the Leadership Stage. Hua's rabid attempt to retain and further entrench a reactionary Maoist status quo (i.e., such that  $p_i = s_q$ ) attempted to settle the question of which direction the economy should move by placing hard decisions on the nature of economic growth on the Maoist mantlepiece. All other associated aspects of economic and political reforms were thus threatened to be shelved in a similar manner. As such, the initial re-entry of Deng Xiaoping into economic affairs in 1975 necessarily cast his proposals in the light that Hua and the ascendant Party leadership wanted shone; the repudiation of Maoist policies would not have by argument alone, and no direct path outside of ideological shackles was available. According to this reasoning, Deng's initial pronouncement confirmed the Quadrant *I* out-

---

<sup>27</sup>Naughton (2009:499).

come indicated; his policy paper, “On Policy Questions of Accelerating Industrial Development” were based firmly on his own *Seventy Articles*, circa 1961.<sup>28</sup> They emphasized the status quo, and centralization of all industrial levers.

The period of reforms themselves marked the end of the *unanimous* support of  $p_s = s_q$ . As the policies of the Hua-mandated Ten Year Plan were found to be disastrous a more pragmatic coalition was formed between Chen Yun and Deng Xiaoping’s factions within the CCP. This period began the initial push, which we can designate as the “unity of the reformers.” The equilibrium characterization shifts with the removal of unanimity and its replacement with *majority* support for the reforms (Quadrant *III*). The banishment of Hua Guofang symbolizes the end of ideology in post-Mao politics, and after this time, there are two effective factions—the moderate reformers headed by Chen Yun and Li Peng and the free market reformers headed by Hu Yaobang—vying for their own particular reform policy packages. Under this initial flurry of Quadrant *III*-based outcomes, the planners finalized certain policy changes which had received bureaucratic consensus: a reduction in trade deficits and inflation and the *li gai shui* “tax for profits” scheme received support.<sup>29</sup>

Deng’s role as planner—in that he was “playing both sides” as does the planner in the extensive form game—heralded, in a sense, the end of ideological disputes over the direction of policy and a renewed emphasis on bureaucratic procedures taking over where whimsical policies had left off.<sup>30</sup> While the eight-

---

<sup>28</sup>Naughton (2009:498).

<sup>29</sup>Bachman (1992); Dittmer and Wu (1995:485).

<sup>30</sup>Also clear was Deng’s inspiration—like Rajiv Gandhi and the Indian reform-minded Congress leaders of the 1980s—from the East Asian model of growth and change and the need to fully utilize China’s productive capacities and un-shackle the economy Pye (2009:421 and

ies and nineties were certainly replete with factional struggles, notably in 1978 (with the initial sidelining of Hua), in 1986 (when the progressive reformers accelerated the pace of reforms) and in 1989 (when, following overheating of the economy the conservative reformers demanded retrenchments and Zhao Ziyang was ousted) and 1991 (when Deng strengthened the progressive faction yet again with an alliance with Zhu Rongji), they were managed within the confines of the Party's apparatus for internal self-regulation.<sup>31</sup> When conflict occurred between the factions, the opponents and proponents for particular policy initiatives reacted rationally, and the proverbial "planner" relied on consensus generation at the regional level to "solve" these disputes. As such the *leadership* process had only to ensure that majority support was retained behind a policy initiative; while Deng Xiaoping clearly sided with the progressive reformers, his accession to conservative demands in 1985 and 1989 demonstrated that he would do what was necessary to retain majority Party support for his policy initiatives.

Unconstrained by political opposition and the realities of generating bureaucratic consensus in the absence of complete leadership unity on matters of reform, Deng would have opted for a much faster and thorough-growing reform process, but never chose to use his personal and political clout to push such change, delegating this process instead to the natural machinery designed to adjudicate between different positions on reforms—between the hardcore re-

---

441). While both Chinese and Indian openings of the economy were brought to fruition through particular policy "shocks", upon reflection, it is fairer to say, as scholars have started to in their own right, that deeper cause for the shifts of the eighties in both nations was a desire to escape from the shambles of dismal growth of the seventies. This is especially easy to understand as the rest of the booming Asian economies provided a sharp and humbling contrast.

<sup>31</sup>Zhao's ouster was prompted by his handling of democracy protests and not directly due to his management over economic policies.

formers, led by Zhao Ziyang and the conservatives led by Li Peng and Chen Yun.<sup>32</sup> Engineering a compromise between himself, his two aids (Hu Yaobang and Zhao Ziyang) and Chen Yun was critical to fashioning the majority support for reforms. Having achieved this, Deng was free to fully throw into motion the lower-level deliberations, the provincial level interplay and competition for foreign investment, which is the locus of bureaucratic consensus in Quadrant *III*. Of course, this manner in which a majority was fashioned, whereupon a state-level process of grab-and-attack was allowed to proliferate is intimately reminiscent of the manner in which Manmohan Singh's reforms "played to the provinces."

Critical to the transition from Quadrant *I* of the period of 1975-1979 to the world of Quadrant *III* is the augmentation of the informational discretion afforded under consensus deliberation, where  $\Delta(\hat{b}) = \frac{b}{2}$ . The extra allowance created the necessary bureaucratic consensus absent a unanimity of support for the reforms outright. To interpret this expanded latitude, I concentrate on the first stage of the deliberative stages in planning, that of the relationship between the provincial/state level and the central planner himself. The consequent latitude of consensus deliberation offered the province-wise bureaus and the provincial governors who oversaw planning at the regional level was instrumental in fomenting the support for liberalization in the earliest periods. So much so was this effort critical, that observers are at a loss as to whether to designate the initial foray into liberalization as one designed from the center, or indeed on that *came upon* a more passive center from a tidal wave of initiatives from below.<sup>33</sup>

---

<sup>32</sup>Pye (2009:436).

<sup>33</sup>Studies that give the preponderance of credit to these initiatives include: Qian and Weingast (1997); Qian et al. (1995); Qian et al. (2000); and Cao et al. (1999).

While there is certainly evidence for spontaneous policy initiatives being sponsored at the local level—not a surprise in the elemental makeup of local level deliberation in Chapter 3, since planners *wanted* and *encouraged* local level initiatives of this sort—what is clear is that this increased policy latitude afforded the regions was founded upon the decentralized planning process that was firmly in place by this time, such that the central planner could orchestrate the enthusiastic participation by local levels without relinquishing the fulcrum of policy *shifts* at the center.<sup>34</sup>

When *not* viewed under the lens of the argument developed here, the early reforms which were consolidated in the 1980s seem haphazard and even contradictory to each other; they seem to want to retain vestiges of Maoist planning (for example the reluctance to privatize land-holdings, or the proliferation of private trade in grain with the simultaneous retention of the state's monopoly for over procurement markets for grain) while at the same time liberalizing forms of ownership *based* on the land—such as enterprises and production facilities.<sup>35</sup> But in fact this contradictory mix is inherently rational, given the direction that consensus deliberation is likely to spur policy development; namely, the planning process wants to expand *information inputs* into the system of economic decision-making at the local level, and so is willing to enhance the latitude given to local functionaries insofar as their accountability is concerned; but no serious effort is being made to give local governments more judicial authority to be a truly independent political unit.<sup>36</sup> Political reform and bureaucratic

---

<sup>34</sup>For a corrective to the studies cited in the previous footnote see the following studies that emphasize the delegatory nature of local initiatives: Nathan (2003) and Cai and Treisman (2006:509); Thun (2004) provides evidence for this position through the study of the auto sector.

<sup>35</sup>Oi (2009:627).

<sup>36</sup>Shi (1999)

reform are distinct, and can be apprehended if one observes the institutionalization of deliberative institutions as a concomitant to economic reforms in rural China.<sup>37</sup>

In this sense, the first years of economic reform in China, from the Third Plenum of the Eleventh Central Committee (1978) to the Third Plenum of the Twelfth Central Committee (1984) cohered the entire reform initiative firmly within the bounds of the dual aspect of *consensus deliberation* outlined in the previous section on the Indian economy: central oversight by a majority-supported policy shift is facilitated by the generation of bureaucratic consensus. The central planners in 1978 and 1984, following the initiative provided by the top Party leadership first settled focus on the rural economy so that the countryside could be liberalized; when this had gotten underway, attention was shifted to the urban economy in 1984.

The rise of *consensus deliberation* replaced the unanimity—or consensus—within the leadership itself in the post-Mao phase. To recall the reasoning adopted in the discussion in Chapter 4, the Planner's intervention *shifts* the burden of generating agreement on policies away from the political strife behind policies and toward the bureaucratise of planning. This shift is indeed Pareto improving, as the payoffs for each leadership faction in Quadrant *III* indicate. For this shift to occur, however, there seems to be, in the Chinese case, an abandoning of ideological persuasions altogether. The two years of Hua Guofang's ascendancy seem to mark the end of this ideological thrust in policy making

---

<sup>37</sup>Susan Ogden (2002:255-257) considers alternate explanations of local electoral institution, and hints at their deliberative and consensus generating functions.

in China. In fact, Deng's control of the Party machinery and his reinstatement as the political force behind planning for economic growth in 1979 involved an explicit repudiation of Maoist, or traditional (since the Revolution), methods of dealing with opposing political leaders or factions. Procedurally and symbolically, the Third Plenum of the Eleventh National Party Congress Central Committee in December 1978 underlined this end of traditional ideological pushes and pulls in policy matters and heralded a routinization and regularization of how factions would deal with each other and resolve differences; the end to the "struggle" against the old leftists (such as the Gang of Four) was announced and a return to legal norms and procedures was announced in this session.<sup>38</sup>

At the local level, as *consensus deliberation* became institutionalized under the reform regime, several changes were made to mark the increased latitude to planners' ability to report and to respond to their own perceived state of local affairs. Consensus deliberation enhanced the responsiveness, incentives and and scope for initiative to propose original projects and ventures.<sup>39</sup>

This process of "factional rectification—of bringing into focus non-ideological divisions in a practical manner of speaking—was similar to the experience to how the nineties saw the removal of ideological partisanship within the Indian debates on how to move the reforms forward. Just as there were no voices remaining in the post 1991 Indian world of policy discussions—save a few diehard lonely voices on the dying ideological communist left—China similarly "purged" (pun intended) from its political landscape any serious con-

---

<sup>38</sup>Meaney (1987:218–219).

<sup>39</sup>Guo (2007:381–382).

sideration of a return to Maoist policies of statist monopolistic control of either the countryside or the urban economies in any serious way following the Third Plenum. The factional differences now centered, as in the Indian case, on the differences of degree within the scope of economic reforms, not the differences of the kind of economic management. This feature, or observation about these two cases, is of course outside of the purview of the model, but this observation certainly aids (or at least does not contradict) the interpretation of the sustained long-term equilibrium that is captured by life in Quadrant *III*—and the actual experience of these two nations.

## Concluding Remarks

The spectacular turnaround of the Chinese and Indian economies since both ended their period of autarkic growth and closed trading and investment regimes, has been duly noted. From a purely macroeconomic perspective, there is nothing to indicate that the earlier, dismal *failures* of the sixties and seventies could be so dramatically be turned around under the auspices of economic liberalization.<sup>40</sup> Therefore, the sheer quality of macroeconomic change is itself a phenomenon—in both nations—worthy of explanation, and given the relative *failures* of the Chinese and Indian developmental models up to the initiation of the liberalization agenda, the success that followed was not anticipated nor easily explained by economists specializing on the two nations<sup>41</sup>. This thesis

---

<sup>40</sup>The first decade of Indian reforms produced an average GDP growth rate of 6.0, placing the nation among the fastest growing nations during the same time (Ahluwalia 2002:67).

<sup>41</sup>DeLong (2003), Rawski (1997)

has reformulated this oft-addressed “macroeconomic” puzzle into one about governance—since success across so many macroeconomic measures necessarily involves picking and choosing some parameters over others, and is thus arbitrary. Instead I have concentrated on a more easily identifiable dependent measure of choice, namely the presence/absence of political opposition to liberalization. In the terminology of political science, success in this case implies that there must always be majority support for economic liberalization. And this was the case in China and India.<sup>42</sup> With some minor exceptions and some initial hesitation, neither country has witnessed sustained political or governmental opposition to the reforms agenda, which is now several decades in the making (since 1991 in India and 1979 in China). In terms of the model in Chapter 4, how can this be understood?

When leadership is divided over its internal support of a *policy shift* the burden of reaching a governmental consensus falls on the bureaucratic planning apparatus, as facilitated by the intervention of the central planner. This only happens *when* a minority opposes the proposed shift. As such we would expect a minimum threshold of leadership opposition to a policy, while the rudiments of the policy are actually being worked out under the aegis of the a-political planning hierarchy itself. A median compromise policy ( $p_i = \frac{p_s + s_q}{2}$ ) sails through into law. The simultaneous existence of these two facts—minority opposition and the generation of bureaucratic consensus over median compromises to the policy shift—can be rephrased in the following way: a modicum of opposition coexists with decentralized policy development. This was indeed the state of af-

---

<sup>42</sup>The lack of political opposition is to be contrasted with what could be another dependent measure, namely public protest and mobilization, which has occurred in instances in both nations, as would be expected. See Uba (2005); Pranab Bardhan cites general uneasiness among various public protest groups against reforms as well (2005).

fairs in China and India, as the two reform program became consolidated over time.

The essential virtue of the plans' role in intermediating between leadership divisions over the nature and progress of reforms in China and India is remarkably similar. The actual policies produced little dissension and consensus was generated over the methods by which to unshackle both economies from the monopolistic mandates of the state. It is almost as if both nations were following an uncharted economic blueprint, which each policy process was respectively discovering. Deliberations in both environments concentrated upon the *pace* of reforms, and not their content, and differences were boiled down to differences over the rate of implementation and the sequence in which areas of the planned economy were targeted. The substantive disagreement that perpetuated in the policy reform discussions past the first few years in either nation were delegated to the bureaucrats in the ministries and agencies of planning and development to deliberate over. *Fundamental* questions over the fact that the open economy was "here to stay" were not entertained past the first decade of reforms in either country, a time-span within which the critical questions of pacing and sequencing of the key reform measures were considered and dealt with effectively.

## **The Value of Leadership**

It is interesting to note that the discussion of both cases emphasizes the decreasing importance of political leadership in the adjudication over policy differences

under liberalization, and the increased (and more consistent) importance of the agencies of planning; as such it shows that the governance of the economy becoming more regularized and less driven by ideological flights of fancy or personality-driven imperatives as both economies occasionally were during the developmental periods (before the reforms began).

Initial surveys and explanations of economic reforms in China and India would both focus upon the agency of individually prominent leaders and their personal preferences in the drive behind reforms, whether it is Rajiv Gandhi, Narasimha Rao, or Manmohan Singh in India, and whether it may be Zhao Ziyang, Deng Xiaoping, and Zhu Rongji in China; these stalwarts receive the bulk of the credit for setting into stone the pathway for reform in the first place and seeing reform measures through, especially in the initial formative years that are the focus of this chapter and this thesis; similarly personable leaders and figures are typecast in the latter eras of economic reform, in much the same way. These stories certainly contain within them more than a grain of truth in their observation that leadership played a critical role in the furthering of the reform agenda and the provision of the vision that sustained them. And, the argument in these and previous chapters certainly places a great deal of importance with the agency of leaders; but this is only part of the analytical story, particularly since key reformer-leaders were also previously bureaucrats, planners or administrators themselves (such as, most prominently, Chen Yun, Manmohan Singh, Montek S. Ahluwalia and Zhu Rongji).

However, this chapter has argued, that perhaps a more accurate charac-

terization of political leadership in and of itself within the schema of factors that paint the full picture of economic reforms is that leaders of the reform era are passing personalities, who provide crucial input and direction—as leaders should—but that the reforms agenda persevered despite the leadership that do not outlive the institutions that fostered these changes.<sup>43</sup> After all, Chinese economic reforms have outlived the critical post-Dengist power struggles in China; as well the period of the nineties, which saw in India the final closure in the chapter of Congress-led dominance and the clear, has witnessed the unmistakable evolution of two national coalitional platforms. Despite the revolving door of political leadership at the top in these contexts, and despite occasional threats to the direction of reforms, it is interesting to note that leaders of different ideological stripes and persuasion have ushered forth the next era of governmental change in managing the economy. Deng Xiaoping, for example, although the heralded genius behind the reforms agenda in China, was more accurately a crucial and timely instigator who intervened *on behalf of the bureaucratic process* at crucial times. After he supported the dismal policy of 1975 when leadership unity placed the state of affairs in Quadrant *I*, and then supported Chen Yun's conservative strategy for two years between 1979-1981, he then went on to abandon the slowness of this approach in 1984, throwing full support behind the more forward-looking reformers.<sup>44</sup> In fact what is undeniable is that the common denominator of Deng Xiaoping's approach to leadership was his preference for filtering policy changes strictly through the deliberative mechanisms of the bureaucracy.<sup>45</sup> The different positions that Deng adopted at different time,

---

<sup>43</sup>Although outside of the scope of this thesis and certainly this chapter, viewed in the larger context of economies moving away from severe statism, and viewed from the point-of-view of larger Asian patterns of state involvement in growth—a pattern evinced in every nation in the continent from communist Vietnam to corporatist Japan, Taiwan, and S. Korea—these structural changes were in many senses “inevitable.”

<sup>44</sup>Naughton (2009:500).

<sup>45</sup>Shambaugh (2009:475).

or the different packages that the BJP-led NDA coalition supported in different instances, both help to relegate the role of the leaders to a political/leadership one, one which informs the policy process but does not determine it; that role is heavily credited to the planner's intervention into the interplay between leaders and bureaucrats. That the economic reforms have retained their trajectory without being affected by very different leaders assuming control of the national legislatures and central cabinets (whether the Union cabinet or the Politburo), is sufficient to move focus away from the individual personalities themselves.<sup>46</sup>

---

<sup>46</sup>Jorgen Pedersen identifies the bureaucratic continuity behind economic changes in the case of Indian reforms (2000:275).

## CHAPTER 7

### INSTITUTIONAL SELECTION UNDER ECONOMIC LIBERALIZATION

#### 7.1 Introduction: A Commitment to Liberalize through Planning

This chapter, like the last, focuses on the initial period of reforming the Chinese and Indian economies, but uses a different theoretical lens. The focus here is on the *choice* of liberalizing the economy itself, and more particularly on the choice of *how* to do so, institutionally speaking. For there is certainly no necessary reason that India and China could not have taken the path of the Eastern European economies, or the Russian economy, and have chosen to adopt either a “big bang” approach to liberalization that is entirely reliant on market forces with very little administrative guidance and bolstering of domestic industries. Local producers could have simply been cast in the wind without the support of bureaucratic procedures to *guide* their economic choices, and the emergent victors from the economic marketplace would have been dictated by the logic of a free-form marketplace of innovation and material exchange.

The last chapter made the argument that the same deliberative institutions of the Chinese and Indian planning processes continued to adjudicate between leadership divisions, policy shifts and the different reporting environments that would move the Chinese and Indian nations into more open economic regimes.

The reform experience of the initial years in China and India was facilitated by the interventions of planning institutions into fundamentally political processes. Instead of abandoning the institutions of planning—as nearly every post-Soviet nation did, for example—both nations chose to revamp and redesign their planning bureaucracies. As such, in the course of the initial years, what could be witnessed was the gradual adoption of policy packages that received majority support from the leadership, and which were passed through the generation of consensus deliberation. Thus, the last chapter (using the earlier theoretical framework presented in Chapter 4) has attempted to substantiate the continued relevance of these institutions.

However, there still remains the question of why continue to do things in the same way at all? The decision to retain the existing institutions of planning—and indeed to revamp and reform planning processes and protocols in the liberalization period—prompts the analytic question: why does one observe a renewed *commitment* on the part of the political leaders of China and India to inaugurate and facilitate the opening up of the economy using the same tools of economic governance (planning) that were nominally designed to see to the national economy's closure and autarkic self-insulation from international flows of trade and finance? While the last chapter explored the relationship between leadership divisions, support for the economic liberalization agendas, and the type of deliberative environment(s) the initial period of reforms were situated in, this chapter explores more generally the implication of the *commitment* to reform-through-planning.

In the continuing theme of this dissertation, I attempt an answer of this question of *commitment* by yet again underscoring the governmental roles of planning in China and India. From the point view of the argument made in the last six chapters, the decision to continue to direct the opening of the economy through planning institutions (at least in its deliberative capacities) is less startling than it would appear, and indeed proceeds from the same reasoning offered to illustrate the value of these institutions from the story of planning in the earlier developmental period. To abandon the *moderating* influence of central planning at a time when the old ideological hats of Maoism and Nehruvian *dirigisme* were beginning to wear thin would be a high-risk strategy, threatening to further politicize a leadership that was already divided over fundamental questions about how China and India should reform.

