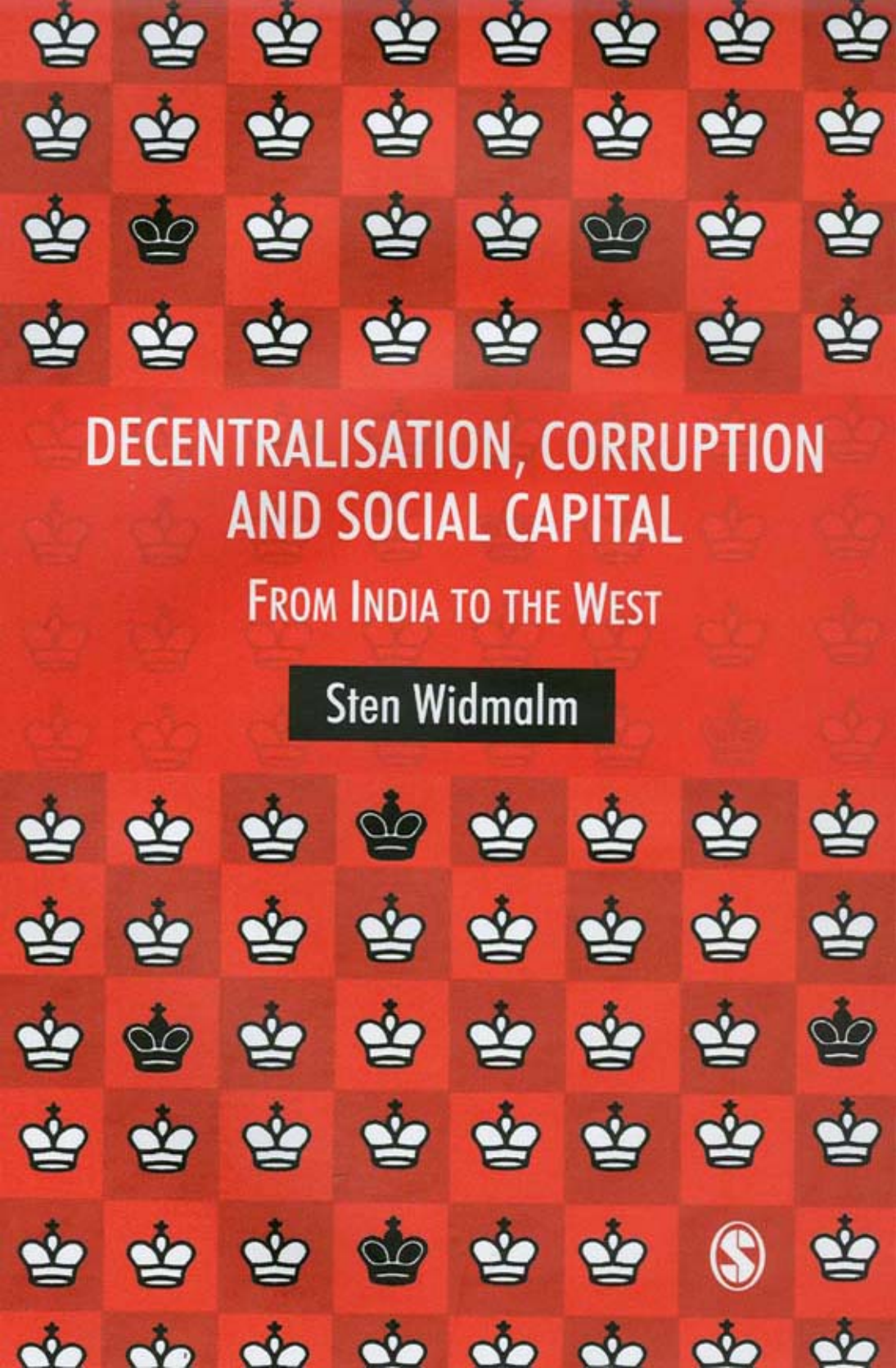


DECENTRALISATION, CORRUPTION AND SOCIAL CAPITAL

FROM INDIA TO THE WEST

Sten Widmalm

Decentralisation, Corruption and Social Capital

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1

Introduction

The relationship between decentralisation and corruption is receiving increased attention but there is still a dearth of well-designed studies and systematically collected empirical data on this.[1] Many actors, such as aid agencies, policy makers and financial institutions, believe that decentralisation policies and the phenomenon of corruption have a major influence in one direction or the other on efforts to produce development—understood as economic growth, bureaucratic efficiency and democracy. They see corruption as indisputably a leading factor holding back development in poor countries around the world, and decentralisation has, since the 1990s in particular, been claimed to be one of the main means of preventing it.[2] Policy makers and aid organisations in general agree that corruption should be fought and that decentralisation is good for democracy and administrative efficiency. And several researchers support the conclusion that decentralisation is conducive to good governance. Nevertheless, concerning the nature of the relationship between decentralisation and corruption, publications and research reports, especially those of the last decade, are far from unanimous. Indeed, some say that decentralisation is associated with and paves the way for corruption.[3] In these circumstances the decision of India—the world's largest democracy—to embark on a gigantic experiment in decentralisation and federalism in its own structure of governance below state level, namely, the Panchayati Raj reforms that have been implemented since the mid-1990s, is of particular interest. Although democratic, India has long faced a battle with the two factors at

issue here—high levels of corruption and a much centralised state structure (Rudolph and Rudolph 1987; Kohli 1990, 2006a, 2006b; Wade 1985; Oldenburg 1987). Both have been seen as the root causes of slow growth, an inefficient public administration and, sometimes, democratic failure. So obviously these new reforms presented a rare opportunity for a study designed to seek clearer answers to certain questions. Can decentralisation reduce a democratic deficit? Can decentralisation make public administration more efficient? Is decentralisation really a great safeguard against corruption? What can we learn from India's experience of the reforms so far? As we tackle these questions, we will see that they lead to others. How exactly do we define decentralisation and corruption? It also turns out that a very important role is played by social capital—so this needs to be carefully defined too. And why limit ourselves to India? Certain experiences from other places in the world may, it will be argued, help to put the results into perspective here. The Panchayati Raj reforms are unique to India, but they are relevant to general debates on decentralisation, corruption and social capital.

Analysing Decentralisation, Corruption and Social Capital

This book examines the factors that may make a crucial difference to the quality of governance in contexts that are democratic but where the institutional and socio-economic surroundings are quite challenging. More specifically, it is a study that concerns both successful and unsuccessful aspects of the efforts made to implement decentralisation reforms. It will examine which segments of society gain the most and which the least from a democratic perspective as well as which factors decide the level of corruption in certain basic services supplied by the state, such as education and health. The project has, to a great extent, been inspired by the swell of the almost euphoric support for and belief in the power of decentralisation reforms that was seen at the beginning of the 1990s and by an increasing emphasis on corruption as a development problem (World Bank 2000; Alam 1990;

Ades and DiTella 1996; Bardhan 1997; Bardhan and Mookherjee 2000b; della Porta 1995; Diwan 1996; Fjeldstad 2004; Fisman and Gatti 2002; Engelson Ruud 2000; Goldsmith 2004; Klitgaard 1998; Oldenburg 1987; Price 1999; Rose-Ackerman 1999; Rothstein 2003; Transparency International 1997; Treisman 2000; Behar 1999; Bhattarai 2000; Isaac and Harilal 1997; Isaac 1998, 2000; Jain 2005; Natraj 2000). Not only is decentralisation advocated because of the appealingly democratic implication that a government or bureaucracy 'closer to the people' is *intrinsically* good, but also it is assumed by many to be *instrumentally* helpful in many ways. It is thought that the accountability of government officials or public sector employees becomes greater in decentralised systems and, therefore, the risk of corruption decreases. For example, Crook and Manor (1998) argue this and decentralisation policies are advocated by almost every government in the world today (Murray 1983; World Bank 1997; Stevens and Gnanaselvam 1995). And, of course, it is uncontested that corruption hampers growth and undermines democratic institutions. So can it be safely argued that decentralisation is always the right course of action? Will decentralisation improve democratic performance and at the same time decrease corruption? The fact is that this second connection is far from empirically well demonstrated. Some, like Bardhan and Mookherjee (2000a) and Goldsmith (1999), even turn the relationship on its head and argue that the opposite is true—that the more the autonomy given to institutions at the local level, the more corruption can be expected, since it is easier for local organisations and interest groups to capture state institutions at that level than higher up in the administrative hierarchy. So there is no doubt that it is important to further investigate what influences the outcome of decentralisation reforms. What is reasonable to expect of them? Can they really make a difference to how people think about democratic performance? Can they improve governance by reducing corruption? Is there really a connection with the level of decentralisation? Can there be several different kinds of connections at work here—some working for and some working against corruption? What is the role of social capital as an intermediary variable?

Comparing Cases in India, with Illustrations from Around the World

Among the new insights into such problems that this book tries to offer are suggestions for structuring studies on decentralisation and corruption (Chapters 2 and 4). Here it is possible that the consideration of how the phenomena of corruption and decentralisation have manifested themselves in the past may shed light on how they can be best studied today. In these chapters, we will discuss ancient Rome, Greece and India, and then move on to the West, China, Latin America and Russia of more recent times. We will then identify components of the empirical material that relate to theories of how decentralisation and other factors affect political and economic development, and especially the degree of corruption. Then we will apply these observations in the empirical study conducted in India. For a more detailed study we have chosen two states, Kerala and Madhya Pradesh, which have different economic standards but where there has at least been a strong will to carry out political decentralisation reforms.

Using information collected in field studies in these two very different Indian states, interviews and surveys can show that some states in India have been relatively successful in implementing what are known as the Panchayati Raj reforms—perhaps the world's largest ongoing decentralisation reforms where local governing structures below the state level have been given new powers (Chapter 3). More than a decade ago, the Indian Constitution was reformed to give local governing bodies more responsibility and greater autonomy, and it was also prescribed that one-third of all those elected to local councils had to be women. Consequently, the Panchayati Raj reforms are not only one of the world's largest decentralisation experiments but also one of the world's largest political projects providing for quotas for women in democratic institutions. They constitute an absolutely astonishing reform, both in size and in scope. The reforms could certainly have been more specific about which powers were to be transferred, but even in their present form they have already had a great impact in several parts of the country. We know from other studies that because of the reforms, more women are participating in local politics than ever

before (Mathew 2000).[4] But this study will yield detailed information about how the reforms have evolved and who are the people involved whom they have affected most and least. But why choose these two particular states?

Comparing Two Very Different States—Madhya Pradesh and Kerala

Madhya Pradesh contains some of the least developed regions in the world and its population is mainly composed of Hindus. Kerala is not the best-performing state in India when it comes to economic growth, but it is the most developed state in India when measured by indicators in the human development index. It is also very pluralistic—besides the Hindus, it has a significant Christian and Muslim population. In this project, interviews were carried out with decision makers, policy makers, politicians and bureaucrats at various levels of the administrative system in both Kerala and Madhya Pradesh. Twenty-four villages were selected for two surveys. One survey was larger in scale compared to the other, and involved a random sample drawn from the whole population of the areas concerned. The other survey was smaller and involved only local teachers, health workers and political leaders.

The main reason for including two such different states is that we are looking for performance-explaining factors that may not be unique to single cases and to certain socio-economic and political settings; we deliberately chose this strategy in order to also uncover factors that may not be too context-sensitive. If we find factors that turn out to have a strong influence on performance, although the contexts differ, we may perhaps be able to infer general knowledge useful in other areas as well. The logic that was followed in the selection of two very different states is that of testing theory in either the *most* or the *least* likely cases. This determines the extent to which we can generalise from our results. This is a core methodological idea in social science research, regardless of whether the emphasis is on quantitative or qualitative studies. Bent Flyvbjerg (2006) mentions two illustrative examples that have become well known in the social sciences. Robert Michel's

Political Parties: A Study of the Oligarchical Tendencies of Modern Democracy (1962) is an example of the first—a least likely case. Michel picks cases which express strong democratic ideals and are therefore considered highly unlikely to be ruled by the oligarchical laws. Since he nevertheless does find such laws at work there, he can conclude that most organisations are most likely ruled by such dynamics. As an example of a most likely case, Flyvbjerg quotes W.F. Whyte's (1943) study of slums in Boston. These areas were expected to be characterised by social disorganisation. Since the opposite was shown to be the case, he concludes that this is probably true of most societies—that at least some organisational patterns guide people's behaviour. The difference between the two approaches is, as can be seen, mostly semantic. We could argue that Flyvbjerg could just as well have picked Whyte's study as an example of a 'least likely case' if the word 'disorganisation' had simply been replaced by 'organisation'. However, the strength of the idea which is presented here is that it presents a logically attractive way of scrutinising empirical findings as it pushes us to argue more systematically about what we can do and how far we can go with our findings from observations. Consequently, if we can show that decentralisation reforms work to improve governance not only in Kerala, but also in Madhya Pradesh, we may argue that they have a good chance of enjoying at least some success in most parts of India, and in other places as well. If, however, we can show, for example, that in Kerala decentralisation reforms will only lead to an equal distribution of power while they will most certainly lead to an unequal distribution in Madhya Pradesh, we can more easily say which differences in contexts determine which outcomes—we can delimit the boundary of generalisation from the result to a certain context. And that is an important achievement—from a scientific as well as from a policy perspective.

Directions in which the Study will Take US

Based on historical comparisons and the greater-depth survey of Kerala and Madhya Pradesh, several expected and unexpected answers were obtained in this study. When the project was initiated it was more or

less assumed that either a fairly clear and positive or a simple negative correlation between decentralisation and corruption would be found. However, the picture that emerged was more complicated—but hopefully closer to the truth than we had initially expected.

It will be argued that India has found a way of not only halting but also reversing the undesirable phenomenon often called the 'democratic deficit'. This study clearly shows that in both poor and better-off areas, citizens claim that these reforms have been successful in bringing decision makers closer to the people, and that they have given more 'power to the people'. However, when we look more closely at the results of the study we can see that socio-economic and political conditions play an important role in how equally this power is distributed with regard to, for example, caste, class and gender. Besides the patterns revealed by the quantitative data, we can also see from the in-depth interviews that there are significant challenges regarding societal values that still need to be overcome before the reservation-for-women policy is actually transformed into a more egalitarian bureaucratic system, at least in the most backward areas. The analysis of these challenges will be discussed in relation to what we know about how some important aid agencies have tried to promote decentralisation.

Furthermore, in India, hopes have been raised that Panchayati Raj decentralisation reforms may also provide a possible cure for many 'bad governance problems'. But we have to be extra careful with this argument. The connection between decentralisation and corruption, as will be shown later, is far from unambiguous (Chapters 5 and 6). Corruption was not studied here only because of its claimed relationship to decentralisation. Without doubt, corruption, in particular at the lower levels of the public administration, is a huge problem all over the world. In the developing countries, however, it is perhaps one of the most fundamental obstacles to development. But it would be, to say the least, a great oversimplification to assume that the unavailability or low standard of health and education facilities is due simply to the corruption of officials, politicians, teachers or health workers. Naturally both the functioning of these services and the level of corruption are dependent on a large number of other factors—finance, infrastructure,

the political leadership of the area concerned, and so on. However, in this study we found that there are a significant number of schools and health facilities, especially in rural areas, that are not functioning even though at least a basic level of infrastructure and relatively high salaries are provided. These are areas where the corruption levels are dependent on other factors, which we will try to reveal. And in this part of the study several unexpected results emerged.

According to the results of this study, the extent to which decentralisation is successful is not directly or obviously related to the level of corruption. In villages where people feel they have gained power and where citizens feel they are closer to the decision makers, corruption levels are not necessarily lower than those in villages where people are less impressed by the decentralisation reforms. On the other hand we can see, at the individual level, that the extent to which people can make a clear distinction between the public and the private sphere is closely linked to their propensity to accept corrupt practices. However, if we look at our data at an aggregated level—the village level—attitudes to corruption or the capacity to distinguish between the private and the public sphere are unrelated to the level of corruption. Furthermore, we will not immediately discover any direct link between decentralisation and the quality of governance. On the other hand, it turns out that corruption levels are affected by how citizens see each other. One important line of thinking at this point in the debate is that corruption is endemic in less developed countries since in these cultures what in the West is defined as corruption is regarded as normal and accepted practice. We will show in this study that broad hypotheses formulated along such lines are highly problematical and are not borne out by empirical findings. This is quite interesting, since it forces us to think more about the role of culture, societal values and ties between citizens, within and across group boundaries. The level of corruption may be determined more by culture and social connections than by clear-cut legal and monetary incentives. In support of this position, we will unravel a clear connection between corruption and social capital. It turns out that there is a strong and direct connection between village performance, in terms of degrees of corruption and the level of trust in society. However, the kind of trust most strongly related to

performance is not the kind we would expect from a reading of the development literature or from the policies of certain aid agencies.

In the discourse on social capital, trust *between* groups is emphasised as crucial for development while large doses of trust *within* groups are seen as detrimental. In this study, however, we have found that while high levels of inter-group trust are certainly connected to low levels of corruption, intra-group trust comes out as even more important. In relation to this argument we take the opportunity to bring in the views of donor agencies on the types of reforms that help to promote good governance. We will show that it would have been useful for some of them to look more to the experience of building democracy in the West before designing policies for poor countries. The argument most commonly heard is the opposite—aid agencies from the West need to detach themselves from their own contexts in order to be effective in other parts of the world. Undoubtedly, for example, as demonstrated recently by William Easterly (2006), this is in many cases a very relevant argument in the development discourse. However, we have found some experiences in the West that can actually be quite usefully compared with those from India. Here we will take a brief look at what the civil rights movement, the women's rights movement and the workers' rights movement in the West have in common with some villages in modern India. We will of course also discuss the importance of political, cultural and historical contexts for certain outcomes as well.

Finally, when we look more closely at the role of social capital and bring the attitudes of the political elites in the regions we studied into the picture, we find interesting connections between decentralisation and corruption. It is tempting to interpret research results as arrows of causality running smoothly from decentralisation to clean government, perhaps with a little trust added as an intermediate variable. We will try, however, to persuade the reader that the relationship between decentralisation, corruption and social capital is quite intriguing because it is less unidirectional than this. In fact, it takes the form of a dramatic rectangle which nevertheless should be well understood if illuminated through the prism of collective action theory. That is the focus of the final chapter.

Steering between Some Politico-Methodological Potholes

There are several traps to be avoided in such an endeavour. The first can be called the relativist or the postmodern one. From this perspective, which appeals to many anthropologists, historians and sociologists, it is argued that most phenomena we study are unique and that general conclusions cannot therefore be drawn from comparisons of cases, especially not when we compare the behaviour of people belonging to different language groups, cultures and traditions, and very different socio-economic settings. The opposite is the positivist position, where researchers are far too eager to extrapolate quantitative findings and base claims of universal laws on them. In this world almost any survey, no matter how sloppily it has been carried out, is considered to obtain valuable data. And data, the proponents of this perspective are ready to assure us, is equal to *evidence*. We find this position well represented by a large segment of the political science community and many economists.

The objective here is not to argue too much about these extreme positions. I will simply state where this study can be placed. It takes the position advocated by Karl Popper (1963) that we always deal with provisional truths, and that we simply have to provide thorough support and arguments for whichever position we want to take. We need to argue carefully and transparently for whatever methodology we choose to use in the analysis of a case or phenomenon. Furthermore, the object of science is not merely to formulate a critique of previous contributions on a topic. Far too many research seminars have been deprived of oxygen by those simply objecting to any results that are presented. Besides formulating a critique, presenting carefully considered hypotheses and descriptions of how societies work or how they are shaped is the core of the activity pursued by researchers. Such hypotheses should stand until better arguments or studies can replace them.

In my opinion the intellectual climate in the field of development studies is in a rather poor condition in many universities. This is connected to the polarisation of positivists and postmodernists, and the fact that the nature of the topic is so highly politicised. Over the years,

We have witnessed far too many debates that should have been driven by logical argumentation and references to well designed studies, but that have instead ended in statements along the lines of 'I do not *believe* in formulas, numbers or surveys' or 'I do not *believe* in the use of single case studies'. Well designed arguments have far too often been replaced by statements showing the bunker in which the speaker is entrenched. Naturally we expect that the findings of this study will be challenged. So they should be, because the methods and strategies are in many cases not ideal—especially since funding is limited and because it will never be possible to treat village life as a perfectly controlled laboratory situation. But it can be argued that this study provides some important provisional truths, and they should not be disregarded unless better designed studies—not merely beliefs—come along to refute them. Better studies and not simply *beliefs* should be the point of departure for both criticism and refutation.

This positioning is important not only to point out that development thinkers in many places have allowed themselves to become intellectually lazy, but also to demonstrate the use of examples, illustrations and findings from the studies described here. This will demand a mind open to the fact that while specific contexts certainly decide outcomes in some cases, there are others where certain other factors 'override' contextual factors. It will be argued that many of the phenomena and factors we study, such as decentralisation, corruption and social capital, are meaningful not only to people in the West but also to people in most places of the world—they are integral to any advanced form of organisation of human beings. And, therefore, the West has much to learn from a study of decentralisation, corruption and social capital in India. And finally, as already indicated and contrary to many current trends and opinions on what is politically correct, it will even be suggested that developments in India can be understood better by understanding the history of the West.

Notes

1. For a thorough review of the literature in this field, see Fjeldstad (2004). Among the more serious attempts to sort out some aspects of the relationship between the two, see Bardhan and Mookherjee (2000b) and Treisman (2000).

2. See, for example, World Bank (2000).
3. For example, Goldsmith (1999) and Bardhan and Mookherjee (2000a) support the idea that decentralisation should be expected to lead to more corruption. Fisman and Gatti (2002) and Manor and Crook (1998) consider the opposite to be true.
4. Also see Chathukulam and John (2000), Sarin (1999), The Hunger Project (2000), CHARKHA (n.d.), Bryld (2001), Chattopadhyay and Duflo (2004) and Vijayalakshmi and Chandrashekar (n.d.).

2

What Do We Mean By Decentralisation? A Historical and Conceptual Overview of Federalism's Closest Cousin

It is often mentioned in academic debate that countries like India and the United States are very centralised federations—at least in comparison with countries like Canada and Switzerland, which are seen as decentralised. But this terminology is confusing. The idea of a federal structure is that power has been moved away from the centre to districts and states. So, how can a nation be federal and centralised at the same time? There are many answers to this question, but for the purposes of this book, whose main objective is to look at effects of decentralisation, in particular in India, we will try to define more precisely the concept and its relationship with federalism. This process should give us a set of analytical tools for the empirical study in Madhya Pradesh and Kerala. But this is best done by adopting a broader perspective. To understand some of the core aspects of decentralisation and federalism we will quote certain historical examples, which should eventually make it easier for us to say what exactly is worth studying more closely and what can be expected from decentralisation reforms.

Without doubt, decentralisation has been on the political agenda for as long as humans have organised themselves into societies of any complexity. The need to delegate or move political and administrative power has presented itself as logical for practical reasons or as an outcome of both power struggles and ideological concerns. How much

power should be decentralised and which tasks should be moved from the centre to peripheral areas are questions that have on occasion determined the success or failure of the most advanced forms of government in history. When policy makers pursue decentralisation reforms today, they act in part from motives similar to those that guided leaders 2,000–3,000 years ago, while other reasons for decentralisation are much newer in a historical perspective, for example, those expressing modern democratic ideals.

In *Audacious Reforms,* Merilee Grindle (2000) puts her finger on one of the questions most relevant to decentralisation projects: 'Why would rational politicians choose to give up power?' Her convincing answers shed light on both the personal power ambitions of politicians and the pressures of political conflict. We learn from her analysis that it is wrong to assume that the sole concern of leaders in political centres and provinces is to maximise their own power.[1] Naturally, leaders can be assumed to desire power, but their strategies for achieving this differ widely for interesting reasons. If political leaders always laid their hands on all the levers of power that they could reach, as implied by a crude power-maximising assumption, their political life spans would be shorter than they actually are today. So when we study decentralisation reforms we keep in mind that political elites are often engaged in a balancing act, where the power holder in a centre tries to calculate how little power he or she needs to give away in order to be able to hold on to as much as possible in the long run. The time perspective is important here, and to paraphrase Grindle (2000: 24): politicians may choose to give up some immediate power to be able to retain at least some power in the future. So there are certainly concerns that underlie the move towards decentralisation in modern as well as historic times that go beyond the shorter-term perspectives found in many economic models. Grindle also emphasised how political crises and historical context shape worldviews and the perception of options. It is immediately obvious when we start to look empirically at different examples of decentralisation that not only do motives for decentralisation vary, but so do the meanings and dimensions of the concept itself. So before we try to predict how decentralisation reforms in India might work we need to define more precisely what decentralisation actually is.

First we will look at the occasions in the past when decentralisation seemed to have taken a central role in political development, even when the phenomenon was known by other names, or not named at all. When states or complex political units which have been in effective control of large areas have been superseded by more loosely controlled and less integrated systems, we may sometimes find this to be the result of a deliberate decentralisation strategy designed to ensure the survival of the political entity in question. In other cases, however, it has been an unintended outcome of a political system in deterioration. And in some cases a decentralised structure may never have been anything other than decentralised. The cases have been selected simply to highlight certain characteristics of decentralisation which are crucial in the following analysis and perhaps useful in other research projects. Using the analytical tools described in this chapter we can then proceed to look more closely at the Indian case. A short background to the decentralisation reforms in India will be given, together with a description of the reforms in the two states that we study in more detail. We then examine the extent to which decentralisation has been good for democracy in the areas studied in India, before moving on to the question of whether decentralisation has provided a more efficient administration, or 'good governance', and in particular how it has affected the level of corruption.

Early Examples of Decentralisation and its Relatives

In ancient Greece, kingdoms and *poleis* in various forms were held together by what could be best described as alliances—the Peloponnesian League of the 6th century BCE is one example. These political structures may simply be called non-centralised and may be seen as early prototypes of federations. In such political structures we cannot speak of processes of decentralisation since power was not sufficiently centralised to begin with. The successor of the Greek civilisation was different in this respect.

The Roman Empire is certainly a useful example of a political entity that undertook advanced decentralisation reforms on a large scale—at least if by decentralisation we mean something similar to what

James Manor and Richard Crook (1998: 6), who summarise a great body of literature, mean by the term, namely, 'the transfer of power away from a central authority to lower levels in a territorial hierarchy'. Nonetheless, the political processes that shaped the rise and fall of the Roman Empire, which could easily be interpreted as decentralisation reforms, were sometimes something else.

Emperor Augustus' system of government, the *principate*, certainly centralised power under the emperor, but it also depended on the powers given to governors and the *legati*—the military commanders. Imperial Rome was administered through a complex system of military and bureaucratic sub-structures under the centre by which local administrators and commanders could obviously exercise personal power.[2] But what appears to have been the transfer of power was in many cases the *delegation* of duties—local commanders and bureaucrats were simply given administrative responsibility for many matters by a central authority—not more autonomy or real power. The law remained the same for all of Rome and the law was made in Rome. Had more autonomy been given to the provinces we could have seen this as an early version of modern federalism, but this was not the case, at least when the empire was at the height of its power. Instead the processes at work can be described as 'deconcentration'—important institutions were moved out from the centre and placed in the provinces, but without the centre giving up much of its control. It was a successful model; although containing centralised features, it delegated substantial amounts of responsibility to provinces, and it worked for at least three hundred years. Then Imperial Rome declined.

The split between West and East Rome and the fall of West Rome have been analysed through the lens of decentralisation.[3] Several writers emphasise that the Roman Empire became more decentralised in a broad sense from about 200 CE onwards (Wikander and Wikander 1997). The vast territories and long borders made some form of political decentralisation a necessity. However, economic decentralisation seems to have preceded the political reforms. Economic activity moved steadily from the urban areas to the larger mansions, from the centres towards the peripheral parts of the empire (Stavrianos 1995). Ramsay MacMullen (1988: 175) is adamant that we cannot reduce the cause

of the decline of the Roman Empire to a 'single thing', and points to several other factors, in particular the loss of control and of the capacity to provide security. This was first manifested in the outermost regions of the empire, after which came the deterioration of the villas in the countryside. MacMullen regards the degree of security that was lost as the best measurement of the decline, and argues that the decline was preceded and caused by problems of corruption and a strong trend towards *privatisation* within the empire.

It was not simply a situation where the state rolled back its sphere of interest and domination because of the institutional pressures that Grindle points to in modern Latin America. Many of the examples contributed by MacMullen show that before the decline there was a trend towards decentralisation in the form of a transfer of responsibility by the imperial authorities to actors in the private sector. MacMullen describes, for example, how the militia started to sell their services and how devastating the consequences were:

> Imperial service entitles one to give orders and make demands. If one gave and made them at one's own behest, in response to money that one took in, then a part of the state's power, the power of the monarchy, had been privatised. It was lost to the emperor. There remained the same total of power, meaning obedience, inside the empire, but it was diffuse, unstable, unpredictable. In consequence, the strength of the empire could not be brought to focus (1988: 170).

In other words, either the state sold services on its own initiative, or we can turn this perspective around and say the state was 'captured' by other, private interests. There is a striking contrast with the preceding era, when a common code of responsibilities had applied in both the public and the private sphere. What MacMullen calls a process towards privatisation seems to have been an increasing problem, especially after the reforms initiated by Diocletian (in power between 284–305 CE). To combat massive problems in the empire where territories were being lost and soldiers were mutinying, he instituted a division of power, which was intended to make it easier to maintain control and which involved both pure delegation and decentralisation. A 'tetrarchy,' or the 'rule of four', was created, with the empire being

divided between promoted lieutenants.[4] The reforms brought order and stability for a while and some territories were regained. However, this also led to conditions where the state expanded too rapidly and the inability to control corruption became a critical problem.

The division of territories between senior emperors and Caesars finally led to the split between East and West Rome in 395 CE.[5] However, it seems that the sheer size of the empire had made decentralisation processes necessary 200–300 years earlier. One interesting fact here, according to Wikander and Wikander (1997), is that when the Eastern parts of the empire were brought under the rule of Rome, there was little political or cultural integration. Local languages, customs and political organisation survived throughout the period during which they were a part of the empire. The Western parts, in particular Western North Africa, Western Europe and the Northern Balkans, were exposed to more active integration policies, where, for example, a common language was promoted. One could argue that the integration strategies resemble those of British and French colonisation, more than a millennium later—a comparison to which we will return later.

In any event, what could have become an early experiment in federalism finally disintegrated—although a part of it lived on into the 15th century. Clearly various forms of decentralisation were seen as necessary, not because political leaders wanted to give up power but for reasons more like those quoted by Grindle in her description of reforms carried out in the 1980s and the 1990s in Venezuela, Bolivia and Argentina. She claims that '[t]he action taken on these elite projects lends credence to the idea of institutional crisis as a factor that motivates politicians to advocate reform' (2000: 202). Be that as it may, the reforms in West Rome were not enough to hold back the Visigoths. And in the end, when the provinces grew stronger in relation to the centre, they did so not as a consequence of reforms but as a sign of imperial decline.