The critical assumption here is that the political principal—the political party leadership—has the power to commit to the continued use of central planning to open the economy. For example, at the onset of economic liberalization (1991 in India, 1979 in China), the central planner can choose to either *remove* the planning machinery and allow regions and other organized interests to lobby for their particularistic interests directly to the center, or, alternately, by retaining the machinery of planning, local agents of the bureaucracy can be required to deliberate with each other, and to *then* send one joint report to the center. Does one arrangement profit the center more than the other? In brief, I argue that the retention of central planning and its richer lobbying environment facilitates greater responsiveness from agents and yields richer information for the center; thus, all are better off. The approach in this chapter sheds light on the counter-intuitive, yet rational, continued salience of central planning in the

post-planned, “free-market” period.<sup>1</sup>

## 7.2 Studying Economic Reforms: A Mechanism Design Approach

To *answer* this question—of whether or not this particular mechanism to govern the economy is compatible with the constraints and the incentives of all parties involved, both the leaders and the agents who must comply with this decision—I invoke the use of a *mechanism design* framework. This chapter uses this framework to elucidate this choice from a theoretical point of view and to then verify its implications for the Chinese and Indian cases through an analytic narrative.

In such a framework, the Central Planner is allowed to *structure* altogether different bureaucratic arrangements to facilitate coordination and compromise across agents, not merely control the extent of agency bias and discretion over how extensive a policy shift can be managed; these were after all, the *parameters* of the signalling model. The study of deliberation receives a richer interpreta-

---

<sup>1</sup>In the absence of this *informational* perspective, what is instead emphasized in the China and India literatures on economic reforms is a focus on gradualism and its macroeconomic indications. Representative analyses that emphasize the gradualism of economic policy development to explain either policy success or policy failures are: Ahluwalia (2002, 2005), Joshi and Little (1996), Panagariya (2004b), Menezes (1999); and for China: Qian (2000), McKinnon (1993:Chapter 13), Ge (1999), Popov (2000), Woo (1999). But, as argued above, what is missing from this overarching lens is the purview a comparative institutional framework offers. What conclusions can be drawn from this choice itself?

tion here, and it is capable of explaining more. This is because in this framework, the leadership has the power to design and *commit* over the long-term to particular institutional arrangements and consciously alter the type of reporting that occurs, as well as offer incentives to alter the behavior among agents.

In mechanism design, or screening models of asymmetric information between a principal and an agent, the order of moves is reversed. Instead of the Authority (the Planner and the Leadership) receiving a report from the Agent—about the *real* state of the local economy—upon which point a (possibly) jointly determined policy shift takes place, in a screening framework the Authority moves first. This change of strategic environment allows us to consider whether there is any advantage for the Authority to actively *structure* the manner in which the Agent compiles his report. This approach is similar to that designed by David Baron (2000), who performs a screening exercise around existing signaling theories of legislative organization.<sup>2</sup> While Gilligan and Krehbiel (1987, 1989) study the role of informational committees from the standpoint of how decision rules outcomes *once* a report arrives at the desk of the Floor, Baron studies how the legislature may actively design rules that elicit different types of reports based on the explicit contract that is designed by the legislature.<sup>3</sup>

The full elaboration and presentation of a mechanism design model is outside of the scope and objectives of this chapter, and so the argument proceeds informally. The presentation uses the qualitative results of such a model by re-

---

<sup>2</sup>The approach is also used in Gibbons and Farrell (1995), who pose this dual exercise around investment relationships between a buyer and a seller.

<sup>3</sup>In the signaling cheap-talk model presented in Chapter 4, the framework is that of an implicit contract.

ferring to its substantive conclusions, without reproducing here the full features of its analysis.<sup>4</sup>

### 7.2.1 Screening versus Signaling

The presumed advantage of the cheap-talk signaling approach is that there is a strong assumption that the Authority is committed to the beliefs that sustain any *perfect Bayesian equilibrium* in the reporting stage. Since the definition of this equilibrium concept entails no restriction on the type of beliefs that may be held off the equilibrium path, beliefs in essence can be crafted to model different types of punishment protocols. In the screening framework, the equilibrium is not based on such commitment, but rather on the magnitude of the transfer posted *ex ante* by the contract, or, alternately the disciplining device the Authority may have at her disposal.<sup>5</sup> The benefits to the Agent of his reporting are allocated by the Authority based upon the (anticipated) quality of this reporting.

This distinction between order of moves is important for substantive reasons as well, given this thesis's generalized concern for information revelation through deliberative bureaucratic institutions. In Chapter 4 I isolated the role of information transmission upward through the planning hierarchy so as to draw focus upon the salience of deliberative institutions in the planning framework.

---

<sup>4</sup>This fuller presentation can be found in Joshi (2010b).

<sup>5</sup>In the language of contract theory, this amounts to a distinction between commitment with and without (monetary) transfers.

The “power” of the signaling model however—stemming from the informational advantage and local bias possessed by regional bureaucratic agents—lies squarely with the Agent herself; the correlated strategy of the Planner is predicated upon the local conditions of the planning machinery, and the partially private signal the Planner gives to each Leadership faction takes the state of the planning agent(s) into account—their reluctance or their willingness to see the type of policy shifts the planner has proposed. This may be appropriate for isolating the content of the information conveyed to the Authority in the asymmetric setup; the goal was to highlight the decrease in bias-based distortions that could be encouraged through a deliberative process of adjudicating the exact nature of different types of policy shifts (i.e., retrenchments versus expansions across the multiplicity of central planning goals and objectives.)

In the screening approach, I try to capture the reality of bureaucratic deliberation by placing the “power” in this instance in the hands of the Central Planner, or the Authority in our model. After all, the goals of the Central Planning Authority are to to maximize social welfare, *given* the plethora of particularistic bureaucratic interests that proliferate across the nation’s regional diversity and that extend down to the parochial biases downward through the central planning hierarchy. As such, the screening (or mechanism design) approach focuses attention upon institutional choices made by the Central Planner; i.e., whether or not to continue to allow the deliberative role of planning institutions (thereby taking advantage of the coordination facilitated across these diverse bureaucratic interests), or to instead, abandon such institutions for a more direct approach.

## 7.2.2 A Framework with Two Scenarios

In the stated context of examining the progress of reforms in India and China, I pose this question as a “crucial case” in “testing” the continued salience of the planning apparatus. As I stated in the introduction in Chapter One, one facet of the “puzzle” I am examining here is: Why do the goals of the reform process continue to be articulated through the Planning hierarchy in both countries? Thus, I apply the question of organizational choice in a setting where the Central Planner must decide whether or not to abdicate the deliberative institutions of central planning or to continue to use them.

The answer to this larger query, in short, is that the Central Planner continues to derive informational benefits from the institutions of planning, particularly in their capacity to transmit amendments and reports to policy shifts (reforms) as they are announced at the top. Given this extant set of deliberative processes, this chapter asks us to retain the earlier focus upon the Authority-Agent relationship within planning, but from a different perspective. In terms of observable magnitudes, this is to be directly contrasted with the stated benefits of letting the market and *its* mechanisms relay this information without the aid of bureaucratic bargaining and expert guidance. Whereas the concern in the signalling model of the Chapter 4 (and its associated narratives of Chapter 5 and 6) was upon the treatment of particular policy shifts, reports associated with these shifts, and the ensuing laws (which is  $l(r(\theta))$  in the case of single-agent deliberation and which is  $l(r_1(\theta), r_2(\theta))$  in the case of *consensus deliberation*) that resulted from bureaucratic deliberation, in this chapter the focus is upon a

choice over the continued functioning of the planning apparatus itself.

The scenario I consider in presenting the framework is a generalized planning exercise at the onset of reforms. The Central Planner has the choice of whether or not to implement reforms through the planning apparatus, or to include an administrative dismantling of the same, in conjunction with the dismantling of the regulatory maze of economic levers erected under the auspices of planning.<sup>6</sup> There are thus two alternative “modes” of bureaucratic organization that the Central Planner has at its disposal.

While the crucial choice in this decision problem lies in the hands of this Central Planner, the framework also presents the choice on the part of the Agent(s) as one of either a) lobbying through the deliberative institutions of the bureaucracy or b) lobbying outside of these channels. This is to ensure that complying with whatever choice is ultimately made by the Agent in response is indeed compatible with the incentives these agents have to participate with the structuring that is taking place. Within this framework, this choice on the part of the Agent(s) is not weighted heavily in the ensuing discussion, but is necessary to make any argument about whether the mechanism is *optimal* and holds in equilibrium.<sup>7</sup> The framework presents the Central Planner two alternating

---

<sup>6</sup>By construction of the choices, the assumptions imply that 1) with certainty, in the latter case, planning—along with its deliberative institutions—is systematically dismantled; 2) it is just as equally certain that through the former choice the deliberative institutions would be left relatively intact.

<sup>7</sup>In the language of formal modeling, if it were to have been, then the payoffs of the agent would have reflected some inducement to the same—either a monetary payment or a punishment protocol enforced by the central Planner in the event that an Agent sidestepped the Planning apparatus. Thus, such a model would not give much importance to such transfers, but would rather be focused only upon the informational content of the lobbying that accrues across both channels, and how the differences between the two may be comparable. This reasoning follows the lobbying approach found in Grossman and Helpman (1994) and the Mechanism

commitments to the institutions of planning, and the Planner can then organize the bureaucracy in the manner he/she deems best suited for the uncertainty prevalent in the post-planning era.

The framework presented in Figure 7.1 captures in essence the strategic interaction of the Central Planner and Agents along the planning hierarchy. These should be thought of as the same players as in the game in Chapter 4, without the two leadership factions and without the state of nature being invoked in the extensive form of the game. This overlap facilitates continuity and comparability. As before, for any given level of the hierarchy, there is a procedural provision that allows for deliberation by the immediate lower level so that the preferences of the lower level may be transmitted back to the top as the process of planning generates an iterative optimal policy program. The different environments that players may find themselves in are determined by the local state of nature, which is the realization of a random variable,  $\theta$ . In equilibrium, the agent's strategy must be a best response for the entire domain of feasible states of the world, in each type of local economy he may find himself in.

The central planner is soliciting a response to a shift in policy ( $p_s$ ) from two bureaucratic agents. In the setup these two agents,  $A_1$  and  $A_2$  can be interpreted in two analogous ways, without any loss of generality. First, and consistent with the presentation in Chapters 4, we can think of each as a regional planning authority—as in the state or province level planning authorities in both nations.

---

Design approach found in Melumad and Shibano (1991); while Baron (2000:501-502) uses transfers and rewards in his screening model, he also provides an extension to his legislative model that explores the comparative statics of the model without such inducements. A more comprehensive theory around delegation without transfers has been recently explored in Ambrus and Egorov (2009).

**Institutional Selection Under Economic Reforms**

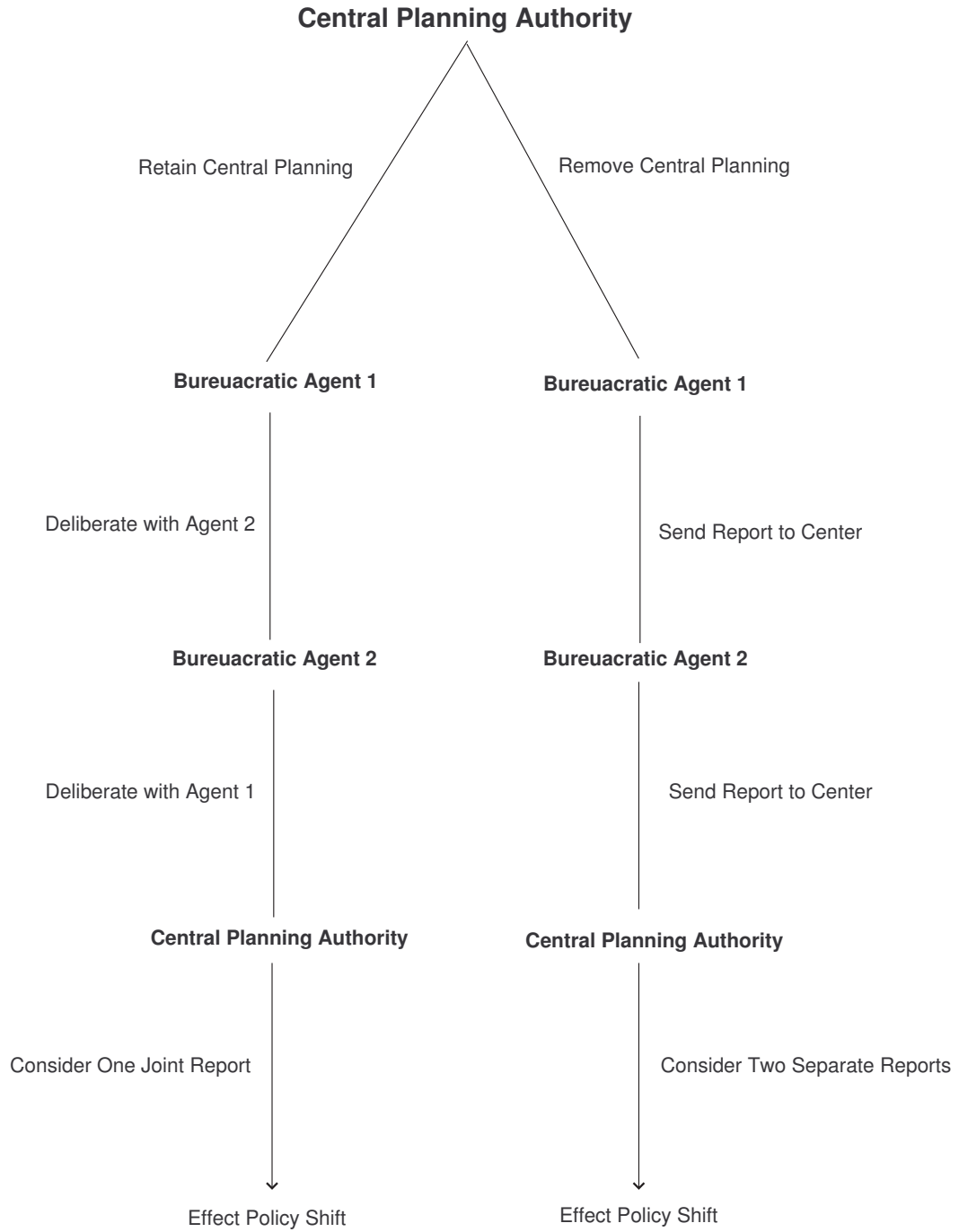


Figure 7.1: Institutional Selection Under Economic Reforms

Alternately, we can think of both as two successive rungs of the planning bureaucracy; in the case of China this could represent the deliberations between the provincial and county level planning authorities, and in India these two levels could be the state and district planning boards; also, these two levels could designate the discussions between the state/provincial planning authorities and the manager of an SOE/PSU state-owned enterprise in both nations, since reforms have devolved authority downward in both instances in the case of the industrial economies.

To further motivate the setup, consider for illustrative purposes the case of an expansionary policy shift. The center would like to increase outlays for growth in the desired sector, but not quite as much as the bureaucratic hierarchy. The average of the reports sent by both rungs of the bureaucracy exceeds the ideal point of the Central Planner (and thus social welfare) by  $\hat{b}$ . This part of the model's motivation can be easily justified, since both rungs would like to exaggerate local conditions slightly so as to garner a greater share of the increased investment, but since the Authority is maximizing a social welfare functional, he would like to be downward biased against this exaggeration. The modified utilities in such an environment in particular would be as follows:

$$U^P(l, \theta_1, \theta_2) = -\left(l - \left(\frac{\theta_1 + \theta_2 + p_i}{2}\right) - \hat{b}\right)^2 \quad (7.1)$$

$$U^{A_1}(l, \theta_1) = -\left(l - \left(\frac{\theta_1 + p_i}{2}\right)\right)^2 \quad (7.2)$$

$$U^{A_2}(l, \theta_2) = -\left(l - \left(\frac{\theta_2 + p_i}{2}\right)\right)^2 \quad (7.3)$$

Although these equations are not being manipulated or used to prove a theoretical result in a technical manner in this chapter, they are presented here to help translate the intuition of the framework into a more concrete representation. Also, and more importantly, their functional form aids in the theoretical continuity of the thesis, since they can be directly contrasted with the representation of the utilities in Chapter 4 (see equations 4.5, 4.6, and 4.7).

This characterization of the utilities reflects the focus upon *mechanism design*. Since the Central Planner is actively structuring the deliberative environment, he/is viewing the problem through the lens of a social bias, reflected in  $\hat{b}$ . (Recall that the value of the cognate magnitude was endogenously generated in the signaling model in Chapter 4.) In this sense, he is a maximizer of social welfare and his objective function reflects the desire of society to understate the request for outlays made by the bureaucracy and the regions. Similar to the signalling model,  $\theta_1$  and  $\theta_2$  are known only to the two bureaucratic agents ( $A_1$  and  $A_2$ ) as private information, with one difference: in the signalling model they both observed the same signal from nature, whereas in this framework each receives his own private signal, not known to the other agent. These distributions are, as before, uniformly drawn on  $[0, 1]$

Since central planning is being submitted as a formal *mechanism*, a definition of this institutional form in the language of the theory would be as follows:

**Definition 1:** An institutional form  $M$  in our environment is defined as a collection of law functions where the arguments are the local states of nature (with

respect to policy shifts) that are observed by the bureaucratic agents  $A_1$  and  $A_2$ , and all associated laws that could follow from these messages:

$$M \equiv (l(\cdot), \Theta_1, \Theta_2)$$

where  $\Theta_i$  is a set of messages available for  $A_i$  to report a  $\theta_i \in \Theta_i$  from. Thus an individual mechanism can look like:  $(l(\theta_1, \theta_2), \theta_1, \theta_2)$  for the two bureaucratic agents.

Finally, the framework captures the following stylized scenario:

1. The Central Planning Authority announces a policy shift  $p_s$  from the existing status quo  $s_q$
2. In the *Institutional Selection Stage* the Central Planning authority ( $cp$ ) (acting as a Median Leader and a Social Maximizer) solves her maximization program by selecting one of two institutional forms through which deliberation over this policy shift may occur: (i) deliberation through the planning apparatus or (ii) lobbying outside of it.
3. In the *Reporting Stage*, the two regional planning bureaucracies ( $A_1$  and  $A_2$ ) observe their local condition vis-a-vis the proposed policy shift and simultaneously send a report through the institutional channel chosen by ( $cp$ ) in 2.
4. Based on the reports, the Authority enacts a law,  $l$ .

To fully state (albeit informally) the relevant ingredients of a mechanism design approach, the following two remarks “prove” why it is valid to speak of the informational benefits of central planning as a mechanism. If the Authority chooses to not play this institutional game and instead use his prior on the ideal points of his bureaucratic/regional agents with respect to this shift in policy, what kind of policy would we expect to see? Consider first a situation with just a Planner and a single agent,  $A_1$ :

**Remark 1:** Without loss of generality, the Central Planner can restrict his attention to those reports that are truthfully reported and thereby designing a *mechanism* that is direct. That is the Planner can directly map policies from the message space by treating the latter as equivalent to type spaces (Myerson 1979).