The history of declining empires contains mixed messages about decentralisation. In a case such as that of Imperial Rome we can see decentralisation as a consequence of economic and political forces—it is driven by the nature of economic activities and by the

logistical and practical problems raised by the sheer size of the political unit. What happened to West Rome happened, to some extent, to the Muslim Empire in Europe, although the fall of the latter is often considered to be more a result of internal dynastic struggles. It also happened to a degree in India at the end of the Mauryan Period (about 325–185 BCE) but that case is different. Although it is hard to determine exactly how far the Mauryan rulers were able to penetrate the areas claimed to be under their administration, their empire covered most parts of the Indian sub-continent and was, according to Romila Thapar (1961), governed in a highly centralised manner.

However, the fact that this empire tried to remain highly centralised, especially after an economic decline had set in, was, it seems, the main reason for its collapse.[6] So from one perspective one could say that in the medieval era there are examples of both centralised and decentralised systems of governance eventually proving unsustainable. On the other hand, we can also say that both a centralised system and experimentation with decentralisation produced empires that lived longer than any modern imperial project.

What we can see, however, is that what is sometimes called decentralisation in these processes where great centres of powers 'decline' is simply the withdrawal of the influences of the state. The political power, influence and control of the Maurya Empire, as well as that of West Rome, was 'rolled back', which is different from decentralisation or some controlled form of privatisation where the state delegates duties to private actors and the political unit in question is still under the control of a dominant centre. It makes sense to keep such distinctions in mind, in particular when we move to more recent examples that may illustrate central components of decentralisation reforms.

Feudal Structures, Conglomerate States, Colonialism, Anarchism and Democracy

If we stay in Europe and move forward in history, it is tempting to see feudalism as an example of an advanced form of decentralisation which is traditionally regarded as having succeeded West Rome in most areas after its collapse. When centralised powers decayed, regional

rulers and kings gave land to soldiers as payment. From this practice a clearly hierarchical system of power developed, based on 'feudal and vassal institutions' (Reynolds 1994). It is compelling to interpret this as a clear case of a decentralised and very rational system of governance. Not only would power be delegated, for example, by a king or a lord to a vassal but also the vassal would receive, according to the traditional view, far-reaching powers and a fairly high level of autonomy in the area he ruled as long as he managed to supply the king with soldiers and other 'feudal incidents'. In return the vassal would provide the peasants with protection. Consequently society was held together by a hierarchy and by various contracts, extending from the king down to the peasants. Admittedly, such a system was practised from the 12th century onwards in several parts of Europe; however, in the mid-1970s the traditional meaning of feudalism and whether it had really existed during the Early Middle Ages began to be questioned. In the mid-1990s the traditional view of feudalism was dealt a strong blow by the historian Susan Reynolds' *Fiefs and Vassals* (1994), which depicted it as mainly a 16th century construction.

Today, Reynolds' position is the more common one, and is reflected in the work of other historians (Harrison 1995; Esmark and McGuire 1999). In the Early Middle Ages, land held by the nobility implied no duty to provide military services. Or in the words of Fred Cheyette (1996) in his review in *Speculum*:

> Reynolds goes on to argue that the academic law of fiefs was the creation of the later Middle Ages and of bureaucratic, professionalized governments and, as 'expert law', did not develop out of the customary law of noble property of an earlier age; whatever connections it had to practices of an earlier age, she adds, was to the relations of bishops and abbots to their tenants rather than of great secular lords to theirs.[7]

The implications for our understanding of the Early Middle Ages and other historical interpretations of how Europe, in particular, evolved have still to be 'unpacked', as Cheyette puts it. But it seems clear that what have previously been described as feudal societies in the Early Middle Ages did not necessarily contain the well-defined political structures that make decentralisation the correct term to use.

Saying that Europe pursued decentralisation strategies in this period seems to be an anachronism, since there was no process whereby power and authority were moved from a centre to a peripheral part (Harrison 1995: 28). A more correct view is that these were structures that were simply non-centralised. In the 11th and 12th centuries, however, more stable political formations evolved in Europe and were combined with a process of bureaucratisation and with an organisation that, in some cases, surely more closely resembled feudalism in its traditional sense.

Nonetheless, the contractual and hierarchical relationship between lords and vassals was not formalised until the 11th century at the earliest and in written laws not until the 13th century.[8] Here, we can find several examples of decentralised structures of governance where the relationship between the lords and the vassals was regulated. But these systems, for which some modern historians avoid using the label 'feudalism', did not arise as a result of a strong centre relinquishing power—they may just as well have been the outcome of more equal power struggles. In any case, they were gradually replaced after a few 100 years by the larger states that emerged and then we find clearer administrative manifestations that we recognise from the modern discourse on decentralisation—about a millennium after the fall of West Rome.

One of the clearest manifestations of decentralisation as the means of holding together a more modern version of the state is *federalism*. From the thoughts of Althusius we can follow how federalism evolves as an idea and manifests itself in the federal states of Switzerland and the Netherlands. It was also expressed when Jacobins clashed with Girondists during the French Revolution and became a foundation of the American Constitution. What is easily forgotten, however, is that there is a historical contemporary relative of federalism but one with a far worse reputation, namely, colonialism. Or, more precisely, the British model for colonial structures of control.[9]

As previously mentioned, there is a common distinction between the French and the British model of colonial administration. The former used a strategy more strongly intended to promote integration than the latter. And, in the British model, as Clapham points out,

colonialism 'proceeded by taking over existing political systems in their entirety, often (as with the British in India) preserving not only their boundaries but also their rulers and the external trappings of a distinct political identity' (Clapham 1985: 16). Some critics have claimed that this generalisation of the contrast between the British and the French model conceals more than it reveals, and that colonial strategies were more diverse and depended on local contexts (Rist 1997).[10] Despite this, it can be argued that India in particular is an example that supports Clapham's argument.

About two-thirds of British India was controlled with a more direct system of governance by the viceroy, while the remaining part of India consisted of more than 600 princely states—some small and some, for example Hyderabad, the size of an Indian province. In these princely states the local rulers, *nawab*s, maharajas, and so on, were allowed to remain in control as long as they did not question the supreme rule of the colonial administration and the obligations this entailed (Gopal 1975: 14). In practice, we see that the colonial power used a system based on both the delegation of certain tasks to local rulers and, at the same time, the granting of a high degree of autonomy to these rulers—in other words, powers were decentralised. This resembles at least some aspects of the Roman Empire we discussed and the core ideas of federalism, if we simply stick to the idea that federalism is almost any form of 'political organisation in which the activities are divided between regional governments and a central government'.[11] The most basic difference between this and what we call a federal system today, however, is, if we skip the democratic component, which was not always present when the idea of federalism was first systematically formulated, that the power relation is an extremely lopsided one.[12] Although the local rulers had autonomy to rule their turf, the colonial ruler or central government would reserve its right to dictate political conditions to the local rulers whenever this was seen as desirable or necessary, whereas the opposite, even if sometimes possible, took place extremely rarely. Actually, and to break with Riker (1975) who has categorised colonialism as an early form of federalism, it could be more useful to see the colonial model the British used in the princely states of India as an exported form of feudalism. The viceroy was the lord, the *nawab*s and maharajas

were the vassals, and those who lived there had to either undertake military service or work as peasants, who were heavily taxed to a point were starvation was often the consequence.

Against this background, some points of comparison with Scandinavia come to mind. Harald Gustafsson (1998) argues that Sweden tried out several models for control and integration of the areas acquired by the peace treaties with Denmark–Norway in the 17th century. Just as the British did in some of India's princely states, Sweden put several areas, for example Skåne, under milder forms of control as long as they served the Swedish king. However, local rebellions brought stricter controls and assimilation policies. After the Skåne war of 1675–1679, something like the French colonial model of governance was applied (Gustafsson 1998: 205). What Gustafsson valuably points out is that there are alternatives to the common view of state formation in Europe, which emphasises the emergence of territorial, sovereign and unitary states as a result of the collapse of feudal Europe. To the view that the modern states emerged rapidly with well-defined centres and contracts concerning the government of their peripheral areas—a clear, rational and well-defined system based on delegation and decentralisation—Gustafsson provides a counterargument:

> Instead, the dominating state type of Early Modern Europe could be labelled *the conglomerate state*. It was a state composed of territories standing in different relations to different parts of their domains. It was a political, judicial, and administrative mosaic, rather than a modern unitary state. But it was a mosaic that was kept together more tightly than its medieval forerunner (ibid.: 189).

If the political units that were included in a larger formation individually negotiated tax levels and conscription, and if each territory had its own laws, then the structure that Gustafsson describes was certainly looser than federations that appeared on the map later. But even if we perceive these political structures as non-centralised, it would again be wrong to assume they were the creation of a decentralisation process. Powers in the conglomerate state were never centralised to begin with—any more than the pre-feudal but post-Roman structures were. The conglomerate state may admittedly be seen as a forerunner

and inspiration of the federal structures that evolved later but it also confirms some of Riker's (1975) points about, for example, the 'Primitive Leagues' in Ancient Greece. Nonetheless, from regions such as Scandinavia, experiments in integration and state-building emerged, and in these processes decentralisation in various forms, or delegation, was a central part of the policy menu, in some cases at least.

But from the 18th century onwards, another aspect of decentralisation comes into the picture, namely, the democratic influence on political thought. Without tracing this in detail, I will mention some 'landmarks' where decentralisation and the idea of citizens' universal and equal rights converged. The first is well known, the other two are less often discussed in this context, since they never really succeeded.

Analysed through the observant eyes of Sudhir Hazareesingh (1998), France in the mid-19th century under the rule of Louis Napoléon was governed with a mixture of democratic and dictatorial tendencies. Although the period Hazareesingh examines, the Second Empire 1852–1870, ended in disaster with the Franco-German war and the Paris commune, this period was crucial in defining the modern *citizen*.[13] One of the strongest points made by Hazareesingh is that a new view of the good citizen—a citizen with certain rights—and of liberalism and democracy evolved in the political culture in France from a number of discussions in which decentralisation was the key question. Consequently, we should remember that the view of democracy as an outcome or a goal of governance reforms is not a recent phenomenon. Reading Hazareesingh makes it clear that democracy and decentralisation evolved as inseparable ideas 150 years ago.

Two other examples deserve mention, although as reform projects they were failures.

In the late 18th century, Catherine the Great in Russia promoted a mix of autocratic beliefs—such as that the leader was above the law—and strikingly liberal ideas. What is commonly known as the 'Instruction of Catherine the Great' proclaimed reforms based on the idea that citizens should be free and equal before the law. This idea was also combined with proposals for decentralisation. Although most of the instructions were never carried out and some only seemed to have strengthened the elite, some lived on. Alexander II adopted some of

Catherine's policies and actually implemented certain liberal reforms. Russia had taken important steps towards democracy by the end of the 19th century at which time even more radical ideas about how far decentralisation could be taken were still being formulated (Riasanovsky 1993; Starr 1972).[14]

Here the anarchist thinkers naturally come to mind—especially Michail Bakunin, who followed Pierre-Joseph Proudhon in rejecting the state and promoting self-governance and federalism. For Bakunin (1979: 13), the centralised state was the clearest manifestation of authoritarian principles designed to limit the freedom of mankind. Bakunin's decentralised vision, on the other hand, was a socialist federation created from below and based on voluntary associations—in other words, some form of conglomerate, if we use Gustafsson's terminology, but with an even weaker centre or none at all. Bakunin's vision remained a utopia and after him it was the antithesis of his ideas that prevailed in Russia—even though he was a revolutionary thinker. Bakunin was despised by Karl Marx, on whose initiative he was expelled after the International's Hague conference in 1872. But Bakunin had the foresight to see where Marx' vision could lead. This is interesting, since the Second (Socialist) International came out strongly in favour of parliamentary democracy, and anarchist ideas and those who held them were therefore excluded. Nevertheless, Bakunin warned against expert rule and rule by technocrats, as shown in Helm and Ottovar on the evidence of Bakunin's letters:

> …predicted early that the planned dictatorship of the state oriented communists must eventually produce 'an exploiting and privileged class: the bureaucrats.' The phenomenon which has defined the so-called socialist states of the 20th century—'the official democracy of the red bureaucracy'—is, in 1866, described [by Bakunin] as the 'most despicable and dangerous illusion produced in our century' (Bakunin 1979: 10).

Half a century later, the Bolsheviks established their theoretically federal structure, and Russia's path of development, which until then had had striking similarities with that of Europe, was closed.

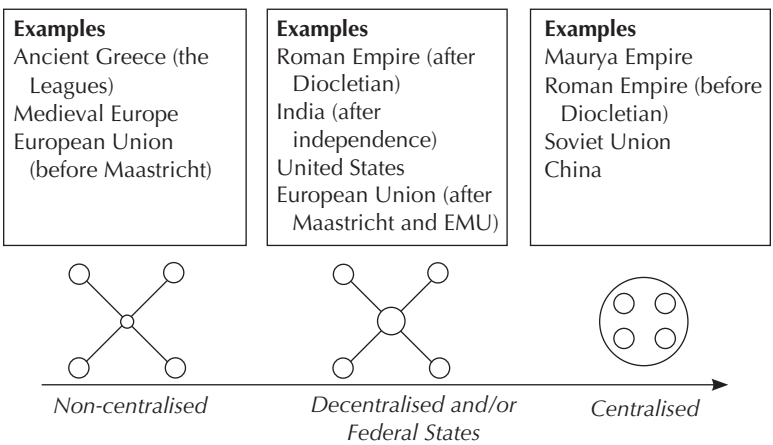
We have now reached the start of the 20th century and the discussion of decentralisation will soon deal only with more contemporary forms.

However, these historical examples have shown several things. The first is that decentralisation has been an inseparable part of the history of humanity's development towards the organisation of more advanced political entities. But the examples contain not only clear cases of decentralisation, where power has indeed been moved from a fairly coherent political centre to some kind of periphery, but also phenomena which have little to do with decentralisation even if they have been so labelled in the past.

To summarise, with the examples mentioned and the distinctions we have provided so far, it is possible to imagine a sort of continuum on which we can place different states in different periods according to the level of decentralisation and the strength of the political centre.

A figure like the one presented in Figure 2.1 is of course a drastic simplification, allowing only a few dimensions to be taken into consideration and employing quite crude scale indicators. However, it does indicate that the term 'decentralised' necessarily assumes a previous establishment of a fairly strong centre (Heller 2001: 138). The Greek kingdoms and the city states, Early Medieval Europe and the conglomerate states could not provide centres capable of much more than holding alliances together. The Roman and the Mauryan Empires

Figure 2.1
From Non-centralised (or Conglomerate) States to Centralised Political Entities



were different in this respect. The Mauryan Empire undoubtedly had strong central power. Its administrative system, however, seems to have relied more on the delegation of powers until its decline. In the case of Rome, which also had a strong centre, we see examples of delegation of power, the process of re-allocating administrative institutions, also known as deconcentration, and decentralisation in the form of transfer of powers downwards in the hierarchy. We also see examples of privatisation where the state delegated duties to private actors that merely produced decline. Actually, it seems that we can find early forms of *state capture* even in these times. It is evident that we have to distinguish real decentralisation and related terms from the simple withdrawal or rollback of the state. The Middle Ages in Europe was a time when the state had withdrawn its powers. The structures that first came in as a replacement were certainly non-centralised and had weak centres. Later, by the 11th century, we see relationships taking shape that correspond to more traditional views of feudalism, where we can see an exchange of power between peripheries and centres. Then we can see the emergence of the conglomerate states as a predecessor of the nation states when the more advanced forms of federalism are also formulated. And finally democratic and liberal ideas come together—when France leads Europe to a new way of thinking and also, before development is halted, in Russia. This shapes the foundation for a variety of federal constructions, where some retain a strong centre as in India and the US, and others have a weaker centre as in Canada, Switzerland and, at least as yet, the European Union (EU).

The many different dimensions of power distribution and the various ways of allocating administrative responsibilities demonstrated so far make it evident that decentralisation is a term that is commonly used both in a broad sense and in a more precise one. In a more general sense, a decentralised state is one which has relocated important offices from the capital to the states, provinces, districts, parishes, blocks and villages—but we may not know exactly how this reflects the internal distribution of power. The general use of the word does not help us see whether real powers have been moved away from the centre. Perhaps only routine tasks have been delegated. And we do not know to which legal bodies duties or powers are transferred. So again, in its broad sense, decentralisation may mean anything in terms of moving

of powers, relocating offices, building new structures and setting up legal bodies. But if we want to study the effects of decentralisation more closely, the concept needs to be narrowed down further and distinguished from its normative meanings.

Evaluating Decentralisation and the Outcomes We can Expect

In the attempt to systematise our thinking more effectively, I have avoided some of the terms commonly used in the literature for different sorts of decentralisation. As James Manor (1999) points out, it is common to differentiate between *fiscal decentralisation*, *deconcentration* or *administrative decentralisation* and *devolution* or *democratic decentralisation*. Much of this categorisation is found in Rondinelli's excellent article 'Government Decentralization in Comparative Perspective' (1981: 137–39)[15], which has inspired many of the arguments in this book. I will certainly draw from these and other sources in my own presentation.[16] But although the concepts that I use are not new, I have made certain divisions between key categories that differ from, for example, Rondinelli's, Crook's and Manor's.

We mentioned earlier that Crook and Manor (1998) define decentralisation as the 'transfer of power away from a central authority to lower levels in a territorial hierarchy'. In my opinion, this works very well at a general level. However, Manor then explains that decentralisation can take one of two forms, 'deconcentration and devolution' and that these have different logics.

> Deconcentration tends to extend the scope or reach of central government and to strengthen its authority by moving executive agencies controlled by the centre down to lower levels in the political system. In other words, with deconcentration, the central government is not giving up any authority; it is simply *relocating* its officers at different levels or points in the national territory. Devolution has the opposite effect, since it cedes control of such agencies and resources to political actors and institutions at the lower level (ibid.: 6–7).

Unfortunately, Crook and Manor bake two dimensions into one concept when discussing deconcentration. I agree that 'deconcentration'

should be a label for a state's relocation of offices and administrative units away from the centre. However, whether it will strengthen authority is a separate and an empirical question. When it comes to 'devolution' we find more problems. Manor (2003) has mentioned that this is often used synonymously with 'democratic decentralisation'. This is unfortunate since devolution has also increasingly become synonymous with decentralisation more generally.[17] However, the concept does not make it very clear *who* gets more power (it may be both 'political actors' and 'institutions' in a very wide sense it). Also, devolution according to Crook and Manor is different from deconcentration because by devolution the centre 'cedes control' and consequently the periphery gets more power, if power can to some extent be equated with the capacity to act independently. But then it seems that deconcentration does not involve the transfer of power, so how can it be a sub-category of decentralisation, which refers to the 'transfer of power?' These are unclear issues to which we will bring order in the following discussion.

In my opinion, and to some extent contrary to what we have so far been able to infer from the discussion[18] of definitions and historical examples, it makes sense to study institutions from three aspects, namely, geographical location, legal status and area of responsibility, and distribution of power. In particular, it is quite useful to keep *responsibilities* separate from *powers*—the former do not necessarily accompany the latter. Furthermore, the main reason for not using, for example, the above-mentioned category of 'democratic decentralisation' is that it compresses too many different dimensions of power, responsibility and perspectives on outcome into one concept. The advantage of my suggested 'division' is that it should make it easier for us to pinpoint the institutions we want to study, what the reforms claim to achieve on paper and what they actually produce in terms of more tangible outcomes (which should be kept separate).

Geographical location of institutions

A highly centralised state usually keeps most of its administrative and political institutions in the capital—while it maintains control of its territories mainly through the institutions of enforcement. From such

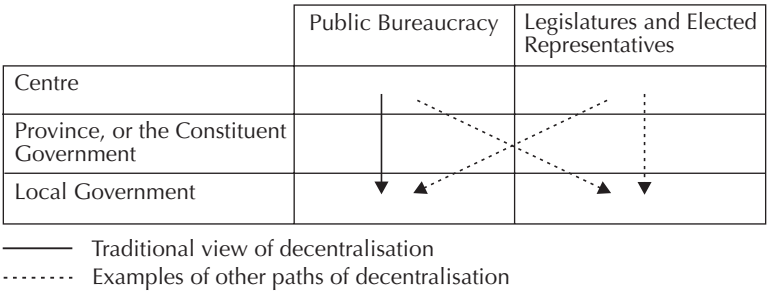
a departure point it is easy to imagine how political institutions can be created in, or reallocated to, provinces or peripheral areas—as when the Roman Empire expanded and set up local institutions for administration. In such a situation the *necessary preconditions* for decentralisation had been created. However, if the centre retains strict control of the institutions that are moved out from the centre, we are dealing mainly with *deconcentration*. Deconcentration should be used only to refer to the simple transfer of sections of the public administration to places outside the centre. The United States provides a good modern example since '[a]lmost 90 per cent of US federal civilian employees work away from Washington, D.C.' (Hague and Harrop 2001). In Sweden, a significant reform involving the relocation of 10,000 government employees in the 1970s was purely an exercise in deconcentration. Moreover, several models can be chosen when a country decides to chop itself into sub-units. We may have states or provinces which may contain districts, which may in turn contain blocks and parishes—states and panchayats in India, local councils in Uganda, or counties and municipalities in Sweden. However, the fact that institutions are located in such sub-units does not mean that a state becomes decentralised or that it becomes a federation. It merely indicates that some, but not necessarily all, of the essential preconditions for decentralisation have been fulfilled. To what extent a state becomes more or less centralised depends on what kind of institutions move out, what their purpose is, what legal status they have and, finally, how responsibilities are distributed in relation to power.

Legal status and areas of responsibility of institutions

To begin with, we should distinguish between different legal entities that may receive new kinds of powers—at least if we analyse more modern institutions that are characterised by specialisation. In the historical examples discussed earlier, decentralisation is perhaps most commonly seen as the movement of power and responsibilities between different parts of a public bureaucracy and its internal hierarchy. But since the emergence of the democratic citizen, a distinction should be made between whether powers are moved around among the bureaucrats

and the professionals, or transferred to people who are elected to serve as representatives of the citizens (see Figure 2.2).

Figure 2.2
Forms of Decentralisation[19]



Decentralisation, mainly concerning the right column, may appear to mean what is known as *democratic decentralisation*, which has been high on the agenda for the last 25 years at least. However, that is not necessarily the case. As was mentioned earlier, this concept often refers to the transfer of power to elected bodies. However, researchers and policy makers in the aid community (especially) refer to the outcome or the goal of a decentralisation reform.[20] Such a reform may be a reform of public administration at the local level, or of the legislatures, as long as the imagined or desired outcome represents a democratic improvement. For example, it may include a decentralisation of the public administration, which has the effect of increasing its responsiveness to the demands of the citizens. The perspective I am trying to advocate here, where we make a distinction based on the legal status of institutions, has nothing to do with the policy outcomes; it defines only the structures that may be included in a decentralisation scheme from a legal perspective.[21] Moreover, it should be added that when decentralisation reforms are analysed and studied, we can also differentiate between certain specialisations in duties or the institutions that are involved. Do they involve fiscal control, the power to legislate, executive powers, policy implementation, the power to make important appointments, and so on? These are tasks that may to a varying extent be within the realm of the powers of both the public administration and

the elected bodies. However, whether they can be carried out efficiently is another thing and that brings us to the final dimension.

Powers—from responsibility and autonomy to privatisation

The most central aspect of decentralisation concerns the extent to which real power is moved downwards in the administrative or democratic structure. We could see this in the early historical examples. Were the sub-units of a centre bound, or were they free to make up their own rules? In the leagues of ancient Greece the sub-units were not strictly controlled. In the Roman and the Mauryan Empire they were less autonomous and control from the centre was quite strong. In Medieval Europe, political structures emerged where the sub-units were again more autonomous or powerful in relation to the political centres; later when the nation states were constructed and replaced conglomerate states, strong centres re-emerged.

Power is an elusive concept here, however, as is shown by the vast literature on the subject.[22] Instead of embarking on the long process of deconstructing and reassembling the concept—if that is even possible—I will simply state some aspects of the transfer of power. The fact that *responsibilities* are given to a certain institution does not mean that the institution in question has the *capacity* to fulfil them. Neither does it mean that the institution in question has any possibility of *influencing* the method of implementation of the duties for which it is made responsible. When an institution is given a certain responsibility with no means of influencing the method of implementation, we are dealing with *delegation*. This may be difficult to judge however. It is, to say the least, difficult to use historic texts to interpret whether reforms have really led to decentralisation or just mere delegation and/or deconcentration. And contemporary examples are just as much disputed. For example, according to Vernon Bogdanor, decentralisation in the United Kingdom is mainly what we can call delegation:

> [T]he new Scottish Parliament, unlike its predecessor, is not intended to be the legislature either of an independent or federal state. It is to be a devolved body, with power being delegated to it from Westminster.

> It will be a constitutionally subordinate parliament. For devolution is intended to preserve the sovereignty of the Westminster Parliament (1999: 185).

Nevertheless, the creation of the Scottish Parliament and the assemblies for Wales and Northern Ireland, has, according to Diane Woodhouse, altered 'the balance of [the] constitutional arrangements, moving power, in varying degrees, from Westminster and Whitehall to other legislative and administrative bodies' (1999: 342). This shows first and foremost that even if we can differentiate between decentralisation and delegation on paper, and even if we are quite specific about which institutions will be given new powers, it can be difficult to agree about how much power has really been transferred.

The main concern of any decentralisation study should be power from a *resource perspective*, which also implies an *autonomy perspective*. When an institution is assigned an area of responsibility and it is given not only sufficient resources to fulfil these, but also the freedom to design its own policies, then it has also been given some amount of real *autonomy*.[23] The extent of such autonomy may vary—a Constitution may set the absolute limits. Similarly, the supply of resources to a province may be controlled by, for example, a central government, and this will limit the amount of power and autonomy the province enjoys. If a province is given the right to raise its own revenues, its power may increase, although in some cases the tax base may be so poor that what a province can actually do in terms of development may be more restricted *de facto* than where some central funding is guaranteed. Therefore, it is useful to keep in mind that when we talk about moving power, we have to go beyond the allocation of responsibilities and look at a combined effect of how resources are allocated, how revenues can be raised and the extent to which the province or region in question can shape its own policies.

It should be pointed out, however, that decentralisation reforms often entail a specific problem of zero-sum character. Decentralisation schemes are difficult since they imply that whatever new powers are given at the local level are usually lost at a higher level of the public administration. Any amount of power given to the local governing bodies should be counted twice in a power equation since the higher

level loses an amount equal to what the local body gains. This is why we can expect the great reluctance to contemplate decentralisation schemes that Grindle speaks of in her study of Latin America (2000). So, although decentralisation is officially at the top of most governments' agendas in the world today, a close scrutiny of how resources and autonomy are distributed is crucial. Whether decentralisation really is one of the most important political trends today and has been so for the last 20 years (Oxhorn 2004: 3) may still remain to be proved if we focus more closely on policy outcomes.

Finally, before we move on to what we can expect from decentralisation reforms, we should say something about how decentralisation may be perceived in relation to privatisation. Most commonly, privatisation means 'rolling back the state'. One example could be a municipal council that decides to no longer take responsibility for garbage collection in a city, obliging the citizen, henceforth, to rely on private entrepreneurs. But modern states do not always make such clear-cut withdrawals from a certain sphere of responsibility or policy area. Usually some legislation remains—in the case of garbage collection, for example, there may be a law that citizens are still not allowed to pollute and that they themselves are responsible for having their garbage collected. But more complicated arrangements are also common. A central government may declare that it will 'privatise' by delegating certain tasks to a private entrepreneur. The state no longer provides a service from one of its own institutions but the task in question, although delegated to a private firm, may still be paid for, wholly or mostly, from public finances and certain standards of service may have been officially agreed upon—as in Imperial Rome. In such situations, it is possible that the state simply becomes too weak in relation to private players and then we can speak of state capture. Several examples from the former Soviet Union, where the state has lost its autonomy to private entrepreneurs, have recently brought this concept into focus.[24]

The final point to be made about privatisation is that sometimes, from some political right-wing perspectives, for example, decentralisation in the simpler version—where the state is rolled back—is often perceived as decentralisation because it is assumed that powers are moved closer to the people. In research projects such effects should

not be assumed—the question is an empirical one. Just because the state loses certain powers, it is not certain that 'the people' get closer to them. And conversely, the mere fact that the state undertakes, or has responsibility for, certain tasks, does not necessarily mean that the people have more power or ability to influence them, as is sometimes assumed from a left-wing perspective.

Objectives and Expectations of Decentralisation

Having distinguished between various forms of decentralisation and the aspects that need to be analysed, it is finally logical to discuss the outcomes or developments that may be expected from decentralisation reforms. As mentioned in the first chapter, decentralisation certainly came into vogue in the 1980s and 1990s. It was prescribed by bilateral donors and major economic players as a general solution to development problems in poor countries. The World Bank, for example, argued for the 'devolution' of power almost as if it were a panacea ensuring 'the advancement of "*good government*" and fiscal responsibility' (Manor 1995: 81). But it was also strongly promoted in the West, being adopted in Tony Blair's election campaigns in the United Kingdom, and in the developing world by its own leaders, for example, in the advocacy of panchayat reforms in India. However, the history of decentralisation does not begin in the 1980s. From a short-term perspective, we can see that the decentralisation debates of today are not so different from debates on federalism in the 1970s. And from a long-term perspective we have looked at historical examples dating back two millennia. The motives behind decentralisation policies may be of various kinds and decisions that lead to decentralisation may quite often simply be the outcome of political struggles between a political centre and its provinces. But if we focus on what is hoped for when leaders turn to decentralisation as some sort of *remedy,* apart from resolving centre-periphery power struggles, then I would argue that there are two main purposes of decentralisation that can be discerned from a significant portion of this discourse.

The first concerns *economic values*, when the aim is mainly to make an administration run more efficiently.[25] Motives may vary—maximising personal power or structural constraints along the lines

of Grindle's argumentation may still be a part of the picture. But decentralisation may be promoted because it is expected to lead to a cost-effective, rule-governed, non-corrupt administration.[26] It is also sometimes assumed to lead to a stable market with economic growth, and to allow political centres to control vast territories and provinces. In line with neoclassical economic arguments, the slimming down of the state apparatus is seen as necessary for the establishment of a more efficient and faster-growing economy. The bottom line, however, is that decentralisation is presumed to lead to a system of governance with little friction and at as low a cost as possible that still effectively achieves the aims and objectives stated in policies and laws.[27]

The second involves *democratic values.* As was mentioned earlier, this comes into the picture gradually from the 18th century onwards. However, the motives are not always clear. Democratic values may be promoted simply because their advocates believe in equality. On the other hand, the motive may also be to take power away from a political adversary. In any case, decentralisation is often promoted not because it is necessarily efficient but because it is said to lead to closeness between rulers, administrators and the general public, better bottom-up and top-down communication and, therefore, more empowered citizens (Qian and Weingast 1997; Hadenius 2001; Warner 2003). Decentralisation is expected to enable citizens to make demands that will effectively create a 'greater variety in the provision of public goods, which are tailored to better suit local populations'. The quote comes from Fisman and Gatti (2002), who trace this idea back to Tiebout (1956). However, as pointed out by Qian and Weingast (1997), the idea that 'because local governments and consumers have better information than the national government about local conditions and preferences, they will make better decisions' has been expressed by Hayek (1945). Decentralisation, consequently, is supposed to lead to responsiveness in governments and political administration, and to a more transparent and open system of governance; it should promote egalitarian values and, as a consequence, it is hoped that it will lead to relief of ethnic tensions and other conflicts between groups (Smith 1985; Crook and Manor 1998; Hadenius 2003). In this case, contrary to the economic argument, 'more state' is often proposed in order to

achieve this goal. Furthermore, it is important here to bear in mind the distinctions made in Figure 2.2 between the public bureaucracy and institutions with democratically elected representatives. Therefore, decentralisation in the broad sense will not tell us whether powers are given to the citizens. Moving power downwards in only the left column may have nothing to do with democratic goals. Hazareesingh's description of how decentralisation might be proposed by those driven by authoritarian ideals as well as those who hold liberal ones in France in the mid-19th century illustrates the point.

> It helps to demonstrate, first and most obviously, that although most politicians agreed on the necessity of decentralisation during the 1860s, none of them had quite the same conception of citizenship. Thus, for the Bonapartists, decentralisation was a matter of transferring decisional power from ministries to local bureaucratic agencies, but without substantively increasing the degree of public involvement in the life of the city. For most of the opposition, by contrast, a genuine measure of decentralisation required handing over administrative powers to elected councils, thereby giving the citizenry a greater element of control over its own affairs (1998: 18).

Furthermore, the democratic and economic values do not necessarily have to be mutually exclusive or in conflict. For example, an efficient court administration may also be desired from a democratic perspective. A rule-governed and cost-efficient bureaucracy may be the best way of giving political institutions legitimacy in the eyes of the citizens. A good example is provided by Bhattacharyya (1994), who shows how land reforms in West Bengal in India in the 1980s were effective because administrators were brought into close contact with the citizens.[28] The growth in the legitimacy of the government and the political system went hand in hand with administrative reforms and the closeness principle. Decentralisation may, in ideal situations, promote economic and democratic goals at the same time.

But certainly they may also come into conflict with each other. How often has it not been said that democracy has to be placed second to efficiency? Democracy stands for rule by the people, but in the 1980s 'small is beautiful' became the slogan of those who advocated

'slim governments' with fewer representatives of the people. This was certainly the main line of attack on developing countries with 'bloated governments' and was ultimately manifested in the Structural Adjustment Programmes.

In some cases the democratic and efficiency goals can be traced to unexpected sources, such as the debate in EU circles on the 'subsidiarity principle'. This incorporates the closeness principle by saying that for democratic and economic reasons all decisions in the EU should always be taken at the lowest possible administrative level. The default setting for administering power is that as much power as possible should be retained at the lowest possible level. However, the roots of that idea are far from democratically inspired.[29] They come from the Catholic Church and were officially formulated by the Pope in 1931 when he stated that society is subordinate to man, and that responsibility for helping others rests with the family. The state should merely provide law and order. So when the idea was formulated that as many important decisions as possible should be taken at the lowest possible level, it was felt that as few decisions as possible should be taken by the state—the fundamental view of the political right. But then it is important to remember what we said earlier—whatever ideology one holds, the question whether citizens will get more power or less in a particular area when the state takes over decision-making in that area is an empirical one.

Regardless of whether the aim is economic or democratic, we can clearly see that decentralisation reforms do not always work out as planned. The presumption that *less state* always leads to a more efficient economy may be criticised on the grounds that a state administration that manages to provide stable and coherent institutions also tends to decrease transaction costs—a prerequisite for a modern efficient economy.[30] Shrinking the state may, therefore, have the effect of slowing down economic activity. This means that the *extent* of state intervention may not be the crucial factor that decides performance. Rather, it seems to be the *character* of bureaucratic performance that should be studied.[31] Moreover, transferring financial control to local levels is not simple. Some economic enterprises are 'natural monopolies' and the lowest production costs and maximum efficiency can only be

achieved by initiatives taken at the national level (for example, infrastructural development such as roads and sanitation). Also, increasing responsibility and power at the local level may be disastrous if the local administration is not ready to handle its new role. For example, in Bihar and Uttar Pradesh in India, the local administration suffers severely from an inability to carry out development projects and from inefficient management of central government funding. In its most extreme forms, corruption at state level may provide incentives for political movements which resort to violent means. This was the case in Jammu and Kashmir, where corruption triggered the violence which spread in the 1990s and which has since threatened peace between India and Pakistan on several occasions (Widmalm 2006). Simply prescribing decentralisation may in some contexts only make matters worse. If public administration is plagued by corruption, decentralisation policies and reforms will fail and perhaps produce unintended opposite effects.[32] So, the more popular decentralisation became, the more doubts seemed to increase among scholars in this field. Nowadays, researchers at least make more modest claims for decentralisation and acknowledge that it may lead to anything ranging from improved democratic performance, to a decline in economic growth, to 'ethnic strife and civil war' (Yusuf 1999).

Decentralisation is obviously no universal solution to development problems. Reforms that may seriously reduce poverty and redistribute wealth are dependent on the delegation of power, a functioning civil service administration and local decision-making bodies that perform well. However, the possible advantageous outcomes of decentralisation are so compelling that most decision makers naturally gravitate towards it—or at least they say that they do. But these are just general observations. The difficult question is: under what conditions do decentralisation reforms actually have the positive outcomes that we have discussed here—economic and democratic? This will be further investigated in the following chapters. The analytical tools provided in this chapter will now enable us to dig more deeply into our cases from India, and also make it easier for future researchers in the field to agree on what to study, how to do it and how to interpret the results.

Notes

1. See Grindle (2000) for a very clear classification of forms of surrender of power in decentralisation reforms, explained from a rational-actor perspective and from the perspective of 'comparative institutionalism'. The situation where politicians give up power as a consequence of some political economic crisis is best explained as 'comparative institutionalism'. However, in my opinion it is not necessary to regard 'rational choice' and 'comparative institutionalism' as mutually exclusive. The choice to give up power in a crisis can be explained in a similar way by both rational-actor perspectives and 'comparative institutionalism' hypotheses.
2. However, this was, of course, also the cause of many disputes. MacMullen (1988) gives many examples. The choice of Emperor was not governed by 'constitutional' rules—at least not until Diocletian constructed the tetrarchy or 'rule of four'.
3. See Wikander and Wikander (1997), Stavrianos (1995), Walbank (1973) and Macmullen (1988).
4. See Walbank (1973) and for a brief description of how this provided for a more advanced system for division of power.
5. See Walbank (1973) and Mathisen (n.d.).
6. MacMullen points out the necessity for any larger political unit to decentralise, and Thapar writes: 'The causes of the decline of the Mauryas must in large part be attributed to a top-heavy administration where authority was entirely in the hands of a few persons, and an absence of any national consciousness' Thapar (1961: 212).
7. See also Harrison (1995).
8. For example, as expressed by Bishop Fulbert of Chartres after being requested in 1020, in connection with an extensive dispute, to define the relationship between the lord and the vassal by Duke Vilhelm of Aquitania. See Esmark and McGuire (1999).
9. William Riker (1975) has a more thorough discussion of historical examples that have been categorised as federalism. In this text the 'former English colonies' are discussed.
10. Also Kohli (2004) illustrates this when discussing Nigeria.
11. See Riker (1975: 101).
12. For a discussion on lopsided power relations in modern India, see Blomkvist (1988: Chapter 14).
13. Hazareesingh takes issue with historians who have laid the emphasis on the Third Republic when describing the emergence of French democracy.
14. In Latin America, too, political turbulence surrounded decentralisation issues. In Argentina, for example, the post-independence political conflicts in the 19th century were driven by liberals who argued for centralisation of power mainly in order to control the economy. They were resisted by conservatives who acted as provincial leaders. See Horna (1994).

15. In Rondinelli's presentation, 'deconcentration, delegation and devolution' are seen as 'degrees of decentralisation'. However, he immediately points out that 'deconcentration' may not be seen as decentralisation at all since it may not necessarily imply any transfer of power to the local level. In the argument I formulate here, I go one step further. Given that we define decentralisation as the transfer of power to the local level, both deconcentration and delegation may be excluded as measures of decentralisation since neither of them necessarily involves the transfer of power. Consequently, since only 'devolution' is left, it becomes virtually synonymous with 'decentralisation' and, therefore, redundant (why have two terms for one and the same phenomenon?).
16. See Manor (1999), Smith (1985) and Hadenius (2003), which are similar but slightly different since as well as economic autonomy, these distinguish between the autonomy of making appointments and policy autonomy. See also Parker (1995).
17. For example see Kincaid (2001: 146).
18. It should be mentioned that Rondinelli (1981: 137) makes a distinction between *functional* and *real* decentralisation which is similar to some arguments presented here.
19. An earlier version of this figure was published in Jain 2005.
20. See, for example, Villadsen and Lubanga (1996). This was my experience from interviewing a number of aid policy makers and aid personnel working for the Swedish International Development Cooperation Agency (Sida) in 2003. The project was carried out with Johan Tralau (Widmalm and Tralau 2003). For a wider definition of 'democratic decentralisation,' see Angelesand Magno (2004). It is also common, for example, to regard the reforms in Kerala as 'democratic decentralisation' although they also include reform of the public administration. See Anonymous (2000) and Isaac (2000). The point is not that it is always incorrect to use the term 'democratic decentralisation'. The point is that we need a more exact terminology for the purposes presented here.
21. My gratitude to Karl-Göran Algotsson for putting me on the right track here. See also Söderlind and Petersson (1986).
22. See, for example, Lukes (1974), Bergqvist (1994), Petersson (1987) and Isaac (1987).
23. Grindle and Hadenius (2001: 133–34) emphasise the autonomy component in decentralisation studies more than most other authors.
24. See, for example, Hellman, Jones and Kaufmann (2000).
25. Rondinelli (1981: 131–36) presents a list of 14 expected results that are quite interesting. However, most of them fit the economic and democratic category presented here.
26. For example, Oommen (1994) says that local governments can carry out projects with less 'leakage' than centrally administrated ones.
27. See Hazareesingh (1998: 60–61) for an interesting discussion about how centralisation was seen as a source of government inefficiency in France in the 1860s.
28. See also Widmalm (2002: 116–19). Kohli (2004) in an impressive recent contribution develops a quite strong argument against the view that 'less state' would in itself pave the way for economic growth.

29. See Eklund (1994).
30. See, for example, North (1990) and Gunnarsson and Rojas (1995).
31. See Evans (1995: 10) for further support for this argument.
32. Experiences from Africa, for example, show that if tax reforms fail to deliver tangible changes in living standards, politicians and public service administrators will not easily get a second chance to try a new reform (Manor 1995).

3

Decentralisation in India: In Theory and Practice

> So long as we believe that India lives in her villages and not in her cities, we must go to the villages sooner or later. If so, why not today?
>
> —M.K. Gandhi (1934)

Introduction

Certainly the famous words of Mahatma Gandhi have lost some of their meaning today. More than ever before, India is shaped by the politics and economic development that emerge from the large cities. Even so, there is nowadays a tendency to exaggerate the role of the cities and the 'new' economy. The emphasis on India's image as a modern and IT-oriented nation marinated in the global economy has led some of us to forget that India still does live very much through the villages. In 2006, for every person employed in the IT sector there were between 300 to 600 people in the agricultural sector.[1] The agricultural sector is still the backbone of the economy and of political life, and this is something that is anchored in the rural areas. An ongoing literacy revolution in the countryside and a dramatic shift towards smaller families are setting the basic parameters for the country and how it will evolve in the long run. And it is the rural areas that may be the most affected by recent constitutional changes that move power away from the centres down to the local areas. So there are very good reasons for keeping an eye on what is happening here—especially if we can find indications that India has found a way to tackle problems relating to what is commonly known as a democratic deficit.

India has embarked on what is perhaps the largest decentralisation project in modern history—the Panchayati Raj reforms. We are still a long way from being able to evaluate properly the outcomes of this vast project. Some states have carried out extensive reforms in the spirit of the constitutional amendments that came into effect in the mid-1990s, some have only just decided to enter the race for reforms and some have not yet even found their way to the arena where the competition is taking place.[2]

'Competition' and 'race' seem to be appropriate metaphors in that they seem to reflect the thinking of leaders in states that have gone in for decentralisation reforms. Kerala, for example, has proudly shown its neighbours how 'people-oriented' its policies are. The government in Madhya Pradesh has been equally eager to present its decentralisation projects in the health and education sectors and to point out that other states have adopted its 'model' for development. It seems that by the turn of the millennium these states had managed to enter a virtuous cycle of development, although systematic comparative data for proper evaluation of their efforts are in short supply. Consequently, it is time to start assessing the success of the Panchayati Raj Institution (PRI) reforms.[3] However, it should be kept in mind that decentralisation reforms are very often something different. Before starting with the in-depth study of Kerala and Madhya Pradesh, we should recall that not only governments but also international aid organisations have difficulty in supporting decentralisation. As a side project to the study in India, we took a look at the efforts made in this area by the Swedish International Development Cooperation Agency (Sida).

In this parallel project, about 50 project descriptions, Sida evaluations and other Sida reports were studied by Assistant Professor Johan Tralau and me with the aim of evaluating aid strategies for decentralisation and local governance.[4] The documentation (contracts, project descriptions, and so on) from 10 projects from various sections of Sida was selected for a closer study. The projects were intended specifically to promote decentralisation reforms in Asia and Africa, in most cases focusing on various forms of 'capacity-building'. Primarily, they involved 'training' and enhancing the skills of bureaucrats at all levels of government, from ministries to village-level structures. Some projects also included ordinary citizens in the training programmes.

Although the emphasis was on capacity-building, it was not clear exactly how decentralisation, in particular, was to be promoted. Naturally one could argue that various types of capacity-building could always be useful for anyone aiming more specifically to implement decentralisation reforms—but then we could say that any type of project dealing with capacity is good for anything we like in more general terms, for example, equality, sustainable growth, peace, health and education. The impression was clearly that decentralisation was advertised in project descriptions more to harmonise with general policy guidelines than because it would be reflected in project content and design. Furthermore, the projects were not preceded by surveys or evaluations that would enable more rigorous appraisals after the projects were completed.

Interviews with the personnel working on these projects revealed some frustration concerning what can actually be done to promote decentralisation—for example, by means of constitutional reforms, promulgation of laws that transfer powers from the centre or state level to local levels, fiscal reforms that shift responsibilities from state to district level and making support to certain areas conditional on the prior implementation of decentralisation reforms by local powers. It turns out that the promotion of decentralisation reforms in aid is considered politically quite difficult or far too 'messy' to get into. Most of those interviewed said that if leaders in the countries that receive support have themselves not decided to support decentralisation reforms, it would be hopeless to try to promote them. It would require a cooperation and coordination among donors that does not exist today.[5] Consequently, an aid organisation like Sida decides to be content with promoting 'capacity-building', which may admittedly have the effect of making it easier to carry out decentralisation reforms, provided the relevant structures exist in the areas where projects are implemented. But we cannot really say that such projects specifically promote decentralisation. So when an aid organisation which claims to promote decentralisation cannot provide more impressive results in this area, our expectations of state governments in India, facing enormous challenges caused by lack of resources, were not that high. However, we will see that many of those expectations proved to be too pessimistic.

With the analytical distinctions established in the previous chapter we will discuss, in this chapter and onwards, the extent to which the reforms have managed to make India more of a *decentralised* political entity, and whether it has become more *democratic* and *efficient*. In this chapter, results from the study in Madhya Pradesh and Kerala will be presented and we will focus mainly on the extent to which Panchayati Raj reforms can be said to have been implemented, whether they have—at least from a subjective perspective—managed to bring the government closer to the people and whether more power seems to have been transferred to the people. The next step will be to investigate whether these reforms have affected the quality of services provided by the government via the health and the education sectors. More precisely we will ask if corruption in these sectors has been affected, or whether other factors play a more central role in this regard. We begin here, however, with an overview of what the Panchayati Raj reforms are. Here we will form an idea of whether India is moving away from a centralised model of governance towards a decentralised and increasingly federal structure.[6]

Making India Live through its Villages[7]

The limping Indian federalism

India is commonly described as a federal state, although the Constitution never mentions the word. It is composed of states with their own legislative assemblies and powerful structures for governance. To some extent, the federal structure is asymmetrical. Almost all 28 states have the same status but there are some special provisions worth mentioning. First, besides the states there are six union territories that are under a more direct form of control by the central government.[8] And second, there is the state of Jammu and Kashmir, to which Article 370 of the Indian Constitution grants a higher degree of autonomy than other states. But in any case the federal character has been considerably stronger on paper than in reality.

It is also well known that power in India, for most of the time since independence, has been highly centralised.[9] Or, in the words of

Thomas Isaac (1998: 1), a political analyst and well known reformer and political force in Kerala:

> At the political level, a major limitation of the Indian democracy has been its centralised nature. Even though a multinational state, the rights of the federating states are very weak and heavily biased towards the Central Union Government. It is for this reason that the Indian constitution has been described to be a quasi federal one even by its ardent admirers.

The roots of the centralised nature of the Indian state can be traced to colonial times and to Jawaharlal Nehru's preference for a Soviet-type model for India's development. In addition, political conditions at the end of the 1960s seem to have been crucial in putting India on a path from which it was for a long time hard to deviate.

At that time, after taking over the leadership of the Indian National Congress, Indira Gandhi was struggling to retain some degree of autonomy from the old leaders in the party, or the 'syndicate' (Rudolph and Rudolph 1987: 132–40).[10] This led to the historic split of the party, where Indira Gandhi left a large part of the Congress Party organisation behind to pursue her own political objectives. Her Congress Party became more of a mass movement from this point onwards. The 'old guard' confidently stuck with the party machine under the name Congress (o) where 'o' stood for 'organisation'. Indira Gandhi, however, led her section of the party to a stunning victory in the 1971 elections under the slogan '*garibi hatao*'—eradicate poverty—and managed to win 44 per cent of the seats in the Lok Sabha. The 'o' section only obtained 10 per cent of the seats in 1971 and 2 per cent in the 1977 elections—so it withered away. However, these events were crucial in initiating a process of strong centralisation of power in India. Or, in the words of Susanne Hoeber Rudolph and Lloyd Rudolph (1987: 134):

> Personal loyalty, not party commitment, became the touchstone for preferment and promotion. The simultaneous rise of plebiscitary and personal politics under Mrs. Gandhi's guiding hand obviated the need for an organization capable of articulating with society, serving and leading the political community, and fighting elections.

Atul Kohli (1990) has also described how institutions not only deteriorated, but also became more politicised as a consequence of the centralisation process. The courts, the police and the bureaucracy came under political control as the centre tried to hold on to power by any means possible. One of the main instruments for upholding centralised control was the use of 'President's rule', which refers to the constitutional right of the President to dismiss governments in 'unruly' states and replace the chief minister with a governor appointed by the party in power nationally.[11] When this provision was most abused, the de facto prime minister controlled the actions of the President in India.

The degree of centralisation in India certainly peaked during the state of emergency which lasted for 18 months between 1975 and 1977. During this period, emergency laws were passed by the Congress Party, which suspended democratic and human rights in the whole country as the centre took direct control. India went from democracy to authoritarian rule. If we recall Figure 2.1 in Chapter 2, we can say that this illustrates how in the 1970s the nation oscillated between the 'centralised' and the 'decentralised/federal' state model for a long time, and how at times it was so far to the right on the scale that many observers feared that India was going to meet the same undemocratic fate as many other former colonial states.

Democracy in India survived, however, and the occasions where the centralist tendencies were most assertive actually put wind in the sails of critics and reformers that had a tangible long-term impact. Above all, the Emergency and the abuse of President's rule led to protests by state leaders, who demanded safeguards against the 'high-handedness' of the centre. And after the Congress Party lost the 1977 elections, a degree of confidence returned to some regional leaders. The success of CPI(M) in West Bengal is a good example. Unlike its close relative, the CPI, this party protested strongly against the Emergency and increased its share of the vote from 27 per cent in the 1972 state assembly elections to 36 per cent in the 1977 elections. Jyoti Basu, who led the party when it established its hegemony in the state, explains that this success was crucial in ensuring that West Bengal was not treated in the same way as, for example, Jammu and Kashmir by the

Congress (I) in power at the centre in the 1980s. Basu refers to the misuse of President's rule and how several regional leaders were removed from power when they did not comply with the wishes of the prime minister and the party in charge in New Delhi (Interview with Jyoti Basu on 6 March 1996 in Kolkata).

From the fact that Congress Party dominance was temporarily broken, reforms followed that were designed to counter the power of the centre. Among these was the 1977 Ashok Mehta Committee, which had been appointed to explore how self-government and local planning could be strengthened at the state level by revitalising the so-called panchayat structures.[12]

The Panchayati Raj reforms in India

Pushing for reforms through panchayats was not a novelty (Kumar 2006). The activities of village assemblies, or *sabha*s, of various kinds were recorded in South Asia as early as in the Vedic times (Mathew 2000: 3). Later, they became known as panchayats, which means councils or assemblies of five people. The panchayats could regulate matters relating to law and order and uphold the caste structure. In the early 19th century the acting Governor-General Charles Metcalfe described the villages of India as 'little republics'—very independent and to a large extent self-sufficient. Although their functions were curtailed during the Mughal era, and under the British colonial administration many panchayats were completely replaced by village administrations of British design (Mathew 2000: 3–5), the reforms which gradually gave India more independence from the British rulers, in particular the Ripon Resolution of 1882, the Montagu-Chelmsford Reforms and the Government of India Act of 1935, opened the way to possible self-rule at the local level.[13] Maddick (1970: 20) laments that some of these reforms were abused by the nationalists, who used the municipal councils, for example, mainly to promote their own political ideas. Nonetheless, the Indian movement for independence put the villages at the centre of its ideology where they provided the movement with a strong core. *Swaraj*, or self-rule, as well as *swadeshi*, or self-sustainability, could only, according to

Mohandas Karamchand Gandhi (1942), be realised through the villages of India.

> My idea of village *swaraj* is that it is a complete republic, independent of its neighbours for its own vital wants, and yet interdependent for many others in which dependence is a necessity.… The government of the village will be conducted by a Panchayat of five persons annually elected by the adult villagers, male and female, possessing minimum prescribed qualifications. These will have all the authority and jurisdiction required. Since there will be no system of punishments in the accepted sense, this Panchayat will be the legislature, judiciary and executive combined to operate for its year of office. Any village can become such a republic today without much interference even from the present Government whose sole effective connection with the villages is the exaction of the village revenue.

We will see how the strong emphasis placed on equality by Gandhi was retained in the documents that underpinned Panchayati Raj reforms in the 1990s. Gandhi's quite idealistic vision contrasted with the more realist views of B.R. Ambedkar, who looked on India's villages as the antithesis of development and democracy. In 1948, Ambedkar replied to Gandhi's idealised view of the villages by stating before the Constituent Assembly that:

> [T]hese village republics have been the ruination of India. I am therefore surprised that those who condemn provincialism and communalism should come forward as champions of the village. What is the village but a sink of localism, a den of ignorance, narrowmindedness and communalism? (Quoted in Ghose 1993)

But to Gandhi (1942) the village republics were based on the idea that caste had no place in them: 'There will be no castes such as we have today with their graded untouchability. Non-violence with its technique of satyagraha and non-cooperation will be the sanction of the village community.' Furthermore, Gandhi (1946) envisaged the ideal society, India's future, as extremely decentralised, almost occupying the far left position we depicted in Figure 2.1 in Chapter 2, when he stated that:

> In this structure composed of innumerable villages, there will be ever-widening, never-ascending circles. Life will not be a pyramid with the apex sustained by the bottom. But it will be an oceanic circle whose centre will be the individual always ready to perish for the village, the latter ready to perish for the circle of villages, till at last the whole becomes one life composed of individuals, never aggressive in their arrogance but ever humble, sharing the majesty of the oceanic circle of which they are integral units.

It is striking how close these thoughts are to those of Bakunin that were discussed in Chapter 2. It seems possible to conclude that Gandhi was as sceptical about how power would be wielded by the leaders of independent India as Bakunin was about those who would be in charge of the dictatorship of the proletariat. However, it would take more than three decades for anything of Gandhi's ideas to be realised.

As we saw earlier, during the period from the mid-1960s to the 1980s, practical politics in India undermined the PRIs and political power became more centralised. The break in this trend came in 1977 when the Asoka Mehta Committee report recommended that the panchayats should become an 'organic, integral part of [India's] democratic process' (Mathew 1994: 17).[14] West Bengal was the first state to try to implement the recommendations but Karnataka, Andhra Pradesh and Jammu and Kashmir soon followed. In Karnataka, at least, the public sector and democratic performance improved as a direct consequence of the reforms and this paved the way for decentralisation in other states.[15] The most significant change came, however, with the amendments to the Constitution in the 1990s, which transformed the status of panchayats in India.

The ground was prepared in 1988 by the 'sub-committee of the consultative committee of Parliament for the Ministry of Rural Development,' which made a clear recommendation that Panchayati Raj institutions in India should be strengthened. The outcome, a year later, was the drafting of the Constitution (64th Amendment) Bill, which was to a large extent based on the recommendations of the Asoka Mehta Committee. This did not stop it from being heavily criticised as an attempt by the centre to circumvent state administrations so that they could more easily work directly with institutions

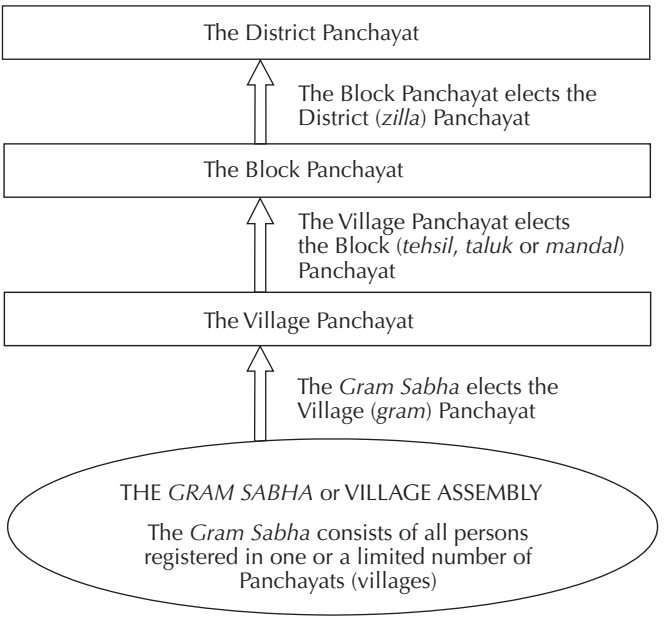
below the state level. It was also seen as promoting too uniform a system for India's diverse conditions. New proposals were therefore prepared and a greater consensus was achieved among the parties in parliament. In 1991, the 72nd (Panchayats) and 73rd (*Nagarpalika*s) constitutional amendment bills were introduced by the Congress government. Later, these were passed as the 73rd and 74th constitutional amendment bills, respectively and were ratified by more than half the state assemblies in 1993. That year these bills came into effect as the 'Constitution (73rd Amendment) Act 1992' which deals mainly with the conditions for the rural areas, especially India's villages, and the 'Constitution (74th Amendment) Act 1992', which provides mainly for the urban areas (Mathew 2000: 10). An overview of what these changes imply is useful and we will make use of the analytical tools provided in Chapter 2 when presenting this.

The geographical location of panchayats

In the countryside, the reforms stipulate that the lowest level of government will be the village panchayat, with a number of elected representatives based on the population that the so-called *gram sabha* legally covers.[16]

A *gram sabha* may consist of one or several villages and its citizens should convene regularly for elections and open meetings where local government issues should be discussed. Each village panchayat has a chairperson—the *sarpanch*. The chairperson then becomes the representative at the next level—the intermediary level that is most commonly known as the block (the term we will use here), *tehsil*, *taluk* or *mandal*. However, smaller states have the option of not providing an institution at this level. The block panchayats then elect a chairperson who becomes a representative at the district or *zilla* level. In effect, this three-tier system (see Figure 3.1) below state level reaches out to even the most remote parts of rural India. However, the size of the village panchayats varies quite a lot between states. In Madhya Pradesh, it is common for a group of three to four villages with a population of a few thousand each to comprise one *gram sabha*. In Kerala, on the other

Figure 3.1
The Panchayati Raj—The Three-tier System Below State Level in India



hand, the word village does not have the same meaning and houses and settlements can be spread out over vast areas not geographically connected in the way they are in Madhya Pradesh. In Kerala a *gram sabha* may cover a population of 30,000 people.[17]

According to George Mathew and the Institute of Social Sciences (2000: 11), which monitors panchayat development in India, there were 523 district panchayats in 2000, with an average size of 2 million inhabitants. There were 5,912 block panchayats covering a population of about 200,000 and 231,630 *gram sabhas* which would include villages with 1,000 to 30,000 inhabitants. The situation in the cities is somewhat different.

At the lowest level, we find two kinds of institutions, first the small municipalities, or *nagar* panchayats, which are defined as 'areas in transition from rural area to urban area' and second, the 'municipal councils for smaller urban areas' or town municipalities, which often

consist of cities with a population of around 100,000 or above. Finally, there are the 'municipal corporations for larger urban areas' or city corporations, which have a population of around half a million and above. In 2000, there were 95 city corporations in India, 1,436 town municipalities and 2,055 *nagar* panchayats. Altogether 3 million members were elected to these institutions that year.

Undoubtedly, the Panchayati Raj reforms have provided the first and the most essential prerequisite for decentralisation if we recall the discussion from Chapter 2 on evaluation of a decentralisation reform. They provide for a sufficient number of institutions located outside the political centre at the national and state levels and incorporating a substantial portion of even India's most remote villages. It is interesting to note here that the Panchayati Raj reforms add considerable depth to the federalist structure of India. Hitherto, most discussions of India's status as a federal state have focused on the central government's relationship with the states. However, as argued by, for example, Burgess and Gagnon (1993), how power is moved to areas below the state level may be just as central to an understanding of the federal character of a country.[18] And this reform is in many ways a more thorough response to the sheer size of India, where the states alone are far from equipped for providing a 'government closer to the people'. The question now is to what extent the reforms can be said to constitute decentralisation measures when we take into account the legal status and areas of responsibility of the panchayats, and the powers they have been given.

Legal status and areas of responsibility of the panchayats

In Chapter 2, Figure 2.2 distinguished between moving powers *up and down* the bureaucracy or between bodies that mainly consist of elected representatives. We should also be mindful of the responsibilities that may be moved *between* these spheres. First, we can see that the institutions created by the Panchayati Raj reforms are mainly of the kind to which people are elected via democratic elections, or which have the power to select a person to represent the people at a higher level. The PRIs are unique since they not only allow for reservation for

groups defined as underprivileged because of their ethnic allegiance, such as tribal or caste identity, but also provide that one-third of all seats at all levels of the panchayat hierarchy have to be held by women and that a third of the chairpersons at all levels have to be women. This probably makes the reforms the world's largest project providing reservation for women in elected bodies, since by 2000 a total of 1 million women members had been elected to the panchayat institutions in India.[19] As we will show, these elected representatives are not acting in institutions that are isolated from the bureaucracy. In their day-to-day work, panchayat presidents sit in council, on boards and committees that mix representatives from elected bodies and the bureaucracy.