**Remark 2:**<sup>8</sup> In the absence of any communication mechanism, the Central Planner commits to a policy that uses the expected values of the regional bureaucratic agent and then adjusts his ideal policy against his role as a social maximizer. The expected utility of the Authority,  $EU^P$ , is

$$\int_0^1 - \left( l - \left( \frac{(\theta_1 + p_i)}{2} \right)^2 - \hat{b} \right) \mu(\theta) d\theta.$$

Since  $\theta$  is uniformly distributed,  $\mu(\theta) = 1$ , The Authority solves the following maximization problem:

---

<sup>8</sup>This remark is presented for the simpler environment with only one Agent  $A_1$ .

$$l^* = \text{Argmax} - \int_0^1 \frac{1}{2} (l - \theta_1 - \hat{b}) \mu(\theta_1) d\theta_1$$

by setting

$$l^* = \frac{1}{2} + \hat{b}$$

*Q.E.D.*

In the analysis that follows, since I am only establishing the conditions on the optimal mechanism under planning without considering the effects of different policy positions, I normalize  $p_i = 0$ . Incentive compatibility requires that any report  $\theta_1$  sent by *one* Agent, must maximize the utility of the agent:

$$\forall \theta_1 \in \Theta_1 \forall \hat{\theta}_1 \in \Theta_1 \left[ -\frac{1}{2} ((l(\theta_1) - \theta_1)^2 \geq -\frac{1}{2} (l(\hat{\theta}_1) - \theta_1)^2 \right] \quad (7.4)$$

For the situation with just one agent, this allows us to re-state the “Problem of the Planner” (*pace* Chapter Two) in the current mechanism design context.<sup>9</sup>

$$\max_{l(\theta_1)} -\frac{1}{2} \int_0^1 ((l(\theta_1) - \theta_1 - \hat{b})^2 \mu(\theta_1) d\theta_1$$

$$s.t. \forall \theta_1 \in \Theta_1 \forall \hat{\theta}_1 \in \Theta_1 \left[ -\frac{1}{2} ((l(\theta_1) - \theta_1)^2 \geq -\frac{1}{2} (l(\hat{\theta}_1) - \theta_1)^2 \right]$$

---

<sup>9</sup>The above maximization problem induces a set of feasible mechanisms that can be characterized using the “continuous” structure outlined in Melumad and Shibano (1991). This is to be directly contrasted with the partition equilibrium derived in Chapter 4 using the Crawford and Sobel (1982) technology.

With the above clarifications, I can now introduce both bureaucratic agents into the analysis, with private information  $\theta_2 \in \Theta_2 = [a, b] = [0, 1]$  for Agent 2. To state informally how a mechanism design analysis would proceed, I would first analyze the effect of these groups under the auspices of Central Planning, one of the two organizational forms that the Central Authority can *choose* when inaugurating and deliberating over economic reforms. To translate this rather abstract framework directly into the substantive concern with planning, I am required to submit a reasonable (but strong) substantive assumption regarding the different manner in which information is gathered:

**Assumption 1:** Under central planning, the Central Planning Authority reads a jointly deliberated report from the two bureaucratic agents, who, speak with one voice; when groups deliberate without central planning, the Authority receives two distinct reports, and each bureaucratic agent speaks with his/her own voice.

If we can accept for the sake of argument that conflict of interest between the two groups is subsumed under central planning and that it is not without it, we can perform the task at hand, which is to compare the expected utilities for all three actors under both institutional arrangements. Therefore, although this is a strong assumption, we are interested in comparing the results, *given* these two organizational choices. Whether or not this assumption is valid is an empirical question that is (in this treatment) exogenous to the model.

I am also assuming “homogeneity” across these groups, in that they are “equal partners” in the deliberative process. That is, hierarchical differences across these groups are assumed away:

**Assumption 2:** Information transmission across the two bureaucratic agents is perfect.

**Assumption 3:** Deliberative exercises between the two bureaucratic agents are not biased toward either position.

**Assumption 4:** The utility of the two bureaucratic agents under central planning is additively separable with respect to each agent’s individual utility:

Combining these assumptions allows us to rewrite the utility of the bureaucratic agents in the planning hierarchy as follows:

$$U^A(U^{A_1}, U^{A_2}) = -\frac{1}{2} \left[ \frac{1}{2}(l - \theta_1)^2 + \frac{1}{2}(l - \theta_2)^2 \right] \quad (7.5)$$

For its part, the Central Planning Authority also considers the average of the reports sent by both bureaucratic agents in determining the appropriate law that is passed:

$$EU^P = -\frac{1}{2} \int_0^1 \left( l(\theta) - \frac{\theta}{2} - \hat{b} \right)^2 \mu(\theta) d\theta$$

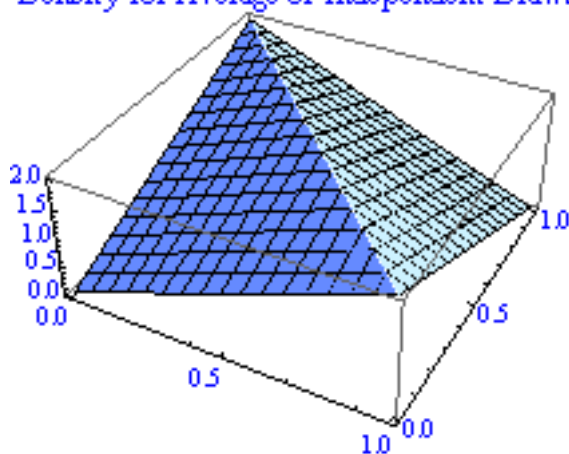
where  $\theta = \frac{\theta_1 + \theta_2}{2}$ . Since both  $\theta_1$  and  $\theta_2$  are independently drawn from a uniform distribution on  $[0, 1]$ , the density function  $\mu(\theta_1, \theta_2)$  is a convolution of the two random variables.<sup>10</sup>

This presentation of the *ingredients* of a mechanism design framework, using the language of formal modeling, clarifies what is involved in the problem at hand. While I have stated this problem formally, I only state the qualitative conclusions of the analysis that would follow from this setup. And those, simply, that the Central Planner prefers to implement economic reforms through the planning bureaucracy, and the two bureaucratic agents prefer to deliberate

<sup>10</sup>With both endpoints  $\theta_1$  and  $\theta_2 \in [0, 1]$ , the average of these two reports is another continuous random variable with a “triangular” density. The mode of this density is  $\frac{1}{2}$ , and so the probability density function  $\mu(\cdot)$  is:

$$\mu(\theta_1, \theta_2) = \begin{cases} \frac{2(\theta-0)}{(1-0)(\frac{1}{2}-0)} & \text{if } 0 \leq \theta \leq \frac{1}{2} \\ \frac{2(1-\theta)}{(1-0)(1-\frac{1}{2})} & \text{if } \frac{1}{2} \leq \theta \leq 1 \end{cases}$$

Density for Average of Independent Draws



with each other and send one joint report.

### **Analytic Narrative III: Gradualism and the Search for Consensus in the First Phases of Reforms**

As in the analytic narrative of the last chapter, this chapter continues the narrative of China and India's centrally planned economies by considering the initial phase of reform in both countries to "test" the implications of the framework of mechanism design. The case studies show that the economic policymakers who ultimately committed to retaining crucial features of central planning in China and India to steer economic reforms did so because those policies that were filtered through the deliberative mechanisms of planning generated more confidence through their success. I also offer a brief contrast with the failure of the initial phase of liberalization in the former Soviet Union and the successor Russian Republic.

While the narrative of the last chapter focused on the evidence that related shifts in policy, leadership divisions and the opposition to liberalization initiatives, and the different environments of deliberation and planning that evolved in the initiated phase of economic reforms, this chapter goes into instances where the reform process repeatedly and crucially reiterated its institutional commitment to proposing, implementing, amending, and indeed rescuing the faltering reform process through the institutions of planning. These institutions

were restructured, no doubt, and contrapuntal organizations—like committees and study and work groups were established to extend the purview of centrally coordinated policy change outside of the strict purview of the Planning bodies.

The elaboration of the empirically implications of the simple framework offers a preliminary substantiation of the logic of institutional selection that I have posited in the Chinese and Indian cases. The relatedness of the framework in the previous section and the narratives that follow is more limited in its analytic ability to offer support for the claim of the framework, as compared to the two analytic narratives of Chapters 5 and 6. This has to do, partly, with the fact that the framework implies an equilibrium outcome, but does not state or prove one explicitly. Also, the trade-off between policies designed without deliberative consultation (one organizational choice) and policies designed *with* the extant institutions of planning is implied rather than directly presented; instead, the narrative emphasizes the counter-intuitive quality of these choices. The implication of the discussion is that the central planner prefers to retain the deliberative institutions of central planning, and that this is compatible with the participation and incentive constraints of the agents within the hierarchy. How does the narrative substantiate this assertion?

The evidence shows that the dismantling of the maze of economic controls has been piecemeal removed in both economies *through* the existing protocols of central planning, as a product of a carefully considered and negotiated process of “give-and-take”, of regional compromise and an accommodation of the needs of different industrial sectors. In the course of doing so, there are

repeated instances of the central policymakers choosing to use the planning commission—its restructured counterparts and its associated and cognate ministries and agencies—to adjudicate among different policy positions and to devise a blueprint for reforms progress where a clear path to a policy solution is missing.

This process in each nation provided policymakers and umbrella of *consensus* under the field of uncertainty generated by the massive upheaval reforms created in these two economies. The successful gradualism of the Chinese and Indian strategies, witnessed in India from 1991-1996 and in China from 1978-1998 constituted a search for consensus, and can be described, empirically, as a succession of moves that sought to instigate economic liberalization and transformation of the economy without dismantling the agencies responsible for bureaucratic guidance of the economy. Not surprisingly, the most painful moves—such as large-scale privatization, reduction of central support to agricultural subsidies, complete liberalization of banking and capital account conversion—have been deferred or implemented slowly, sector-by-sector, only with the satisfaction of the necessary governmental condition of bureaucratic consensus having been met through these very same agencies of planned development. Each nation started its reform efforts by appealing to those productive agents in the domestic economy that were most vociferously clamoring for change: China began with agricultural reform and an attempt to increase scale and productivity of the non-state sector in the rural areas, and India with the adoption of its New Industrial Policy (July 1991) began to unshackle the industrial economy which had been clamoring for liberalization since the early nineteen eighties.<sup>11</sup>

---

<sup>11</sup>For India see Kalirajan and Sankar (2001:385), Nayar (1998); and Panagariya (2004a); for China, see Putterman (1992).

## Restructuring Planning Functions

Just as it was once fashionable to deride the inefficiencies and the stagnant, unresponsive qualities inherent to the planned periods of the Indian and Chinese economies, the post-liberalization periods have ushered in premature proclamations of the death of central planning. No one doubts the diminished and altered role of planning in the current economic environment, but I argue that the actual functioning of the extant institutions of bureaucratic planning offer ample evidence to warrant a reinterpretation of what governmental outcomes are (exactly) facilitated by the bureaucratic organizations of planning. This is observed not only in the continued relevance of these bureaucracies in micro-managing political change, but also in how these bureaucracies have been rationalized to meet the continuing needs of economic governance.

These efforts implied a renewed commitment to actively retain and restructure the institutions of planning while promulgating and fine-tuning a policy agenda which was, curiously, aiming to transit away from the era of planned economic growth. In the macro-vision of the central leadership, the attitude toward planning has not been as pessimistic as would be expected from a move to dismantle state controls, and every instance that the Chinese and Indian leaders turned to their planners and to their planning apparatus to implement policy change, was one more instance of continued confidence in the resilience of their governmental systems.<sup>12</sup> Although planning had largely become indicative by

---

<sup>12</sup>The contrapositive of this claim, therefore is that it is precisely with the premature and dramatic *abandoning* of planning (i.e. shock liberalization in Russia and Eastern Europe) that implied, simultaneously, a *lack* of confidence in the planning processes in those countries, and the lack of deliberative institutions located therein.

this time in any case, the leaders who initially spurred the liberalization initiatives initiated administrative reforms that first resuscitated the lagging role of planning so that the bureaucratic efficiency of these organizations could be improved rather than their functions merely deleted.<sup>13</sup>

In the Indian case, the existing coordinating features were initially augmented rather than scaled downward. Instead of dismantling the existing institutions of planning, they have either been revised and refurbished or have had newer organizational forms appended to their existing functions. An important example is the creation, in 1990 of a newer forum for Union government deliberations with the states, the Inter-State Council (ISC) to complement the existing National Development Council. The difference between these two bodies is that while the latter housed discussions (and conducted bargaining) about (over) allocations within the plan *per se*, the newer ISC did the same vis-a-vis the increasing and growing number of policy initiatives that fall outside the strict purview of the central planner's mandates. Thus this organizational innovation can be seen as an *extension* of the organization setup of sub-national deliberation and coordination, circa the older era of central planning, in a setting more appropriate for the era of reforms and beyond.<sup>14</sup> Similarly, in this vein of simultaneously re-centralizing priorities and furthering decentralized lobbying and information aggregation into policy discussions, in 1998, the BJP led National Democratic Alliance (NDA) coalition government further restructured the policy process and bolstered institutions of deliberation. The Deputy

---

<sup>13</sup>Huang (2009).

<sup>14</sup>Singh and Srinivasan (2006:314 and 348). This point is made explicitly in the report of the Finance Commission itself Finance Commission (2005:27). Incidentally, the *Sarkaria Commission* had recommended the introduction of a second such body to replace the NDC altogether, but this was not accepted. Also see Sáez (2002), Saez (1999).

Chairman of the Planning Commission regained some lost political clout and a variety of subsidiary commissions and subject groups were established to bring together a vacillating approach to the 1999 Union budget.

The Chinese Planning Commission was restructured later into its reforms drive (first in 1998 and then 2003), but by the early eighties, the Chinese Planning commission had already gone through several cycles of restructuring since the early seventies, such that by 1979 when the reforms got underway, there was sufficient scope for Deng Xiaoping, in his capacity as a moderating influence between different leadership factions, to appeal to these processes to generate a consensus between the regions about particular dimensions of liberalization. Susan Shirk explains:

In China, the central party-state bureaucracies were a less formidable obstacle to market reforms, and previous waves of administrative decentralization had created the possibility that provincial politicians could become the reformist counterweight to the more conservative center. Although these provincial politicians were appointed by the central party organization, they were expected not only to enforce central directives but also to articulate local interests. With the support the support of provincial politicians, Deng Xiaoping was able to push his reform program through the bureaucracies decision-making process and avoid the risks of changing the political rules of the game. (1993:14).

The rules of Chinese “fragmented” policy-making remain unchanged since the 1950s.<sup>15</sup> Policy-making by bureaucratic “consensus” rather than majority-rule within the party remained the watchword of the system of economic management. Successive rounds of decentralization since 1956 had well-rehearsed the contours of the strategy needed to move the economy from one type of central management to the other, and there was, by 1979 a series of precedents that accomplished this within the bounds of reasonable discussion within the governmental corridors, such as the questions that arose in 1979—about how to delegate more discretion to the regions and the localities—only seemed like the last in a long line of such bureaucratic adjustments.<sup>16</sup>

Throughout the 1980s in liberalizing China, there was no wholesale overhaul of administrative planning or of the price system, although there was a slow but steady transformation of the personnel that staffed the economic ministries; as Huang Yasheng shows, the central government has asserted its *nomenklatura* power over regional appointments in the reform period.<sup>17</sup> Instead, changes were gradual, and were always articulated through, or to use Shirk’s words, were “tacked onto”, central planning. initial period of radical agricultural de-collectivization, was followed by a devolution of some financial power to the localities rather than to the enterprises. Margaret Pearson describes the resilience of superregulatory bodies:

---

<sup>15</sup>This section relies heavily on Shirk (1993) and Naughton (1995) for China and Jenkins (1999) and Jha (2002) for India; other secondary sources are supplemented as well.

<sup>16</sup>See Wu and Reynolds (1988). Scott Rozelle (2009) explores the relevance of existing patterns of decision-making to the changes made to the rural economy in the initial period of the reform era; also see Zagoria (1983:886-888).

<sup>17</sup>See his “Industrial Organization of Chinese Government” (1998).

Comprehensive policy agencies have guided many of China's market-oriented reforms and should not be considered anti-market. Yet their continued presence in the system has helped to establish the importance of key goals such as protecting state assets, establishing national champions, and fostering certain social policies.<sup>18</sup>

During the initial years of administrative reform, a dual track price system “combining floating market prices with administratively set plan prices was implemented to avoid tackling the radical redistribution among raw material and manufacturing sectors implied by a comprehensive price liberalization.”<sup>19</sup> As a result of this sequencing the state sector's control by the central ministries was not threatened initially, as new forms of market competition—such as the special economic zones and the local government-initiated joint ventures were allowed to be juxtaposed against the older controlled forms; over time, learning and adaption on the part of the latter was inevitable, a product of the competition, and “soon state managers and bureaucrats were demanding the same market freedoms for their state-owned firms.”<sup>20</sup>

The return to planning was not only observed in the revamping or the streamlining of existing planning functions, nor only in the continued reliance on the bureaucratic structure of planning to generate governmental consensus over particular policies. The technical *solutions* to initiatives in the reform period—how to grapple with the basic problems that occurred—were *direct*

---

<sup>18</sup>Pearson (2007:722).

<sup>19</sup>Shirk (1993:15).

<sup>20</sup>*Ibid.*

products of *engaging* with the plan itself. An important difference between the experience of the former Soviet Union and China/India during their reform impetus was that there was simply more in planning to salvage in the positive cases that could help address these concerns in an institutional setting.<sup>21</sup>

Consider the initial period of 1978-9 in China, as Deng Xiaoping began asserting control over the economy away from Hua Guofang's handling of the same. When there was a working impetus to change the direction of the economy, instead of dropping the plan, the central leaders focused squarely on the planning mechanism and, as it were, through an argument of *reductio ad absurdum* took the old logic of planning to its extreme; the glaring omissions in irrationalities of the old plan logic were forced to see the light of day, and with all assembled having been convinced of its failures, was discarded. The process of reform that followed was a direct by-product of the learning that took place after an initial period of resuscitatory initiatives failed.

The Ten-year plan that was the product of this initial flurry of activity perfectly encapsulates the Chinese planning experience in microcosm. After Hua Guofang seized the post-Maoist initiative to rehabilitate the economy, under his guidance the planners, using their institutional memory, reverted and intensified the traditional patterns of heavy capital-intensive investment, starvation of agriculture, obsession with high growth and a lack of consideration of unemployment. These were all of the old menu items of Maoism—problems related to the applying of which would have seemed fresh to both Chinese and

---

<sup>21</sup>This is one of the major themes of Naughton (1995) who characterizes the transition as one of “growing out of the plan.”

Indian planners in the early sixties. The institutional memory also prompted what was to be one of the strongest mobilization efforts as well, ironically, as millions of peasants were gathered in public display to sponsor the new scheme; one could say that, to cap irony of all ironies at the heyday of reform that this was a “new Great Leap Forward.”<sup>22</sup> The “learning period” was, however, anticlimactic since the hopes of this overly ambitious “hot air” plan quickly went down like a lead balloon. The petroleum reserves that had been expected to materialize were just not there, and China found itself in a severe foreign exchange crisis, and was consequently unable to finance its energy needs, required to fuel the capital intensive agenda that had been chalked out in 1978.

The manner in which Chen Yun took control of the reorientation that followed is revealing, as resources were shifted back to consumption and agricultural investment was stepped up so as to avert any more Great-leap-like after effects.<sup>23</sup> This reorientation was managed without much deviation from traditional planning methods. All of the old tools of administrative regulation and control were employed to shift priorities once again. For example, as the investment and planning orientation shifted to light industry consumer durables, the planners used precisely the same traditional mechanisms to re-allocate raw materials and energy where they would be needed, by identifying six “priority” access categories. Without this administrative shift, the change in output across the economy that the planners wanted—away from heavy industry and toward consumption—would have been incomplete and haphazard Naughton (1995:85-6). The old planning bodies were used as lobbying grounds for min-

---

<sup>22</sup>Naughton (1995:65).

<sup>23</sup>The unemployment problem was addressed through a shift to light and labor-intensive production, which could take advantage of the millions of people who remained unemployed.

isters and local officials who wanted to push through their local pork; these same individuals naturally fought vociferously to retain the planned projects that were now required to be scaled back.<sup>24</sup> Planners also re-fashioned the military industrial complex by moving investment under the control of the People's Liberation Army away from strictly military production to other end uses. With this failure, it was decided that a consensus for a "blueprint" for economic reforms was needed. When it came time to develop this blueprint, economists and specialists from the bureaucracy under the heading of the Economics Leading Group, headed by Xue Muqiao, were assembled; again, the leaders turned to the plan. "The practical reality was that plans were still important and that planning had to be adapted to rapidly changing economic conditions."<sup>25</sup>

In India, the actual initiative for the post 1991 reforms, were articulated by the same deliberative institutions that had managed planned change in an earlier era.

However, the reforms that were actually achieved were not those in the FundBank blueprints; they were shaped as much by political forces and by the state of preparation in the bureaucracy as by the requirements of the Fund. What the bureaucracy felt it could achieve was packaged into conditionalities and formed part of structural adjustment loans from the World Bank.<sup>26</sup>

---

<sup>24</sup>In June 1979 the Finance and Economics Commission issues a scaling back of such projects, including twenty-two imported plants, which Barry Naughton calls the "great write off" in which excessive and wasteful projects were abandoned (87-8).

<sup>25</sup>Naughton (1995:xx).

<sup>26</sup>Desai (1999:27).

Similar to China, the Indian bureaucracy, through its incremental piecemeal operating procedures, created temporary enclaves of non-hostility to economic change, and incrementally brought on board the new beneficiaries of this change to create, in effect, a growing coterie of guarantors for the reforms process.<sup>27</sup> The foray into the New Economic Policy initiatives of 1985 and 1991, although less thoroughly studied by specialists than is the Chinese case, reflects a similar story of an incremental strengthening of the institutions of planning and the management of the economy that comprised planned arrangements between the New Delhi government and the States.

### **Reducing the Immobility of Factors**

Political leaders, when they enter into structural reforms in times of uncertainty, must have a sufficient degree of belief in the processes involved that they can in fact steer the course of change—despite all of the ambiguity inherent in such a disruption—in a manner that they can reasonably control.<sup>28</sup> Since the Indian and Chinese leaders had decided *not* to engage in either wholesale political change along with the decision to open up the economy, reform policies were careful not to create too many disruptions in the existing organization of different sectors of the industrial economy.<sup>29</sup> As policymakers in both nations discovered, the only means by which this could be done was through the planning ministries and agencies themselves. To understand how different sectors

---

<sup>27</sup>Jenkins (1995) and Denoon (1998:53). An overview of this process is provided in Letiche (1996).

<sup>28</sup>Jenkins (1999:47).

<sup>29</sup>See Young (2000).

of the economy became *un-planned*, as it were, it is helpful to summarize some features of the restricted mobility of factor use that existed across Indian and Chinese sectors.

I have already noted that although the Chinese and Indian planned economies were different in first principles and ideological design, in actual practice both had become largely “indicative” and could be seen to converge around a similar regulatory framework for how their respective economies were governed.<sup>30</sup> The key to the instruments used by both nations had to do with the state’s monopolies over key sectors of the economy, the control over procurement prices for key raw material inputs, and the restriction—through mazes of regulatory/bureaucratic rules and legal procedures—of the mobility of factors. The distortion in prices occurred largely as a result of the manner in which the flow of goods and services was restricted (both domestically and with respect to international trade), and the task of the planners in the reform era was to dismantle these regulations while minimizing uncertainty in the producer markets that were effected. Thus, the existing protocols of the bureaucratise of planning was crucial in this gradual reduction in the use of factors across sectors in both nations.

For example, in China, the number of commodities balances was brought down from sixty in '79-'80 to around 31 in 1981, and after some tinkering around the edges, it was determined by 1984 that there would be no more than forty

---

<sup>30</sup>While this point is abundantly clear in the Indian context, such an interpretation of Chinese planned growth is perhaps less common. For a persuasive presentation along these lines, see Naughton (1992).

commodities under the Materials Balances tables.<sup>31</sup> When the leaders wanted to boost consumption and production of consumer durables, the planners saw to this goal by shifting to raw materials management; thus although materials balances as the bulwark of planning *did* decline, the fact and importance of planning did not; only the focus of the exercises did. The state removed itself from commercial monopolies by diversifying the existing procurement policies that were already firmly in place. When in 1981 the retrenchment threw the economy into a recession, it was up to the planners to chart a course out of the situation; they improved incentives within the Personal Responsibility System (PRS), and slowly replaced *plan bargaining* with *financial bargaining*—to determine with each enterprise what the existing over-plan quota tax-rate would be. The menu of tax options differed wildly from SOE to SOE, but they were negotiated between planners and managers using the same bureaucratic channels that existed before. The contractual relations between these two became characterized by increasingly longer-term contracts and haggling to determine what the appropriate contractual basis of the public obligations these firms had to the “public” (i.e., as represented in the planner’s tables).<sup>32</sup>

What is clear is that planners reacted to new information in as rational a way as they could; with the initial success of the PRS in SOEs, rural politicians pressed for greater and greater autonomy, but the planning process and the old rules of the game prevented the rationalization of the financial relationship between enterprises and the government; the latter wanted to encourage more financing through loans rather than discretionary funds, asking SOEs to pay for

---

<sup>31</sup>Naughton (1995:112).

<sup>32</sup>See Child and Yuan (1996) and Boisot and Child (1988).

capital expenses (something that the Chinese firms had never done).<sup>33</sup> Despite the “three categorical directives” that urged SOEs to comply from 1979-1982, this policy was *not* implemented by lower level bureaucrats. “But, remarkably, within the state system that was the core of the command economy planners were unable to command enterprises to pay capital charges in exchange for the privilege of profit retention.”<sup>34</sup> So much for the authoritarian hand of the central government!

The rationalization of prices was also similarly plan-rational. The *question* that the CCP leaders actually asked was “How can prices be adjusted within the plan as opposed to letting supply and demand equilibrate in a market equilibrium—so that prices reflected real-valued magnitudes? Research groups were sent to try to find answers, which they could not using the old technology of IO tables. But what is interesting is that they were asked to try to do so under the old planning guidelines, as antiquated as they were. When these groups and central planners were not able to arrive at a meaningful answer, they still did not abandon administrative pricing, but instead tackled each individual price for each individual commodity, commodity by commodity.<sup>35</sup> Specific sections of the planning bodies were strengthened where they could be revitalized; “enterprise rectification” (management and personnel overhaul) was one example of this; the role of the People’s Bank was expanded to facilitate the financing of light industry in 1983, and existing budgetary commitment to existing projects were thoughtfully reallocated (133). These planning exercises guided the economic changes in this time of uncertainty, and with each exercise, actors’ ex-

---

<sup>33</sup>For an overview of the fiscal reforms see Ma (1997).

<sup>34</sup>Naughton (1995:129).

<sup>35</sup>Between December 1979 and February 1984 fourteen draft blueprints were drawn up (Naughton 1995:131).

pectations converged around increasingly more common ground. Despite the lack of a blueprint, despite the lack of bureaucratic consensus on the direction of change, “defeats were prevented from becoming failures, since the planning procedures gave the system the requisite coherence that was familiar to all those involved.

Indian planning was always more indirect than Chinese planning was; the crucial task was not, as in the Chinese case, the direct rationalization of prices or the reduction of commodities from materials balancing tables, or, finally, in the strategic lowering of planned output quotas of the state-owned enterprises. These quantities were strictly determined, at the height of the LPQR days of the sixties and early seventies, but these restrictions were imposed through policies and quotas enforced through legislation and oversight by the Planning Commission and managed by the individual sectoral agencies and commissions designed to regulate a given sector. In this sense the Planning Commission coordinated these on-plan targets and restrictions so that the central government could determine how much any given sector of the economy would grow; it is in this way that prices were controlled—through the control of output and input markets, through the “canalization” of export and import flows, and through caps on investment. As I discussed above, in actual practice, for most commodities, this was not that different from the Chinese plan *in effect*, but the ownership of these sectors was usually in privately, but tightly controlled, hands.

Thus, the *problem of the planner* in the particular cases of India in 1985 and 1991, was to move from a world of restrictive policies designed to stultify the

mobility of productive factors (including foreign trade and financial flows) to a world where new regulatory tools could be erected to control these flows in a more rational market-friendly manner, so that the new open regimes would not be disruptive but also that would replace the irrational policies of the earlier time period. As such, the bulk of economic reforms had to do with de-licensing and removing the artificial restrictions the state imposed on quotas and Indian leaders across administrations retained not only the economic ministers in charge of central planning, such as I.J. Ahluwalia and M.S. Ahluwalia, P. Chidambaram, but also retained the focus of the changing economy on a reorientation of central planning. The crucial feature of moving away from planned control of the economy involved the removal of quantitative restrictions on imports and uses in raw materials input markets. The governmental report that instigated the leadership to change course was authored by M. Narasimham, in his 1985 "Report of the Committee to Examine Principles of a Possible Shift from Physical to Financial Control". This report outlined the process by which selective de-licensing of key industries could take place by a gradual shift away from quantitative restrictions and controls toward indirect regulatory means of macroeconomic management. The half-hearted attempts at liberalization that were initiated under Rajiv Gandhi and his finance minister (and later prime minister) V.P. Singh saw only marginal effects on the de-regulation of administered prices.

The main institutional innovation that accomplished this in China was creation of a dual-track production and pricing system. In this system, on-plan quotas were steadily reduced for state units, and all production *over* these levels was left to be exchanged on the free market. The Chinese system had always

(in contrast to the Soviet Union which did not have such institutions in any significant variety) had a degree of off-plan trade, but the economic reforms of the state sector in 1984 enshrined this into firm policy.<sup>36</sup> The efficacy of this institutional innovation in promoting a move away from the plan while retaining the mitigating features of planned production (in continuing to protect the “losers” and in reducing uncertainty associated with the creation of a new market institutions) is seen by the fact that India has used this same innovation 1982, when it introduced de-control into the cement industry and then later in 1984 into the sugar industry. In fact—to underscore the ubiquity of this innovation when central planners that want to move out of the plan in this manner—India has experimented with “dual track” pricing with no success since 1968, when planners attempted to steadily de-control the cement industry at that time; this was quickly abandoned when planners recognized the pre-maturity of this innovation.<sup>37</sup> Planners used this institutional innovation to address the most crucial problems facing the Indian economy by incrementally applying this regulatory methodology to different sectors (industries) of the economy; they also used dual-track pricing to directly tackle the balance-of-payments crisis that threatened to default the Indian economy overall in 1991.

De-licensing of the economy more generally occurred in three stages, in a blueprint charted out quite consciously through consultations between the Ministry of Commerce and the Planning Commission. The Indian economy had traditionally placed restrictions on imports (to control foreign reserves and to place caps on domestic consumption of durables) and had placed restrictions on export flows (to direct domestic production away from global markets and toward

---

<sup>36</sup>Lau et al. (2000).

<sup>37</sup>Virmani (2004:16).

needs of self-sufficiency—in both agriculture and industry.<sup>38</sup> To spur domestic growth in the mid-late eighties, planners began to consider ways in which de-licensing of industries and a removal of import and export flows could be facilitated without doing damage to the traditional goals of self-sufficiency, without arbitrarily throwing open the flood-gates to imports—and thereby depleting foreign exchange reserves. As in China, the planners ‘did what they could’ until bureaucratic resistance was met with. The goal was to remove existing distortions without creating new ones.

The first stage of the 1980s saw, first, a *neutralization* of existing perversions by liberalization of export streams. This allowed those manufacturers that wanted to begin adjusting their prices and capacity to world markets to do so. The second stage, occurring between April 1992-April 1993 saw a liberalization of import streams in a host of intermediate and capital goods, so that crucial input markets (needed for technology updating) could be de-controlled. Not surprisingly, the third stage, which was deemed less relevant to increased productivity in any case, was delayed; this stage had to do with the liberalization of all remaining consumer durables. In a slow, painful process between 1992-1996, planners piecemeal removed, one-by-one, quantitative restrictions and quotas as these policies made their way through the “fragmented authoritarian” system of the Indian license-permit-quota Raj; resistance was strongest in the Ministry of Commerce (which controls trade policy), although significant delay and vetoing was voiced by all of the relevant bodies that oversaw the licensing of individual products. This was a situation of straightforward lobbying by domestic industries that wanted to retain protection from imports; the particularistic

---

<sup>38</sup>In the first phase of reforms in 1985, twenty-five industries were de-licensed, a number that rose to thirty-one by 1990.

arrangements that informed the “convincing” that was necessary to bring these individual lobbies on board was managed through a careful de-control of the exchange rate itself, so that domestic producers would be convinced that they would have time to adjust to global prices.<sup>39</sup>

While delay and veto continued to disrupt the third stage of the liberalization of import controls, close coordination between the Planning Commission and other ministries resolved the macro problem of the convertibility of the Rupee.<sup>40</sup> As Arvind Virmani (2003) elucidates, the response of planners to this situation was one of the most successful examples of how the Indian planners averted a crisis without disrupting damage to integrative institutions in the process, and instead showed how policymakers retreated (literally to the RBI headquarters in Bombay) to the strongest institutional features of coordination between different governmental bodies to resolve the move away from one of the cornerstones of India’s planned period—the fixed and overvalued exchange rate, which was burdening exports, preventing crucial technology importation and presenting the national reserves with an impending balance-of-payments crisis. In response to this problem, there was a flurry of activity within the planning commission from 1989-1991 about how they could effectively tackle the problem of de-controlling a rigid, and by all accounts, unworkable regime of external trade and payments.

How could the planners retain control over the capital account without surrendering to a fully convertible Rupee? Virmani—who initiated the deliber-

---

<sup>39</sup>Virmani (2004:44-47).

<sup>40</sup>The balance-of-payments crisis is usually designated as the proximate cause for the full-fledged impetus to reforms in 1991.

ations on the issue and vacated his post from the Planning Commission and moved to the Finance Ministry as an advisor to the Minister there—discusses how coordination between the Reserve Bank of India, the Commerce Ministry, the Planning Commission and the Ministry of Finance facilitated a workable “dual exchange rate.” As the negotiations over the exact form of the exchange rate were deliberated between the three ministries, the RBI was utilized in its traditional role as regulator of monetary policy. As a conclusion to these deliberations, it was concluded that the exchange rate would be devalued but controlled through the state-managed banking system and the procedures for future devaluations would also be liberalized through the Liberalized Exchange Rate Management System (LERMS).<sup>41</sup>

Planners also reduced uncertainty by allowing foreign direct investment initially in only those sectors that were mature enough to be able to handle exposure to this type of capital funding. Examples of successful sectoral reforms, such as in the telecommunications and highways, where planners were able to push through the required innovations, side-step the existing agencies and build new bureaucratic channels to regulate activity are examples of this restructuring.<sup>42</sup> Bureaucratic consensus in these sectors was able to be generated; but in the crucial power generation sector, where owing to the strong provincial/state-wise representation in the State Electricity Boards, such reforms were stalled.<sup>43</sup>

---

<sup>41</sup>See the Appendix for a narrative of these events in Virmani (2004) and for a more detailed discussion in Virmani (2003).

<sup>42</sup>The National Highway authority of India was established in 1995, and authority was decreased from the existing policy-bodies in this area, the Central Public Works Department (CPWD) and the State Public Work Departments (SPWD).

<sup>43</sup>Also, constitutionally, power generation is on the State list.

In those areas of reform where uncertainty would be too great, such as the reform of the banking system, planners instead refurbished and reformed the existing regulatory institutions. The Reserve Bank of India (RBI) was allowed to retain its autonomy over the national banking system even though this meant a delay in the reform of this crucial investment sector. Instead, planners and policy-makers allowed private entry and the establishment of joint-venture banking that would permit a longer-term interaction and learning between the state-controlled and private-controlled banks over time (Virmani 2004:35-37). Capital account convertibility in India has been carefully managed by the Ministry of Finance (the finance wing of the planners), who helped guide the new statutory body, the Securities and Exchange Board of India (SEBI) into existence; only with “prudent” steps was the old antiquated system of capital controls removed, first by making the SEBI the regulatory agency in 1992 and then by repealing the Capital Issues Control Act of 1947 and dismantling the Office of the Controller of Capital issues (39).<sup>44</sup>

...[T]he moves towards liberalisation do not imply an abandonment of planning or a total reliance on market forces. What has been attempted is a relaxation of some of the rigors of the regulatory regime, some diminution of State intervention and the introduction of a greater measure of operational flexibility, while retaining the broad framework of planning and regulation. In a way, liberalisation would be regarded as being essentially a process of de-

---

<sup>44</sup>It should be noted that by placing change in banking and investment in the hands of planners, both China and India have avoided, unlike many of their East Asian, Southeast Asian and Latin American counterparts, the excessive fiduciary risk-taking and speculative behavior that has led to banking crises throughout the developing world in the eighties and nineties.

bureaucratisation...<sup>45</sup>

### **Some Comparative Comments**

By way of conclusion, this section offers some reflections generated through the analytic narratives in this chapter. In particular I consider some of the implications of the same on the case of the former Soviet Union and the successor Russian state. While the model does not speak directly to the latter, the counter-intuitive commitment to bureaucratic reform rather than abandonment in the Chinese and Indian cases can help to highlight some interesting points of contrast with the Soviet and Russian cases.

In the 1980s and the 1990s, the former Soviet and then Russian economies, and the Chinese and Indian economies all turned away from their traditional autarchic, centrally planned economies in an effort to correct administrative bottlenecks to economic progress—these bottlenecks had been useful at one time, but had failed to remain useful as time elapsed. The difference, I argue, is that in the defunct Soviet Union and in its successor Russian state, the administrative organs in question were simply abandoned or change was attempted drastically overriding administrative rules and guidelines, in too short a time, while in China and India they were piece-meal transformed with the utmost care. Only those aspects of economic exchange that could be facilitated under a consensus-driven response from the bureaucracy went through, but those that did not, fell

---

<sup>45</sup>This assessment by Ramaswamy Iyer is quoted in Wadhva (1994:43).

through, were abandoned or changes begun were later reversed. Much of the retrospective characterization of the economic reforms as “blueprint-less” and as lacking coherence are only correct if one ignores the underlying administrative reform story behind these changes and views these solely from the viewpoint of economic policy change. Moreover, these changes and their proximate cause is the logic of administrative governance that preceded these changes in central economic goals. Where coordinated change was possible, the central governments used the old planning machinery to achieve consensus and push change forward, and in those cases where it was not, changes were not attempted but postponed for a later date.

Compare as a point of contrast, how the former Soviet economy initiated its reform drive: since strengthening existing planning tools was *not an option*, planners used a *reverse* strategy that led to stark failure. Decentralization in the early stages of its reforms led to attempts at de-control precisely at the time when Soviet planners were attempting to re-direct investment toward accelerated growth. Clearly the two strategies together will lead to hyper-inflation, which they did. As Naughton puts it, the Chinese planners tried to “do less” while the Soviet planners tried to “do more”; the former, hearing the alarm-bells of over-commitment quickly retrenched investment and avoided imbalanced (not to speak of food-shortages and unchecked growth in unemployment).<sup>46</sup> The reorientation strategy was coherent, applied all of the existing heavy tools of administrative regulation, and was carried out by planners with near-perfect coordination across the relevant sectors of the economy.

---

<sup>46</sup>Naughton (1995:94-5).

The Russian economy, having lost its hold on the administrative machinery that is needed to coordinate economic change, wallowed in what is known in the transitions literature as “errors in sequencing.” First, both Chinese and Indian reformers bolstered and strengthened their rural bases, based upon lessons of famine that they had learned in the sixties and their conclusions that rapid economic growth could *not* be forced at the expense of starving the countryside. In contrast, Agricultural reforms in Russia came *last*. in as much as they barely occurred at all. Having a history of inadequate representation and non-existent provision for the representation of rural interests, Russian reformers first sought to evade the bureaucratic hierarchy (which resisted change) and then when they could not, postponed attempts at privatization of land parcels until 1990.

This can be contrasted with the very first success of Chinese reforms, the introduction of the “Responsibility System” which began the growth engine in the countryside by creating incentives for local *government*, as opposed to private interests (i.e., the “mafia.”). Similarly the rationalization of prices and devaluation of the currency was prevented since opposing interests within the Communist Party were divided on its wisdom; managers feared loss of monopoly power and market share, while the party feared inflation.<sup>47</sup> There was a failure to demonetize the economy, and there was a hasty, failed attempt to begin to tax the wealthy. The Distribution system, which functioned much like its Chinese and Indian counterparts in its goal of providing inexpensive food-grain to urban consumers was wholesale dismantled, creating a shortage of food and a complete breakdown of the supply of inputs needed for agriculture. In contrast the Indian state till this date continues to provide subsidies in fertilizers, power,

---

<sup>47</sup>(Jha 2002:27-29).

seeds, and agricultural machinery to its farmers, and the PDS has been rationalized but not abandoned; every single administration that has come to power in New Delhi has re-affirmed and re-articulated its commitment to the continued provision of these subsidies. Finally by 1991, the Gosplan apparatus was entirely dismantled not by creating alternative market institutions but through sheer shock therapy.

In neither China nor India, was there *ever* the sense in the initiatory years that rapid, massive overhaul of the bureaucratic system was necessary, although concerted attention has always been given (following the tradition outlined earlier) to how the plan and the personnel that constituted the statist machinery could be rationalized. There is little anecdotal evidence to suggest that Chinese and Indian policymakers experienced the sense of hasty desperation felt by the reformers of Poland or Russia under Boris Yeltsin. Both Chinese and Indian planners seem to have moved forward with the confidence that they could initially relax certain aspects of their planned economies so as to move their aggregate production functions closer to the Pareto frontier, without noticeably making any group worse off. For example, when faced with a lack of bureaucratic consensus regarding the disruptions that would be caused due to unemployment, the Chinese and Indian states delayed the painful privatization of their State owned enterprises. Privatization of the old SOEs of the former Soviet Union have, in contrast, been wholesale and, as it were, successful. By 1996 80% of the GDP was in private hands.