Besides these institutions, there are a number of areas of responsibility that under the constitutional amendments the panchayats alone may assume. The most important of these are:

- planning and implementing schemes for economic and social development
- levying, collecting and appropriating taxes, duties and fees
- managing development funds provided by the state

In short, the panchayats have the power to introduce rules and laws that allow them to govern themselves to a very high degree. In effect this implies that powers are not only moved from the upper to the lower level in Figure 2.2. It is also clear that certain powers can be moved from the left column to the right one—certain tasks that were within the responsibility of the bureaucracy can be completely taken over by the elected representatives. So, is this not a clear and complete case of radical decentralisation reforms? The answer depends on the final dimension we will look at, namely, the extent to which the elusive category 'power' has really moved along with the institutions and areas of responsibilities that have been defined.

Moving power to the panchayats

To the proponents of decentralisation and those advocating a deepening of India's federal character, the most disappointing aspect of

the constitutional amendments discussed here is in the formulations of what the states are really obliged to do in terms of transferring power. There is no doubt that the Constitution demands that elections be held to all panchayats on a regular basis—every fifth year. The system by which reservations are provided is also clear and cannot be circumvented without breaking the law. However, when it comes to the tasks that the panchayats can assume and that we mentioned above, the states can decide for themselves whether they will actually give those powers to the panchayats.

In the Constitution (73rd Amendment) Act, 1992, section 243-G, the 'Powers, authority and responsibilities of Panchayats' are regulated and it is stated that 'Subject to the provisions of the Constitution, the Legislature of a State *may*, by law, endow the Panchayats with such powers and authority as may be necessary to enable them to function as institutions of self-government' (emphasis mine). Furthermore, in section 243-H the 'powers to impose taxes by, and the funds of the Panchayats' are regulated and it is stated that 'the legislature of a state *may*, by law' authorise, assign or provide for the tasks discussed above (emphasis mine). We find similar formulations in the Constitution (74th Amendment) Act, 1992. Simply put, it turns out that the amendments leave it to the states to decide how much, if any, real power is to be moved down with the panchayat institutions. Powers *may* be transferred to the panchayats, but this is optional. So whether and to what extent the reforms have provided new powers below the state level is ultimately an empirical question that has to be measured in some systematic way. But the simple fact that the provisions in the Constitution leave so much to the state administrations to decide is an important explanation of the fact that we may find a great deal of variation in India in the extent to which decentralisation has really occurred. When we look at this last threshold criterion of decentralisation, it turns out that some states, like Bihar and Gujarat, failed badly for a long time. However, there are cases where the amendments have actually paved the way for real decentralisation. It is time to present two such cases, Madhya Pradesh and Kerala, which have gone a long way in giving resources and autonomy to local bodies.

Panchayati Raj reforms in Kerala and Madhya Pradesh

Kerala

Kerala is perhaps a state in India that has attempted to use the Panchayati Raj reforms most vigorously to promote development projects. As early as 1994, the Kerala Panchayati Raj Act went further than the constitutional changes in providing new functions and power for local government—for example, it allowed local bodies to regulate the use of land (Jagajeevan and Ramakanthan 2000: 2).[20] Later amendments were passed to further enhance powers at the local level.[21] Kerala is therefore an interesting example, because it shows how the state governments can use the constitutional amendments at the national level to transfer power by passing laws that are binding at the local level.[22] However, it was the CPI(M) government, which replaced the Congress (I) in power in 1996, that brought the most extensive changes by making use of the new status of the panchayats. Under the guidance of the CPI(M) and the Left Democratic Front Government, the state planning board in Kerala initiated what was called the 'People's Campaign for Decentralised Planning' or simply the 'People's Campaign'. This provided for the state government to set aside between 35 and 40 per cent of its total development budget for the panchayat institutions below the state level. In some cases, this meant that the funds trickling down from the state administration increased by a factor of between 40 and 50.[23] According to one account by Thomas Isaac, who was one of the leading members of the planning board, local bodies, that is, the panchayats at the various levels, had to provide 'comprehensive area plans' in order to obtain the funds made available by the state.[24]

The campaign was divided into six phases and within a short time 'deliberations' were initiated with panchayat institutions where the needs and capacities of the different regions were discussed and examined. Special task forces were set up at the local level to prepare plans and proposals. First, the *gram* panchayats[25] prepared their plans and then plans from blocks and districts were prepared—one reason for this order was to avoid the duplication of projects and allow for

coordination between similar ones at different levels of administration. Isaac (2000: 10) describes the impressive scope of this scheme:

> The six phases of the campaign extend over a year and involved up to 3 million citizens, tens of thousands of officials and experts, and numerous mass organisations. To provide organisational support to the campaign, around one hundred thousand volunteers were trained. An important component of the People's Campaign was the elaborate training programme. The campaign is, perhaps, one of the largest non-formal education undertakings ever witnessed in India.

It is not possible to list all the projects that emerged from the People's Campaign here. A few examples will at least illustrate the diversity.

The agricultural sector was naturally targeted for a large number of schemes. In one project administered by the Kerala Agricultural University in collaboration with 25 panchayats in Kerala, the method was used under the label 'Group Approach for Locally Adapted and Sustainable Agriculture' (GALASA) to increase the output from rice cultivation (Estelitta 2000). In another project, the Kanjikkuzhy Panchayat initiated a scheme to move away from 'mono-culture cash crops' to include vegetable cultivation to support a higher degree of self-sufficiency and independence for the region (Shheena 2000). Another project was designed to organise and coordinate bodies relating to watersheds throughout the state (Varma et al. 2000).

However, decentralised planning and project design was applied to other areas as well. In one project, the Community Mental Health Programme of Ponnani Block, 'care models for the chronic mentally ill' were developed by involving local government structures (Therayil 2000). Schemes to support poor sections of the community devised by the 'Community Development Society' (CDS) also used the Panchayati Raj system (Oommen 2000). Several projects utilised the help and support of panchayats in attempts to improve living conditions in general, to provide universal education and to combat discrimination on the basis of gender (Ganesh and Ramakrishnan 2000; Isaac et al. 1999). The project reports clearly indicate that power was not just moved downwards from higher to local elected bodies—the reforms also meant that the panchayats took over tasks that were previously carried out by the bureaucracy.

Although some of the project reports were quite positive in the evaluation of their own efforts and although Kerala is probably the state best suited for such reforms, given the fact that it has high literacy rates and that its citizens are known to be highly mobilised for political action,[26] many reports also frankly admitted severe problems in implementation. For example, it was hard to involve people at the local level in planning. In the health sector there were certainly some positive opinions expressed about the effects of the decentralisation programme in the state. One administrative officer for a health centre near Thiruvananthapuram explained that: 'We are able to do so many programmes. The health care unit can suggest projects to panchayat. The panchayat goes forward with application and then funds are given.'

However, in the sub-health centres the impression was not the same. Here one could easily find similar complaints about lack of resources as in Madhya Pradesh and the relationship with the panchayat structures was described as poor.[27] Also, some campaign reports referred to the problem particular to Kerala that we mentioned earlier, namely that the *gram* panchayats are so widely dispersed in this state that they are very difficult to coordinate (Jagajeevan and Ramakanthan 2000).[28]

However, the biggest threat to continued panchayati reforms in Kerala seems to have emanated from a higher political level. First, critics discovered that the Kerala Panchayati Raj Act 1994 was not only transferring power to the local level but also removing some, at least according to Sumi Krishna (2004: 26) who claims that the reforms 'circumscribed' the financial autonomy of local governing bodies. And although a number of projects were certainly intended to increase the level of independence, the law in Kerala still did not enable local bodies to raise their own revenues and the CPI(M) government, it seems, did not provide a long-term solution to this fundamental and structural problem.

Nor, it appears, were safeguards brought in that would *guarantee* the panchayat institutions a certain share of the state revenues. Although the CPI(M) and the Left Democratic Front Government displayed a great deal of generosity towards the panchayats, it was still up to the state

to decide on future funds. Consequently, we can see that although the panchayats were handed several new responsibilities and provided with substantial resources to run a number of very urgent projects designed to allow the participation of people at the local level, the *autonomy* of the panchayats in relation to the state government was not safeguarded. And finally this became evident. The People's Campaign came to an abrupt end in 2001 as the Left Democratic Front Government was voted out of office.

Although the campaign involved such large numbers of people, hundreds of thousands and even millions as Isaac claims, it was not enough to earn continued support. One of the reasons for the election outcome was that the state government had severely depleted the state resources—its five years in government had resulted in a serious debt crisis which finally paralysed it by the end of its term in power. Also of central importance was the anti-incumbency factor, which is probably the most reliable predictor of outcomes in Indian elections.[29] Given the basic realities and challenges to development in India, whoever holds power in India[30] seems quite likely to be voted out of office no matter what the performance. Although the Left Democratic Front Government suffered a huge loss of seats in the state assembly, it should also be noted they lost perhaps only 3 per cent of the voters from the successful 1996 elections—this shows the size of the swing the majority system can create (Krishnakumar 2001).

The PRI-reforms saga of the 1990s is obviously not a one-dimensional success story given the verdict of the people in 2001. But we should be cautious in interpreting the election result as a referendum on the Panchayati Raj reforms. The elections were certainly about many other things, and there have not been any large-scale independent evaluations of how these reforms were actually perceived by the citizens in Kerala.[31] So here we will at least be able to offer a limited one, probing deeper into the opinions of the citizens and their attitudes to the reforms. Irrespective of all the changes to the laws and project reports, to what extent did the people think power was transferred to them? Before answering this we need to be better acquainted with the other comparative case in our study.

Madhya Pradesh

Madhya Pradesh is located in the heart of India and has long been known as a *bimaru* or 'sick' state[32]—it contains some of the least developed regions in the world judged by the Human Development Indicators. For example, the literacy rate in Madhya Pradesh was 44 per cent in 1991, 58 per cent for men and 29 per cent for women. This may be compared to the developed Kerala, where the corresponding level was 90 per cent, 94 per cent for men and 86 per cent for women. Kerala, which has a population of 57 per cent Hindus, 23 per cent Muslims and 19 per cent Christians, is a much more heterogeneous state than Madhya Pradesh, which is mainly Hindu (93 per cent) and has a Muslim population of only about 5 per cent.

However, under the surface of the label Hindu, which sounds deceptively homogeneous, we find diversity along caste lines. For the non-India specialists it should be mentioned here that caste identity in India can be divided between *varna* (colour) and *jati* (birth or belonging). According to the *varna* system, the highest ritual status is held by *brahmin*s (priests), followed by *kshatriya*s (warriors, noblemen), then *vaishya*s (merchants, commoners) and then *sudra*s (servants, serfs). Below, or perhaps more correctly *outside*, this categorisation are the *dalit*s, or those called *harijan*s (God's children) by Gandhi—who are also known as the untouchables in India.

In everyday life, however, most people refer to their *jati* identity, which is commonly seen as a sub-category of the *varna* category and often indicates the occupation of its members. However, the *jati* category and its status and relationship to certain *varna*s vary a lot between regions. In particular, the relative status of the *jati* categories is continuously disputed. Furthermore, in the rural areas we find division along religious lines. But usually the villages are divided mainly along caste lines, often with one caste or a group of castes that is considered dominant in political and economic terms (Frankel 1989). And it is not necessarily the caste group with the highest ritual status that has the most power.[33] So, to understand power struggles and the role of caste at the village level, the specific context is crucial. We will only discuss this briefly in this study where it relates to the findings in the surveys.

But it should be mentioned here that in Kerala we found 15 different caste groups when we asked to which *jati* the Hindus belonged, whereas in Madhya Pradesh we found almost twice as many—and then it should be noted that more than half the sample in Madhya Pradesh comprised of *Rajputs (kshatriya)*.[34] So when we compare Madhya Pradesh with Kerala it is important to note that although Madhya Pradesh is more Hindu-dominated, this does not mean that there are fewer dividing lines in its society.

It is tempting to see Madhya Pradesh as fitting the simplified view of India common after independence up to the mid-1990s—poor, backward and caste-ridden. Kerala would be its antithesis—modern, educated and pluralistic. But Madhya Pradesh has gone through changes lately and it has been moved forward by a reforms-oriented leadership. Although the strategies employed were very different from those of the People's Campaign, there have been substantial and impressive efforts to improve living conditions. The process began in 1993 when the Congress (I) beat the BJP and Digvijay Singh took over as chief minister. His royal background did not stop him from becoming one of the most development-oriented chief ministers in the history of modern Madhya Pradesh. Decentralisation-oriented reforms have been a continuous theme in the strategies employed by Digvijay Singh and his administration. Before praising this administration's successes, however, we should note that the critics of this government have claimed that *development* has not been the primary goal. For example, the *Gram Swaraj* project in this state initiated in the 1990s is often mentioned for its professed goal of enhancing the power of the masses.[35] Critics have claimed that the primary idea behind these reforms was to take power away from strong panchayat leaders and thereby increase the influence of the Congress Party. The same has been said of the People's Campaign in Kerala. Despite these reservations, we will look more closely at these cases since in both states these parties have supported quite impressive reforms that have affected large portions of the population. Naturally reforms have been motivated by a desire to retain power—but they have also been far more than mere rhetoric.

In Madhya Pradesh the most visible and successful steps have been the schemes to increase literacy. The Rajiv Gandhi Prathmik Shiksha

Mission,[36] later commonly known as the Rajiv Gandhi Shiksha Mission, is a Madhya Pradesh government institution created to increase literacy, which soon adopted a number of programmes that utilised the panchayat institutions. The 'Alternative Schooling Centres' programme was established and based on 'local management and community involvement' to provide education for children whose isolated homes or nomadic way of life made it difficult for them to attend regular schools (Jha 1998). The 'Total Literacy Campaign' aimed to provide adult education. The most successful, however, was undoubtedly the 'Education Guarantee Scheme' (EGS) initiated in 1997. Jha summarises the main features of the scheme well:

> Under EGS, the Government is bound to provide a centre within 90 days of receiving the demand from a village Panchayat provided the demand fulfils the requisite norms. The requisite norms are that the demand should come from a rural area where there is no primary schooling facility (Govt/private/NFE) within a radius of 1 kilometre, and should contain a list of willing but never enrolled 40 (25 in tribal areas) children in the 6–14 age group. The demand also contains the list of names who could be probable teacher (to be called Guruji). The teacher has to be a local higher secondary (if not available, then high school) pass person in order of merit (Jha 1998).

Just as in the case of Kerala, a reform was initiated that involved transfer of powers from the administrative apparatus of the government to the elected bodies—the panchayats.

This was quite a challenge, since Madhya Pradesh has approximately 50,000 villages. However, after 18 months of the programme 24,000 new schools had been established according to Digvijay Singh.[37] Almost half of the new students were girls and a substantial proportion of the new students belonged to 'scheduled tribes' or 'scheduled castes'. These are categories in India that are often targeted for quotas in education or government jobs. Scheduled tribes are tribal groups that very often live in some of the most inaccessible areas and scheduled castes are *dalit*s. Even though it has not been possible to verify independently the number of schools created, there are strong indications that this scheme was pivotal in raising the literacy rate in Madhya Pradesh.

According to the Indian census reports, the female literacy rate was 29 per cent in 1991 and had gone up to 50 per cent by 2001. For males the corresponding rise was from 59 per cent to 77 per cent. The total increase was from 45 to 64 per cent, which entailed a decadal growth of almost 20 per cent.[38] It seems that the EGS allowed Madhya Pradesh to take a significant step forward from its backward position. And it did so by instituting decentralisation reforms. The demand for a school and the proposal for *guruji* had to be formulated at the panchayat level. In consequence, many observers argued that Madhya Pradesh was moving out of the '*bimaru* syndrome'.[39]

Naturally, old social and bureaucratic structures would not change overnight in this huge state. Certainly, the reservation for women has been carried out but it takes time to change power relations and it is often unclear what the formal roles are, especially those of the elected representative as opposed to the professional bureaucrats. Although we noted in Figure 2.2 (Chapter 2) that power can be moved in horizontal as well as vertical directions, much of the day-to-day work is carried out in committees with a mix of people from both columns. Whether the roles in such structures are clear and well-defined is important in the implementation of the goals of decentralisation.

In many interviews carried out for this study it was indicated that the new roles were disputed and not well-defined.[40] As we also argued earlier in this chapter, the changes to the Constitution are general and do not provide detailed regulation—that is done at the state level in the various Panchayati Raj acts.[41] But they are also not completely clear on the new roles of the panchayat institutions in relation to the surrounding bureaucratic structure. The legal texts are vague. Kerala's legislation on the role of the panchayat system is quite detailed while Madhya Pradesh has a far less detailed text that devotes very little space to, for example, powers for taxation administered by the PRI. To this should be added that the understanding of roles, duties and obligations is vague among the elites. This will certainly influence the outcome of reforms. One example will illustrate the type of unclear division of roles that presents a great challenge and to some extent depresses those who expect democracy to evolve quickly in a bottom-up manner.

As observed in many other studies, the power to give people jobs with high salaries and various perquisites, or to take them away, is clearly a strategic resource of high value (Wade 1982, 1984, 1985). The person who possesses such power breeds as well as breaks patterns of corruption. Therefore, the formal roles filled by the elected representatives of the people and the key figures in the professional bureaucracy handling these matters have a crucial bearing on corruption and its relation to decentralisation.

Let us focus briefly on the health sector and go to the district level in Madhya Pradesh, which had more corruption problems than Kerala. There the appointment of doctors is handled in a 'District Governance Meeting'. This is attended by a representative from the Ministry of Health and three other key actors. First we have the 'minister in charge'. The chief minister simply appoints one of his/her ministers to take the main responsibility for each of the districts in the state. Interestingly, the district that is allotted to a minister does not necessarily cover the minister's own constituency. In other words, the citizens affected cannot directly punish the 'minister in charge' by voting him or her out of office. An inefficient minister in charge can only be voted out by voting the sitting party out of power. Second, there is the 'chief executive officer' or 'CEO' who is the central power broker at the district level, being in charge of the district's bureaucracy. In each district there is an office for the CEO and here many of the important decisions regarding the local infrastructure are made. Also, for many citizens, the CEO is the highest and most important office to which they can complain. Third, there is the district panchayat president. As mentioned earlier, this person is elected from the local or village level and the block level. Undoubtedly the Panchayati Raj reforms are meant to give this office more power but they certainly face challenges from the entrenched structures. In an effort to assess the relative power of each of these people, I interviewed the minister in charge, the CEO and the *zilla* panchayat president in one district and asked them to describe the internal division of responsibilities, especially in relation to how the appointment of doctors was handled. They came out with quite different and even contradictory answers.

The visit to the minister in charge strongly endorsed the more enthusiastic opinions expressed by many of those championing panchayat

reforms in India. He acknowledged that there was a serious problem in recruiting doctors in the state but said that the panchayat leaders had a central role to play in these matters. He considered that it was the CEO and the *zilla* panchayat president who had the real power of decision—but there was no 'controversy' between the president and the CEO although the former was an elected official and the latter a professional representative of the public administration. However, further into the discussion it turned out that the minister in charge thought that the *zilla* panchayat president had the greatest power of all. The CEO should be seen as the 'secretary' to the *zilla* panchayat president. But when asked the name of the *zilla* panchayat president, the minister in charge could only reply, 'some lady'. He did, however, know the name of the CEO.

The CEO for the district certainly knew the name of both the president and the minister in charge. He acknowledged that although 60 to 70 per cent of the urban areas were covered by doctors, the figure for rural areas was only about 20 per cent. And there was a serious commitment problem with the doctors. The CEO explained that doctors in the state made a minimum of INR 11,000–12,000 per month. State rules allowed doctors to run a private practice. However, between 8 am to 1 pm and 5 to 7 pm they had to be at their public sector job. No doubt he was aware that many of these doctors stayed in the private practice during these hours but he explained that 'We are short of doctors. We don't have any choice.' It was quite hard to get highly educated people to go to the really rural areas. Unqualified practitioners, he explained, covered 90 per cent of remote rural areas. When doctors did not show up at work, the district office took the complaint and then sometimes served a notice to the doctor, he said, and laughed, indicating the futility of this attempt to deal with the structural problems. '… if a man is not interested in living there, we cannot do anything.… If action is taken … doctor will go to private practice and not go to rural areas. In 5–10 per cent of cases action is taken—mostly it is seen as futile.'

The authority to appoint doctors was not regarded as a very useful power by this CEO. However, the division of labour within the District Governance Meeting was quite important, he thought. To him, he and

the minister in charge had a central role while, he said, 'at present, transfer power is not with the *zilla* panchayat [president]—she is looking after the rural development activities.'

This was certainly confirmed by the *zilla* panchayat president, and this is in stark contrast to the picture depicted by the minister in charge. She explained that her first years in this office were very difficult. She felt shy, did not dare to look people in the eye and was mainly told by other people what decisions had been taken. Now things were at least better. People consulted her now *before* decisions were taken about roads, health, irrigation and drinking water. She said that she was not certain about the impact of the PRI reforms, but she argued that many complaints had 'gone through' her and now people knew there was a channel to 'raise problems'. And there were, according to this president, many serious problems with the education sector—there were too few teachers and the children had no roof over their heads. She explained that she was trying to raise these issues in meetings. And there was a major problem in the health sector—there were hospitals but not many doctors. She had raised these problems too but that had little effect. I asked if she knew who appointed the doctors in the area. She answered 'Bhopal'. Then I asked if she had ever been consulted by the bureaucrats at the district level on the appointments of doctors for the area. She answered somewhat reluctantly that she may have discussed such issues at times. It was however quite clear that she was never consulted formally about this in meetings with the CEO and the minister in charge. Also, it seemed that she did not know who the minister in charge was. 'I may have participated in a *zilla sarkar* meeting—but I forget. Some time back there was a meeting to appoint 20 doctors to this area. But many don't come.'

In spite of challenges like these, there are many interesting indications that positive changes have followed the reforms. It should be noted that although this scheme focused on the relatively narrower question of literacy, in some ways it gave more power to the panchayats than the reforms in Kerala. In Kerala all the project proposals had to be discussed and approved by expert panels—mainly bureaucrats from the state government. The literature suggests that it was difficult to get enough people to sit on the panels and to find time to go through

the proposals. Therefore, the project proposals most likely reflected a great deal of variation in the efficiency of the panels. In Madhya Pradesh, however, a fairly straightforward set of conditions were established under which a panchayat could demand a certain type of educational service. If the specific conditions were met, then the panchayat had a stipulated *right* to receive something from the state within a well-defined time limit. In this way a power was transferred downwards that had guarantees attached—something which from one perspective is more daring for a state government to provide than funds for development where the state itself has a hand in deciding who should receive them. So some aspects of the Madhya Pradesh scheme were more radical than the Kerala project. In Kerala, however, the multitude of projects proposed could most likely take into consideration the great variation of needs at the local level, which also had its clear advantages.

However that may be, after a few years the Madhya Pradesh government was able to provide convincing figures showing the success of the programme and before long the international aid community was referring to it as a role model for other developing countries. For example, the EGS won the Gold Award at the first Commonwealth International Innovations Award in 1998. But the programme certainly had its critics. The regular educational establishment, for instance, felt bypassed and claimed that the standards of the teachers in the programme were too low. Also, the *guruji*s would receive only around 15 per cent of the salary of a regular school teacher in Madhya Pradesh and this was alleged to devalue the work of all teachers. But the proponents replied that the areas receiving the benefits of the scheme would otherwise have no educational alternative—so this was at least better than nothing.[42] Amita Sharma, who, together with R. Gopalakrishnan, had most responsibility for the programme, explains its advantages:

> This is not only an issue of logistics here … Schools are essentially local issues. You can compare the profiles of two kinds of teachers. You have the teacher managed by a centralised bureaucratic administration. This kind of teacher is bound to belong, predominantly, to a dominant upper caste, urban background, very highly educated and qualified, who has come into the teaching profession largely because he or she did not get a chance to go anywhere else.… Such a teacher is not motivated to

> spend his or her life in a rural backward school because there is a conflict between his life aspirations and his professional engagement. On the other hand, when you are going for a local teacher—an educated rural youth who belongs to that village, that neighbourhood, that Panchayat and definitely that socio-cultural area, certain things happen there. One, there is a strong cultural affinity—he is not teaching someone whom he has a kind of superficial attitude to, he is teaching people who belong to his community. The people definitely will have a greater faith in that kind of a teacher. So, the response is not one of some sort of alien visiting their school. And [the people] are willing to contribute much more to that school created by their local teacher. I am not simplifying issues, please. There is no 'romanticization' of the local here at all. It is just that the conflicts that are there, that surround the school, are more easily … have a better chance of being negotiated if the teacher is a local teacher and enjoys a cultural affinity and faith of the community around him or her.[43]

Encouraged by the literacy successes, at the turn of the millennium, Digvijay Singh initiated a new programme, similar in principle to the EGS but involving the health sector. In this project, the 'Health Guarantee Scheme', every village would have the right to a minimum level of health services and the panchayats would be able to nominate persons to receive health training and then return to work in the village or the area from which they came. It seemed that everything was in Digvijay Singh's favour when this programme was launched. The author had the opportunity to follow Chief Minister Digvijay Singh's work on these schemes for a period and accompanied him for one day in 2003 during his annual *Gram Sampark Abhiyan*—a tour which the chief minister takes in a helicopter to the more remote areas of the state and which lasts for about a week.[44] In the villages we visited, the need for basic services was strikingly acute, but there were also clear signs that the chief minister was well known and immensely popular—especially in the poorest areas. Therefore, the result of the 2003 elections came as quite a surprise—to me and to many other 'outside observers' who took insufficient account of the broader picture of politics in the state.

Digvijay Singh lost, it seems, not only because of some 'swing factor', which can be very unpredictable in majoritarian election systems. He really lost significant portions of the support of the electorate in 2003. While the support for BJP only increased by about 1 or 2 per cent

from the 1998 to the 2003 elections, the Congress (I) lost around 7 per cent of its support, which must be seen as a very high figure. This was substantially more than could even be ascribed to the anti-incumbency factor. Something had clearly alienated a sizable portion of the electorate during the last mandate period. The most likely cause of the loss was that although Digvijay Singh had showed significant support for the poorest in Madhya Pradesh, he and the Congress (I) had severely neglected other groups—certainly less needy ones, but still equally important for winning the elections.

Most observers with deeper insight into Madhya Pradesh politics point to the inability of the Congress (I) to service the infrastructure of the state. The lack of electricity, resulting in long and frequent power cuts, was not a problem addressed by Digjivay Singh's government although it made life in rural areas quite difficult. Also, the condition of roads all over the state deteriorated significantly during the 1990s. The consequences were strongly felt by ordinary people as well as business owners. An article in the magazine *Frontline* before the elections predicted that the government would meet some severe challenges:

> Public opinion at the moment does not favour any party, though the anti-incumbency factor is palpable in the urban areas. Says Churaiya Lal, who owns a tea stall in Bhopal: 'It does not matter which party comes to power, they still do not do their work. But we need to change the party so that everyone gets a fair chance. Small industries are dying, unemployment is on the rise, and the hike in electricity tariffs is making things worse.' According to a State-level Bankers Committee Report, the Madhya Pradesh government has shut down more than 12,000 small-scale industrial units over the past 10 years. The government's policy of shutting down public sector units has led to increasing unemployment in the organised sector. Says Kamal Singh Lodi, who used to work in a factory in the Govindpura industrial area in Bhopal: 'Only 25 per cent of the factories in this area remain open. Education and health are important issues, but what do we do when we do not even have work?' (Narain and Tripathi 2003)

So, to some extent the decentralisation reformers in Madhya Pradesh met a similar fate to that suffered by their counterparts in Kerala. Both states launched vigorous programmes for social reforms using the decentralised Panchayati Raj system to implement them. And in both

states the governments that initiated the programmes were voted out of office. However, as we observed in the case of Kerala, it would also be an error to assume that the elections were a referendum on PRI reforms in Madhya Pradesh. Other issues were also involved. And the reforms and projects carried out in those two states are interesting regardless of whether those instituting them remained in power or not. The main point of interest for us here is the effects of the reforms by the criteria we discussed in Chapter 2, namely, efficiency and democracy. So we will now deepen the discussion by considering the results of the survey carried out in these two states.

Measuring Perception of Power in the Villages

Surveying Kerala and Madhya Pradesh

Most of the empirical work for this study was carried out in 2001 and 2002. This is when the survey work and also the interviews quoted above took place in Kerala and Madhya Pradesh. The main study was preceded by a pilot study and a pilot survey in Madhya Pradesh in 2000 when questionnaires and scales were tested in the district of Rajgarh. Much work went into the translation of central concepts and into trying to determine the status of the many caste groups.

The scales that we used are all graded from zero to four, which was decided during the pilot survey. We tested vertical as well as horizontal scales with a different number of steps. We found that the most diversity in response could be captured with horizontal scales and where the interviewers were instructed to illustrate each step in terms of a meaningful quartile. This worked well, especially in Madhya Pradesh where literacy levels are low but where it is common to refer to measurements using the old '*anna*' coin denomination for comparison. Until 1957 (when the rupee was decimalised), 16 *anna*s would be equivalent to one rupee. Therefore, people still commonly say 'four *anna*s' when they want so say 25 per cent or one-quarter. So, after zero, we told people that the next step on the scale was equivalent to 'four *anna*s', the next 'eight *anna*s', and so on. The random sample was drawn from electoral rolls covering the areas selected. The surveys were carried out in 2001 with the help of the Madhya Pradesh Institute

of Social Science Research in Ujjain, Samarthan in Bhopal, Health Action by People (HAP) in Thiruvananthapuram and the University of Kerala, also in Thiruvananthapuram. The average response rate was about 70 per cent for the mass survey including all the 24 panchayats in the study. The survey personnel were informed of the background to the study, the ideas that guided the design of the questionnaires and the scales that were used. In the entire survey, women interviewed women and men interviewed men. In Kerala, 12 villages in two different blocks (Varkala and Athiyannoor) were selected in the district of Thiruvananthapuram. From them we drew a random sample of 592 citizens. In Madhya Pradesh 12 villages were selected in two districts (Shajapur and Rajgarh) and two different blocks (Khilchipur and Agar), and from these a sample of 571 citizens was drawn. In connection with the citizen survey we also carried out a survey where four to five teachers, health workers, panchayat leaders, or political leaders were selected in each of the villages. This resulted in 60 respondents from Kerala and 63 from Madhya Pradesh.

In the selection of villages we tried to avoid deviating from averages for the state in terms of income, ethnic composition, degree of homogeneity, and so on. This was hard to ensure since both states contain very diverse areas. So in a strict sense the sample can only be said to represent the 24 villages that were selected. We cannot know exactly to which extent we can generalise from these villages to the whole states. On the other hand, if we treat this study as an exploratory project where the villages are chosen on the best available information and are not totally untypical cases, then we can at least see the conclusions that are reached here as useful until larger-scale surveys prove them right or wrong. And, as mentioned in the first chapter, the fact that we chose two very different states in terms of development level allows us to identify which variables are more dependent on context and which ones are not.

Bringing bureaucrats, politicians and citizens closer together in Madhya Pradesh and Kerala

The remainder of this chapter will consider the extent to which the Panchayati Raj reforms have been able to provide more *democracy* and

effectiveness along the lines discussed in Chapter 2—at least from the perspective of the citizens.