Both India and China moved away from their state-led economies to market-

driven economies through a process of institutional change, rather than, as in the case of the former Soviet Union and the new Russian nation, through a process of institutional abandon(ment). But this was not, as a strictly economic perspective would inform us, an idle choice. Central planners and bureaucrats in China and India could be delegated the task of institutional refurbishing because of the extant mechanisms of central planning made such a delegation meaningful—and thereby made a non-disruptive transition feasible; such options simply were not there under Gorbachev’s faltering Union; and they were entirely absent under Yeltsin’s knee-jerk liberalization regime of the early nineties.<sup>48</sup>

Moreover, this process of institutional change cannot be reduced, I argue, to a mere transactional satisficing of particular organized interests along. As an example of such approaches, Susan Shirk (1993) discusses the particularistic nature of assignments between Deng Xiaoping’s reformers and local government officials and bureaucrats. The suggestion of the argument presented in this chapter is that it is not the strict ‘particularity’ of the contracts that is key. For example, in Russia, Boris Yeltsin in the 1990s had also built up regional support through such individual particularistic deals and appointed firm supporters to the 89 regional provinces in the former Soviet republic to ensure continued support.<sup>49</sup> But these deals and appointments were handed out in an entirely *ad hoc* manner, suited to the personal aggrandizement of Yeltsin’s power irrespective of what this implied for the coherence of the administrative machinery. Russian reforms (after “Big Bang” shock therapy) were always dictated from the top down in a knee-jerk fashion intending to salvage a highly unstable and un-

---

<sup>48</sup>For the notion of moving away through institutional engagement see Qian (2000).

<sup>49</sup>Jha (2002:82)

tenable system.

Thus, it is not the mere *retention* of planning bodies that facilitates the type of institutional procedures identified in the cases of China and India. In this period discussed, Russia also considered plans, but these plans were not plans that were authored or motivated by bureaucratic deliberation, compromise, or negotiation. A case in point is the recent the high-profile *Gref* plan authored by top-level Putin economics minister German Gref, who was initially the head of the Centre for Strategic Research. Just as Chinese leadership was divided between conservatives and reformers, so to was the Russian *duma*. After ten years of disastrous policies, the liberal reformers in Russia, however, had no effective check on their policies, since these policies did not go through the fragmented, divided, bargain-infested authority structure of the governmental apparatus that the Chinese reform policies did and continue to go through.<sup>50</sup> The ten-year plan for reconstruction that followed these disastrous policies was the subject of the Gref plan, which sharply divided opinion and caused further division between opponents in the top leadership. Based on this report, the resultant policy (formulated as 'Plan for top Priority Measures in 2000-2001) was released, and it was released with much high-level debate; but what is missing from this process are the entire complex of processes that would have turned opinions into policy in the Chinese or Indian context – the laws were not being debated, drafted, or specified by the government, but only by top party politicians.

---

<sup>50</sup>The Gref plan advocated large-scale privatization of all state welfare programs, and radical reformations of the taxation and banking systems (Jha 2002:78).

The lack of the presence of institutions that facilitated deliberation and consensus generation in the Chinese and Indian experiences was a missing ingredient in this episode. The complicated and strenuous process of filtering ideas through the “fragmented authority” of the bureaucracy that is the hallmark of the Chinese and Indian systems—a process that induces gradualism, and slow-down is absent in the Russian case.

## **Conclusion**

This chapter has attempted to substantiate the Chinese and Indian *commitment* to reforming their economies through the institutions of deliberating within the planning bureaucracies. As planning functions have become modified to suit the regulation of the more open economy, Chinese and Indian leaders returned, occasion after occasion to the technical apparatus of planning to generate consensus over particular policy issues, to chart a course for the reforms that were to follow, and to solve concrete instances of policy dilemma which were particularly momentous in the initial decade of liberalization in each nation. While the comparison with the Soviet Union and the successor Russian nation has been illustrative (rather than directly contestable within the claims of the framework presented in section 7.2.2), the contrasting narrative is suggestive of what *could* have been the case in the positive cases were any of these individual items not steered through the deliberative engagement of the ministries and agencies associated with state-led development and reform.

## CHAPTER 8

### CONCLUSION

The central question of the thesis has been: Why were China and India able to make a successful transition—while retaining their national profiles—from closed economies under central planning to increasingly open and liberal economies under their programs of economic reform? How was this transition managed? What was the logic of keeping the economy closed initially and then opening it up? The negative case, or contrast offered, is that of the former Soviet Union and the successor Russian nation, which experienced difficulties in this same process; in fact the former Soviet Union dissolved into different national entities.

The hypothesis that I offered to address this puzzle is that both China and India shared key features of their national and regional bureaucracies in charge of economic planning, features that the Soviet Union did not. The transition to a liberalized economy has been made possible by the enduring rules and procedures of bureaucratic governance that have managed economic change and reconstruction through the central planning apparatus. While the Soviet Union seems to have made the same macro-governmental choice—to close the economy initially and then liberalize it in a second period—the results have been dramatically different in that case.

Based on the evidence and exploration offered in the body of this dissertation, I submit in conclusion that this hypothesis has received the requisite

evidentiary support. The causal mechanisms offered to describe the logic of these assertions have also been interpreted within the context of Chinese and Indian materials; these mechanisms have been shown to possess their own internal consistency and have also been related to, in cognizable ways, the history of planning in China and India, both before and after the opening of their economies.

This dissertation has presented a different interpretation of the logic and motivation of central planning in China and India, both in their traditional periods of economic development and nationalism as well as in the contemporary periods of economic liberalization and reform. In contrast to interpretations of central planning that focus on the inefficiencies of their macroeconomic designs and the unmet goals of the “big push” approach to growth, the arguments in this dissertation have instead attempted to draw attention toward a *political* interpretation of these otherwise singularly economic institutions. I have tried to show that central planning functions also accommodated within their developmental mandates key governmental imperatives. We can see in the history of the development of planning an attempt to take seriously the systemic and structural constraints encountered by the Indian and Chinese nation states, from an administrative point of view.

The first of these constraints is geographic—an expression of the regional diversity and complexity of these diverse continental-sized polities. Any attempt to manage these large nations as one system would have to devise some method of amalgamating the conflicting preferences—the individual needs and

demands—and cross-cutting priorities of the different regions. The exercises of central planning brought this multi-regional dialogue into sharp focus, and even if planning efforts did not conclusively diminish these contradictions across the regions and the conflicting needs of the urban and rural economies, they certainly framed the discussion, underlined its importance and sustained a multi-decade dialogue that explored and experimented with different solutions.

The second significant systemic constraint that Chinese and Indian leaders recognized the salience of is the assembly of informational inefficiencies of managing these systems. Planners in China and India encountered significant informational bottlenecks as they attempted to devise the actual institutions of economic management, and the history of planning shows that they made significant, pro-active, and sustained efforts to address these drawbacks. I have shown through explorations of materials that the Chinese and Indian planning efforts made room for processes that: 1) aggregated information upward along the planning hierarchy that included the preferences and wishes of regional and local planning bodies; 2) generated consensus over responses to shifts in policy; 3) facilitated local-level deliberation that ensured the involvement of the entire agency membership of the planning hierarchy in discussions of impending policy changes.

The first part of the thesis has addressed the first of these two constraints. In it, I established a broad systemic-level perspective on the relationships between regional diversity, nationalism and the goals of central planning. At the broadest possible level of aggregation, Chapter Two established a link between

national integrity (or the enduring success of nationalism in both China and India) and the goals of central planning. I first characterized the “problem of the planner.” The planner is faced with the Herculean task of forcing a group of regions to see the wisdom in uniting together under a national banner so as to realize the positive externalities of this relationship—shared defense expenditures, complementary trade across provinces, capital accumulation through savings in agriculture, etc.

Through a simple qualitative argument, I showed that such a task is not as easy as it may seem. This is due to two reasons. First, the task of combining resources and talents promises a gargantuan payoff in the long-run, but in the short run must invest proportionate amounts of manpower, administrative machinery and initial sunk investment so that regional coordination can be facilitated. How can the regions be sure that a young central government can facilitate the effort required for such huge feats of planning and manage to convince all regions to remain united under the accompanying uncertainty? This coordination dilemma is further complicated by the fact that—depending on the part of the economy in question—there may be *either* negative *or* positive externalities associated with membership in such a national coalition. This implies that this central government must often use *coercion* in these instances where the benefits of cooperation are pessimistic to begin with. Thus, the theoretical overview in this chapter established a broad nation-state level context within which to explore the salience of central planning and the micro level processes that explain the similar designs of the Chinese and Indian apparatuses.

Subsequent chapters delved into the deliberative nature of Chinese and Indian central planning—from their inception and early design to their on-going commitment to revamp the intra-bureaucratic institutions that tried to mitigate against the informational bottlenecks that planners found themselves in; these chapters explore the manner in which the *informational constraints* of systemic management were tackled. Chapter Three presented an investigation into these deliberative functions by building an argument for their importance in bureaucratic settings. In Chapter Three, I argued that in large-scale systems such as China and India, there is a crucial and necessary *deliberative* role played by the bureaucratic arms of government—specifically by those agencies responsible for the formulation and execution of national economic policies. I argued that deliberation in state agencies provides for modes of communication, or “voice”, across different rungs of a bureaucratic hierarchy, so that problems associated with particular policy initiatives can be communicated upward, and so that the optimal policy can be designed through a consideration of the preferences of different levels of government. Although it may seem that “deliberative” functions are limited to legislative (formally decision-making) bodies alone, in contexts where legislative institutions are weak and inchoately formed or entirely missing, where membership is “uninformed” of conditions on the ground, a case can be made for bureaucracies playing this role.

For the nation-states of China and India, in particular, I argue, bureaucratic organization plays a critical role in the formulation and design of policies. Much of the traditional literature on the salience of bureaucracies downplays this importance, and indeed much of the treatments of bureaucratic arrangements lay the blame of poor developmental outcomes squarely on these very state agen-

cies. In considering the robustness of these arguments, I found that their ability to account for variation in these outcomes revealed the need for a more unifying framework. Such a framework, I argued, should aim to account for the role of bureaucratic input into the policy-making processes in a positive, analytic mode of investigation, rather than by adopting the normative thrust usually found in the India and China literature on bureaucratic development.

I attempted to provide the rudiments of such a unifying framework in the game theoretic model studied in Chapter Four. I explored a “cheap-talk” signalling game in which these deliberative functions of bureaucracies are modeled as communication devices based on signals from local bureaucratic agents upward through the hierarchy. This allows for the transmission of local preferences to the political leadership, given the local state of the economy. Central leaders want this information so that better policies can be designed, since they care about accurately apprehending “conditions on the ground”—information known only to the local agent. The extensive-form game studied in this chapter presents two alternative institutions of deliberation. Depending on the degree of leadership unity over policy changes, either of these two institutions can be employed to filter policy changes to any given dimension of central planning. Under single-agent deliberation, there is a savings in term of informational-bureaucratic drift and a more rapid transition to a new policy outcome; under consensus deliberation, this savings is traded for the ability of the planning hierarchy to generate greater consensus over changes in policies, and an accompany amendment to policy outcomes. The model highlights the governmental role of the central planner in steering policy changes through these different environments, given the political configurations of support and opposition behind

changes in policy on the part of party leaders.

I then considered the relationship between these different parameters and the equilibrium outcomes identified in the Leadership Stage of the extensive form game through a construction of analytic narratives on Chinese and Indian economic planning. In Chapter Five, I applied the results of the model described above to the history of the first two decades of planning in China and India—the 1950s and the 1960s. Starting with an initial burst of leadership unity around the goals of central planning, increasing disappointments and setbacks in the actual results of planning experimentation led to increasingly divided leadership, which in turn led to more bureaucratic excess and pathology in agent compliance with central directives.

As these institutions of deliberation matured, they provided remarkable coherence in the liberalization phase. The political leadership was able to effect policy change without disrupting primary political processes or without witnessing significant political opposition to economic reforms. Bureaucratic consensus was able to maneuver the course of reforms away from political contentiousness, and, remarkably, both China and India evolved to be two of the relatively few success stories of wholesale economic liberalization in the developing world. This dissertation attributes the smoothness of this transition to the deliberative role of both nations' central planning agencies, which, counter-intuitively, continue to articulate and oversee the transformation of the economy. This aspect of the argument was explored in Chapter Six.

In the final chapter, I approached the central puzzle of the thesis through an alternative theoretical lens. In applying a mechanism design model of institutional selection, I considered the choices available to central leaders in how they structure the rules of bureaucratic organization themselves, and asked, even more fundamentally: should deliberation and consensus-generation be permitted to exist in a freer market environment? This was a stark choice for both polities at the time they initiated their grand program of economic liberalization in the 1980s and 1990s. I used the results of this model to shed light on why the choice of the leadership in both nations to not only retain but to facilitate the restructuring of the economy through the planning apparatus itself helps explain the success (and irreversibility) of these changes in both China and India.

## WORKS CITED

- Ackoff, Russell L.**, "National Development Planning Revisited," *Operations Research*, 1977, 25 (2), 207–218.
- Adams, Julia**, "Principals and Agents, Colonialists and Company Men: The Decay of Colonial Control in the Dutch East Indies," *American Sociological Review*, February 1996, 61 (1), 12–28.
- Agarwal, P.P.**, "Some Aspects of Plan Implementation," in Kamta Prasad, ed., *Planning and its Implementation*, New Delhi : Indian Institute of Public Administration, 1984, pp. 145–154.
- Aghion, Phillippe and Jean Tirole**, "Formal and Real Authority in Organizations," *Journal of Political Economy*, 1997, 105 (1), 1–29.
- Ahluwalia, Montek S.**, "Economic reforms in India since 1991: has gradualism worked?," *The Journal of Economic Perspectives*, 2002, 16 (3), 67–88.
- Ahluwalia, M.S.**, "Lessons from India's Economic Reforms," *Development Challenges in the 1990s—Leading Policymakers Speak from Experience*, 2005.
- Ahmed, S. and Ashutosh Varshney**, "Battles Half Won: The Political Economy of India's Growth and Economic Policy since Independence," *World Bank Working Paper*, 2008, 15.
- Ambrus, Attila and Georgy Egorov**, "Delegation and Nonmonetary Incentives," *Mimeo*, January 2009, *Harvard University*, Dept. of Economics.
- Appleby, Paul**, *Report on Public Administration in India*, New Delhi: GOI, 1953.
- Armijo, L.E. and P. Faucher**, "" We have a consensus": explaining political support for market reforms in Latin America," *Latin American Politics and Society*, 2002, 44 (2), 1–40.
- Arulanantham, D.P.**, "The paradox of the BJP's stance towards external economic liberalisation: why a Hindu nationalist party furthered globalisation in India," *Asia Programme Working Paper*, December 2004, *Chatham House*.
- Austen-Smith, David**, "Information transmission in debate," *American Journal of Political Science*, 1990, 34 (1), x–x.
- **and Jeffrey Banks**, "Information Aggregation, Rationality, and the Condorcet Jury Theorem," *American Political Science Review*, March 1996, 90 (1), 34–45.
- **and Tim Feddersen**, "Deliberation, Preference Uncertainty, and Voting Rules," *American Political Science Review*, 2006, (2), 209–218.

- Bachman, D.**, "Differing Visions of China's Post-Mao Economy: The Ideas of Chen Yun, Deng Xiaoping, and Zhao Ziyang," *Asian Survey*, 1986, 26 (3), 292–321.
- Bachman, David**, *Bureaucracy, Economy, and Leadership in China: The Institutional Origins of the Great Leap Forward*, New York: Cambridge University Press, 1991.
- , "Implementing Chinese Tax Policy," in David Lampton, ed., *Policy Implementation in Post-Mao China*, Berkeley: University of California Press, 1992, pp. 119–153.
- Bagchi, Amaresh**, "Rethinking federalism: changing power relations between the center and the states," *Publius: The Journal of Federalism*, 2003, 33 (4), 21.
- Bagchi, Amiya Kumar**, "From a Fractured Compromise to a Democratic Consensus: Planning and Political Economy in Post-Colonial India," *Economic and Political Weekly*, 1991, 26 (11/12), 611–613, 615–617, 619, 621–623, 625, 627–628.
- Bandyopadhyay, D.**, "Administration, Decentralisation and Good Governance," *Economic and Political Weekly*, 1996, 31 (48), 3109–3111, 3113–3114.
- , "Planning from Below: Is Planning Commission Performing Its Role?," *Economic and Political Weekly*, 1996, 35 (12), 982–983.
- Bandyopadhyay, S.**, *From Plassey to partition: a history of modern India*, New Delhi: Orient Blackswan, 2004.
- Banerjee, A. and L. Iyer**, "History, institutions, and economic performance: the legacy of colonial land tenure systems in India," *American Economic Review*, 2005, 95 (4), 1190–1213.
- Bannerjee, Abhijit and Rohini Somanathan**, "A Simple Model of Voice," *Quarterly Journal of Economics*, 2001, 116, 182–189.
- Bardhan, Pranab**, *The Political Economy of Development in India*, Oxford and New York: Basil Blackwell, 1984.
- , "Decentralised Development," *Indian Economic Review*, 1996, pp. 139–156.
- , "Disjunctures in the Indian Reform Process: Some Reflections," in Kaushik Basu, ed., *India's emerging economy : performance and prospects in the 1990s and beyond*, New York: Cambridge University Press, 2004, pp. 49–58.
- , "Nature of Opposition to Economic Reforms in India," *Economic and Political Weekly*, 2005, 40 (48), 4995.
- Baron, David**, "Legislative Organization with Informational Committees," *American Journal of Political Science*, 2000, 44 (3), 485–505.

- Baum, Richard**, "Elite Behavior under conditions of Stress: Lessons of the 'Tang-ch'uan P'ai' in the Cultural Revolution," in Robert Scalapino, ed., *Elites in the People's Republic of China*, 1991.
- , *Burying Mao*, Princeton: Princeton University Press, 1994.
- Bendor, Jonathan**, *Parallel Systems – Redundancy in Government*, Berkeley: University of California Press, 1985.
- , "Review Article: Formal Models of Bureaucracy," *British Journal of Political Science*, 1988, 18, 353–395.
- , "A model of muddling through," *American Political Science Review*, 1995, 89 (4), 819–840.
- , **Amihai Glazer**, and **Thomas Hammond**, "Theories of Delegation," *Annual Review of Political Science*, 2001, 4, 235–69.
- and **Adam Meirowitz**, "Spatial Models of Delegation," *American Political Science Review*, 2004, 98 (2), 293–310.
- Berger, Roland**, "Economic Planning in the People's Republic of China," *World Development*, 1975, 3 (7&8), 551–564.
- Bhagwati, J.N.**, *India in transition: freeing the economy*, Oxford University Press, USA, 1993.
- , **P. Desai**, **Organisation for Economic Co-operation, and Development. Development Centre**, *India: planning for industrialization: industrialization and trade policies since 1951*, Oxford University Press, 1970.
- Bhalla, A.S.**, "Recent economic reforms in China and India," *Asian Survey*, 1995, 35 (6), 555–572.
- , "Sino-Indian growth and liberalization: a survey," *Asian Survey*, 2002, 42 (3), 419–439.
- Bhambhri, C.P.**, *Bureaucracy and Politics in India*, Delhi: Vikas Publications, 1971.
- Bhambhri, CP**, "New Economic Policy: Indian State and Bureaucracy," *Social Scientist*, 1996, 24 (1), 44–58.
- Bhargava, Ashok**, "Indian Economy during Mrs. Gandhi's Regime," in Y.K. Malik and D.K. Vajpeyi, eds., *India: the years of Indira Gandhi*, Brill, 1988, pp. 60–84.
- and **G. Balachandaran**, "Economic Changes During the Indian Emergency," *Bulletin of Concerned Asian Scholars*, 1977, 9 (4), 50–59.

- Bhattacharya, A.B.**, *Planning at Home and Abroad*, Ratan Prakashan Mandir, 1960.
- Blake, Stephen**, "The Patrimonial-Bureaucratic Empire of the Mughals," *The Journal of Asian Studies*, Nov 1979, 39 (1), 77–94.
- Boisot, Max and John Child**, "The Iron Law of Fiefs: Bureaucratic Failure and the Problem of Governance in the Chinese Economic Reforms," *Administrative Science Quarterly*, 1988, 33 (4), 507–527.
- and —, "Organizations as Adaptive Systems in Complex Environments: The Case of China," *Organization Science*, 1999, 10 (3), 237–252.
- Bowen, H.V.**, *The business of empire : the East India Company and imperial Britain, 1756-1833*, Cambridge: Cambridge University Press, 2006.
- Brecher, M.**, "Towards the Close of the Nehru Era," *International Journal*, 1963, pp. 291–309.
- Brehm, John and Scott Gates**, *Working, Shirking, and Sabotage: Bureaucratic Response to a Democratic Public*, Ann Arbor, MI: University of Michigan Press, 1997.
- Brooks, S.M. and M.J. Kurtz**, "Capital, Trade, and the Political Economies of Reform," *American Journal of Political Science*, 2007, 51 (4), 703–720.
- Byrd, William A.**, "Planning in India: Lessons from four decades of development experience," *Journal of Comparative Economics*, 1990, 14 (4), 713–735.
- Byres, Terence**, "The State and Development," in Terence J. Byres, ed., *The state and development planning in India*, Delhi: Oxford University Press, 1994.
- Byres, Terence J., ed.**, *The state, development planning and liberalisation in India*, Delhi: Oxford University Press, 1997.
- Cai, H. and D. Treisman**, "Did government decentralization cause China's economic miracle?," *World Politics*, 2006, 58 (4), 505.
- Calvert, Randall**, "Deliberation as Coordination Through Cheap Talk," *Washington University, St. Louis, Manuscript*, 2006, 11 (October), 1–24.
- Cao, Y., Y. Qian, and B.R. Weingast**, "From federalism, Chinese style to privatization, Chinese style," *Economics of Transition*, 1999, 7 (1), 103–131.
- Carpenter, Daniel**, *The Forging of Bureaucratic Autonomy: Reputations, Networks, and Polity Innovation in Executive Agencies, 1862-1928*, Princeton : Princeton University Press, 2001.

- Chai, CH and K.C. Roy**, *Economic reform in China and India: development experience in a comparative perspective*, Edward Elgar Publishing, 2006.
- Chakravarty, Bidyut**, "Jawaharlal Nehru and Planning, 1938-41: India at the Crossroads," *Modern Asian Studies*, May 1992, 26 (2), 275–287.
- , "Jawaharlal Nehru and Planning, 1938-41: India at the Crossroads," *Modern Asian Studies*, May 1992, 26 (2), 275–287.
- Chakravarty, Sukhamoy**, *Development Planning: The Indian Experience*, New York: Oxford University Press, 1987.
- Chand, Mahesh and Vijay Puri**, *Regional Planning in India*, New Delhi: Allied Publishers, 1983.
- Chanda, Ashok**, *Indian Administration*, London: Allen and Unwin, 1958.
- Chandra, N.K.**, "National and Local Level Planning: China, the USSR, India," *Social Scientist*, 1988, 16 (1), 173–198.
- Chang, Paris**, "The Second Decade of Maoist Rule," *Problems of Communism*, 1969, 18, 1–11.
- , *Power and Policy in China*, University Park: Pennsylvania State University Press, 1978.
- Chatterjee, Partha**, "Development Planning and the Indian State," in Terence J. Byres, ed., *The state, development planning and liberalisation in India*, Delhi: Oxford University Press, 1997, pp. 828–847.
- Chaudhuri, K.N.**, "Some Reflections on the Town and Country in Mughal India," *Modern Asian Studies*, Jan-Feb 1978, 12 (1), 77–96.
- Chaudhuri, Pramit**, "Economic planning in India," in T.V. Sathyamurthy, ed., *Industry and Agriculture in India since Independence*, Delhi: Oxford University Press, 1995, pp. 94–114.
- Chaudhuri, Sachin**, *Economic Planning and Social Organisation*, Bombay : State's People Press, 1969.
- Cheng, T.J., S. Haggard, and D. Kang**, "Institutions and growth in Korea and Taiwan: the bureaucracy," *Journal of Development Studies*, 1998, 34 (6), 87–111.
- Chhibber, P. and S. Eldersveld**, "Local elites and popular support for economic reform in China and India," *Comparative Political Studies*, 2000, 33 (3), 350.
- Chibber, Vivek**, "Bureaucratic Rationality and the Developmental State," *American Journal of Sociology*, 2002, pp. 951–89.

- , *Locked in Place. State-building and late industrialization in India*, Princeton: Princeton University Press, 2003.
- Child, J. and L. Yuan**, “Institutional constraints on economic reform: The case of investment decisions in China,” *Organization Science*, 1996, 7 (1), 60–77.
- Crawford, Sir John**, “India: Planning as an exercise in administration,” *Australian Journal of Public Administration*, 1967, 26 (3), 227–244.
- Crawford, Vincent and Joel Sobel**, “Strategic information transmission,” *Econometrica*, 1982, 50, 1431–51.
- Crozier, Michel**, *The Bureaucratic Phenomenon*, Chicago: University of Chicago Press, 1964.
- Dasgupta, J.**, *Language conflict and national development: group politics and national language policy in India*, Berkeley: University of California Press, 1970.
- Datta, Bhabatosh**, *Indian Planning at the Crossroads*, New Delhi: Oxford University Press, 1997.
- Davies, R.W.**, “The Soviet planning process for rapid industrialisation,” *Economics of Planning*, January 1966, 6 (1), 53–67.
- DeLong, Bradford**, “India Since Independence: An Analytic Growth Narrative,” in Dani Rodrik, ed., *In Search of Prosperity*, Princeton: Princeton University Press, 2003.
- Denoon, David**, “Cycles in Indian Economic Liberalization, 1966-1966,” *Comparative Politics*, October 1998, 31 (1), 43–60.
- Desai, AR**, *Social background of Indian nationalism*, Bombay: Popular Prakashan, 2005.
- Desai, Ashok V.**, “The economics and politics of transition to an open market economy: India,” *OECD Development Centre Working Papers*, 1999.
- Desai, Padma**, “The Development Of The Indian Economy: An Exercise In Economic Planning,” *Oxford Economic Papers*, 1963, 15 (3), 308–317.
- Dessein, Wouter**, “Authority and Communication in Organizations,” *Review of Economic Studies*, 2002, 69 (4), 811–838.
- Diao, Richard K.**, “The Impact of the Cultural Revolution on China’s Economic Elite,” *The China Quarterly*, 1970, (42), 65–87.
- Diermeier, Daniel and Timothy J. Feddersen**, “Information and Congressional Hearings,” *American Journal of Political Science*, 2000, 44 (1), 51–65.

- Dittmer, Loewll**, "The Nature of Chinese Politics," in Jonathan Unger, ed., *Modernizing Chinese informal politics*, Armonk, New York: M.E. Sharpe Press, 2002, pp. 3–37.
- Dittmer, Lowell**, "Bases of Power in Chinese Politics," *World Politics*, 1978, 31, 951–89.
- **and Yu shan Wu**, "The modernization of factionalism in Chinese politics," *World Politics*, 1995, 47 (4), 467–494.
- Duara, Prasenjit**, "State Involution: A Study of Local Finances in North China, 1911-1935," *Comparative Studies in Society and History*, Jan 1987, 29 (1), 132–161.
- , *Culture, Power, and the State: Rural North China, 1900-1942*, Stanford: Stanford University Press, 1991.
- Dutt, A.K. and F.J. Costa**, "An evaluation of national economic planning in the People's Republic of China," *Geoforum*, 1980, 11 (1), 1–15.
- **and** — , "Two Phases of China's National Planning," in Ashok Dutt, H.N. Misra, and Meera Chatterjee, eds., *Explorations in Applied Geography*, New Delhi: PHI Learning Pvt. Ltd., 2008.
- Dyker, David**, *The future of the Soviet economic planning system*, Armonk, N.Y.: M.E. Sharpe, 1985.
- Eckaus, Richard**, "Planning in India," in Max F Millikan, ed., *National economic planning; a conference of the Universities-National Bureau Committee for Economic Research*, New York : NBER, Columbia University Press, 1967, pp. 305–378.
- Economic Advisory Council To The Prime Minister**, *First report on Decentralisation of Development Planning and Implmentation in States, G.O.I*, New Delhi: Economic Times (January 14, 1984), 1983.
- Edwardes, S.M. and H.L.O. Garrett**, *Mughal rule in India*, New Delhi: Atlantic Publishers & Distributors, 1995.
- Ellman, Michael and Vladimir Kontrorovich**, *The Destruction of the Soviet economic system : an insiders' history*, Armonk, NY: M.E. Sharpe, 1998.
- Elster, Jon, ed.**, *Deliberation as Disucssion*, New York: Cambridge University Press, 1998.
- Epstein, David and Sharyn O'Halloran**, "Administrative Procedures, Information, and Agency Discretion," *American Journal of Political Science*, 1994, 38 (3), 697–722.
- **and** — , "A Theory of Strategic Oversight: Congress, Lobbyists, and the Bureacracy," *JLEO*, 1995, 11 (2), 227–254.

- and –, “Asymmetric Information, Delegation, and the Structure of Policy Making,” *Journal of Theoretical Politics*, 1999, 11 (3), 37–56.
- Erllich, Alexander**, “Development Strategy and Planning: The Soviet Experience,” in Max F Millikan, ed., *National economic planning; a conference of the Universities-National Bureau Committee for Economic Research*, New York : NBER, Columbia University Press, 1967, pp. 233–278.
- Etchemendy, S.**, “Constructing reform coalitions: The politics of compensations in Argentina’s economic liberalization,” *Latin American Politics and Society*, 2001, 43 (3), 1–36.
- Evans, P.**, “Transferable lessons? Re-examining the institutional prerequisites of East Asian economic policies,” *Journal of Development Studies*, 1998, 34 (6), 66–86.
- Evans, Peter**, *Embedded autonomy: states and industrial transformation*, Princeton University Press, 1995.
- , *Embedded Autonomy: States and Industrial Transformation*, Princeton: Princeton University Press, 1995.
- Farrell, Joseph and Matthew Rabin**, “Cheap Talk,” *Journal of Economic Perspectives*, 1996, 10 (3), 103–118.
- Fearon, James**, “Deliberation as Discussion,” in Jon Elster, ed., *Deliberative Democracy*, New York: Cambridge University Press, 1998, pp. 32–67.
- Feddersen, Timothy and Wolfgang Pesendorfer**, “The Swing Voters Curse,” *American Economic Review*, 1996, 86 (1), 408–424.
- Ferejohn, John**, “Law, Legislation, and positive political theory,” in J. Banks and E. Hanushek, eds., *Modern Political Economy*, New York: Cambridge University Press, 1995, pp. 191–215.
- Feuerwerker, A.**, “The state and the economy in late imperial China,” *Theory and Society*, 1984, 13 (3), 297–326.
- Fey, Mark**, “A note on the Condorcet Jury Theorem with supermajority voting rules,” *Social Choice and Welfare*, January 2003, 20 (1), 27–32.
- Fidrmuc, J.**, “Economic reform, democracy and growth during post-communist transition,” *European Journal of Political Economy*, 2003, 19 (3), 583–604.
- Finance Commision**, *Reports of the finance commissions of India : First Finance Commission to the Twelfth Finance Commission : the complete report*, New Delhi: Academic Foundation, 2005.

- Fish, M.S. and O. Choudhry**, "Democratization and economic liberalization in the Postcommunist world," *Comparative Political Studies*, 2007, 40 (3), 254.
- Franda, Marcus**, "The Organizational Development of India's Congress Party," *Pacific Affairs*, 1962, 35 (3), 248–260.
- Frankel, Francine**, *India's political Economy, 1947-1977: The Gradual Revolution*, Princeton: Princeton University Press, 1978.
- Friedmann, John**, "A Conceptual Model for the Analysis of Planning Behavior," *Administrative Science Quarterly*, 1967, 12 (2), 225–252.
- fung Hung, Ho**, "Cultural Strategies and the Political Economy of Protest in Mid-Qing China, 1740-1839," *Social Science History*, 2009, 33 (1), 75–115.
- Furnivall, John, ed.**, *A Comparative Study of Burma and Netherlands*, New York: New York University Press, 1956.
- Gans-Morse, J. and S. Nichter**, "Economic Reforms and Democracy: Evidence of a J-Curve in Latin America," *Comparative Political Studies*, 2008, 41 (10), 1398.
- Ge, W.**, "Special economic zones and the opening of the Chinese economy: Some lessons for economic liberalization," *World Development*, 1999, 27 (7), 1267–1285.
- Gibbons, Robert and Joseph Farrell**, "Cheap Talk About Specific Investments," *Journal of Law, Economics and Organization*, October 1995, 11 (2), 313–334.
- Gillan, M.**, "Swadeshi politics in a left dominated state: The regional response of the BJP to economic liberalisation in West Bengal," *South Asia: Journal of South Asian Studies*, 2001, 24 (1), 43–63.
- Gilligan, Thomas and Keith Krehbiel**, "Collective Decision-Making and Standing Committees: An Informational Rationale for Restrictive Amendment Procedures," *Journal of Law, Economics, and Organization*, 1987, pp. 287–335.
- and —, "Asymmetric Information and Legislative Rules with a Heterogeneous Committee," *American Journal of Political Science*, 1989, 33, 295–314.
- Goldstein, Avery**, "Information, bureaucracy, and economic reforms in China and the Soviet Union," *Comparative Politics*, April 1990, 22 (3), 301–322.
- Goldstein, Stephen**, "China in Transition: The Political Economy of Incremental Reform," *The China Quarterly*, 1995, pp. 1105–1131.

- Goodall, Merrill**, "Organization of Administrative Leadership in the Five Year Plans," in Richard Park and Irene Tinker, eds., *Leadership and Political Institutions in India*, Princeton, NJ: Princeton Univ Press, 1959, pp. 314–328.
- Government Of India**, *Planning Commission Study Group: The New India: Progress Through Democracy*, New York: The Macmillan Company, 1958.
- Gregory, Paul**, *Restructuring the Soviet Economic Bureaucracy*, New York: Cambridge University Press, 1990.
- , *The Political Economy of Stalinism: Evidence from the Soviet Secret Archives*, New York: Cambridge University Press, 2003.
- Grossman, Gene and Elhanan Helpman**, "Protection for Sale," *American Economic Review*, 1994, 84 (4), 833–850.
- Guo, Gang**, "Retrospective Economic Accountability under Authoritarianism: Evidence from China," *Political Research Quarterly*, 2007, 60 (3), 378.
- Gupta, S.K. and Y. Atal**, *Emerging social science concerns: festschrift in honour of Professor Yogesh Atal*, New Delhi: Concept Publishing Company, 2004.
- Gupta, Subrata**, *India's Five Year Plans*, Calcutta: Chatterjee Publishing Concern, 1966, 1975 (Revised Edition).
- Hafer, Catherine and Dmitri Landa**, "Deliberation as Self-Discovery and Institutions for Political Speech," *The Journal of Theoretical Politics*, 2007, (3), 329–360.
- Hall, Peter**, *Governing the Economy*, New York: Oxford University Press, 1986.
- Halpern, Nina**, "Information flows and Policy Coordination in the Chinese Bureaucracy," in Kenneth Lieberthal and David Lampton, eds., *Bureaucracy, Politics, and Decision Making in Post-Mao China*, 1992, pp. 125–150.
- Hammond, Thomas and Jack Knott**, "Who Controls the Bureaucracy?: Presidential Power, Congressional Dominance, Legal Constraints, and Bureaucratic Autonomy in a Model of Multi-Institutional Policy-Making," *Journal of Law, Economics, and Organization*, 1996, 12 (1), 119–166.
- Hankla, C.R.**, "Party linkages and economic policy: An examination of Indira Gandhi's India," *Business and Politics*, 2006, 8 (3), 1–29.
- Hanson, A.H.**, *The process of planning: a study of India's five-year plans, 1950-1964*, Oxford University Press, 1966.
- Hardin, Russell**, "Deliberation and Democracy," in Stephen Macedo, ed., *Deliberation: Method, not theory*, Cambridge, MA: MIT University Press, 1999, pp. 35–66.

- Harding, Harry**, "Political Trends in China Since the Cultural Revolution," *Annals of the American Academy of Political and Social Science*, 1972, 402, 67–82.
- , *Organizing China. The Problem of Bureaucracy 1949-1976*, Stanford: Stanford University Press, 1981.
- Harris, Barbara**, "The Role of Agro-Commercial Capital in "Rural Development" in South India," *Social Scientist*, 1979, 7 (7), 42–56.
- Harrison, Selig**, "The Challenge to Indian Nationalism," *Foreign Affairs*, July 1956, 34 (4), 620–636.
- Heesterman, J.C.**, "State in the Mughal India: Re-Examining the Myths of a Counter-Vision," *Journal of the Economic and Social History of the Orient: Between the Flux and Facts of Indian History: Papers in Honor of Dirk Kolff*, 2004, 47 (3), 292–297.
- Hermansen, Tormod**, "Information Systems for Regional Development Control: Framework for a Research Project," in R.P. Misra, ed., *Regional Planning*, Mysore: University of Mysore, 1969, pp. 301–342.
- Hooja, Rakesh and P. C. Mathur**, *District & decentralized planning*, Jaipur: Rawat Publications, 1991.
- Huang, Y. and T. Khanna**, "Can India Overtake China?," *Foreign Policy*, 2003, 137, 74–81.
- Huang, Yasheng**, "Information, bureaucracy, and economic reforms in China and the Soviet Union," *World Politics*, October 1994, 47, 102–134.
- , "Administrative Monitoring in China," *The China Quarterly*, 1995, (143), 828–843.
- , "Political Institutions and Fiscal Reforms in China," *Problems of Post Communism*, 1995, 48 (1), 16–26.
- , *Inflation and Investment Controls in China: The Political Economy of Central-Local Relations During the Reform Era*, Cambridge University Press, 1996.
- , "The Statistical Agency in China's Bureaucratic System: A Comparison with the former Soviet Union," *Communist and Post-Communist Studies*, 1996, 29 (1), 59–75.
- , "The industrial organization of Chinese government," Technical Report, MA Working Paper Boston: Harvard Business School 1998.
- , "Web of interests and patterns of behaviour of Chinese local economic bureaucracies and enterprises during reforms," *The China Quarterly*, 2009, 123, 431–458.

- Huber, John and Charles Shipan**, *Deliberate Discretion? The institutional foundations of bureaucratic autonomy*, New York: Cambridge University Press, 2002.
- **and Nolan McCarty**, “Bureaucratic Capacity, Legislative Organization, and Delegation,” *Presented at the Aug. 19, 2002 meeting of the APSA*, 2002.
- **and –**, “Bureaucratic Capacity, Delegation, and Political Reform,” *American Political Science Review*, 2004, 98 (3), 481–494.
- Inamdar, N.R.**, *Development Administration in India*, New Delhi: Rawat Publications, 1992.
- Inamdar, NR and KV Kshire**, “District Planning in India,” 1986.
- Israel, John**, “Continuities and discontinuities in the ideology of the Great Proletarian Cultural Revolution,” in Chalmers Johnson, ed., *Ideology and Politics in Contemporary China*, Seattle: Univ of Washington, 1973, pp. 3–47.
- Jagota, S.P.**, “Some Constitutional Aspects of Planning,” in Ralph Braibanti and Joseph J. Spengler, eds., *Administration and Economic Development in India*, Durham, N.C.: Duke University Press, 1963, pp. 173–201.
- Jana, A.K.**, *Administering district plans in India: issues, constraints, and choices*, New Delhi: Concept Publishing Company, 2004.
- Jenkins, Rob**, *Democratic Politics and Economic Reform in India*, New York: State’s People Press, 1999.
- , *Regional reflections: comparing politics across India’s states*, Oxford University Press, 2004.
- Jenkins, R.S.**, “Theorising the politics of economic adjustment: Lessons from the Indian case,” *Commonwealth & Comparative Politics*, 1995, 33 (1), 1–24.
- Jha, Prem Shankar**, *The Perilous Road to the Market*, Pluto Press, 2002.
- Johnson, Chalmers**, *MITI and the Japanese miracle: the growth of industrial policy, 1925-1975*, Stanford Univ Pr, 1982.
- , *Japan: Who Governs? The rise of the Developmental State*, New York: W.W. Norton, 1995.
- Joshi, Ishan**, “The Decision To Centralize,” *Working Paper, Department of Government, Cornell University*, 2010.
- , “Institutional Selection Under Economic Reforms,” *Working Paper, Department of Government, Cornell University*, 2010.