We can say that according to the survey the Panchayati Raj reforms brought public sector employees substantially closer to the citizens—at least as the citizens saw it. One section of the questionnaire asked about the perceived distance between citizens and decision makers.[45] The final question in this section was phrased as follows: 'In India a reform of the panchayat system has been initiated. Do you think the panchayat reforms, in general, have changed the distance between decision makers, bureaucrats, public servants and citizens?'

The scale ranged from 'the distance has decreased' indicated by '0', to 'the distance has increased' indicated by '4'. A middle position was indicated by '2' and the text 'the distance is the same'. Although 55 per cent indicated that they thought the distance was the same, 37 per cent said the distance had decreased (see Table 3.1).[46]

Table 3.1
Perceived Change in Distance between Power Holders and Citizens

The distance between decision makers, bureaucrats, public servants and citizens, has/is: (n = 1160)		
Decreased	*The same*	*Increased*
37%	55%	9%

Interestingly, the results for Madhya Pradesh and Kerala were quite similar. In Madhya Pradesh 34 per cent and in Kerala 39 per cent indicated that the distance had decreased. However, there was a more striking difference between how men and women perceived the reforms (see Table 3.2). Among the women 67 per cent felt the distance was the same while only 44 per cent of the men held the same view; 28 per cent of the women indicated that the distance had decreased compared to 45 per cent of the men.[47]

It turns out that the difference between men's and women's perception was greatest in Madhya Pradesh where 47 per cent of the males thought the distance had decreased while only 18 per cent of the women held the same view. In Kerala, on the other hand, 36 per cent of the women said they felt the distance had decreased while 43 per cent of the men said the same.

Table 3.2
Perceived Change by Gender in Distance between Power Holders and Citizens

The distance between decision makers, bureaucrats, public servants and citizens, has/is: (n = 1160)					
Decreased		*The same*		*Increased*	
Men	Women	Men	Women	Men	Women
45%	28%	44%	67%	12%	5%

The evaluation must decide here whether the glass is half-empty or half-full. The fact that slightly more than half of the respondents indicated that there had been no change in the distance between the rulers and the ruled could be seen, by the pessimistic observer, as a failure of the Panchayati Raj reforms. In my opinion, that would be an unfairly harsh judgement. The fact that more than one-third of the respondents say they perceive the distance to the bureaucratic and political elite to have been reduced by the reforms is an achievement. It far outperforms other development projects in India and in other places in the world that have been regarded as successful. From a democratic perspective, the Panchayati Raj reforms seem to be moving India's democracy in the right direction—at least in parts of the country. Nevertheless, some are obviously moved more than others. Men indicate to a significantly higher extent than women that the distance has decreased. Therefore, it is important to go deeper into the power dimension and see if this pattern remains and if others can be revealed.

Effects of decentralisation on political influence

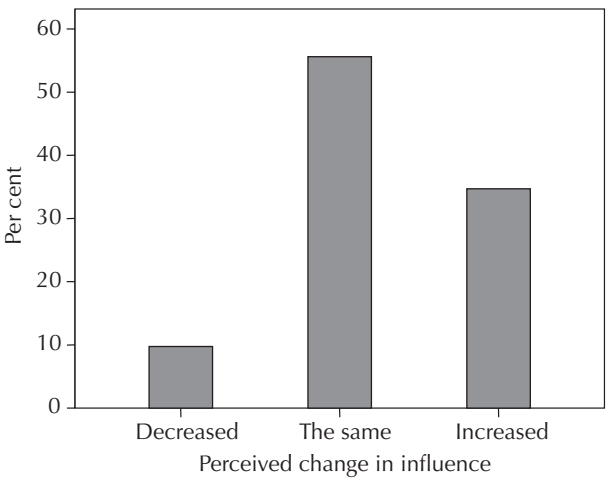
The next question is whether the citizens think the panchayat reforms have affected their ability to influence politics at all. Do they feel they have been given more power? As stated earlier, this question is central when evaluating performance in the light of an allegedly increasing 'democratic deficit' around the world—as expressed in India,[48] the US and the European Union.[49] Simply put, democracy means that citizens feel they have a say in important political matters. If they feel that they have too little influence in politics, the 'democratic deficit'

may threaten to undermine the legitimacy of the democratic system. And the common cure advocated today for this is decentralisation (see Chapter 2). Therefore, we will look at how people answered the question: 'Do you think the panchayat reforms have affected the level of influence that citizens have on local governing bodies and services provided by the state?'

The respondents were given a five-grade scale on which to indicate their opinion, or more exactly they were asked to 'Please indicate on the scale how the level of influence may have changed'. At the left end of the scale, '0' was accompanied by the text 'the level of influence has decreased'. At the right end of the scale, '4' corresponded to 'the level of influence has increased'. In the middle of the scale, at the position '2', the text was 'the level of influence is the same'. In the graphic illustrations here, we have totalled all responses ranging from 0 to 1 in one group labelled 'decreased', those ranging from 3 to 4 in one called 'increased'.

Looking at the results of the whole survey in Figure 3.2 we can see that a clear majority thinks that 'the level of influence is the same'. However, the mean value is 2.35 on this scale ranging from 0–4, which indicates that an important section of the population perceives

Figure 3.2
Panchayat Reforms and Influence



that there has been an increase in the level of political influence as a consequence of the reforms.

Thirty-five per cent of respondents indicated an increase in influence while only 10 per cent considered that their influence had decreased.[50]

At this level the results from Kerala do not differ greatly from those from Madhya Pradesh. In the areas surveyed in India, more than a third of the population think the panchayat reforms have had a positive impact and, therefore, we can conclude that the Panchayati Raj reforms provide us with a case that goes against a trend in many other democracies—for example, the European Union, which is smaller but has vastly greater economic resources than India. In short, India provides examples of improving performance of the democratic system and decreasing democratic deficit.

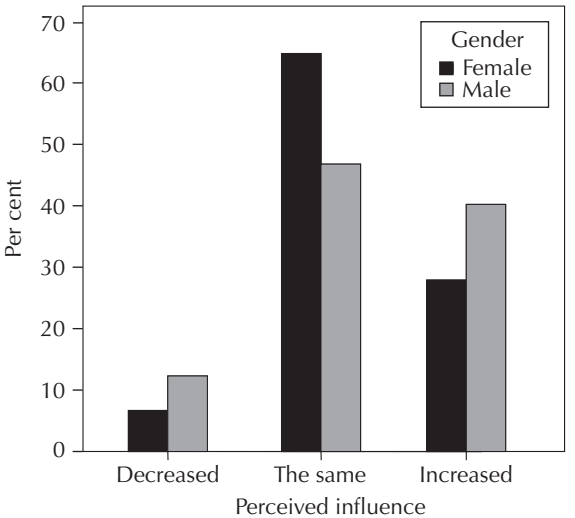
However, it is important to ask whether some groups in society seem happier with these reforms than others. Therefore, we need to try to explain the perception of the Panchayati Raj reforms in the areas surveyed in this study. We will do this by looking at the bivariate correlations between perceptions of the reforms and gender, economic status, caste, education level and social capital. The ideas underlying these choices are explained under each section. Finally, all these variables will be tested in a larger model, where a multivariate OLS regression is carried out and all these variables are examined together to discern the effects on perceptions of the reforms.

Gender

There are two initial hypotheses of how gender may affect the perception of the Panchayati Raj reforms. The first is that women might be expected to be more positive towards the reforms than men since the reforms makes it mandatory for one-third of all seats in all elected bodies to be reserved for women. However, it is also easy to imagine that men may be more positive to this reform since, regardless of the reservation of seats, its net effect in a patriarchal society is to give men at the local level more power. In a strongly patriarchal society the reservation of seats for women would only mean that men would rule through the elected women.[51] The survey gives some answers here.

To begin with, looking at Figure 3.3, it seems that men are in general rather more pleased with the Panchayati Raj reforms than women.

Figure 3.3
Gender and Panchayat Influence



About 28 per cent of the women, compared with 40 per cent of the men, indicated that their influence had increased. From a normative perspective the positive general impression of the reforms becomes more diluted. On the one hand, it is clearly indicated that the reforms have had a clear impact since not too far from half the proportion of men saw a positive change. However, not even a third of the women had the same experience. But we may also conclude that, from a gender perspective, the reforms do not imply a zero sum game—men and women may be pleased by the reforms at the same time, although men in this case like it more. Also, it is at least worth mentioning that 12 per cent of the men thought their level of influence had decreased, while only 7 per cent of the women thought theirs had.

The political context is important here. Table 3.3 shows the results of a bivariate regression after separating the data sets from Madhya Pradesh and Kerala. It turns out that in Kerala, which is a state known for greater gender equality, the difference between men and women

Table 3.3
Bivariate Regression: Gender and Influence

Effect of gender on attitude to Panchayati Raj reforms	*Constant*	*B*	*S.E. of B*	R^2	*N*
Kerala	2.405	–0.106	0.082	0.003	572
Madhya Pradesh	2.153	0.334*	0.077	0.034	538

Note: * Significant at 99 per cent level of confidence.

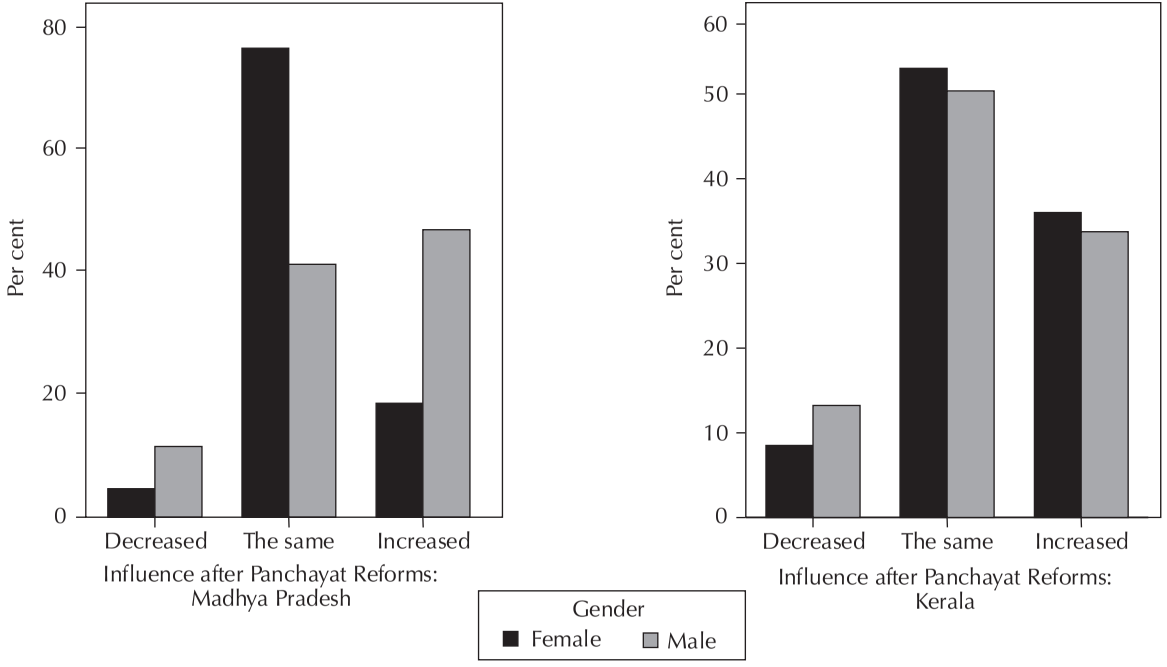
is not decisive in the perceptions of the reforms, that is, gender cannot predict the attitude to the reforms. In Madhya Pradesh, however, if we switch from the category women to men, we will move about 33 per cent of one scale step from the left side of the scale to the right—from the perception that there is less influence towards the perception that the level of influence has increased.

This relationship is also visible in Figure 3.4, which contains bar charts displaying the distribution of responses from the two states.

Consequently, it seems that in Kerala men and women have similar perceptions of the reforms and, if subjective statements are anything to go by, are gaining equally from it. This is interesting, since the reforms include a reservation scheme for women.[52] In Madhya Pradesh, however, the reservation scheme does not seem to compensate enough for men and women to feel they gain equally. More men than women (12 versus 7 per cent) say they have lost power because of the reforms, but it is more striking that 19 per cent of the women think that the reforms here led to more power while the corresponding figure for men is 47 per cent.

What conclusion can we draw here about reservation for women? Can we conclude that a reservation scheme is necessary in order to give men and women an equal feeling of empowerment? Not necessarily. It could be that, since Kerala is such a literate state, women might have felt that they had gained power to the same extent as men even without a reservation scheme. To answer this question we would have needed two cases for comparison: one being Kerala (or Madhya Pradesh) with its reservation scheme and the other a state very similar to Kerala (or Madhya Pradesh) but without the reservation scheme. Unfortunately, such comparisons were not possible from the available data. However, the general results of this study, in combination with what has been

Figure 3.4
Influence after Panchayat Reforms in Madhya Pradesh and Kerala



revealed by Chattophadyay and Duflo (2004), give the impression that at least reservation for women has not worked against gender equality. Instead it has most likely promoted it. When discussing the uneven implementation of reforms of the Panchayati Raj institutions the impression received was that in states that were slow to implement the reforms women would not even get close to the institutions of power. In places where the reforms were implemented women had a hard time making their voices heard, as indicated by the interviews presented earlier in this chapter. But at least women would take important positions that could in time lead to greater influence. So, while women are slowly gaining power in Madhya Pradesh, it seems that the reforms have led a more dramatic improvement for the men at the local level. Will a similar pattern be repeated when we look at caste?

Caste

In this survey we have asked people to say how they relate to both the *varna* and *jati* categories of caste. However, here we will mainly discuss the *varna* category in a largely Hindu-dominated setting. Caste is interesting for the same reason as gender and economic status. We are interested in finding out if all sections, or only the stronger sections, of society are gaining from the decentralisation reforms. However, it is not easy to determine the influence of caste, not least because of the difficulty of ranking caste categories.

We have tried to rank *jati* categories as high, middle or low caste mainly from a cultural status perspective. If rigid standards are applied, this is an impossible task since there is no homogenous view of the ranking of all *jati*s. A finer ranking of many *jati*s depends simply on who is asked. However, what we aim for here is only a rough estimate—a crude categorisation of castes perceived as low, middle or high. We have discussed all the caste categories, more than 40 in this survey, mainly with survey leaders from the districts. In this categorisation high caste groups are those which are closely associated with the *varna* categories, *brahmin*, *kshatriya* and to some extent *vaishya*. The middle group includes some *jati*s often associated with *vaishya* but also several groups listed in the states as other backward castes (OBCs).

Several 'upper *sudra*' groups are included here. The low caste group consists mostly of lower *sudra* and *jati* groups listed as scheduled castes in the state. In Table 3.4 a cross-tabulation presents these groups distributed percentage-wise in relation to the question of influence.[53]

Table 3.4
Cross-tabulation: Caste and Influence

	Caste categories		
	High	*Middle*	*Low*
Influence decreased	10.5%	11.6%	3.8%
Influence the same	60.2%	53.8%	40.6%
Influence increased	29.4%	34.7%	55.6%
Total	100%	100%	100%

To begin with, we can see that about 10 per cent of the high and middle caste group say they have lost influence because of the Panchayati Raj reforms, while less than 4 per cent of the low caste groups hold the same view. About 60 per cent in the high caste group say their influence is the same, as opposed to about 54 per cent of the middle caste and 41 per cent of the low caste groups. Almost 30 per cent of the high caste group and about 35 per cent of the middle caste group think there has been some or a definite increase in influence on power because of the reforms. It is interesting to note that about 56 per cent of the members of the low caste group say their influence has increased, which is much higher than the average of 35 per cent for the whole group. This tells us that the reforms are generally more appreciated by low caste groups. However, it is not certain how caste rank determines this view. Following the model applied to gender we also have to look at the bivariate regressions displayed in Table 3.5 below.

Table 3.5
Bivariate Regression: Caste and Influence

Effect of caste on attitude to Panchayati Raj reforms	*Constant*	*B*	*S.E. of B*	R^2	*N*
Kerala and Madhya Pradesh	2.559	–0.151*	0.043	0.014	844
Kerala	2.042	0.264*	0.080	0.031	342
Madhya Pradesh	2,853	–0.344*	0.050	0.086	502

Note: * Significant at 99 per cent level of confidence.

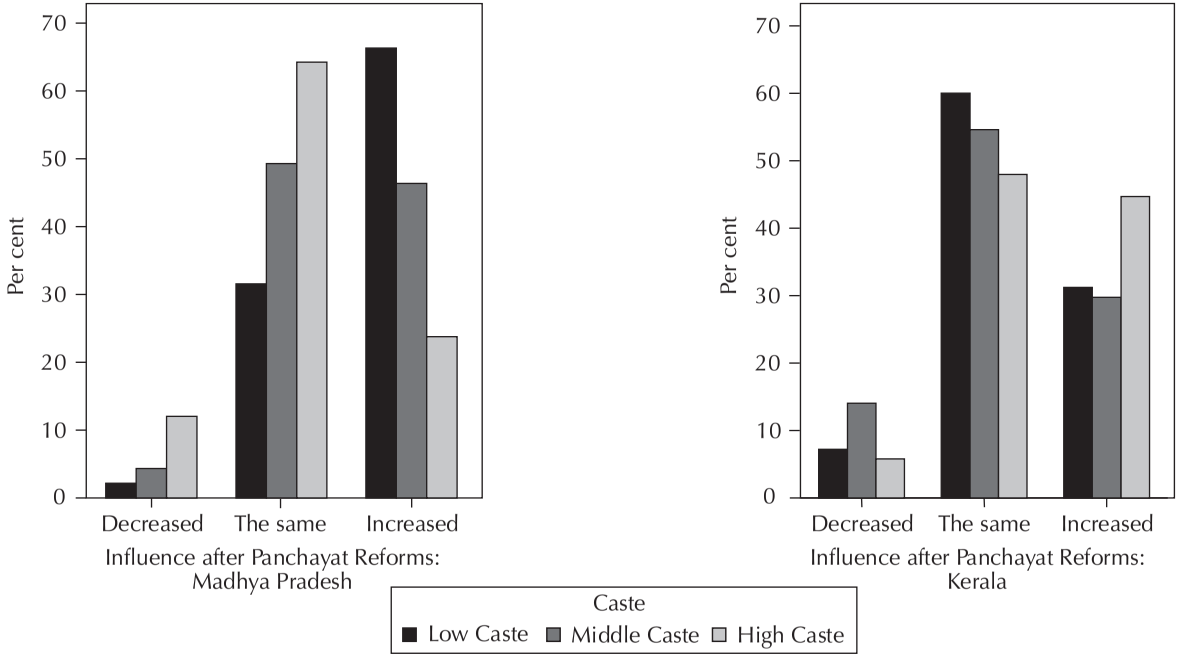
Looking at the results for the whole sample we see that there is a significant correlation where people belonging to low caste groups tend to reply that influence has increased more often than respondents belonging to a high caste group. If we move from the category low caste to middle, or from middle to high, the perception of level of influence goes down by about 15 per cent of one scale step. The explanatory value of this model, however, was not particularly impressive. Here again, it is clear that it is advisable to treat Kerala and Madhya Pradesh as separate cases when analysing perceptions of the reforms and the role of caste.

Looking at the results for Kerala in Figure 3.5 we see that the influence of caste on the opinion about influence is the opposite from that in Madhya Pradesh. In Kerala, individuals of high caste tend to think they have gained power more than members of middle and low caste groups. In Madhya Pradesh, however, and more decisively, low caste members tend to think they have gained in influence in comparison to middle and high caste members.[54] If we would go from the middle caste category to the low caste category we could expect a move of about 34 per cent of a scale step from a perception of less to more influence.

We can now summarise some of these results and further illustrate them with some simple percentages. In Madhya Pradesh, the decentralisation reforms are highly appreciated among low caste groups. Very few members of this category thought they had lost power from it (2 per cent) and a majority (66 per cent) thought they had gained. In comparison, 12 per cent of the high caste members said they had lost power and only 24 per cent said they had gained. In Kerala, 7 per cent of the low caste members thought they had lost from the reforms in comparison to 6 per cent of the high caste members. In the high caste category 45 per cent of the respondents said they had gained from the reforms while 32 per cent of the low caste members said they had gained.

Most likely we are seeing something here which is also true for the gender variable. For historical, political and cultural reasons, Kerala has created a level of development where the level of education is high for all caste groups and both genders. In this survey 3 per cent of those

Figure 3.5
Caste and Influence after Panchayat Reforms in Madhya Pradesh and Kerala



surveyed in Kerala said they had no education and were illiterate, while the corresponding figure for Madhya Pradesh was 66 per cent. An additional 10 per cent in Madhya Pradesh claimed to be able to write their name but could not read. The corresponding number for Kerala was 3 per cent. In other words, in Kerala about 6 per cent of those surveyed were functionally illiterate in comparison to about 75 per cent in Madhya Pradesh. So, in a situation where the general level of education is high, the effect of gender and caste is small or insignificant—men *and* women, low *and* high castes may perceive that they gain or lose almost equally from the reforms. Where the level of education is low, decentralisation may imply that old inequalities persist (fewer women than men say they have gained from the reforms) or that old inequalities seem to be challenged (low caste groups tend to say they have gained power more often than high caste and middle caste members). The level of education can obviously decide the political importance of these identities.

However, before we summarise the picture from the survey of who gains the most and the least from these reforms, we still need to look at the bivariate relationship between education and our dependent variable. Also we need to consider the classic variables of income, social capital and age of respondents.

Education and income

We should expect both education and income to have an impact on how the reforms are perceived. Education, as we discussed briefly earlier, is generally seen as one of the most important tools for gaining equality, asserting the rights of the individual and achieving power in society. Naturally, we should expect that those who are better educated may also be the ones that gain more from a reform. Income or economic power is similarly regarded, and these two variables are naturally correlated. In simple terms, moving up one position on the education ladder will give an extra income of about Rs 600 per month according to this survey.[55] This should be kept in mind later when we perform the multivariate regression.

Education was measured on the eight-grade scale shown in Figure 3.6. In Table 3.6 we see that although the relationship between education

Figure 3.6
Education Levels

[VAR 140] 9. What is your level of education?
01 = none and illiterate
02 = none, but can write her/his name
03 = none but literate
04 = primary school
05 = middle school
06 = secondary or technical school
07 = college
08 = university or polytechnic

and opinion about the reforms is significant for the whole sample, the effect of education on the perception of performance is not impressive. In Kerala, when studied separately, the effect is even less noticeable. We can be very certain that the level of education will move in tandem with the perception of influence, but the move of one scale step is hardly noticeable. However, the situation in Madhya Pradesh is different; the more educated a person is there, the more likely it is that the person will feel that influence has increased. Moving one step up the education ladder will result in moving about 20 per cent of the distance of one scale step, from left to right, on the influence scale.

Table 3.6
Bivariate Regression: Education and Influence

Effect of education on attitude to Panchayati Raj reforms	*Constant*	*B*	*S.E. of B*	R^2	*N*
Kerala and Madhya Pradesh	2.114	6.542E-02*	0.013	0.022	1107
Kerala	2.016	6.560E-02**	0.029	0.009	570
Madhya Pradesh	1.924	0.219***	0.025	0.126	537

Notes: * Significant at 99 per cent level of confidence.
** Significant at 95 per cent level of confidence.
*** Significant at 90 per cent level of confidence.

In a survey, however, income is more difficult to investigate than level of education. People tend to be extremely suspicious of questions relating to weekly or monthly income. In this study, people were more suspicious about income-related questions than, for example, those

about caste. In this survey, 43 per cent of the respondents were unwilling to disclose their income, which may be compared with about only 3 per cent of the respondents who were unwilling to discuss their *jati*. Therefore, for our purposes here we will mainly use the response to a question about the kind of house in which the respondents lived.[56] This works as an indicator of economic status and as a proxy for income, although it is quite a crude measurement. The respondents could indicate their living standard with the guidance of the formulation in Figure 3.7.

Figure 3.7
Housing Standard

[VAR 310] 20. In what kind of house do you live?
01 = *Kutcha* (hut or non-brick)
02 = Semi-*Pucca* (asbestos, tile)
03 = *Pucca* (solid brick)

Looking at the effect of house type on the attitude to reforms, the bivariate regression in Table 3.7 reveals that a significant relationship can be established between the two variables. The better people live, the more political influence they perceive to have gained from the reforms. However, the effect in Madhya Pradesh is significant, while the contrary is true in Kerala.

Table 3.7
Bivariate Regression: Housing and Influence

Effect of house type on perception of influence after Panchayati Raj reforms	*Constant*	*B*	*S.E. of B*	R^2	*N*
Kerala and Madhya Pradesh	2.212	0.121*	0.045	0.012	1106
Kerala	2.402	–0.029	0.074	0.000	569
Madhya Pradesh	2.147	0.393*	0.054	0.091	537

Note: * Significant at 99 per cent level of confidence.

This is interesting since in the previous discussions we saw that a group generally recognised as low caste, suffering discrimination, was the one that tended to be more positive about the effects of the reforms. Here we see that people who make more money in Madhya Pradesh

like the reforms more than those who make less.[57] Does this suggest that in Madhya Pradesh the reforms can be pro-low caste and pro-rich at the same time? This is unlikely if caste and income are strongly correlated. However, neither in this survey nor in other studies has a strong correlation between caste and income been established (Chibber 2002: 248, n.12). Naturally this is not to say that social status and caste are not correlated—they are. Social status and income, however, have a flexible relationship (Krishna 2002).

Social capital

We restrict the discussion and analysis of social capital here to a brief look at the influence of membership of voluntary organisations on the view of how much influence has been gained from the reforms. From a social capital theory perspective, it is easy to imagine that people who are mobilised in voluntary associations or political organisations are better equipped to take advantage of the decentralisation reforms. As Hans Blomkvist (2003) and others argue, the membership of voluntary associations works as a proxy for social capital. In this study, we asked people about their membership of unions, political parties and all other types of voluntary organisations. A dummy variable was created where membership of a category would be counted as one point. The results for both states are displayed in Table 3.8.

If we look more closely at the data set of the membership categories we see that in the 'other types of voluntary organisations' category, the Keralites are again much more engaged than the people in Madhya Pradesh. In Kerala almost 70(!) per cent of the citizens are members of 'another' type of voluntary organisation, as compared to 22 per cent in Madhya Pradesh. However, what drives up the numbers in Kerala is membership of 'cooperative banks' of various kinds. Had Keralites not been members of such organisations their membership of civic organisations would have been 28 per cent—not dramatically higher than the corresponding figure in Madhya Pradesh. Also, only 7 per cent of the citizens surveyed here have union membership, both (!) in Madhya Pradesh and Kerala. Perhaps even more surprisingly, political party membership is more common in Madhya Pradesh (21 per cent)

Table 3.8
Cross-tabulation: State and Membership of Organisations

		State		
		Madhya Pradesh	*Kerala*	*Total*
Membership of civic organisation, political party, and/or union.	No membership			
	% within state	68.0%	29.7%	
	% of total	27.1%	17.9%	45.0%
	Membership of one category			
	% within state	21.4%	55.4%	
	% of total	8.5%	33.3%	41.8%
	Membership of two categories			
	% within state	8.1%	10.0%	
	% total	3.2%	6.0%	9.2%
	Membership of three categories			
	% within state	2.6%	4.8%	
	% total	1.0%	2.9%	3.9%
Total	% within state	100.0%	100.0%	
	% total	39.9%	60.1%	100%

than in Kerala (14 per cent)! This could be interpreted as a result that poses some problems for Reynolds and Harilal, who argue that the strong labour movement in Kerala can explain the high standard of living in the state. If union membership in Kerala and Madhya Pradesh is similar, then why is the standard of living in Madhya Pradesh not higher? However, it should be remembered that membership frequencies do not tell us everything. It is possible that the labour movement in Kerala has another level of activity, a stronger core of mobilised members and a different political context, than that of Madhya Pradesh, which then explains different outcomes. And naturally we should remember that these results are not necessarily representative of the states as a whole. Nonetheless, it is intriguing to notice that the Keralites are not so inclined to be members of organisations as the literature, sometimes with unfortunately strong political undertones, otherwise suggests.[58] The results from the areas sampled here may indicate that it is time for some re-evaluation of the level of political culture in both Kerala

and Madhya Pradesh. Madhya Pradesh should perhaps be recognised as having a more thriving political and civic culture than is generally realised—something which makes it even less of a *bimaru* state. And, more dramatically, the picture of Kerala as a state of politically strong and highly engaged citizens is challenged when we see that it is little different from Madhya Pradesh and may even lag behind it. However, it is wise to be cautious in generalising too much from these results—at least until more evidence is collected.

From Table 3.9 it appears that the effect of social capital on the perception of influence in politics is not impressive if we first look at the whole sample and the results from Kerala. In fact the results from both states together do show a significant relationship between membership of organisations and the attitude to the reforms. However, the effect is very limited. Membership of an organisation will only move a respondent 0.07 step from left to right on the scale of perceived political influence. In Madhya Pradesh, however, a significant positive correlation can be seen, where membership of some kind of voluntary organisation will make an individual more inclined to think that his or her influence in politics has increased.[59] Membership there will move the respondent one quarter of a step from left to right on the political influence scale.

Consequently, we find that social capital can play the most important role when other resources such as education and income are lacking. In Kerala, where the distance between the poorest and wealthiest is smaller and people in general are connected with some organisation or the other, the variation of this variable has less impact.

Table 3.9
Bivariate Regression: Membership of Organisations and Influence

Effect of social capital on attitude to Panchayati Raj reforms	*Constant*	*B*	*S.E.*	R^2	*N*
Kerala and Madhya Pradesh	2.384	7.187E-02*	0.040	0.004	919
Kerala	2.333	2.802E-02	0.054	0.000	559
Madhya Pradesh	2.441	0.251**	0.063	0.043	360

Notes: * Significant at 90 per cent level of confidence.
** Significant at 99 per cent level of confidence.

Age

Age, according to this study, has very little effect on the perception of influence in politics. This 'non-result' is interesting, especially in India where age is commonly seen as a factor that may determine influence in politics, since it tells us that the Panchayati Raj reforms do not seem to discriminate against or favour any particular age group. Old people say they have gained or lost as much power as young ones do in the survey.[60]

The whole model examined

Finally, we will look at how all these variables interact when trying to explain the attitude to the Panchayati Raj reforms. The results of a multivariate regression using the whole sample are presented in Table 3.10.

Table 3.10
Multivariate OLS Regression, Model A: Madhya Pradesh and Kerala

Model A	*B*	*S.E.*	R^2	*N*
			0.091	653
Constant	2.237*	0.105		
State	–0.823*	0.117		
Gender	0.042	0.079		
Education	0.119*	0.027		
Housing (economic standard)	–0.198**	0.063		
Caste	–0.067	0.049		
Organisational membership	0.070	0.052		

Notes: * Significant at 99 per cent level of confidence.
** Significant at 95 per cent level of confidence.

Creating an ambitious model for explaining a certain phenomenon may produce an anti-climactic effect. This model explains about 10 per cent of the variation in the dependent variable which describes perception of the level of influence people have in relation to the Panchayati Raj reforms. In other words, 90 per cent of the variance is explained by other factors than those examined here. However, an examination of how each variable is related to the phenomenon we are trying to explain is crucial in the scientific process. It seems that education and

economic status are variables that produce robust correlations even in the more complex model.