- Joshi, V. and IMD Little**, "Indian macro-economic policies," *Economic and Political Weekly*, 1987, 22 (9), 371–378.
- Joshi, Vijay and I.M.D. Little**, *India: Macroeconomics and Political Economy, 1964-1991*, Cambridge, MA: MIT Press, 1994.
- and –, *India's economic reforms, 1991-2001*, Oxford University Press, USA, 1996.
- Kalirajan, KP and U. Sankar**, "Agriculture in India's economic reform program," *Journal of Asian economics*, 2001, 12 (3), 383–399.
- Kapur, D. and P.B. Mehta**, "India in 1998: the travails of political fragmentation," *Asian Survey*, 1999, 39 (1), 163–176.
- and –, *The Indian parliament as an institution of accountability*, UNRISD, 2006.
- Kaviraj, Sudipta**, "Indira Gandhi and Indian Politics," *Economic and Political Weekly*, 1986, 21 (38/39), 1697–1708.
- Kaye, John**, *The Administration of the East India Company*, London: Richard Bentley, 1853.
- Kedia, B.L., D. Mukherjee, and S. Lahiri**, "Indian business groups: Evolution and transformation," *Asia Pacific Journal of Management*, 2006, 23 (4), 559–577.
- Keefer, Philip**, "Governance and Economic Growth," in L.A. Winters and S. Yusuf, eds., *Dancing with giants: China, India, and the global economy*, World Bank Publications, 2007, pp. 211–242.
- Khan, Iqtidar Alam**, "State in the Mughal India: Re-Examining the Myths of a Counter-Vision," *Social Scientist*, Jan-Feb 2001, 29 (1/2), 16–45.
- Khatkhate, Deena**, "India's Economic Growth: A Conundrum," *World Development*, 1997, 25 (9), 1551–1559.
- Kochanek, S.A.**, "The transformation of interest politics in India," *Pacific Affairs*, 1995, pp. 529–550.
- , "Liberalisation and business lobbying in India," *Commonwealth & Comparative Politics*, 1996, 34 (3), 155–173.
- Kochanek, Stanley**, *The Congress Party of India: The Dynamics of One-Party Democracy*, Princeton: Princeton University Press, 1968.
- , *Business and Politics in India*, Berkeley: University of California Press, 1974.
- , "Politics of Regulation," *Journal of Commonwealth and Comparative Politics*, 1985, 27.

- , “Briefcase politics in India: The Congress Party and the Business Elite,” *Asian Survey*, 1987, 27, 1292–1299.
- Kohli, Atul**, “Politics of economic liberalization in India,” *World Development*, 1989, 17 (3), 305–328.
- , “Politics of economic growth in India, 1980-2005: The 1990s and Beyond,” *Economic and Political Weekly*, 2006, 41 (13), 1251–1370.
- , “Politics of economic growth in India: Part I the 1980s,” *Economic and Political Weekly*, 2006, 41 (3), 1251–59.
- Koshy, V. C.**, “Land Reforms in India under the Plans,” *Social Scientist*, 1974, 2 (12), 43–61.
- Kothari, Rajni**, “Towards a Political Perspective for the Seventies,” *Economic and Political Weekly*, January 1970, 5 (3/5), 101–103, 105, 107–109, 111, 113–116.
- , “Challenge of the Hustings: From Electoral Manipulation to Policy Performance,” in C.N. Bhalerao, ed., *Administration, politics & development in India*, Bombay: Lalwani Publishing House, 1972, pp. 411–430.
- Krishna, Vijay and John Morgan**, “Asymmetric Information and Legislative Rules: Some Amendments,” *American Political Science Review*, 2001, 95 (2), 485–505.
- and – , “A Model of Expertise,” *Quarterly Journal of Economics*, 2001, 116 (2), 747–775.
- Krueger, A.O.**, “Government failures in development,” *The Journal of Economic Perspectives*, 1990, 4 (3), 9–23.
- Kudaisya, M.M.**, “Reforms by stealth: Indian economic policy, big business and the promise of the Shastri years, 1964–1966,” *South Asia: Journal of South Asian Studies*, 2002, 25 (2), 205–229.
- Kumara, K.**, “India adopts WTO patent law with Left Front support,” *World Socialist Web Site*. April, 2005, 6.
- Ladha, Krishna**, “The Condorcet Jury Theorem, Free Speech, and Correlated Votes,” *American Journal of Political Science*, August 1992, 36 (3), 617–634.
- Lakha, S.**, “The Bharatiya Janata Party and globalisation of the Indian economy,” *South Asia: Journal of South Asian Studies*, 1994, 17, 213–229.
- Lal, D.**, “India and China: Contrasts in economic liberalization?,” *World Development*, 1995, 23 (9), 1475–1494.

- Lal, Deepak**, *The Hindu equilibrium. Vol. 1. Cultural stability and economic stagnation*, Oxford: Clarendon Press, 1988.
- Lampton, David**, "A Plum for a Peach: Bargaining, Interest, and Bureaucratic Politics in China," in Kenneth Lieberthal and David Lampton, eds., *Bureaucracy, Politics, and Decision Making in Post-Mao China*, 1992, pp. 33–58.
- Landau, M.**, "Redundancy, rationality, and the problem of duplication and overlap," *Public Administration Review*, 1969, 29 (4), 346–358.
- , "Federalism. Redundancy And System Reliability," *Publius: The Journal of Federalism*, 1973, 3 (2), 173.
- , "On The Concept Of A Self-Correcting Organization," *Public Administration Review*, 1973, 33 (6), 533–542.
- Lane, Philip and Sergio Schmukler**, "International Financial Integration of China and India," in L.A. Winters and S. Yusuf, eds., *Dancing with giants: China, India, and the global economy*, World Bank Publications, 2007, pp. 101–132.
- Lapuente-Gine, V.**, "Veto Players and Political Control of Bureaucracy," *forthcoming*). *Delegation in Contemporary Democracies*. London: Routledge, 2005.
- Lardy, Nicholas**, *Economic Growth and Distribution in China*, New York: Cambridge University Press, 1978.
- , *Agriculture in China's modern economic development*, New York: Cambridge University Press, 1983.
- Lau, L.J., Y. Qian, and G. Roland**, "Reform without losers: An interpretation of China's dual-track approach to transition," *Journal of Political Economy*, 2000, 108 (1), 120–143.
- Lee, Hyong Yung**, *The Politics of the Chinese Cultural Revolution*, Berkeley: University of California Press, 1978.
- Letiche, J.M.**, "Converging economic liberalization and international disequilibria: Applications to India's economic reforms," *Journal of Asian Economics*, 1996, 7 (2), 177–201.
- Levine, Herbert S.**, "Input-Output Analysis and Soviet Planning," *American Economic Review*, 1962, 52 (2), 127–137.
- Lewin, Moshe**, "The Disappearance of Planning in the Plan," *Slavic Review*, 1973, 32 (2), 271–287.
- Lewis, John P.**, *Quiet Crisis in India*, Washington: Brookings Press, 1962.

- , “Some Consequences of Giantism: The Case of India,” *World Politics*, 1991, 43, 367–89.
- Li, D.D. and Yijing Wang**, “Political Conditions for Reform: China vs. Eastern Europe Revisited,” *Journal of the European Economic Association*, 2006, 4 (2-3), 342–351.
- Li, Tao**, “The Messenger Game: Strategic Information Transmission through Legislative Committees,” *Journal of Theoretical Politics*, 2007, 19 (4), 489–501.
- Li, Wei and Dennis Yang**, “The Great Leap Forward: Anatomy of a Central Planning Disaster,” *Journal of Political Economy*, 2005, 113 (4), 840–877.
- Lieberthal, Kenneth and Michel Oksenberg**, *Policy Making in China: Leaders, structures, and processes*, Princeton: Princeton University Press, 1988.
- Lindblom, C.E.**, “The science of” muddling through”,” *Public administration review*, 1959, 19 (2), 79–88.
- Liu, Xielin and Steven White**, “Comparing Innovation Systems: a framework and application to China’s transitional context,” *Research Policy*, 2001, pp. 1091–1114.
- Liu, Zhi**, “Planning and Policy Coordination in China’s Infrastructure Development,” *ADB-JBIC-World Bank East Asia Pacific Infrastructure Flagship Study*, 2005.
- Lubman, Stanley**, *Bird In a Cage*, Stanford: Stanford University Press, 1999.
- Lust-Okar, Ellen**, “Divided they rule: The management and manipulation of political opposition,” *Comparative Politics*, 2004, 36 (2), 159–179.
- , *Structuring conflict in the Arab world: incumbents, opponents, and institutions*, Cambridge Univ Pr, 2005.
- Lyons, Thomas P.**, *Integration and Planning in Maoist China*, New York: Columbia University Press, 1987.
- , “Planning and Interprovincial Co-Ordination in Maoist China,” *The China Quarterly*, Mar 1990, (121), 36–60.
- Ma, J.**, “China’s Fiscal Reform: An Overview,” *Asian Economic Journal*, 1997, 11 (4), 443–458.
- MacFarquhar, Roderick**, “Communist China’s Intra-Party Dispute,” *Pacific Affairs*, 1958, 31 (4), 323–335.

- Malenbaum, Wilfred**, "Who does the Planning?," in Richard Park and Irene Tinker, eds., *Leadership and Political Institutions in India*, Princeton, NJ: Princeton Univ Press, 1959, pp. 301–313x.
- , "Leadership Tasks in India's Economy," in Ralph Braibanti and Joseph J. Spengler, eds., *Administration and Economic Development in India*, Durham, N.C.: Duke University Press, 1963, pp. 152–172.
- Mao, Zedong and Stuart Schram**, "Mao's Road to Power: Revolutionary Writings 1912-1949, Vol. II," *New York: ME Sharpe*, 1994.
- Mathur, M. V. and Iqbal Narain, eds**, *Panchayati Raj, Planning and Democracy*, New Delhi: Asia Publishing House, 1969.
- McCartney, M.**, "'Episodes' or 'Evolution': The Genesis of Liberalisation in India," *Journal of South Asian Development*, 2009, 4 (2), 203.
- McKinnon, Ronald.**, *The order of economic liberalization: Financial control in the transition to a market economy*, Johns Hopkins Univ Pr, 1993.
- Meaney, C.S.**, "Is the Soviet Present China's Future?," *World Politics*, 1987, 39 (2), 203–230.
- Meenakshisundaram, S S**, *Decentralisation in developing countries*, New Delhi: Concept Publishing Company, 1994.
- Meirowitz, Adam**, "In Defense of Exclusionary Deliberation: Communication and Voting with Private Beliefs and Values," *Journal of Theoretical Politics*, 2007, (3), 301–327.
- Meisner, M.J.**, *Mao Zedong: a political and intellectual portrait*, Malden, MA: Polity Pr, 2007.
- Melumad, Nahum and Toshiyuki Shibano**, "Communication in Settings with No Transfers," *RAND Journal of Economics*, 1991, 22, 173–198.
- Menezes, F.A.**, "Implications of financial liberalization in India," *Swords and Ploughshares: A Journal of International Affairs*, 1999, pp. 1–12.
- Menon, V.P.**, *The story of the integration of the Indian states*, London: Longmans, Green, 1956.
- Meredith, R.**, *The elephant and the dragon: The rise of India and China and what it means for all of us*, WW Norton & Company, 2007.
- Miller, H. Lymon**, "The Late Imperial Chinese State," in David Shambaugh, ed., *The Modern Chinese State*, 2000, pp. 15–41.

- Miller, Nicholas**, "Information, Electorates, and Democracy: Some Extensions and Interpretations of the Condorcet Jury Theorem," in Bernard Groffman and Guillermo Owen, eds., *Information Pooling and Group Decision Making*, 1986, p. 173192.
- Mishra, S. and C. Pal**, *Decentralised planning and Panchayati Raj institutions*, Mittal Publications, 2000.
- Misra, B.B.**, *Bureaucracy in India: An Historical Analysis of Development up to 1947*, Delhi: Oxford University Press, 1977.
- , *The central administration of the East India Company, 1773-1834*, Manchester, U.K.: Manchester University Press, 1980.
- , *Government and Bureaucracy in India 1947-1976*, Delhi: Oxford University Press, 1986.
- Misra, K.**, "Deng's China: From Post-Maoism to Post-Marxism," *Economic and Political Weekly*, 1998, pp. 2740–2748.
- Moe, Terry**, "The positive theory of public bureaucracy," in Dennis Mueller, ed., *Perspectives on Public Choice*, New York: Cambridge University Press, 1997, chapter 21, pp. 455–480.
- Mohan, Rakesh and Vandana Aggarwal**, "Commands and Controls: Planning for Indian Industrial Development, 1951–1990," *Journal of Comparative Economics*, 1990, 14 (4), 681–712.
- Morris-Jones, W.H.**, *The Government and Politics of India*, New Delhi: Rawat Publications, 1967.
- Mukarji, Nirmal**, "Review: Reflections on the Status of Planning," *Economic and Political Weekly*, 1993, 28 (39), 2071–2073.
- Mukherjee, A. and X. Zhang**, "Rural industrialization in China and India: Role of policies and institutions," *World Development*, 2007, 35 (10), 1621–1634.
- Mukherji, R.**, "India's aborted liberalization-1966," *Pacific Affairs*, 2000, 73 (3), 375–392.
- Mukhia, Harbans**, "Was there Feudalism in Indian history?," in Terence Byres and Harbans Mukhia, eds., *Feudalism and Non-European societies*, New York: Frank Cass and Co., 1985, pp. 253–295.
- Murillo, M.V.**, "Political bias in policy convergence: Privatization choices in Latin America," *World Politics*, 2002, 54 (4), 462–493.
- Myers, Ramon**, "The Chinese State during the Republican Era," in David Shambaugh, ed., *The Modern Chinese State*, 2000, pp. 42–72.

- Myerson, Roger**, "Incentive Compatibility and the bargaining Problem," *Econometrica*, 1979, (2), 61–73.
- , "Communication, Correlated Equilibria and Incentive Compatibility," in R. Aumann and S. Hart, eds., *Handbook of Game Theory, Volume 2*, Elsevier Science B.V., 1994, pp. 828–847.
- Nag, Daya Shankar**, *A study of economic plans for India*, Bombay: Hind Kitabs Limited, 1949.
- Nathan, A.J.**, "Authoritarian resilience," *Journal of Democracy*, 2003, 14 (1), 6–17.
- Nathan, Andrew and Kelly Tsai**, "The Nature of Chinese Politics," in Jonathan Unger, ed., *Factionalism in Chinese Politics from a New Institutional Perspective*, Armonk, New York: M.E. Sharpe Press, 2002, pp. 161–175.
- Naughton, Barry**, "China's Experience with Guidance Planning," *Journal of Comparative Economics*, 1990, 14 (4), 743–767.
- , "Industrial Policy During the Cultural Revolution: Military Preparation, Decentralization, and Leaps Forward," in W. Joseph, C. Wong, and D. Zweig, eds., *New Perspectives on the Cultural Revolution*, New York : NBER, Columbia University Press, 1991.
- , "The Pattern and legacy of economic growth in the Mao era," in Kenneth Lieberthal et al, ed., *Perspectives on Modern China*, 1991, pp. 226–255.
- , "Implications of the state monopoly over industry and its relaxation," *Modern China*, 1992, 18 (1), 14.
- , *Growing out of the Plan: Chinese Economic Reform 1978-1993*, Cambridge University Press, 1995.
- , "Deng Xiaoping: the economist," *The China Quarterly*, 2009, 135, 491–514.
- Nayar, B.R.**, "Nationalist planning for autarky and state hegemony: development strategy under Nehru," *Indian Economic Review*, 1997, 32, 13–38.
- , "Business and India's economic policy reforms," *Economic and Political Weekly*, 1998, 33 (38), 2453–2468.
- Nayyar, Deepak**, "Political Mainsprings of Economic Planning in the New Nations: The Modernization Imperative versus Social Mobilization," *Comparative Politics*, April 1974, 6 (3), 341–366.
- , "Economic Development and Political Democracy: Interaction of Economics and Politics in Independent India," *Economic and Political Weekly*, 1998, 33 (49), 3121–3131.

- Neale, W.C.**, "Indian Community Development, Local Government, Local Planning, and Rural Policy since 1950," *Economic Development and Cultural Change*, 1985, pp. 677–698.
- Niskanen, W.**, "Bureaucrats and politicians," *Journal of Law and Economics*, 1975, pp. 617–643.
- , "A (1971) Bureaucracy and Representative Government."
- O'Brien, Kevin**, *Reform without liberalization: China's National People's Congress and the politics of institutional change*, Cambridge Univ Pr, 2008.
- O'brien, Kevin and Lianjiang Li**, "Selective Policy Implementation in Rural China," *Comparative Politics*, January 1999, 31 (2), 167–187.
- Ogden, Susan**, *Inklings of democracy in China*, Harvard Univ Council on East Asian, 2002.
- Oi, Jean**, *Rural China Takes Off: Institutional Foundations of Economic Reform*, Berkeley: University of California Press, 1999.
- , "Two decades of rural reform in China: An overview and assessment," *The China Quarterly*, 2009, 159, 616–628.
- Oksenberg, Michel**, "Communist China: A Quiet Crisis in Revolution," *Asian Survey*, 1966, 6 (1), 1–12.
- , "Methods of Communication within the Chinese Bureaucracy," *The China Quarterly*, 1974, (57), 1–39.
- Paine, Suzanne**, "Development with Growth: A Quarter Century of Socialist Transformation in China," *Economic and Political Weekly*, 1976, 11 (31/33), 1349–1382.
- Palanithurai, G., ed.**, *Dynamics of New Panchayati Raj System in India: Volume V:Panchayati Raj and Multi-Level Planning*, New Delhi: Concept Publishing Company, 2006.
- Panagariya, A.**, "Growth and Reforms during 1980s and 1990s," *Economic and Political Weekly*, 2004, 39 (25), 2581–2594.
- Panagariya, Arvind**, *India in the 1980s and 1990s: A Triumph of Reforms*, International Monetary Fund, 2004.
- , "Vote against Reforms?," *Economic and Political Weekly*, 2004, 39 (21), 2079–2081.

- Paranjape, H.**, "Political and Administrative Problems of Implementing the India Plan," in Kamta Prasad, ed., *Planning and its Implementation*, New Delhi : Indian Institute of Public Administration, 1984, pp. 106–143.
- , "Planning Commission as a Constitutional Body," *Economic and Political Weekly*, 1990, 25 (45), 2479–2481.
- Paranjee, H.**, *Jawaharlal Nehru and the Planning Commission*, New Delhi: Indian Institute of Public Administration, 1964.
- Parikh, Sunita and Barry Weingast**, "A Comparative Theory of Federalism: India," *Virginia Law Review*, October 1997, 83 (7), 1593–1615.
- Patel, I.G.**, *Glimpses of Indian economic policy: an insider's view*, Oxford University Press, USA, 2002.
- Patnaik, Prabhat**, "Macro-Economic Policy and Planning Economic Transformation," *Social Scientist*, 1992, 20 (1/2), 77–88.
- , "Some Indian Debates on Planning," in Terence Byres, ed., *The Indian Economy: Major Debates since Independence*, Delhi: Oxford Univ Press, 1998, pp. 159–192.
- Paul, Samuel**, "Micro Planning: The Neglected Interface," *Economic and Political Weekly*, 1971, 6 (9), M3–M8.
- , "Mid-Term Appraisal of the Sixth Plan: Why Poverty Alleviation Lags Behind," *Economic and Political Weekly*, 1984, 19 (18), 760–765.
- Pearson, M. N.**, "Shivaji and the Decline of the Mughal Empire," *The Journal of Asian Studies*, Feb 1976, 35 (2), 221–235.
- Pearson, M.M.**, "Governing the Chinese economy: regulatory reform in the service of the state," *Public Administration Review*, 2007, 67 (4), 718–730.
- Pedersen, Jorgen**, "State, Bureaucracy, and Change in India," *The Journal of Development Studies*, 1992, pp. 616–639.
- , "Explaining Economic Liberalization in India: State and Society Perspectives," *World Development*, 2000, (2), 265–282.
- Perkins, Dwight Heald**, "Plans and their Implementation in the People's Republic of China," *American Economic Review*, 1973, 63 (2), 224–231.
- Planning Commission**, *First Five Year Plan*, New Delhi: Government of India, 1952.
- , *Second Five Year Plan*, New Delhi: Government of India, 1956.

- , *Third Five Year Plan*, New Delhi: Government of India, 1961.
- , *Fourth Five Year Plan 1969–1974*, New Delhi: Government of India, 1970.
- Popov, V.**, “Shock Therapy versus Gradualism: The End of the Debate (Explaining the Magnitude of Transformational Recession).,” *Comparative Economic Studies*, 2000, 42 (1).
- Potter, David**, *India’s Political Administrators 1919–1983*, Oxford: Clarendon Press, 1986.
- Potter, Jack and Sulamith Potter**, *China’s Peasants: The Anthropology of a Revolution*, New York: Cambridge University Press, 1990.
- Potters, Jan and Frans Van Winden**, “Lobbying and Asymmetric Information,” *Public Choice*, 1992, 74, 269–292.
- Prime, P.B.**, “China and India Enter Global Markets: A Review of Comparative Economic Development and Future Prospects,” *Eurasian Geography and Economics*, 2009, 50 (6), 621–642.
- Prybyla, Jan S.**, “Some Economic Strengths and Weaknesses of the People’s Republic of China,” *Asian Survey*, 1977, 17 (12), 1119–1142.
- , “Why China’s Economic Reforms Fail,” *Asian Survey*, 1989, 29 (11), 1017–1032.
- Przeworski, Adam and Henry Teune**, *The Logic of Comparative Social Inquiry*, New York: Wiley, 1970.
- Putterman, Louis**, “Dualism and reform in China,” *Economic Development and Cultural Change*, 1992, 40 (3), 467–493.
- Pye, Lucian**, “The Nature of Chinese Politics,” in Jonathan Unger, ed., *Factions and the Politics of Guanxi: Paradoxes in Chinese Administration and Political Behavior*, Armonk, New York: M.E. Sharpe Press, 2002, pp. 38–57.
- Pye, L.W.**, “An Introductory Profile: Deng Xiaoping and China’s Political Culture,” *The China Quarterly*, 2009, 135, 412–443.
- Qian, Yingyi**, “The Process of China’s market Transition (1978-1998): The Evolutionary, Historical, and Comparative Perspectives,” *Journal of Instit. and Theoret. Economics*, 2000, 156, 00–11.
- and **Barry Weingast**, “Federalism as a Commitment to Preserving Market Incentives,” *Journal of Economic Perspectives*, Autumn 1997, 11 (4), 83–92.
- , – , and **Gabriella Montinola**, “Federalism, Chinese Style: The Political Basis for Economic Success in China,” *World Politics*, October 1995, 48 (1), 50–81.

- , **Chengang Xu, and Gerard Roland**, “Why Is China Different from Eastern Europe? Perspectives from Organization Theory,” *Papers and Proceedings of the European Economic Review*, April 2000, 43, 1085–1094.
- Rajagopalan, N. and Y. Zhang**, “Corporate governance reforms in China and India: Challenges and opportunities,” *Business Horizons*, 2008, 51 (1), 55–64.
- Rao, C. H. Hanumantha**, “Decentralised Planning: An Overview of Experience and Prospects,” *Economic and Political Weekly*, 1989, 24 (8), 411–416.
- Rao, V. M.**, “Decentralised Planning: Priority Economic Issues,” *Economic and Political Weekly*, 1989, 24 (25), 1399–1405.
- Rawski, Evelyn**, “The Qing formation and the early-modern period,” in Lynn A. Struve, ed., *The Qing Formation in World-Historical Time*, Cambridge, MA: Harvard University Asia Center, 2004, pp. 207–41.
- Rawski, Thomas**, “China and the Idea of Economic Reform,” *Working Paper: University of Michigan Business School (William Davidson Institute)*, 1997.
- Ray, Amal**, “From Consensus to Confrontation: Federal Politics in India,” *Economic and Political Weekly*, 1982, 17 (4), 1619–1621, 1623–1624.
- Rieger, H.C.**, “Bureaucracy and the Implementation of Economic Plans in India,” in Kamta Prasad, ed., *Planning and its Implementation*, New Delhi : Indian Institute of Public Administration, 1984, pp. 155–165.
- Riskin, Carl**, *China’s Political Economy: The Quest for Development Since 1949*, Oxford University Press, 1987.
- Roberts, K.M.**, “The mobilization of opposition to economic liberalization,” *Annual Review of Political Science*, 2008, 11, 327–349.
- Rondinelli, Dennis A.**, “National Investment Planning and Equity Policy in Developing Countries: The Challenge of Decentralized Administration,” *Policy Sciences*, 1978, 10 (1), 45–74.
- Rosen, George**, *Democracy and Economic Change in India*, Berkeley: University of California Press, 1966.
- Rozelle, Scott**, “Decision-making in China’s rural economy: the linkages between village leaders and farm households,” *The China Quarterly*, 2009, 137, 99–124.
- Rudolph, Lloyd and Susanne Rudolph**, *In Pursuit of Lakshmi*, San Jose: Chicago: University of Chicago Press, 1987.
- Rudra, Ashok**, “Against Feudalism,” *Economic and Political Weekly*, 1981, pp. 2133–2135, 2137, 2139, 2141, 2143–2146.

- , “Planning in India: An Evaluation in Terms of Its Models,” *Economic and Political Weekly*, April 1985, 20 (17), 758–764.
- , “In Defense of Planning and Socialism,” *Indian Economic Review*, 1992, pp. 187–198.
- , *The Political Economy of Indian Agriculture*, New Delhi: K.P. Bagchi and Co., 2002.
- Rutland, Peter**, *The Myth of the Plan: Lessons of Soviet Planning Experience*, London: Hutchinson and Company, 1985.
- Saez, Lawrence**, “The Sarkaria Commission and India’s struggle for federalism,” *Contemporary South Asia*, 1999, 8 (1), 41–63.
- Sáez, Lawrence**, *Federalism without a Center*, New Delhi: Sage Publications, 2002.
- Sanyal, B.M.**, *India: decentralised planning: themes and issues*, New Delhi: Concept Publishing Company, 2001.
- Sarang, Prakash**, “Economic Reforms and Changes in the Party System,” in J.E. Mooij, ed., *The politics of economic reforms in India*, New Delhi: Sage Publications, 2005, pp. 71–97.
- Satyamurti, S. and KV Ramanathan**, *The Satyamurti letters: the Indian freedom struggle through the eyes of a parliamentarian*, Published by Dorling Kindersley (India), licencees of Pearson Education, 2008.
- Schamis, H.E.**, *Re-forming the state: the politics of privatization in Latin America and Europe*, Univ of Michigan Pr, 2002.
- Schlack, Robert F.**, “Economic Change in the People’s Republic of China: An Institutionalist Approach,” *Journal of Economic Issues*, 1989, 23 (1), 155–188.
- Schneider, B.R.**, “Organizing interests and coalitions in the politics of market reform in Latin America,” *World Politics*, 2004, 56 (3), 456–479.
- Seetharam, M.**, *Citizen participation in rural development*, New Delhi: Mittal Publications, 1990.
- Sekhon, Jasjeet**, “Quality Meets Quantity: Case Studies, Conditional Probability, and Counterfactuals,” *Perspectives on Politics*, June 2004, 2 (2), 281–293.
- Sen, A.**, “Economic liberalisation and agriculture in India,” *Social Scientist*, 1992, pp. 4–19.
- Sen, Lalit Kumar**, *Integrated area planning: concepts and methods*, New Delhi: G.O.I: Training Division, Department of Personnel, Cabinet Secretariat. Training volume, 6, 1972.

- Sengupta, Arjun**, *Economic Reforms of Mrs. Indira Gandhi*, New Delhi: IGIDR Press, 1996.
- Shambaugh, D.**, "Deng Xiaoping: The Politician," *The China Quarterly*, 2009, 135, 457–490.
- Sharma, R.S.**, "How Feudal was Indian feudalism?," in Terence Byres and Harbans Mukhia, eds., *Feudalism and Non-European societies*, New York: Frank Cass and Co., 1985, pp. 19–43.
- Sharma, Shalendra**, *Development and Democracy in India*, Boulder, CO: Lynne Rienner Publishers, 1999.
- Shaw, Denis J. B.**, "Spatial Dimensions in Soviet Central Planning," *Transactions of the Institute of British Geographers*, 1985, 10 (4), 401–412.
- Shi, Tianjian**, "Village committee elections in China: Institutionalist tactics for democracy," *World Politics*, 1999, 51 (3), 385–412.
- Shirk, Susan**, "The Chinese Political System and the Political Strategy of Economic Reform," in Kenneth Lieberthal and David Lampton, eds., *Bureaucracy, Politics, and Decision Making in Post-Mao China*, 1992, pp. 59–94.
- , *The Political Logic of Economic reform in China*, Berkeley : Univ. of California Press, 1993.
- Shrader, Heiko**, *Changing Financial Landscapes in India and Indonesia: Sociological Aspects of Monetization and Market Integration*, New York: St. Martin's Press, 1998.
- Shue, Vivienne**, *The Reach of the State: Sketches of the Chinese Body Politic*, Stanford: Stanford University Press, 1988.
- , "Powers of State, Paradoxes of Dominion 1949-1979," in Kenneth Lieberthal et al, ed., *Perspectives on Modern China*, 1991, pp. 205–225.
- Singh, Nirvikar and T.N. Srinivasan**, "Indian Federalism, Economic Reform and Globalization," in TN Srinivasan and J.S. Wallack, eds., *Federalism and economic reform: international perspectives*, New York: Cambridge University Press, 2006, pp. 301–363.
- Singh, Tarlok**, "Jawaharlal Nehru and the Planned Development of India," in N. Das Gupta et al., ed., *Nehru and Planning in India*, New Delhi: Concept Publishing Company, 1993, pp. 29–37.
- Sinha, Aseema**, "Political Foundations of Market-Enhancing Federalism: Theoretical Lessons from India and China," *Comparative Politics*, 2005, 37 (3), 337–356.

- Snyder, James and Michael Ting**, "An Informational Rationale for Political Parties," *American Journal of Political Science*, 2002, 46 (1), 90–110.
- Solinger, Dorothy**, "The Fifth National People's Congress and the Process of Policy Making: Reform, Readjustment, and the Opposition," *Asian Survey*, 1982, 22 (12), 1238–1275.
- , *Chinese business under socialism: the politics of domestic commerce, 1949-1980*, Univ of California Pr, 1984.
- , *China's transition from socialism: statist legacies and market reforms, 1980-1990*, New York: M.E. Sharpe Inc., 1993.
- Srinivasan, T.**, "Economic liberalization in China and India: Issues and an analytical framework," *Journal of Comparative Economics*, 1991, pp. 205–225.
- Srinivasan, TN**, "China, India and the world economy," *Economic and political weekly*, 2006, 41 (34), 3716.
- Stokes, Eric**, "Agrarian Society and the Pax Britannica in Northern India in the Early Nineteenth Century," *Modern Asian Studies*, 1975, 9 (4), 505–528.
- Strauss, J.C.**, *Strong institutions in weak polities: state building in Republican China, 1927-1940*, Oxford University Press, USA, 1998.
- , "The Evolution of Republican Government," in F.E. Wakeman and R.L. Edmonds, eds., *Reappraising Republican China*, Oxford University Press, USA, 2000.
- Su, Fubing and Dali Yang**, "Political Institutions, Provincial Interests, and Resource Allocation in Reformist China," *Journal of Contemporary China*, 2000, 9 (24), 215–230.
- Sun, Zhongshan (Sun Yat Sen)**, "San Ming Zhu Yi (The Three Principles of the People)," *Taipei: China Cultural Service*, 1985.
- Sundrum, R. M.**, "Studies in Planning Techniques: I: The Planning Horizon," *Economic and Political Weekly*, 1972, 7 (19), 934–942.
- , "Studies in Planning Techniques: II: The Development Strategy," *Economic and Political Weekly*, 1972, 7 (20), 979–989.
- , "Studies in Planning Techniques: III: Decentralisation of Planning," *Economic and Political Weekly*, 1972, 7 (21), 1028–1036.
- Swamy, Dilip S.**, "Land and Credit Reforms in India, Part Two," *Social Scientist*, 1980, 8 (12), 46–64.

- Thimmaiah, G.**, "Decentralization and Economic Development: Indian Experience," *Hitotsubashi Journal of Economics*, 2000, 41, 123–136.
- , "Finance Commission: Decline of a Constitutional Institution," *Economic and Political Weekly*, 2002, 23, 4664–4668.
- Thorner, Daniel**, "Feudalism in India," in Rushton Coulborn, ed., *Feudalism in History*, Princeton: Princeton University Press, 1956, pp. 133–150.
- Thun, Eric**, "Keeping up with the Jones': Decentralization, policy imitation, and industrial development in China," *World Development*, 2004, 32 (8), 1289–1308.
- Tsebelis, G.**, "Decision making in political systems: Veto players in presidentialism, parliamentarism, multicameralism and multipartyism," *British Journal of Political Science*, 2009, 25 (03), 289–325.
- Tsebelis, George**, *Veto players: How political institutions work*, Princeton University Press, 2002.
- Tucker, Robert C.**, *Stalin in Power: the Revolution from above, 1928–1941*, Oxford: Clarendon Press, 1992.
- Uba, K.**, "Political Protest and Policy Change: The Direct Impacts of Indian Anti-Privatization Mobilizations, 1990–2003," *Mobilization: An International Quarterly*, 2005, 10 (3), 383–396.
- United Progressive Alliance Government**, *Report to the People, 2004–2008*, New Delhi: Office of the Prime Minister, 2008.
- Varshney, Ashutosh**, "Political Economy of Slow Industrial Growth in India," *Economic and Political Weekly*, September 1985, 38, 1511–1517.
- , *Democracy, Development, and the Countryside*, New York: Cambridge University Press, 1995.
- , "The Self-Correcting Mechanisms of Indian Democracy," in "Seminar-New Delhi" 1995, pp. 38–41.
- , "Mass Politics or Elite Politics? India's Economic Reforms in Comparative Perspective," *Journal of Economic Policy Reform*, 1998, 2 (4), 301–335.
- , "Mass Politics or Elite Politics: Indias Economic Reforms in Comparative Perspective," in Jeffrey Sachs, Ashutosh Varshney, and Nirupam Bajpai, eds., *India in the Era of Economic Reforms*, 1999, pp. 222–260.
- Varshney, R. L.**, "Government-Business Relations in India," *The Business History Review*, 1964, 38 (1), 22–57.

- Veit, Lawrence**, "A Frontier Economy," *The Wilson Quarterly*, 1978, 2 (4), 137–147.
- Vepa, Ram**, "Pressures in Administration," in C.N. Bhalerao, ed., *Administration, politics & development in India*, 1972, pp. 456–466.
- Viola, Lynne**, *Peasant Rebels Under Stalin: Collectivization and the Culture of Peasant*, New York: Cambridge University Press, 1996.
- , **V.P. Danilov, N.A. Ivnitskii, and Denis Kozlov, eds**, *The war against the peasantry, 1927-1930 : the tragedy of the Soviet countryside*, New Haven, CT: Yale University Press, 2005.
- Virmani, A.**, "Chinas socialist market economy: Lessons of success," *Occasional Policy Paper, ICRIER, April*, 2005.
- Virmani, Arvind**, "Economic Reforms: Policies and institutions, some lessons from Indian Reforms," *Paper presented at the Global Development Network Conference*, 2004, pp. 1–74.
- Vohra, Rajiv**, "Planning," in John Eatwell, Murray Milgate, and Peter Newman, eds., *Problems of the Planned Economy*, 1987, pp. 198–213.
- Wacziarg, R. and K.H. Welch**, "Trade liberalization and growth: New evidence," *The World Bank Economic Review*, 2008.
- Wade, R.**, "The market for public office: why the Indian state is not better at development," *World Development*, 1985, 13 (4), 467–497.
- Wade, Robert**, "Modernization And Private Interests," *European Journal of Sociology*, 2005, 45 (03), 447–451.
- Wadhva, Charan**, *Economic Reforms in India and the Market Economy*, New Delhi: Allied Publishers, 1994.
- Wakeman, Frederic**, *The Great Enterprise: the Manchu reconstruction of imperial order*, Berkeley: University of California Press, 1985.
- , "Boundaries of the Public Sphere in Ming and Qing China," *Daedalus*, 1998, 127 (3), 167–189.
- Wallach, Jessica**, "India's Parliament as a Representative Institution," *India Review*, April-June 2008, 7 (2), 91–114.
- Washbrook, D.A.**, "Law, State and Agrarian Society in Colonial India," *Modern Asian Studies*, 1981, 15 (3), 649–721.
- Watson, Andrew M. and Joel B. Dirlam**, "The Impact of Underdevelopment on Economic Planning," *The Quarterly Journal of Economics*, 1965, 79 (2), 167–194.

- Weber, Max**, *The Theory of Social and Economic Organization*, New York: Free Press, 1947.
- Wei, W.**, "China and India: Any difference in their FDI performances?," *Journal of Asian Economics*, 2005, 16 (4), 719–736.
- Whyte, Martin K.**, "Who hates bureaucracy?," in Victor Nee and David Stark, eds., *Remaking the Economic Institutions of Socialism*, Stanford: Stanford University Press, 1991, pp. 233–277.
- Whyte, Martin King**, "Bureaucracy and Modernization in China: The Maoist Critique," *American Sociological Review*, 1973, 38 (2), 149–163.
- Wilcox, Wayne**, "Politicians, Bureaucrats, and Development in India," *Annals of the American Academy of Political and Social Science*, 1965, 358, 114–122.
- Williams, Edward E.**, "The "New Economics" of the People's Republic of China: The Overcentralized Command Economy Failed, Now the Management System Must Be Reformed," *American Journal of Economics and Sociology*, 1990, 49 (3), 351–373.
- Williamson, Oliver**, *Markets and Hierarchies*, New York: Free Press, 1975.
- Wilson, Ian**, "Bureaucratic politics in the Chinese People's Republic," *Australian Journal of Public Administration*, 2008, 32 (1), 72–82.
- Wong, Chrstine**, "Ownership and Control in Chinese Industry: The Maoist Legacy and Prospects for the 1980s," in Joint Economic Committee, ed., *China's Economy Looks Toward the Year 2000*, Vol. 28 1992, pp. 571–603.
- Woo, W.T.**, "The real reasons for China's growth," *The China Journal*, 1999, pp. 115–137.
- Woodside, Alexander**, "Emperors and the Chinese Political System," in Kenneth Lieberthal et al, ed., *Perspectives on Modern China*, 1991, pp. 5–30.
- Wu, J. and B.L. Reynolds**, "Choosing a strategy for China's economic reform," *The American Economic Review*, 1988, 78 (2), 461–466.
- Yang, Dali**, "Patterns of China's Regional Development Strategy," *The China Quarterly*, 1990, (122), 230–257.
- , *Calamity and Reform in China: State, Rural Society and Institutional Change since the Great Leap Famine*, Stanford, CA: Stanford: Stanford University Press, 1996.
- Yang, Guangbin**, "An Institutional Analysis of China's State Power Structure and its Operation," *The Journal of Contemporary China*, February 2006, 15 (46), 43–68.

- Yergin, D., J. Stanislaw, and C. Liuksila**, *The commanding heights: The battle between government and the marketplace that is remaking the modern world*, New York: Simon & Schuster, 1998.
- Young, Alwyn**, "The razor's edge: Distortions and incremental reform in the people's republic of china\*," *Quarterly Journal of Economics*, 2000, 115 (4), 1091–1135.
- Young, S.**, *Private business and economic reform in China*, ME Sharpe Inc, 1995.
- Yugandhar, BN and A. Mukherjee**, *Readings in decentralised planning: with special reference to district planning*, Bombay: Concept Publishing Company, 1991.
- Zacharias, H. C. E.**, "The Road to Indian Autonomy," *The Review of Politics*, Jul 1946, 8 (3), 307–330.
- Zagoria, Donald**, "China's quiet revolution," *Foreign Affairs*, 1983, 62, 879.
- Zelin, Madeline**, *The Magistrate's Tael: Rationalizing Fiscal Reform in Eighteenth Century Ch'ing China*, Berkeley: University of California Press, 1984.
- Zenzinov, Vladimir**, "The Bolsheviks and the Peasant," *Foreign Affairs*, 1925, 4 (1), 134–143.
- Zheng, Shiping**, *Party vs. State in Post 1949 China – The Institutional Dilemma*, New York: Cambridge University Press, 1997.