But the strongest correlation is produced by the variable 'state'. This was perhaps unexpected, since general opinions of the reforms appeared similar when we compared Kerala and Madhya Pradesh. About 35 per cent of people in both Kerala and Madhya Pradesh said that influence had increased. About 11 per cent of the respondents in Kerala said that influence had decreased and about 9 per cent said the same in Madhya Pradesh. In Kerala and Madhya Pradesh, 54 and 57 per cent, respectively, said the level of influence was the same in the respective states. Consequently, a bivariate regression shows that the variable 'state' has no explanatory value for understanding the opinion about power. The multivariate regression, however, reveals that the 'state' is very important. When we control other variables, such as caste, gender, and so on, we see that moving from Madhya Pradesh to Kerala will move us almost one full scale step from right to left on the scale where people have expressed their opinion on influence. In other words, fewer people in Kerala than in Madhya Pradesh tend to think they have gained power from the decentralisation reforms when controlled for other variables. The reason for this could be the different caste compositions in areas surveyed in the two states. In Kerala about one-third of the respondents belong to a high caste, while two-thirds of the respondents in Madhya Pradesh belong to a high caste. But there are many other differences between the two states that could be more important. We, therefore, end this examination by looking at what happens when we run the whole model again but separately for each state. In Table 3.11 we can see the results of applying the model using only the data from Kerala.

Model B (Table 3.11) explains slightly less than model A (Table 3.10). Interestingly, housing no longer produces a significant correlation; caste and organisational membership do. The model for Kerala was also tested without the caste variable. This allowed the Christians and Muslims to become a part of the test and N was brought up to 554. Then the role of education remained important while the role of civil society diminished. The relationship between the opinion on influence and education is still significant, although the effect is limited. When we use the model only on the survey carried out in Madhya Pradesh, we see more decisive results (see Table 3.12).

Table 3.11
Multivariate OLS Regression, Model B: Kerala

Model B	*B*	*S.E. of B*	R^2	*N*
			0.070	330
Constant	1.664*	0.265		
Gender	–0.156	0.109		
Education	0.079**	0.040		
Housing (economic standard)	0.129	0.100		
Caste	0.348*	0.087		
Organisational membership	0.189**	0.077*		

Notes: * Significant at 99 per cent level of confidence.
** Significant at 95 per cent level of confidence.

Table 3.12
Multivariate OLS Regression, Model C: Madhya Pradesh

Model C	*B*	*S.E. of B*	R^2	*N*
			0.246	323
Constant	2.373*	0.117		
Gender	0.225**	0.105		
Education	0.094*	0.035		
Housing (economic standard)	0.378*	0.076		
Caste	–0.268*	0.056		
Organisational membership	0.040	0.069		

Notes: * Significant at 99 per cent level of confidence.
** Significant at 95 per cent level of confidence.

The model when used only for Madhya Pradesh may account for a quite impressive 25 per cent of the variation in our dependent variable. In the social sciences, this is unusually high. Also, we see that gender, education (although the effect is limited), housing and caste have a significant relationship with the perception of influence. Men tend to perceive that influence has been gained, more than women. Better educated people and those who live well think they have gained in influence more than those who are less educated and who live in houses of poor standard. However, low caste members tend to think they have gained in power in comparison with those who are members of a middle or high caste. Membership of organisations and social capital have no effect, it seems, in this context. It is time to see if we can draw some general conclusions from the analyses so far.

Conclusions

The Panchayati Raj reforms aim to bring power closer to the people. Power may be passed downwards in the bureaucratic hierarchy, but more important, power may be moved from the bureaucrats to the people's elected representatives. In both Madhya Pradesh and Kerala, such a transfer has been emphasised in the reforms. However, in cases were state leaders have taken the step of supporting the Panchayati Raj institutions and transferred powers, conflict has arisen with the bureaucrats who previously ruled supreme. The panchayat is then to some extent a means of side-stepping bureaucrats with entrenched interests. This has happened in Madhya Pradesh with the Education Guarantee Scheme (EGS) and before this study, Wade (1994) showed how such a move can be necessary in order to promote change where corruption is high. In any case, although this study does not allow us to examine the mechanisms at work in detail, yet we can see a rise in literacy in Madhya Pradesh as a consequence of decentralising educational reforms such as the EGS. In Kerala, it also seems that the People's Campaign had a significant impact and that the panchayat institutions played a crucial part. In both Madhya Pradesh and Kerala the citizens surveyed think their political influence increased because of the reforms.

The survey tells us that more than a third of the respondents think the Panchayati Raj reforms are bringing more power to the citizens. This is undoubtedly a success for both Kerala and Madhya Pradesh and in a more general context we see that India has provided a solution that increases people's faith in democracy. However, the answer to the follow-up question 'which people?' is a bit less coherent.

At a general level, we have seen that people living in Kerala think they have gained power from the Panchayati Raj reforms to the same extent as those living in Madhya Pradesh. In both states education is to some extent important in shaping the opinion about influence.[61] However, many of the similarities end here. The multivariate regression models revealed that the general context of which state one lives in is the most important factor in shaping opinions when other variables are controlled.

When we look only at Kerala, the model we use has limited explanatory value. The most intriguing result is perhaps that organisational

membership is important to the perception of influence—the more people are members of organisations, the more they think they gain in influence. This is consistent with the social capital theories mentioned earlier. However, the most stable factor was certainly education—and from this we cannot expect very much variation since the level of education is high in Kerala in general. But when we look at Madhya Pradesh, organisational membership or social capital no longer seem important when we control other factors. A possible reason for this is the influence of the level of education. We may assume that in order for social capital to be effectively utilised for political mobilisation, there is something like a threshold in the level of human capital which can work as either a block or a facilitator—a threshold that has definitely been overcome in Kerala. Also, by comparing the results from Kerala with those from Madhya Pradesh we can hypothesise that when the literacy level rises above a certain point, identities such as gender and caste become less important for political mobilisation.

Finally, returning to the results from Madhya Pradesh, besides gender, caste and education, we see that physical capital is also important when the human capital resources are low. Housing or economic standard is a very important factor in the model in Table 3.12 when we control other variables.

Consequently, we may conclude that in a setting where the level of human capital is high, gender, caste, to some extent, and economic resources become less important in determining perceptions of the effect on political influence when a decentralisation scheme is implemented. On the other hand, where the level of human capital is low, gender, economic standard and caste will act as important predictors of the perception of influence. However, these factors do not work in a one-sided way. People in good financial circumstances and males perceive that they gain, but so also can members of low caste groups. The one category that lags behind, despite the reservation policy mentioned in the beginning of the paper, is the women. But the reforms cannot be dismissed on such grounds. Women still think they gain in power from the reforms. Therefore, a political player who wants to promote reforms for equality in a setting like Madhya Pradesh needs to be reminded that gender is a social identity that is even more difficult to tackle than caste.

We cannot, however, conclude our investigation here. All the results so far have focused on the subjective aspects of power—to what extent do citizens perceive that power has been given to them. Surely, it seems clear that the schemes in Madhya Pradesh and Kerala which have relied heavily on the village panchayats for implementation and design have had a profound impact. From this perspective India's democracy has been made to work better. Nonetheless, in order to see whether decentralisation has brought democracy *and* whether the economic values have been catered for, we have to take the study a few steps further and include in the evaluation performance indicators that relate to corruption, in particular, and also ones that have been collected outside the survey. This will lead us to an empirical landscape containing important surprises. We begin with a closer look at the phenomenon of corruption, and then go on to search for possible connections with decentralisation and other factors that the literature tells us must be investigated.

Notes

1. Naturally estimates vary and certainly many people who are involved in the agricultural sector in India perform other work tasks as well. For some information on the number of employees in the IT sector in India, see Kulkarni and Prayag (2006). For a rough estimate of the number of employees in the agricultural sector, see Dey (2006).
2. Parts of this chapter were included in its early versions in Widmalm (2005) and Widmalm and Tralau (2003).
3. Naturally studies of the performance and outcomes of the reforms are available. See, for example, Behar and Kumar (2002), PRIA (200), Vijayalakshmi and Chandrashekar (n.d.), Chattopadhyay and Duflo (2004), Behura and Panigrahi (2004), Varatharajan, Thankappan and Jayapalan (2004), Chathukulam and John (2000). Some of these will be discussed later in this chapter.
4. See Widmalm and Tralau (2003).
5. For a recent and general critique of this, see Easterly (2006).
6. It is taken for granted here that the autonomy at the most local level is just as relevant as powers at state level to an understanding of the federal character of a state. For a more detailed discussion of this, see Burgess and Gagnon (1993). For a special consideration of this with relation to Russia, see Sigfridsson (2002).
7. Besides what is mentioned more specifically subsequently, interviews for this chapter and section were carried out with Thomas Isaac (Kerala) in 2000 and with Digvijay Singh (Madhya Pradesh) in 2001 and 2003.

8. These are: the Andaman and Nicobar Islands, Chandigarh, Dadra and Nagar Haveli, Daman and Diu, Lakshadweep and Pondicherry.
9. See for example Kohli (1990).
10. After Nehru's death, Lal Bahadur Shastri served as prime minister for 19 months before Indira Gandhi came to power.
11. This is regulated in Articles 356 and 357 of the Constitution.
12. For a very interesting study on the Panchayati Raj institutions, but one using different methods and approaches to those employed here, see Kumar (2006). Also see Jain (2005). Although it contains some strong biases, one of the most comprehensive accounts of the historical evolution of the Panchayati Raj system up until the late 1960s was given by Henry Maddick (1970).
13. See Mathew (2000: 4–5). See also Maddick (1970: 14–21).
14. See also, Verma (1992: 38–44), Singh (1990), Sivanna (1990), Inbanatahn (1994).
15. Crook and Manor (1998) present one of the most interesting analyses available of the case of Karnataka.
16. See Jain (2005), Mathew (2000), Johnson (2003).
17. Actually, that is the average according to the writers for the Jalanidhi project in Kerala (Jalanidhi).
18. See also Sigfridsson (2002) who develops such arguments but mainly with reference to Russia.
19. Although slightly anticipating the study and the empirical results, it may be mentioned that Chattopadhyay and Duflo (2004) present an important evaluation of how these reforms have given women in India more power.
20. Also, see Government of Kerala (1994: Chapter 15, section 170).
21. For example, several important changes were made to the Panchayat Raj Act in 1999. Noteworthy examples are Section 3A, which regulates the 'Powers, functions and rights of the *Grama Sabha*', Chapter 15, which regulates 'Meetings, Powers, Functions, Duties, and Property of panchayats', Chapter 19, which regulates 'Finance and Taxation'. Changes in 2001 regulate the 'Ombudsman for Local Self-Government Institutions' (Chapter 25 B).
22. However, this assessment is far from free of problems and possible counterargument. For example, John and Chathukulam (2003) observe that although the processes of planning projects have been ambitious, Kerala scores fairly poorly in their decentralisation index.
23. The calculation is based on figures from Isaac (1998: 3). Also see Isaac and Harilal (1997).
24. See Isaac (1998, 2000), Isaac and Harilal (1997), Heller (2001).
25. Each *gram* panchayat should have between 10 and 20 members, depending on the size of the population it represents. See SAHAYI (2000), Government of Kerala (1994: Chapter 3, Section 6).
26. See, for example, Isaac (2000).
27. Anonymous interviewee.
28. Some of the impressions collected here certainly run counter to claims made by John and Chathukulam about the effects of the reforms and their impact on civil society. See John and Chathukulam (2002).

29. In the 2006 elections, the CPI(M) returned to power.
30. West Bengal, however, seems to be excluded from this rule.
31. There are a number of studies and reports that give interesting overviews. For Kerala, see, for example, SAHAYI (2000). Several of the studies of Panchayat reforms have been commissioned by international aid organisations such as ODI and Sida. However, strikingly many of them are little more than overviews and have not included surveys of any great extent. Some of the more interesting recent contributions are John and Chathukulam (2000, 2002, 2003), Johnson (2003), Chattopadhyay and Duflo (2004), Inbanathan and Vijayalakshmi (2000), Inbanathan (1994, 2001), Isaac (1998), Jagajeevan and Ramakanthan (2000), Mathew (2000), Samarthan (2000), PRIA (2000), Oommen and Datta (1995), Oldenburg (1999), Oommen (1994), Chaudhuri and Heller (2002), Heller (2001).
32. Bimaru is an abbreviation for Bihar, Madhya Pradesh, Orissa and Uttar Pradesh, and resembles the word *bimar* which means ill or sick in Hindi.
33. For a detailed description of how the status and role of caste have changed recently in India, see Krishna (2002).
34. See Frankel (1989) and Kohli (1990), who bring out these dimensions in Indian politics in their analyses.
35. In particular see Johnson (2003), which contains a very interesting comparison between Madhya Pradesh and Andhra Pradesh.
36. Shikhsha means 'education' and Prathmik 'primary' or 'elementary' in Hindi.
37. Interviews with Digvijay Singh and Amita Sharma, 2001.
38. In comparison, literacy only rose by about 10 per cent in the 1980s.
39. Interviews with Gopalakrishnan, 2001.
40. Specific roles and powers in Madhya Pradesh are well described by Johnson (2003). Also see Government of Madhya Pradesh (1993).
41. For Madhya Pradesh the relevant legislation is 'Madhya Pradesh Panchayati Raj (Evam Gram Swaraj) Adhiniyam, 1993' (with amendments until 2005).
42. Interview with Sharma, 2001.
43. Interview with Sharma, 2001.
44. The *Gram Sampark Abhiyan* also involves a number of large meetings with local bureaucrats and panchayat members to discuss problems and strategies.
45. This set of questions was introduced with the following explanatory passage: 'We would like to ask some questions about how *close* or *distant* you perceive representatives of the different elected bodies, the civil servants and those that work in the public sector, and others who carry out tax financed services, to be from you. *Please explain that the following situations are examples:* Let us say that a representative of the public administration is available to be contacted by you and that the representative agrees to meet the citizen to discuss some question within a week after a request has been made, we could say that this representative is very *close* to you. If, on the other hand, an elected politician will not reply to written questions a citizen has made or is never visible in the community, that representative can be considered to be very *distant* from you. In short, a representative that is visible,

available to the citizens, and responds to inquiries is *close* to you. A representative who is not seen, whom the citizens cannot get access to, and do not reply to queries is *distant* from you. Please indicate on the scale how distant or close you perceive the following people are to you.'

46. Thirty-seven per cent indicated '0' or '1' on the scale. Only 9 per cent indicated '3' or '4' on the scale, which indicated that the distance had increased.
47. In a regression analysis it turned out that moving one step on the gender scale, from 'male' to 'female', corresponded to moving about 20 per cent of one step from right to left on the scale indicating distance, that is, indicating a decrease in 'distance'. In a multivariate model the relationship between gender and perceived distance remained when controlling for other socio-economic factors such as literacy, housing and civic engagement. (n = 1118, b = –0.197, constant 1.679, S.E. 0.056, significant at 99 per cent level of confidence).
48. This is a central theme in, for example, Kohli (1990), although the term 'democratic deficit' is not used.
49. For some recent contributions to this discourse, see Tsakatika (2005), Heisenberg (2005), Schmidt (2004), Dunkerley and Fudge (2004) and Crombez (2003).
50. It is assumed here that respondents are referring mainly to perceptions of their own level of influence although the question refers to 'citizens' in general. We can add that the results for this question resemble the results for the question on 'distance', although the scale is reversed.
51. See Inbanathan (1994, 2001).
52. To read more on the role of the PRI reforms for women, also see Chathukulam and John (2000), Radha and Chowdhury (2002), Krishna (2003), Vijayalakshmi and Chandrashekar (n.d.), Bryld (2001), CHARKHA (n.d.), Lampen (1999), Sarin (2001).
53. It should be noted here that the five-grade scale used for the answers delivered in response to the question about influence has been reduced to a three-grade scale. Responses ranging from 0 to 1 have been totalled in the category 'influence decreased', all responses for 2 are in the category 'influence the same', and the responses for 3 and 4 are included in the category 'influence increased'.
54. Again, we must remind ourselves that this survey produces results representative of the areas surveyed and not necessarily of the whole states. However, several results from the survey match general characteristics for the states, literacy, religious composition, employment figures, and so on, and we should therefore at least be able to regard these results as interesting indicators that may well be representative of larger parts of these states—at least until other data tells us differently.
55. N = 400, $R^2 = 0.261$, S.E. = 53.108, B = 629.624 (Significant at 99 per cent level of confidence).
56. In a bivariate regression we find that income and 'house type' are strongly correlated—income explains about 16 per cent of the variation in house type (significant at 99 per cent level of confidence).
57. Although, the correlation between caste and income is clearly in need of more research, we definitely know that being a woman or belonging to a low caste has no positive correlation with income.

58. See Reynolds and Harilal (2006) and John and Chathukulam (2002).
59. However, we must also be aware of the fact that unusually many respondents in Madhya Pradesh declined to reply to this question.
60. The influence of age has also been tested in the multivariate regression models but gave no significant results.
61. Moving one step up the education ladder only gives a 0.09 move from left to right on the influence scale in Madhya Pradesh and 0.08 in Kerala when we control for other variables.

4

Corruption and its Causes

When this study began, the literature generally supported the idea that decentralisation somehow militated against corruption. But there were also warnings that decentralisation could also decentralise corruption—just shifting the problem to another level.[1] Given the important role attributed to corruption as a development problem and the conflicting claims about its relationship to decentralisation, the research task that presents itself here is quite challenging. Any vagueness when using these central concepts would generate serious problems. We have to be very clear not only about what we mean by decentralisation, but also about what is meant by corruption. In the next chapter, the details of how this part of the project was handled in the survey will be discussed from some very practical and mainly methodological perspectives, together with the relevant research results from the study. But before that we need a viable definition of corruption. And indeed there are many traps surrounding this concept.

In the Indian political context, just like most others, development problems are very often blamed on high levels of corruption. Charges of corruption, trials of politicians and public servants accused of corruption, and reforms related to corruption are in the news every day. Certainly many of the news items relate to real problems, but some are also pure slander. Joseph Goebbels, Nazi Germany's minister of propaganda, made the oft quoted observation that 'If you make a lie big enough and keep repeating it, people will eventually come to believe it'. But not all lies have to be repeated to be effective. In politics, corruption is perhaps the most popular accusation to throw at an opponent.

Regardless of whether it is true or not, the effects of an allegation of corruption are truly hard to dodge. And one of the main reasons that making such allegations is so popular is because they have a uniquely 'sticky' character. They are therefore cost-effective, at least in the short term. The charge of corruption is a smear that will not often allow itself to be brushed away easily—for some, it is an accusation that may become bigger, the more they try to remove it. But it can also have a boomerang effect. If charges and claims of 'corruption' are tossed around carelessly it is not unlikely that the accuser will also be accused—sooner or later. Corruption is a highly charged aspect of political life and it has been so for a very long time. Therefore, we have to be extremely careful when we apply it for scientific purposes because, like labels or terms such as ethnic, class or gender, corruption is not just a term liked by social scientists—it is a politicised term that can capture a reader's mind and lead it to domains where scientific dialogue has little point. And corruption is particularly problematical because it is a favourite stick with which to beat political opponents. The nature of the concept makes it hard to investigate and reliable information about it is scarce. So it is particularly important here to begin by being open and precise about its meaning. And under the politicised surface we find that along with several very different connotations of the term, there are also some core characteristics that have persisted for a long time and that can be very useful to an understanding of development issues.

Consequently, we begin this chapter by discussing corruption in its widest and perhaps oldest sense, namely, as a general condition of a society and its moral standards. Then, with some historical illustrations, we will narrow the focus and show the usefulness of the modern definition of the term. In this section, we will discuss previous contributions on this topic and the extent to which corruption has been seen as detrimental or beneficial to societies and development.[2] Finally, the discussion will focus on common hypotheses relating to levels of corruption in societies. To decide the role of decentralisation, we need to know what other factors are claimed to affect corruption. Then we can move on to test and discuss which factors are the most relevant in explaining performance in the education and health sector cases studied in Madhya Pradesh and Kerala in India.

Corruption—From Moral Decay to Abuse of Public Office

Something which is corrupt is according to the original meaning of the word 'broken' or 'weakened'. A society suffering from corruption has, to several historical writers, meant a society where moral standards have been weakened or greatly declined. Sodom and Gomorrah are good early examples. Fire and brimstone were the correctives intended to put a stop to the 'wicked' behaviour in these cities. The problem, it seems, was not merely that the citizens of these cities had no morals or were lawless—and apparently lacked independent auditing institutions or the Transparency International's watching eye. They were in decline because they were 'ungodly'—and a society without God was out of control. It may seem surprising that this idea was to some extent embraced by Niccolò Machiavelli, whose views on politics are generally considered amoral. However, he may not have been so concerned about upsetting God. He spoke in favour of religion for more practical reasons (Bonadeo 1973). According to Machiavelli, wealth and power corrupt, and to him this was synonymous with an abandonment of the principles of proper political conduct and working for a common good. Religion was therefore regarded as having a good effect on the development of society—not because of its divine qualities but rather because it upheld certain rules, principles and laws. It is easy to think of Ramsay MacMullen's (1988) observation on this subject, which we mentioned earlier. The Roman Empire could be sustained as long as certain rules and principles penetrated both the public and private spheres of society. The importance of lawmaking and of the acceptance of certain values to stable governance were realised in ancient Rome as well in Renaissance Italy. Here, we also find the idea that the values and practices of those representing the state will certainly influence values and practices among the citizens. We will return to this idea later when considering the Indian case. Concerns both over moral decay and over how the practices of public officials influence the citizens are still expressed in debates on corruption.

Before we go there, however, it is useful to further explore Machiavelli's insistence on the importance of the laws and principles that control

the acts of the state and its officials. It is not difficult to find other instances in history, besides Rome, where the violation of principles and laws has, at least in more general terms, been seen as leading the decay of a state. Thucydides clearly hints in the Melian dialogue that important principles are violated by Athens in its decision to invade Melos (Johnston 2001). Putting short-term gains before principle in the exercise of power was a sign of corruption. It seems that the leaders of Greece were accused of using the military power of the state to satisfy their own lust for revenge and their greed. Two millennia later these ideas still persist. Anthony McFarlane (1996) has analysed a report written in the mid-1700s dealing with corruption in Ecuador and Peru. This specifically defines corruption as the misuse of public resources for personal gain or private needs. The ideal state was one based on rational ideals where those who governed earned their legitimacy from the pursuit of a common good. Corruption, on the other hand, was seen as a force which undermined the contract between the governors and the governed. In 18th century China, analysed by Nancy Park (1997), too, we can at least see that there was an ideal of the state and how it should perform which was reflected in strict legal safeguards against corruption. Her studies of popular sayings and documents containing complaints from farmers reveal, however, that these ideals were not upheld in practice and that ordinary citizens regarded the officials as utterly corrupt, which placed heavy economic burdens on the people.

King (1989) also describes the damaging effects of corruption on the economy and explains variations in economic development as reflecting variations in the degree of corruption in 19th century England. Areas that developed slowly were burdened with corruption, whereas those that developed rapidly were not. The Reform Bill of 1832, the Reform Act of 1867 and the establishment of a meritocracy changed this, and by the turn of the century corruption, especially involving politicians, had been drastically reduced.[3] America, on the other hand, was going in the opposite direction. While the British reforms enabled it to administer a colonial empire, the lack of administrative reforms in America entrenched a system based on patronage and nepotism (Keller 1979 [1978]; Finer 1989). Only after the Second World War was corruption there reduced (Pinto-Duschinsky 1999).[4]

It should be noted here that while corruption has certainly been a problem for America, it was obviously not detrimental to its economy—America developed into the world's strongest economy and remains so today. America's industries evolved in the days of 'machine politics—when politics became a 'full-time professional pursuit' and corruption was rampant (Allswang 1996, 1998; Stave and Beard 1997; Stave 1995; Keller 1979 [1978]). An alliance between political and capitalist forces was more important for economic growth than universal and transparent rules, a predictable judicial system and such factors as we usually connect with good governance. In this context, it is relevant to mention that there are several historical studies that mention 'useful' aspects of corruption. McFarlane (1996) makes such a claim for corruption at the local level in Latin America in the 18th century. The space for bending rules that citizens found unacceptable provided an outlet for discontent and brought stability in return. In contrast to King's (1989) argument, Friedrich (1945) argues that corruption in Great Britain in the 17th and 18th centuries was conducive to economic development. He also argues, contrary to MacMullen (1988), that corruption in the Roman Empire allowed it to sustain itself and survive longer than it otherwise would have done. As a contrasting case he mentions that the French bureaucracy in the 17th and 18th centuries, which emphasised adherence to rules, worked to the disadvantage of the economy by making it less flexible.

From a development perspective, then, we can also find cases where corruption can work in favour of the economy. It can lubricate the economic machinery; things get done faster whereas businesses using the proper channels are burdened with 'red tape', complicated rules, and so on. And, sometimes, it can even work to the advantage of citizens who seek at least a minimal amount of influence. Paying a bribe to an official is the only real influence a citizen may have on a system which is otherwise mainly a burden.

Despite these exceptions the literature is clearly dominated by studies emphasising the harmful effects of corruption. These can be classified as obstacles to *efficiency*, to *economic* development and to development towards *equality*. Even if bribes may grease some of the wheels of the economy, others may grind to a halt. States that are corrupt can run into serious problems when they need to coordinate their actions.

Transaction costs can escalate in corrupt states and this will, in many cases, impede economic development and citizens will probably be treated unfairly. A corrupt state may be less likely to provide a setting where common goals can be attained by a larger part of its population. And when the state distributes its services quite unequally or in an ad hoc manner, it will create tensions.

Without claiming to be able to rely on a full historical inventory, it seems that we can argue that the ideal of the rule-governed state that acts predictably and whose officials are bound by rules has been an important ideal throughout history and in most parts of the world where large and more complex political entities have evolved—kingdoms, empires and states. The antithesis of this, or its main enemy, is the corrupt official—the official who uses his or her position to siphon off resources for personal benefit, thereby making it harder to maintain control and preserve stability. This is undoubtedly what is meant by the term corruption in its modern sense. Modern studies of the character of the state which focus on corruption emphasise rule-breaking or adherence to rules in the public sphere (Blomkvist 1988). And in particular, the situation where officials exploit their position by selling services and the revenue goes into their own pockets is a central part of the modern as well as the historical phenomenon. In addition to the examples above, Swart has shown several instances of officials selling their services in Europe, the Ottoman Empire and China (Swart 1996). But it is in the *Arthasastra*, written by Kautilya around 300 BCE,[5] that we find one of the earliest detailed analyses of the problem of corruption of a form we can easily recognise today.

Kautilya is often pointed out as the thinker providing both Chandragupta Maurya and Ashoka with an efficient bureaucratic system, and giving advice on politics and warfare which enabled the Mauryan Empire to survive as long as it did.[6] When it comes to handling the administrative apparatus, the text is quite detailed about crime, which clearly relates to situations where officials would use their position for private benefit.[7] The most famous passage, and the one most often quoted in discussions on corruption, is the following: 'Just as fish moving inside water cannot be known when drinking water, even so officers appointed for carrying out works cannot be

known when appropriating money' (quoted from Kangle 1972: Book 2, Chapter 9, Section 33).

The text is certainly interesting since it is an early document dealing with corruption. But what is more fascinating is how the author describes the nature of the problem and why it is so difficult to combat. In the following section, Kautilya's distrust of officials and perhaps his irritation with them, is further revealed: 'It is possible to know even the path of a bird flying in the sky, but not the ways of officers moving with their intentions concealed' (quoted from Kangle 1972: Book 2, Chapter 9, Section 34). But against this background we can see that just as decentralisation has been an inseparable part of the organisation of complex societies, so has concern for a specific type of crime with certain characteristics, namely, corruption.

There is almost a natural path leading to today's most common definition, namely, that *corruption is the abuse of public office for private benefit*.[8] This definition is included in broader theories of governance such as the ones on the neo-patrimonial state and those dealing with state capture.[9] This modern definition implies three things that should be noted. First, it presupposes a central administration of power—in modern terms and times—a state.[10] The term corruption applies only when at least one party represents the state. If the state is not a party, the correct term for crimes that may look similar—for example handing over money 'under the table' in order to influence a business partner—are perhaps embezzlement, tax evasion, failure to declare income, and so on, but not corruption. Second, it implies that there are certain established and well-known rules or principles that define correct or incorrect behaviour. Third, these rules clearly imply a separation of the public and private sphere.[11] With these understandings we are now better equipped to look at how studies of modern forms of corruption can be useful in our Indian case.

Studies of Corruption in Modern Times

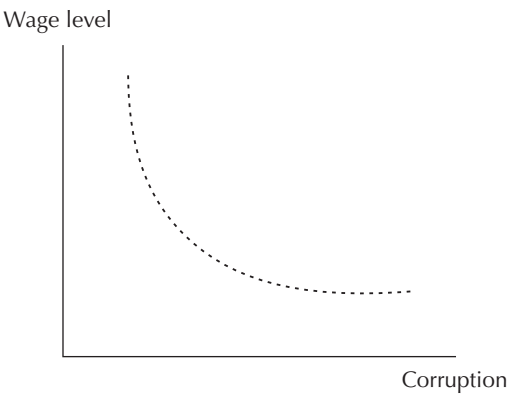
As with historical examples, we will only be able to cover a limited set of modern studies of corruption here. However, we should be able to distil some of their main themes. In particular, we will look more closely at the independent variables, or those factors commonly used to explain levels of corruption.

The stick and the carrot, and corruption

If we begin with resources, for example, *inadequate wage levels* are a frequently advanced explanation for corruption. Kautilya noted that 'If an (officer) with small income has a large expenditure, he consumes (state revenue)' (quoted from Kangle 1972: 89). More recently Tanzi (1998), in a summary of the arguments and empirical research in this debate, explains that corruption may be seen as motivated by pure greed as well as by the need for a minimum standard of living. Consequently, '[t]he higher the wage level, the lower is corruption' (ibid.). Efficiency wage theories, however, claim that raising salaries is not the only solution to the problem of officials unhappy with their pay cheques. An alternative is found in various ways of monitoring, as argued by, for example, Akerlof and Yellen (1990). This argument takes us deeper into an institutionalist way of thinking.[12] When wages are not sufficient incentives we expect that rules, in combination with systems for auditing and eventually punishment, will control the behaviour of officials.

We can, therefore, use Tanzi's model from 1998 and simply add punishment level to the vertical axis (see Figure 4.1).[13] The problem with this model is naturally that it is difficult empirically to establish the breaking points on the curve. However, this will not be the main concern of this study. The ambition here is to try to determine what may matter

Figure 4.1
Wage Levels and Corruption



when at least a survival wage for a family is provided and when there are at least some monitoring systems at work. What counts beyond the carrot and the stick? Not that such factors are unimportant but their importance attracts a good deal of attention from researchers. But it is challenging also to go beyond them, and here we find a number of particularly soft variables that can be arranged under the headlines of *proximity*, *culture* and *social capital*.

The proximity factor

This is where decentralisation comes into the picture. As mentioned earlier, not only policy makers and aid agencies but also an important part of the literature suggest that decentralisation can help stem corruption.[14] Several of these arguments can be traced back to, for example, Tiebout and his article, 'A Pure Theory of Local Expenditures'(1956). But one prerequisite is that decision makers and public officials are geographically dispersed among provinces, districts, blocks, and so on. Giving these decision makers and public officials a certain amount of autonomy then paves the way for a number of positive outcomes. As we have said, the decentralised system is expected to be more efficient and democratic. It can adapt more easily to changing demands, conditions and proximity—the smaller distance between public officials and citizens will, it is argued, provide for better and faster communication. Crook and Manor (1998) in their thorough comparative study of South Asia and Africa, and Fisman and Gatti (2002), in their study involving 57 countries, find support for this view and in particular for fiscal decentralisation. Decentralisation is often assumed to make it easier for citizens to put pressure on officials to behave honestly. Susan Rose-Ackerman (1999: 162), in her valuable contribution to research on corruption, *Corruption and Government,* speaks of the importance of 'public pressure'. If there is an awareness of corruption we may expect communities to exert pressure on local bureaucrats to desist.[15] And in a decentralised system it is easier to reach the officials concerned. So proximity between citizens and officials is a factor that may help to reduce corruption. But for this to happen, there seem to be two other prerequisites, first that citizens have the

'right' ideas about what corruption is—relative to knowledge levels and the culture—and second that citizens relate to each other in such a way that makes collective action possible. Naturally, individuals can protest, but organised mass pressure is usually the most effective agent for political change.

On the other hand, there are several studies that may 'curb the enthusiasm' of the decentralisers. Prud'homme (1995) is one of the most explicit in saying that decentralisation is likely to create too many opportunities for local officials to act in a corrupt manner, but several others have followed this line of argument.[16] Others, like Bardhan and Mookherjee (2000b: 21), make the more nuanced argument that specific circumstances decide where the positive outcomes of decentralisation are produced. These opinions lead us to look more closely at the culture and social capital factors.

Corruption and culture

Not only the popular media but also researchers in the social sciences present the view that basically corruption is prevalent where it is 'accepted' as a part of the culture.[17] It is often stated, for example, that what is bribery in a western context is regarded in another part of the world simply as a gift (Rose-Ackerman 1999: 5). MacMullen (1988: 127) observes one such dispute in ancient Rome:

> Julius Bassus, after a term as governor, was charged before the Senate with having, in the words of his own attorney, 'naively and unguardedly accepted things from the provincials as a friend of theirs (for he had once been quaestor in the same province). These his accusers called thefts and plunder, but he called them gifts,' *munuscula*.

However, modern social science began to take an interest in this distinction in the 1960s, when anthropologists in particular started exploring the varieties of meaning of transfers of wealth (Mauss 1967 [1924]). In several of these studies it was common to focus on the problems of trying to transfer western-rooted concepts to other societies and this often concerned the concept of corruption. David H. Bayley's statement from 1966 in an article about corruption in India is illustrative:

'The man who in many non-Western countries is corrupt in Webster's sense is not condemned at all by his own society. Indeed, he may be conforming to a pattern of behaviour his peers, family, and friends strongly support and applaud' (Bayley 1966).

So, while the Romans wrestled with the problem of how to draw the line between a gift and a bribe within their own culture, several modern writers have wanted to relativise the concept from a more global perspective. What people in the West would assume was a bribe could in many other places be a culturally accepted practice.

Susan Rose-Ackerman (1999: 104), however, would most likely not accept such a position unreservedly since she comments that surveys and in-depth interviews tell us that 'people are frustrated with corruption and suggest that expressions of toleration sometimes reflect both resignation and fear of reprisals against those who complain.' It should be added that the view that corruption is rampant where it is culturally accepted is an explanation which easily turns into a circular argument. When the claim is made that corruption is prevalent in a particular area, or even a whole state, the 'proof' of the cultural acceptance is the existence of corruption. Be that as it may, we will take the opportunity here to examine attitudes to corruption and perceptions of bureaucratic ideals in order to test at least whether there is any truth in arguments which emphasise culture.

Going a little further along this line of reasoning, we find one hypothesis that Rose-Ackerman appears to support. It is the claim that the inability to differentiate between the private and public is connected with a higher prevalence of corruption. Here she makes an obvious distinction between 'developed' and 'underdeveloped' countries.

> Developed market economies draw many formal and informal lines between impersonal market trades and official functions, on the one hand, and personal ties, on the other. Conflict-of-interest and campaign finance law regulate the links between money and politics. Norms of behaviour limit the intrusion of the market into family relationship and friendship. Journalism standards prevent reporters from accepting money to write particular stories. Yet even so, the distinction between prices, bribes, gifts and tips is difficult both to draw and to evaluate normatively. In developing countries the problem is much more vexing.

> The line between market and family and the public and the private sectors is often blurred and in flux (Rose-Ackerman 1999: 104).

To the researcher, this implies a need to analyse people's capacity to differentiate between the formal and the informal sector, and between the public and the private sector. Here we will focus only on the latter. We will test the assumption that in places where people can make a distinction between the public and private sectors, they will also be less inclined to give bribes to civil servants, and that perhaps corruption at a general level may also be expected to be lower than in areas where the line is 'blurred'.

One question that immediately arises here is whether we are dealing with a factor that is mainly determined by the level of education of the individual or whether this should still be regarded as a cultural variable? Although we will be able to say more about this after looking at the survey results, it is useful to bear in mind Akhil Gupta's (1995) provocative take on this argument.

To some extent his findings from field work in an Indian village in the 1980s confirm Rose-Ackerman's observations. His extensive discussions with villagers led him to 're-examine' the distinction between state and civil society. He came to the conclusion, mentioned earlier, that the conceptual separation of state and civil society is connected to the 'imperialism of the Western conceptual apparatus'. From his perspective, it was useless to maintain the distinction between the state and civil society when he asked interviewees about corruption. As many observers of India have noted, the state is so often intertwined in social relations that it is hard or impossible to separate them.[18] Gupta (1995: 375–402, 375, 393) argued that if the villager made no distinction between the state and civil society, neither would he.

We will return to this question after examining the empirical findings in the next chapter. For now, it will suffice to say that we should examine the extent to which the line between the public and private sector is 'in flux' and whether it has any effect on performance. If it matters for performance at the village level, we should expect people living in corrupt areas to be less capable of differentiating between the public and private sectors, and to be more likely to accept the use

of bribes than in the high-performing areas. Furthermore, if it turns out that perceptions of corruption and the private and public sectors at the individual level have little or no impact on performance at a more general level, we should naturally ask the body of data available from this project 'what contextual variables do have an impact on performance?' Certainly, as mentioned earlier, the capacity to organise is a contender for inclusion here and this definitely leads us to the realm of civil society studies. Later in this book we will actually find that the Indian study will not be alone in proving the importance of investigating this concept.

Civil society, trust and performance in the public sector

That civil society provides a path towards development is quite a dominant theme in the development community and in academic debate today. For 10 to 15 years, social scientists have shown a strong tendency to attribute various phenomena to the character of civil society or the level of social capital. Social capital is described as crucial in overcoming collective-action-related problems.[19] It can be used to foster cooperation in pursuit of common interests or goals. Therefore, citizens who express a strong preference for a non-corrupt public administration can naturally work for this if they have the power to coordinate their efforts. A mobilised civil society could act as an effective counterweight to the bureaucrats and personnel in the public sector who try to pursue their private interests at the expense of their public duties (Rose-Ackerman 1999: 162–74).[20] For example, where doctors or teachers do not show up at work the citizens could act by protesting and, perhaps in extreme cases, going to court. So if we find high levels of social capital we can expect better performance. But this is not as simple as it sounds. Social capital is quite a vague concept and research tells us that certain kinds of social capital are more likely to contribute to good governance than others. So, some clarification is necessary here.[21]

According to James Coleman (1990: 304), social capital, unlike other forms of capital, 'is *embodied* in the relations among persons'. But, just like other forms of capital, social capital 'facilitates productive

activity' (Coleman 1990:304). Although, writers differ on what exactly constitutes social capital,[22] there is a measure of agreement that trust, networks and/or shared norms are an essential part.[23] The presence of social capital can solve collective-action problems (Blomkvist 2003; Paxton 2002). Without trust between individuals, for example, certain tasks cannot be expected to be accomplished in any society. Robert Putnam (1992) supplied us with important evidence of the role of social capital in his study of democracy in Italy. He found that where the citizens were engaged in organisations, social capital was produced and it led not only to better democratic governance but also to better economic performance. The clarity and the impressiveness of the research result, in combination with the obvious relevance of the findings to political and policy goals, explain the great impact of Putnam's work on the research community as well as on political actors. Studies of civil society have proliferated and policy makers of various kinds have incorporated ideas on how to build social capital into their action plans.[24]

Understanding the role of the three components—trust, networks or shared norms—involves a study of their different *dimensions*. And as the research field expanded, we could see that some aspects or dimensions of social capital often came to be pointed out as *more useful* or *better* than others, even though social capital and trust, in more general terms, were hailed as good for both democracy and economic growth.[25] For example, Putnam (2002) emphasised horizontal networks as an important aspect of civic life associated with good governance, while vertical networks were associated with the mafia and the 'institutional Catholic Church'.[26] Elsewhere the debate has also focused on Granovetter's (1973) distinction between weak and strong ties between individuals (Granovetter 1973). Paxton (2002) uses data from the World Value Survey and the Union of International Associations to show that associations that 'are connected to the larger community have a positive effect on democracy, while isolated associations have a negative effect'. In a study of ethnic Chinese in Southern California, Uslaner and Conley (2003) show that '[p]eople with looser ties with their in-group are more likely to take an active role in the larger society' and that '[p]eople with strong ethnic identifications and who associate

primarily with people of their own kind either withdraw from civic participation or will belong only to organisations made up of their own nationality'. Knack (2002) studies governmental performance in America in relation to social capital and finds that '[a]spects of social capital that are conceptually identified with generalized reciprocity (such as social trust, volunteering and census response) are associated with better governmental performance' while 'aspects of social capital identified with social connectedness (including activity in associations and informal socialising) are unrelated to governmental performance.' Uslaner (2004) also argues that trust, and in particular generalised trust, leads to better governance, 'more redistribution and economic growth' and less corruption. Gambetta (1993) argues along the same lines as della Porta and Vannucci (1999) when he claims that the Mafia depends on high levels of in-group trust while distrusting people outside the group. And in an important examination of ethnic violence in India, Varshney (2002: 281) shows that 'intercommunal' or interethnic associations were crucial in building peaceful relations in the areas studied, while 'intracommunal' associations 'were not found useful for purposes of ethnic or communal peace'. Finally, in another influential contribution, by Deepa Narayan (1999) for the World Bank, one of the main arguments is that societies with low cross-cutting ties are beset by conflict or exclusion.

We can see that a substantial part of the current debate on social capital concerns the *bridging* and *bonding* dimensions. It is also a commonly held view that societies which are characterised by the presence of bridging social capital, networks and trust that extend beyond group identities are well governed and quite peaceful. On the other hand, societies that are characterised by bonding or intra-group trust and where organisations mainly 'stick to their own' are plagued by poor government performance, low political engagement and sometimes even violence. If we narrow the focus and look at the research contributions that investigate the extent to which people trust other people within their own social groups as opposed to people in other groups, we find little to support the claim that bonding trust can be good for government performance in democratic contexts. In this study, 800 articles dealing with social capital were examined.[27] Of these, about 60 distinguished between various types of social

capital along the lines discussed here. Only in two contributions was it mentioned that bonding trust may be just as useful as bridging trust. None of the other research contributions would treat bonding trust as an instrument or factor related to good governance, democracy or development.[28] Of the scholars on the topic most referred to, it is actually only Putnam who accepts that bonding social capital may also be useful.[29] Otherwise, the impression is simply that bridging is good and bonding bad. Furthermore, it should be noted that in the debate on social capital there is a tendency to argue that there is a zero-sum game relationship between intra-group and inter-group trust.[30]

It is not surprising that some donors utilise these research results in policy strategies for aid. Interviews with representatives working on civil society issues or support for non-governmental organisations (NGOs) on behalf of Swedish International Development Cooperation Agency (Sida), International Monetary Fund (IMF), the World Bank, Department for International Development (DFID), United States Agency for International Development (USAID), Finnida and Norad revealed a variety of positions on this issue.[31] While USAID, Finnida and Norad seem not to place great emphasis on social capital aspects in general, the Danish aid agency Danida had strong reservations against supporting organisations that mainly build bonding social capital. A few years ago Sida tended to take the same stance as Danida. For example, in a paper written by a project group for 'participation in democratic governance' within Sida, it is argued that civil society organisations have to be internally democratic and characterised by a 'horizontal structure', and that they have to have a 'broad and diversified membership base and financing' (Sida 2002). More recently, however, Sida has taken a more open view of this issue. It seems that Sida allies itself with the current positions of the World Bank and DFID where the distinction between bonding and bridging social capital is concerned, although they do not use it as a selection criterion for support to NGOs. Undoubtedly the World Bank takes seriously claims for a relationship between high levels of social capital in general and economic growth.[32] The bridging/bonding dimensions do not seem to be so central in this debate. And when it comes to more concrete policies, on aid-giving for example, performance in relation to poverty

reduction seems to play a more central role for the World Bank and DFID—at least as revealed in the interviews in this study. And there are good reasons, it seems, for this strategy if we think in policy terms. Using the type of social capital which organisations may produce as the criterion for selecting aid recipients may be a great mistake.

Although there may be no reason to question the results in each and every one of the studies mentioned earlier, we need to watch where the general current is taking us. We should not forget that most of the studies have tried to show how bridging trust is related to, for example, economic growth and/or high democratic performance. Several of them have simply not investigated whether bonding social capital can play a more positive role in promoting democracy, governance, peace and economic growth. However, it will be argued in the next chapter that there is evidence that intra-group trust or bonding social capital can indeed do this.

Nonetheless, to what extent decentralisation plays a role here, in some connection with various forms of social capital, is a question that will produce some complicated answers, which will also be discussed in the next and the final chapter. The strategy, however, is first to investigate, as far as the questionnaire from the survey allows, to what extent the factors discussed here may affect performance. At the individual level, we will consider what factors are related to attitudes to bribes and various governance issues. We will look especially at perceptions of the distance to local elites and bureaucrats, cultural variables and socio-economic variables. Finally, should it turn out that we find few or no significant contextual variables at work at the individual level; we simply have to draw the conclusion that we are digging in the wrong place—or focusing on the wrong level of analysis. There is much evidence in this study to suggest that reforms and their effects are largely decided by the actions of the political elite far above the village level. Several of our interviews show that only reforms strongly supported at the state government level have a chance of being implemented. But that is also why we chose Kerala and Madhya Pradesh. In those two states the state governments have supported the panchayat reforms. Because of the limited scope of this project we could not trace policy decisions from the state level down to the village level. We had to settle for studying states

that had 'pro-reform governments' and then we went straight to the village level to look at the outputs. Naturally, much information about what happens at the block and district level has not been included here, and it is also quite possible that our survey has not captured the traits among the individuals and in the villages that are most relevant to performance. Nevertheless, the survey in the villages yields important evidence regarding the relationship between decentralisation and corruption, and the role of other factors affecting performance at the local level.

Notes

1. See Bardhan and Mookherjee (2000b), Goldsmith (1999), Treisman (2000).
2. Many thanks to Sten Ottosson for helping with research on the historical examples quoted here.
3. See also Rubinstein (1983), Pinto-Duschinsky (1999).
4. Waquet (1991) makes the point that several examples from the early Stuart era, or the first half of the 17th century, could be used to illustrate corruption, since they are characterised by a lack of norms or any restriction on the exercise of power. On the other hand, it could be argued that this was not corruption since such complete freedom to exercise power meant that no rule-breaking was involved.
5. There has been disagreement about whether the *Arthasastra* was written by Kautilya alone during this period, or by several other authors, perhaps even 500 years later. For more on this debate see Appendix I in Thapar (2000).
6. Certainly his prescription for the establishment of a network of spies and harsh punishments for dissidents has inspired readers to place him in the same category as Machiavelli or amoral political thinkers.
7. For example, *Arthasastra*, Book 2, Chapter 8 (Kangle 1972).
8. See for example Johnston (1996, 2001), Tanzi (1998).
9. See for example Brattonand van de Walle (1997), Hellman et al. (2000).
10. In ancient times, the king.
11. See, for example, Rose-Ackerman (1999: 91).
12. For a strong emphasis on the value of institutionalist perspectives in studies of corruption, see Blomkvist (1988).
13. For example, see Quiroz (2003) for an interesting illustration of how the lack of threat of punishment led to corruption in 19th century Cuba.
14. To illustrate the importance ascribed to decentralisation by policy makers, see for example World Bank (2000: 21–23, 29, 33–34, 106).
15. Sainath (1997) illustrates this well.
16. Treisman (2000) argues that federal structures are associated with higher levels of corruption and Goldsmith (1999) argues that centralised structures have lower levels of corruption, both challenging the arguments of, for example, Fisman and Gatti (2002).

17. For a good discussion of culture and corruption, see Rose-Ackerman (1999: 91–110).
18. See, for example, Kohli (1990).
19. See Putnam (1993: 171–76).
20. Here Rose-Ackerman explores important routes for collective or individual complaints and the role of protection for those who complain.
21. Also, see Warner (2003) for a related discussion.
22. See for example Offe and Fuchs (2002), Krishna (2000), Pérez-Díaz (2002).
23. For a good overview of the social capital debate, see Blomkvist (2003).
24. See Hadenius and Uggla (1996) for an example of how Putnam's perspectives on 'horizontal' and 'vertical' organisations are incorporated in policy recommendations for development.
25. For example, see Putnam and Goss (2002), Wuthnow (2002), Helliwell and Putnam (2000), La Porta et al. (2000), Dasgupta (2000).
26. Putnam presents one of the most useful summaries of various dimensions of social capital that are in common use (2002: 9–11).
27. This part of the study was carried out in 2003/2004.
28. There are, however, a number of interesting studies that do not find a clear relationship between generalised trust and democratic performance measured in various ways. One study by Liu and Besser (2003), conducted in Iowa, showed that 'generalized trust is not significantly related to elderly community involvement' (p. 343). In another study of social capital in India, Blomkvist (2003) shows that generalised trust was negatively correlated to government responsiveness. If we look at networks, Teorell (2003: 49) shows that in Sweden the number of memberships of voluntary associations per citizen mattered more for political activity than 'the extent to which one's membership cut across social cleavages'.
29. In Putnam and Feldstein (2003), it is mentioned that 'both bonding and bridging social networks have their uses', but then the texts that follow focus entirely on bridging social capital because 'a pluralist democracy requires lots of bridging social capital, not just the bonding variety' (Putnam and Feldstein 2003). Putnam states that 'Bonding social capital brings together people who are like one another in important respects (ethnicity, age, gender, social class, and so on), whereas bridging social capital refers to social networks that bring together people who are unlike one another. This is an important distinction, because the external effects of bridging networks are likely to be positive, while bonding networks (limited within particular social niches) are at greater risk of producing negative externalities. This is not to say that bonding groups are necessarily bad; indeed evidence suggests that most of us get our social support from bonding rather than bridging social ties. It is true, however, that without the natural restraints imposed by members' crosscutting allegiances and diverse perspectives, tightly knit and homogeneous groups can rather easily combine for sinister ends. In other words, bonding without bridging equals Bosnia' (Putnam and Goss 2002: 11–12). It should also be mentioned that, in a policy recommendation document commissioned by the Swedish International Development Cooperation Agency, James Manor (2003: 18) claims that both bonding and bridging social capital can help facilitate poverty reduction.

30. See for example Narayan 1999.
31. The interviews were carried out in 2003 and 2004.
32. In an influential World Bank publication, the economist Partha Dasgupta makes a strong argument for the absolutely central role of trust for economic growth—a factor which he claims was only previously rarely considered by economists. See Dasgupta and Serageldin (2000: 329–30). Also see Helliwell and Putnam (2000: 265–66), La Porta et al. (2000: 315–317).

5

Corruption in India

It is now time to test thoroughly whether decentralisation has some positive or negative correlation with corruption. Such a test must also include as many other factors as possible that may arguably affect either corruption alone or corruption and decentralisation together—and here we are naturally referring to the possible influences discussed in the previous chapter. Only after consideration of these possible contending factors can we begin to see the role of decentralisation in relation to the phenomenon of corruption. This necessitates explaining the step from theoretical considerations of corruption to actually measuring it. This will be done in the first part of this chapter. In the second part, we will test any relationship that emerges between decentralisation and corruption, and the impact of the other relevant factors, which will involve interpretation of data at both individual as well as village level. From the results, we will try to convince the reader of the complexity of the relationship between decentralisation and corruption. We will, however, disentangle the relationship as far as possible, obtaining results that will illustrate the necessity of reassessing some of the theoretical and policy positions that dominate the debate today. This we will do in Chapter 6.

Measuring Corruption

Introduction—Avoiding the inefficiency fallacy

The image of India as a country plagued by corruption is firmly established—both within and outside India. Corruption charges are one

of the dominant themes in politics in India and from the outside the picture is confirmed by Transparency International´s (TI's) compilation of surveys in which India always ranks low—in the 2004 Corruption Perception index, it was ranked level with Gambia and Russia—even if normally slightly less corrupt than Pakistan. The index goes from 0 to 10, where 10 indicates practically no corruption. India scored 2.8 and Pakistan scored 2.1. Indian commentators have been heard to congratulate themselves on the fact that India scored higher than Pakistan, just as Swedes may express satisfaction that Sweden scored 9.2, marginally better than neighbouring Norway with its 8.9. It may be noted here that Sweden and Norway, just like India and Pakistan, have a history of once being part of the same political entity, prior to a process of partition. But the point is that local rivalries sometimes make relative positions far more important than absolute ones. And this illustrates a problem with indexes—often we tend to ascribe too much importance to insignificant differences. It is striking to note how much power indexes have over our minds. A ranking like TI´s certainly sticks in peoples´ consciousness and a difference of just one or a few decimal points can be perceived as very important.

However, in TI's index some country scores are based on 15 surveys, others are based on three. And Surinam, for example, where only three surveys were used, included scores ranging from 2.1 to 5.8. So at best, and this is often pointed out by the researchers at TI themselves, the index is only a very rough estimate. Furthermore, the scores are based on perceptions held by only a selected group of people. Although surveys of residents of the countries are included, the index is largely based on opinions of businessmen and 'country experts'. And since people are asked fairly broad questions on how much they think corruption is present in a country, there is a great risk of falling into the *inefficiency fallacy*. In poor countries especially, but also in wealthier ones, an accusation of corruption may simply be a guess at the cause of a problem. This is a serious difficulty in a country like India where we can see that corruption is *de facto* a big problem[1] but where it is such a common accusation against politicians and bureaucrats that it is a part of everyday jargon. Philip Oldenburg (1987) has clearly identified this problem and we constantly need to remind ourselves that in this

context the political system may be highly inefficient for many other reasons than corruption, such as lack of resources. Reforms may be impossible for reasons that have nothing to do with corruption. But still the problem will be categorised. The label 'corruption' becomes a box in which we 'accidentally' place several other variables (Oldenburg 1987). This is probably one reason why poverty and corruption correlate so strongly. I do not doubt that poverty contributes greatly to corruption. But there is reason to suspect that these two variables sometimes merge into one. And if this is the case, we have an important problem from many points of view; here, though, we will discuss the problem mainly from the researcher's perspective.

If we throw cases of 'inefficiency' which are not caused by corruption into the box, we will fail to understand why some bureaucrats manage to behave in a non-corrupt way although the structural constraints are severe. And if we do that, we miss the most interesting findings of corruption studies. It is one thing simply to say that adding resources, and making sanctions more real will combat corruption. But understanding why, for example, the bureaucrat Y is not corrupt while X is corrupt, although they both struggle with similar paucity of resources, and in both cases monitoring institutions are not always immediately present, is really crucial. This may give insight into the important factors that shape behaviour beyond the crude carrot-and-stick categories. So the ambition here is to study corruption in India in a way that avoids this pitfall. We will do this by first defining the level in the political system at which we will study corruption and then deciding on the specific cases of corruption that should be included. Then we proceed to the results of the study.

From high-level to low-level corruption in the health and education sector

There is high-level and low-level corruption. When Sani Abacha embezzled billions of dollars from the Nigerian government and when Slobodan Milosevic did the same as President of Yugoslavia, they made headlines because these were cases of high-level corruption.[2] High-level corruption is not necessarily defined by the amount of money

or resources someone has tried to misappropriate.[3] It is defined by the level of the office that a public official and political leader occupies when it takes place. This is not to say that mechanisms that promote or hinder corruption at lower levels are completely different. There are undoubted similarities. The literature often suggests similar remedies or controls, regardless of whether corruption is encountered among the national or the local elite and public administrators. High and low is, however, a distinction that can predict how much attention news media will attach to the crime. High-level corruption is news, while usually low-level corruption is not. This is unfortunate, since low-level corruption is perhaps the biggest obstacle that developing nations face. The focus here will be on low-level corruption.

Low-level corruption occurs at the level where 'ordinary citizens' may actually meet the public officials or their elected representatives. This is an important difference from high-level corruption. No doubt media reports about high-level corruption will influence citizens' attitudes to the political systems, just as Machiavelli argued (see Chapter 4). Uslaner (2004) points out the dangers to democracy that this can imply and reminds us of the Chinese saying that 'The fish rots from the head down.' Several writers, like Rothstein (2003), Wuthnow (2002: n. 75) and Chhibber (2002), take this argument further and state that if the elite is corrupt this will undermine trust among citizens. Nevertheless, corruption at a lower level in the political hierarchies is just as important as high-level corruption in this discussion of what influences the way citizens think. The crucial role played by the 'street level bureaucrat' has been firmly established in this area of research.[4] It is at the lowest levels of the bureaucracy, where public administrators meet the citizens, the middlemen, the political entrepreneurs and all other sorts of power brokers, that the character of the state is moulded (Koch 1986; Bhattacharyya 1994; Oldenburg 1987). And most important, the character of the state and how it presents itself to the citizens at the street level will have a decisive impact on citizens' perception of the state, their trust on it and the extent to which they accept the legitimacy of the political system.

And in India, low-level corruption is painfully present. The costs of corruption have been documented in many ways but in my opinion

seldom so convincingly and painfully as by Palagummi Sainath, an Indian journalist who published some of his own stories for the *Times of India* on rural poverty and living conditions in the book *Everybody Loves a Good Drought* (1996). The book presents a number of accounts of how the education system and health institutions have failed to provide for the poorest, in particular. Sainath explains that:

> 'over thirty of the reports I filed for the Times of India mentioned primary schools in the poorest districts. Mostly they referred to schools without teachers. Or schools without teaching. Or schools with no students. Or, simply, to there being no schools at all' (ibid.: 43).

And when it comes to health institutions the problems get worse.

In this sector, India not just faces the problem of doctors not being in place or of clinics simply not existing. The problem in the health sector is accentuated in poor areas because, where the state fails to provide health care by properly trained doctors, unqualified practitioners offer their services at low fees. At best these will produce no improvement on the health of a patient but quite often they will aggravate the patient's condition. A part of Sainath's writing on this deserves to be quoted at length:

> When the residents of Pochra stripped and beat up Dr Biswas and chased him out of their village, they had reason to be angry. Biswas, a quack without any right to the label 'doctor', had given three bottles of glucose saline drip to Chottan Parhaiya's pregnant wife. The woman, close to delivery time and desperately in need of medical attention, died. So did the child. Biswas, however, runs a fairly healthy practice just a few villages away.… Allopathy is all the rage in Palamau and much of rural Bihar. Urban India may have rediscovered yoga and indigenous medical systems. But here, *hakim*s, *unani*s, *ayurved*s (practitioners of traditional systems of medicine), homeopaths—all have defected to the allopathic school. 'Some of them,' says a police official, 'have been compounders or doctor's assistants for two or three years. All give injections, which they have no right to do.' Besides, says a senior official, they 'are accountable to no one, can prescribe anything, and get away with it.'
>
> Tuberculosis, malaria, diarrhoea, and dysentery affect many in Palamau. But the cure for almost all ills here is the saline drip. In remote areas, quacks mesmerise people with the drip. Even malaria patients

> are subjected to it. Many villagers believe that *paani chadaana* (infusion of water—i.e., the drip) is a mighty cure. So they borrow money to pay the doctor for the miracle. And then there are the tetracycline injections.
>
> A bottle of glucose saline costs Rs 28. That's the retail price. Wholesale, the bottles can be had for Rs 12 apiece. The kit (tube and needle) costs another Rs 12, retail. But quacks use the same kit for very long periods of time, inviting more risks. The quack charges patients Rs 100 to Rs 150 per bottle. 'The literate ones give less. The illiterate ones give more,' says Biswas with disarming candour.
>
> A 30 ml vial of tetracycline costs Rs 8 to Rs 10 retail. From this, the quack obtains 15 injections of 2 ml each, charging between Rs 10 and Rs 15 per shot and netting from Rs 150 to Rs 225 on his tiny investment. The needles are dirty, reused often, and invite disaster. Of course, there are also whole sections of villagers who cannot afford this game. Their access to health depends on giving the local witch-doctor a couple of eggs (1996: 30–31).

In a recent study on health care in India, Amartya Sen confirms many of Sainath's findings (Varadarajan 2005). Sen describes how health care as well as the educational system are plagued by various forms of absenteeism. Teachers do not turn up in schools and doctors are absent although they draw full-time salaries. When teachers fail to show up, the consequence is illiteracy and illiterates are the easiest victims of charlatans—especially when the real doctors are absent. So, although many of the problems in the education and health sector stem from lack of resources—or more correctly from political leaders deciding to give priority to other areas—a substantial portion of absenteeism is corruption-related.

Absenteeism as a form of corruption

Here we are not concerned with absenteeism caused mainly by a lack of resources and poor infrastructure. In this study, we focus on 'illegal absenteeism', which is largely the absence of a public servant who is using his or her position to earn an extra income. More specifically, it is absenteeism among publicly employed teachers and health workers who are selling their services to private institutions to an extent that leads them to completely neglect the public contract for which they

receive their salary. But for this absenteeism, literacy levels would be above today's 60 per cent and life expectancy in India would be much more than 60 years. To some observers, absenteeism is not usually associated with corruption; to them corruption is almost synonymous with various forms of bribery. However, given the definition discussed in Chapter 4, it is an obvious case of corruption when *a public sector employee is absent from work, who*:

- can survive and enjoy a relatively good standard of living on the wages received from the state
- is not physically prevented from going or getting to work
- carries out a job on the side which generates private income, often one where the resources, including status, of the public sector job are utilised

The urgency of treating this as corruption is underscored by Amartya Sen, who stated in a recent interview that:

> Corruption is there in the sense that a doctor in a public health service asks patients to go to himself or a friend in private care, instead of providing treatment. Accepting a salary and not being on the job is also a type of corruption (Varadarajan 2005).

However, identifying, in reality, what is corruption in the form of illegal absenteeism, and what is absenteeism caused by lack of resources and poor infrastructure, is more easily said than done.

Illegal absenteeism in Kerala and Madhya Pradesh

As explained in Chapter 3, 24 villages were selected for a survey, 12 in each state. In each state a district and a block were chosen. In the block, three panchayats were selected where teachers were attending their jobs regularly. Three other panchayats were also selected where teachers were frequently absent from work and the main reason for this was that *they were selling their services on the private market at the expense of their public duties*. In other words, in the latter category we had cases of illegal absenteeism or, to put it bluntly, corruption.

We proceeded in the same way in selecting three villages in each state where health services were functioning well and three where illegal absenteeism was prevalent.

In these 24 villages two surveys were carried out.[5] The villages were selected on the dependent variable of performance, simplified here as being either high or low. Naturally, the design could have been improved by having a larger number of cases, by selection on the independent variable, and above all by taking larger samples in each of the villages.[6] However, as in every research project, there were budgetary constraints on scope. The selection of villages was based on two criteria. The organisation responsible for carrying out the survey had to have good knowledge of the villages and also good contact with block officers, panchayat leaders, and so on, in the areas concerned. Also, the villages that were selected had to be fairly representative of the whole state. At the very least they were not allowed to deviate too much from other villages in the state in terms of, for example, socio-economic standard and caste composition.[7] But then why not simply use the survey to classify the villages? This is a common method and simply implies that the classification of villages and their corruption level is done on the basis of peoples' perceptions of corruption levels. One reason that this method is so often used is that it is more difficult to get information about corruption from other sources. The officials themselves will not admit to being corrupt, and getting in-depth data that may show the extent of corruption is technically difficult and extremely time-consuming.

In this study we have made use of public opinion, especially when discussing the propensity to condone bribery and what may explain that kind of attitude. But when we classified the villages we relied mostly on key informants at the local levels to determine the level of corruption. This was done to avoid the inefficiency fallacy discussed earlier. We explained to local officials and other contact persons in the field with detailed and reliable knowledge of the villages included in the study that it was crucial not to point out health workers or teachers who were rendered ineffective by poor infrastructure or similar factors. It was explained that we were only interested in including villages where teachers or health workers either attended to their jobs regularly or

were absent for reasons that could be classified as corruption. This was naturally a big enough task. Three examples can illustrate some of the difficulties we ran into.

In village X we visited a local health clinic which was staffed only by a clerk with no advanced medical training. The first assumption made from this was that the doctor in charge of the clinic was working for a private clinic somewhere else. However, it turned out that this doctor was perhaps one of the most efficient and honest ones encountered in the whole study. This doctor was often out of office simply because he was on the motor cycle most of the day making house calls and visiting the more remote areas of the block. His clerk had little formal training but could at least give uncomplicated treatments during the days the doctor was away.

In village Y we met a doctor who first appeared to be very efficient and ethically inclined in a non-corrupt direction. He was working hard and many patients queued to be treated in the clinic with which the government provided him. However, it turned out that we were witnessing a clear case of corruption. The doctor had turned up to the clinic on this particular day because it was a market day and that meant good business. The customers who were able to pay the private fees were treated first—the others had to wait at the back of the queue. It was during this visit that we also heard that it was common practice among some publicly employed doctors to explain to patients that their condition required 'special' medicine, but that the public clinic had none left in stock. The doctor then said that he or she could sell some of the 'private stock' to the patient, but of course at an extra cost. The doctor would then sell some of the supplies of medicine from the government stock at an extra profit.

Naturally, this doctor in village Y did not seem particularly evil. He calmly explained that he would much rather live in the bigger city rather than this 'godforsaken' place. In the city, he would have access to clean drinking water, electricity, a nice house and good schools for his children. In the village, the conditions were harsh and unattractive. And the risk of his being reported and eventually fired for his behaviour was relatively low—so why should he not continue to draw the government salary? He was quite sure he would not be replaced by a more

'honest' doctor—at least he sometimes showed up in the village to help people, so why should he do anything different?

In the third case, village Z, we met a woman who was in charge of a local health clinic and the rumour had it that she was thoroughly corrupt. The most common complaint was that she made very few visits to the areas she had responsibility for serving and therefore it was assumed that she was running some private practice on the side. However, it soon transpired that this was most likely to be a case of *inefficiency* caused mostly by the lack of resources and cultural norms. Attending the clinic was associated with several practical problems—just keeping the refrigerator containing medicines and vaccines running during frequent power cuts (this was in rural Madhya Pradesh) took a large portion of her time. House calls were difficult to make since it was considered improper by many for her, as a woman, to travel in the countryside alone. She often had to be assisted by her husband, when he was available, to drive her on his scooter to the more remote areas. Furthermore, the roads were so poor that a regular scooter could hardly get around—a sturdy off-road motorcycle would have had a better chance than an old Bajaj scooter.

So, finding out what was corruption and what was not was difficult, but this had to be done for the sake of the study. We tested the extent to which people's perception corresponded to our classification. When we discuss these results we will gain some important insights into which sources are useful for measuring corruption in *different types of professions*. But most important, we hope to have managed to stay clear of the *inefficiency fallacy*.

Matching measurements of performance

Naturally, it is interesting to see the extent to which the selection of villages that was carried out with the help of 'key informants' corresponds to attitudes expressed in the survey. If, for example, the citizens in the villages we classified as 'low-performing' were, on the average, significantly happier with the public services than those in the villages classified as 'high-performing', there would be good reason to question the classification made with the aid of key informants.

Two particular questions are useful in showing to what extent the performance classification matches the survey results.[8] The questions in the survey were formulated as follows: 'To which extent do the facilities for education in your area fulfil your needs' and 'To which extent do the medical and health facilities in your area fulfil your needs'. The reply 'not at all' was represented on a four-step scale with '0' and 'completely' with '4'.

In the villages with low performance in the education sector, we should expect more negative opinions of performance to be expressed with regard to the first question than in those classified as having high performance. Similarly, in the villages with low performance in the health sector, we should expect more negative opinions to be expressed with regard to the second question than in those classified as having high performance. For the purposes of this study it should also be of interest to see what people say about paying bribes and how this corresponds to our classifications.

The interviewees were presented with the following statement:

> Sometimes citizens pay bribes to public servants (an amount of money which is paid to the public servant for personal use, besides the official fees, and which consists of a sum that differs in size depending on who is paying). Using this (see below) scale for all the questions, please indicate which position connected to the following statements you think is the most correct.

At the left end of the four-step scale '0' was indicated with the text 'never' and at the right end of the scale '4' was indicated by 'always'. We then presented the statements:

- To get medical help, bribes have to be paid
- A person who wants to get his/her child into school, or wants to keep the child in the school, has to pay bribes

Then the interviewee was asked to complete the statement by indicating his or her position on the scale.

With such a small number of villages in the study the simplest way to illustrate how measurements of performance match may be to compare average results for the variables for each group of three villages. The reason for not simply adding the results from Madhya Pradesh

and Kerala is that the contexts of these states differ too much. We get more information by treating the results from these states separately. Consequently, we present the average results for the variables mentioned from three villages in Madhya Pradesh where the performance in the health sector was low according to our key informants and from three where it was high, and so on. The results are presented in Table 5.1.

Table 5.1
Matching Measurements of Performance

	Health fulfilment 0 = not at all 4 = completely	*Medical bribes* 0 = never 4 = always	*Educational fulfilment* 0 = not at all 4 = completely	*School bribes* 0 = never 4 = always
MP, Health HP	1.47	1.69		
MP, Health LP	0.86	2.58		
Ker, Health HP	2.90	1.59		
Ker, Health LP	2.08	2.40		
MP, Edu HP			2.14	0.84
MP, Edu LP			1.07	0.82
Ker, Edu HP			2.60	0.79
Ker, Edu LP			2.33	0.72

Note: HP = High Performance; LP = Low Performance; MP = Madhya Pradesh; Ker = Kerala.

If we begin by looking at the results from the health sector, we see that in both Kerala and Madhya Pradesh the survey showed that citizens living in the villages classified as high-performing were clearly more satisfied with the services provided in the health sector. Although the average opinions of the health sector differ greatly if we compare Madhya Pradesh with Kerala, the difference between high-performing and low-performing villages was about the same, almost one step on the scale. If we look at what people say about how often they have to pay bribes we see a similar pattern. It turns out that people living in the high-performing villages say they have to pay bribes less often than those in the poorly performing villages. Again, the average results for Madhya Pradesh and Kerala differ, but the difference between high-performing and low-performing villages is less than one step on the scale.

If we study the education sector the results are a little different. In Madhya Pradesh, we can clearly see that people are less satisfied with the performance in the education sector in the low-performing villages. In Kerala, however, people in the villages classified as low-performing are only slightly less satisfied with the performance in the education sector than those in the high-performing areas. Furthermore, we see that people say that bribes have to be paid to keep children in the school just as often, or just as seldom, in the high-performing as in the low-performing villages in Madhya Pradesh and Kerala. Provided that our key informants have correctly classified the villages as low-performing and high-performing, how can the results for the education sector be explained?

To begin with, the reason for the small difference in perception of performance in the education sector in Kerala may be that the general standard of education in Kerala is exceptionally high. Also, the availability of alternative education facilities in Kerala is relatively high, regardless of the performance of the public sector. Besides public schools, there are a large number of private institutions offering education and a number of schools funded by the government but administered by bodies in the private sector. The way the question about health facilities fulfilling needs was phrased does not distinguish between private and public facilities. The situation is quite different in Madhya Pradesh, where the literacy level is very low. In most villages, where the public schools fail in performance very few, if any, private alternatives are available.

Paying bribes to teachers, however, is obviously uncommon in both Kerala and Madhya Pradesh as Table 5.2 shows.

The survey tells us that only about 30 per cent of the respondents never had to pay bribes to get medical services. The average result when using the five-grade scale was 1.89. As much as 67 per cent of the respondents said they never paid bribes to keep their children in school. The average result was 0.59, despite the presence of the problem of teacher absenteeism in both Madhya Pradesh and Kerala.

This tells us that the level of corruption, or more precisely illegal absenteeism, is reflected in the survey results, that is, how often people have to pay bribes in the health sector but not in the education sector. The reason for this is most likely the following. When people fall

Table 5.2
Perceptions about Bribes in the Medical and Education Sectors

		Medical bribes	*School bribes*
N	Valid	1148	1137
	Missing	15	26
Mean		1.89	0.59
Standard Deviation		1.56	1.07
% who said they *never* had to pay		30	67

seriously ill, regardless of whether they are poor, they will try to get medical help (about 77 per cent of the respondents had used some kind of medical facility during the last two years) in or outside their own villages. If there are no medical practitioners in the village, help will be sought from another village. In this process citizens are often exposed to medical practitioners who try to charge fees that are perceived as higher than the official rates. When it comes to education services, corruption acts in a different way.

It is simply not practical for teachers to gain an extra income by asking for illegal fees from parents in the schools in the remote villages. The best way to make extra money is to draw a salary from the government while running a lucrative private teaching practice on the side. Often the public teacher lives in a large village or a city other than the small village in which he/she is supposed to be teaching. The private practice is carried out in the village or city where the teacher lives and he/she simply never or seldom turns up for work at her/his official place of employment. Hence, the villagers that are deprived of the education services to which they are entitled never even get the option of bribing a teacher in order to keep their children in school. This may explain the results for the question about paying bribes in order to keep children in school. With regard to the health services we can see that there is probably a kind of interaction that shapes peoples' opinions and that enables them to assess the character of the problem fairly accurately. With the education service there may not be the same type of interaction between the principal and the agent and, therefore, the citizens' perception of what is going on is not as reliable.

Finally, this shows something important about surveys as indicators of corruption. Again, if we assume that our key informants have

been right, we could have correctly identified the villages with high and low performance in the health sector by looking at what people said about the level of corruption. In that sector, the bribery and illegal absenteeism go hand in hand. In the education sector, however, we could not have used the survey question about bribes to effectively locate the villages that are plagued with teacher absenteeism. In that case, although we are looking at a case of corruption, it is not elucidated by asking questions about bribes.

Having sorted out these methodological questions in relation to corruption research in practice, we can now proceed to consider what can actually explain corruption and what role decentralisation and other factors play in this.

Explaining Corruption at the Individual and Village Levels

The survey measures attitudes of the citizens included in the survey and, as we explained in the earlier section, it does not always contain information about our dependent variable, namely, the level of corruption in the villages. Therefore, the presence or absence of corruption was measured independently from the survey with local informants commenting on why personnel in the health or education sector were not attending their workplace. We can, therefore, begin by exploring attitudes to bribery—how these related to individual opinions of the decentralisation reforms and perceptions of various forms of governance—to shed light on the relevance of decentralisation and some of the competing hypotheses mentioned in the previous chapter. We will do this by looking only at survey results at the *individual level*. In order to explain the performance at the *village level*, we then have to take the step to the village level by aggregating our data. In other words, the 24 villages are categorised according to the presence or absence of corruption in the health and education sector. Then we look at how performance is related to average ratings of the success of decentralisation reforms at the village level, and how this in turn is related to averages at the village level in terms of socio-economic and other indicators. This will be the most revealing test of the hypotheses

mentioned so far. But first we must look at the information at the individual level. Although that cannot explain village level performance, it can certainly illuminate issues related to corruption.

General perceptions of corruption and the distinction between the public and private sectors

Let us begin with the assumption that the level of corruption could be determined not only by the propensity of public servants to demand and accept bribes, but also by the propensity of the citizens to give bribes. Then, given the previous discussions on decentralisation and corruption, especially those referred to in Chapter 4, we should investigate whether variations in such propensities could be related to variations in citizens' ratings of the success of the decentralisation reforms. Also, we will be able to look more closely at perceptions of corruption and the extent to which people living in the areas surveyed would support a slightly modernised and humanised version of the Weberian bureaucratic model. We will then see if there are strong regional variations, and finally we can examine what may influence the acceptance of corruption in more practical situations.

Attitudes to bribes and a rule-governed bureaucracy

As we discussed in Chapter 3, we asked people how they thought the decentralisation reforms had turned out. We asked whether they thought their level of influence had increased or decreased and to what extent bureaucrats at various levels had become closer to or more distant from the citizens. We also asked questions relating to bribes. Several of the questions, as we mentioned in the first part of this chapter, mainly concerned the extent to which public servants tried to extract bribes from the citizens. But we also included questions that could indicate the extent to which the interviewees were likely to give bribes to public servants. One of the questions about bribes in the survey is presented in Figure 5.1.[9]

Two more questions in the survey asked whether health workers and teachers *should* take some bribes for their services. Since the responses

Figure 5.1
Attitudes to Bribery

Attitudes to bribery

Sometimes citizens pay bribes to public servants (an amount of money which is paid to the public servant for personal use, besides the official fees, and which consists of a sum that differs in size depending on who is paying). Using this (see below) scale for all the questions, please indicate which position connected to the following statements you think is the most correct. PLEASE REPEAT THE OPTIONS 'NEVER', AND 'ALWAYS' FOR EACH QUESTION.
0 ..... 1 ..... 2 ..... 3 4

Never Always

Question 43. I think civil servants in general should take some bribes for their services.

were similar for all three alternatives we will report the response to the question relating to the civil servants (Figure 5.1, question 43).

In general, people said that they were not inclined to give bribes. For the whole survey, 77 per cent said civil servants should never take bribes. In Kerala, 88 per cent indicated '0' and 2 per cent '1' on the scale. In Madhya Pradesh, 67 per cent indicated '0' and 20 per cent '1' on the scale. In the whole survey, about one-fifths of all respondents chose alternatives other than 'never'.

At the individual level, we could not find any strong correlations with perceptions about the success or failure of the decentralisation reforms. This was unexpected, and although most of the expectations concern the results at the village level, it seems that regardless of how the reforms were perceived, whether the respondent thought his or her personal power had increased or decreased, there was no great effect on the attitudes to bribery. This may sound like a non-result, but it certainly is not. On the contrary, we can say with some certainty that if there is some effect from the citizen's attitude on the inclination of officials to take bribes, this propensity is not lessened or increased by effects of decentralisation reforms.

In comparison with the response about the ideal bureaucrat we find a strong but less uniform reaction to bribery. The next question is: What can be important, if not opinions of decentralisation, in shaping the attitudes of the citizens to the question of bribery?

Since the debate on political culture often brings up the problem of transferring ideas and ideal types between cultures and very different contexts, we thought we should test the extent to which it is true of key concepts and ideas that the state should work from a normative perspective. The respondents in the survey were asked to indicate the importance they attached to the qualities of the ideal civil servant as described in Figure 5.2 (question 26).[10] They were also asked to state to what extent they thought bureaucrats believed in the ideal model (Figure 5.2, question 27).

In the whole survey, to question 26 an overwhelming 77 per cent answered 'very important'; 86 per cent indicated '3' or '4' on the scale. There is a variation between the two states. In Madhya Pradesh, 75 per cent indicated '3' or '4' on the scale while 97 per cent did so in Kerala. Naturally, this is largely a result of the fact that there are huge differences in the literacy levels. As we mentioned earlier, in Kerala about 6 per cent of those surveyed were functionally illiterate, as against about 75 per cent in Madhya Pradesh. Therefore, it may be surprising that

Figure 5.2
The Ideal Civil Servant/Public Sector Worker

The ideal civil servant/public sector worker

According to one opinion, a civil servant or someone who works in the public sector should have the following qualities:

- He/she should treat everyone equally, regardless of income, status, class, caste, gender or religion.
- He/she should never under any circumstances accept bribes.
- He/she should always act according to the relevant rules and laws.

Question 26. How important do you think this view is?

0 ..... 1 ..... 2 ..... 3 4

not at all important — very important

Question 27. How common do you think it is that this view is held by public (*sarkari*) sector personnel?

0 ..... 1 ..... 2 ..... 3 4

no one in the public (*sarkari*) sector holds the view	about half the public (*sarkari*) sector employees hold this view	everyone in the public (*sarkari*) sector holds this view

the difference between the two states was not larger. The smallness of the difference is perhaps best understood as an effect similar to the one when we ask very general questions about whether people like democracy. Ronald Inglehart and Christian Welzel (2003) express strong opinions on this.

> At this point in history, democracy has a positive image almost everywhere, and Albanians or Armenians are as likely to pronounce themselves in favour of democracy as are Swedes or Swiss. But these favourable opinions are often superficial, and unless they are accompanied by deeper-rooted orientations of tolerance, trust, and a participatory outlook, the chances are poor that effective democracy will be present at the social level.

I absolutely agree that taking general expressions of support for democracy, or, as in this case, an ideal bureaucratic model, as the only indicator of how democracy works or the bureaucracy behaves at the local level is, to say the least, problematic. However, the question about the bureaucrat is still interesting for several reasons. First, although the bureaucratic model presented here has traits many people would support at a general level, it also says that everyone should be treated equally regardless of income, class, gender or religion—this is more specific than just asking someone about support for democracy. And above all, it seems that this description is meaningful to a large number of people. Second, although the support for the model presented is high, there is an important variation between the states and obviously not everyone holds the same view on this topic. This should be explored further and we will later investigate whether averages of the perceptions in the high-performing and low-performing villages are at all correlated to performance.[11] However, we should now look at how support for the ideal bureaucrat may influence the propensity at the individual level to pay bribes. Could the variation here be explained by how people view the ideal bureaucrat?

It turns out that the influence these two variables have on each other is not very strong either.[12] The level of support for the ideal bureaucrat has a very limited effect on attitudes to bribes. Perhaps this is the kind of result we should expect when using replies without enough variation.

However, following the advice of Inglehart and Welzel, we should look at the effect of more specific questions in our analysis and we, therefore, move on to the variables that examine people's capacity to distinguish between the public and the private sector.

The importance of being able to distinguish between public and private sectors

Trying to assess people's capacity to differentiate between the public and the private sector and between the responsibilities of their respective employees is a challenge—especially since social scientists themselves often have muddled perceptions about this. This is not strange. In many cases the state is so entangled or entwined in the private sector that we end up with conclusions along the lines of Gupta's (1995) observation mentioned earlier (see Chapter 4). Nevertheless, there are still aspects of the state and the private sector (or civil society as Gupta would have said) that can be both analytically and empirically separated. In this survey, we included a short multiple choice test with three questions to see if respondents were able to make some distinctions between public and private.[13]

A dummy variable was created that included each individual's test result. Each correct answer in the test gives one point, while an incorrect answer, a 'don't know' or missing data, gives no points. In Table 5.3, we can see that Keralites managed better in the survey than participants in Madhya Pradesh.

Table 5.3
Test Results

Test results: Public and private sectors			
Points	*MP + Ker*	*MP*	*Ker*
0	21.4%	34.3%	9.0%
1	27.2%	31.3%	23.3%
2	43.1%	29.8%	55.9%
3	8.3%	4.6%	11.8%
Total	100%	100%	100%

For example, only 9 per cent of the survey participants in Kerala scored no points on the test, compared with 34 per cent in Madhya Pradesh.

In Kerala, 68 per cent managed to get two or three points compared with half as many in Madhya Pradesh. So we get varying results depending on context, but with Rose-Ackerman's (1999) emphasis on the importance of being able to separate the public from the private sector in mind, we should analyse whether the ability to distinguish between the public and private sector may influence the acceptance of bribery at the individual level.

If we first only look at the relationship between test results and the variable that measures the condoning of bribery, we see clearly that a person who has some knowledge of the difference between the public and the private sector is less likely to think that public sector personnel should take bribes.[14] Adding one point in the test score corresponds, on average, to moving 20 per cent of one step from right to left on the bribes scale for the question 'I think civil servants in general should take some bribes for their services…'. This may be compared to the more limited influence we see if we look at the relationship between the level of education (measured on an eight-grade scale) and the attitude to bribes.[15] Although we should remember that we have three more steps in the education scale than in the attitude-to-bribery scale, an increase in the level of education from primary to middle school would on average only lead to a decline in the acceptance of bribery corresponding to 6 per cent of one step on the bribes scale. This was rather surprising since several arguments in the discourse on development and governance assume that the level of education would have had a much stronger influence on the willingness to accept bribes. The strong relationship between the test and the attitude to bribes was, of course, controlled more extensively. The influence of a contextual variable, the state, was investigated. As we mentioned before, the governance traditions of these two states differ widely so we should expect some influence from this factor. We also decided to continue to control for the level of education and whether personal prosperity has an influence on this matter. We included a housing variable in the model since it has been argued that affluence could have either a negative or positive effect on the acceptance of bribery.[16] However, it turned out that controlling for state and housing had almost no influence on the test. Only the significance of education was brought down in that

larger model, which resulted from collinearity caused by the fact that education levels and the state are closely related. However, the following trivariate model explains fairly well, given the data available from this survey, something of what causes the acceptance or resentment of public officials who take bribes.

As Table 5.4 illustrates, it turns out that the influence of the test result remains fairly strong, while education is still related but clearly more weakly.[17] Although the whole model presented in Table 5.4 has a limited explanatory value, this result deserves to be emphasised since it is an effect which 'survives' in a variety of contexts. At least we know a bit more about what may determine attitudes to corruption at the individual level. It was surprising to see that the effect of education was more limited in the test than in the large model. Usually education is one of the most common factors to have a strong impact on development-related issues. Here, however, we found that education is important for the capacity to score well in the test; and the test result is important for determining attitudes to bribery. But there is a more limited effect of education directly connected to attitudes to bribery.[18] Consequently, the test captures something of great importance. In one sense, Rose-Ackerman was right with regard to the hypothesis we mentioned in Chapter 4 that the capacity to distinguish between the public and the private sphere can be important in matters related to corruption. However, it does not seem to be necessary to make a distinction between developed and underdeveloped nations here. Although socio-economic conditions may be tough, people may be perfectly capable of making these distinctions. It seems that people may go through some

Table 5.4
Trivariate OLS Regression: Explaining Acceptance of Bribery

Dependent variable: Acceptance of bribery	*B*	*S.E.*	R^2	*N*
			0.044	1136
Constant	0.794*	0.060		
Test result	–0.174*	0.034		
Education	–0.034**	0.021		

Notes: * Significant at 99 per cent level of confidence.
** Significant at 95 per cent level of confidence.

type of experience in life which teaches about the idea of separating the state from the public sphere.[19] And this may happen in a variety of socio-economic contexts. The level of education in itself is not the most important factor. However, the more education a person has had, the more likely it is that he or she may have this experience. It is tempting to speculate what this experience actually consists of, but perhaps we have to be content with the conclusion that if there is a bottom-up relationship between citizens and public servants, that is, if the citizens themselves do to some extent determine whether bribes will be demanded regardless of the actions of the public servants, then these observations are important to keep in mind. But the main purpose here is to follow the variables discussed so far and observe their effects on an aggregate level, or more precisely at the village level, and see what actually influences the outcome for our most important dependent variable, namely, corruption.

What decides the level of corruption at the village level?

The data set with information about the individual responses was aggregated to the village level. A new data set was created where each case is represented by one of the villages—a dummy for high and low performance was also created.[20] Most variables from the original survey were included and for each case the average values for the population in each village have been included. This enables us to see whether, for example, the villages with high performance have a lower or higher average on the questions concerning the degree of satisfaction with the panchayat reforms, the perceived proximity of bureaucrats and politicians, acceptance of bribery, opinions about the ideal bureaucrat, and so on, than the low-performance villages.

Let us start with a result that was certainly unexpected and at first perceived as quite disappointing in this project.[21] The survey does not seem to show any direct relationship between performance, that is, the level of corruption, and any of the measurements that are related to satisfaction with the Panchayati Raj reforms or the perceived distance to the bureaucrats and politicians. We used a set of 16 questions that probed attitudes relating more specifically to decentralisation and none would survive even mildly stringent statistical tests. Simply put,

at this point we cannot see that the degree of corruption is related to performance in the public sector—or more specifically, the success of decentralisation reforms. There may of course be several reasons for the fact that we have missed evidence of a more direct relationship between decentralisation and performance, but if we go by Popper's dictum that this is the provisional truth, we have to tackle this result more constructively and investigate other possible factors that may be related to performance. Then we can take one step back and reassess the relationship between decentralisation and corruption. And it will be argued in this chapter that we will then find that decentralisation has a role to play after all. But first we have to look at the other relevant factors that we discussed in the previous chapter.

We should first fully investigate what other factors have been suggested in the literature as probably related to performance. If we begin by thinking in terms of political culture, what about the ideal-bureaucrat factor for example? In the previous discussion we saw indicators that people have a strong sense of how the public administration should work. But if there is some variation at the village level about how strongly people feel about this, could that be related to the level of corruption? It turns out that the average opinion at the village level of the importance of the ideal-bureaucrat model is not related to performance outcome either. Villages that show more support for the ideal-bureaucrat model are not more likely to be high-performing than those showing lower levels of support. However, we should remind ourselves that the variation in support for the ideal-bureaucrat model is not very large. Also, the survey shows that there were two villages with significantly lower average support and these two, it turned out, were also low-performance villages. This is not enough to say that a general trend can be established, but it should be kept in mind for future research.[22] However, the average results for the question 'How common do you think it is for this view to be held by public sector personnel?' (Figure 5.2, question 27), are related to performance.

In villages where public servants were believed to accept the ideals described in Figure 5.1, corruption was the least likely to occur.[23] This shows that the criteria used for categorising the villages in the survey as high-performing or low-performing also correspond to some extent to people's perception of how well the areas are governed. To this we

can add that political protest is also slightly more common in the poorly performing villages than in the ones that are performing well. Briefly put, in low-performing villages people are more likely to protest and to say that they do not think public sector personnel conform to the ideal model.

But, most important here, the fact that we found no relationship between our measurement of how the ideal-bureaucrat model was supported by the citizens and actual performance shows that what people think is right at the citizen level is not automatically reflected upwards in terms of performance—at least not in the cases examined here. For example, a village with more people who endorse the ideal bureaucratic model is not more likely to be well governed.[24]

The case is the same for attitudes to bribery. Village averages for condoning or resisting bribery do not seem to be related to performance. Whether people are more or less inclined to think it acceptable to give bribes cannot predict how well the public institutions are functioning. Nor did the test result that measured individuals' capacity to distinguish between public and private, and that demonstrated a strong impact in the previous section in this chapter play an important role here. Villages with high test results are not necessarily high-performance ones. Furthermore, it does not seem from this survey that we can predict outcomes from other common criteria such as average income, level of education, party structure, caste structure, and so forth.[25] One after another, the variables that had appeared to have potential as predictors proved unreliable. The remaining question is whether there are *any* contextual variables that seem to be related more directly to performance at the village level.

The answer, it seems, is that there is one, or actually there are two. It turns out that at least one of the 'civil society' or 'social capital' variables seems to be related to performance. However, it is not a variable that measures generalised trust, or inter-group trust, which produces the clearest results, as we might have expected from, for example, Putnam's argument in *Making Democracy Work* (1994) or Varshney's *Ethnic Conflict and Civic Life* (2002). It is a variable that measures intra-group trust that seems to be more important.

In the questionnaire, the respondents were asked whom they could count on for help if they fell sick. In one question we asked 'If I get sick,

I can count on help from anyone'.[26] The respondents were then asked to indicate their response on a scale (see Figure 5.3).

Figure 5.3
Question on Inter-group Trust

7. If I get sick, I can count on help from anyone				
0	1	2	3	4
Never				Always

The average village level result to this question which is used as an indicator of generalised trust seems to be at least related to performance although the significance level is perhaps not very convincing. The results from the bivariate regression are presented in the first row of Table 5.5.

Table 5.5
Bivariate Regressions: Inter-group and Intra-group Trust and Performance

	Constant	*B*	*S.E. of B*	R^2	*N*
Relationship between inter-group trust and village performance	–0.177	0.267*	0.153	0.122	24
Relationship between intra-group trust and village performance	–0.843	0.500**	0.200	0.222	24

Notes: * Significant at 90 per cent level of confidence.
** Significant at 95 per cent level of confidence.

Moving one step on the inter-group trust scale corresponds to moving slightly less than one-third of a step on the performance scale (which goes from 0 = low performance, to 1 = high performance). But again it should be noted that we cannot be too certain about this relationship. The results are somewhat different if we use the question given in Figure 5.4 instead.

This question can be used as an indicator of the level of intra-group trust, and the bivariate relationship between the aggregated results from this response and performance is displayed in the second row in Table 5.5.

Figure 5.4
Question on Intra-group Trust

6. If I get sick, I can count on help from members of my own religious community
0 ..... 1 ..... 2 ..... 3 4
Never Always

It is clearer that levels of intra-group trust matter to performance. We can be more certain of this relationship, which says that moving one step on the trust scale corresponds to moving half a step on the performance scale. If we bring in other factors and carry out a multivariate regression analysis, such as living standard or level of education, this relationship is almost unaffected. Therefore, we can conclude that at least one contextual variable seems to be important. However, *this goes against strong currents in the literature*, so let us discuss the interpretation of these in more depth and in an even wider comparative perspective in the next chapter. Before we go there, however, let us have some last thoughts on what the survey may tell us—especially with regard to the role of decentralisation, and connections between performance and how the local leaders responded to the survey.

Elite perceptions and a possible link between decentralisation, trust and performance

When we studied the survey results using a larger randomised sample and after aggregating the data up to the village level, we did not find anything directly relating to performance other than various kinds of trust. One conclusion could be that *this is it*; there is nothing more at the village level that really influences performance. But the survey material has not been exhausted yet. Let us first bring the local leaders and their opinions into the discussion.

Bonding trust among the local leaders and performance

In Chapter 3, we discussed the design of the study and mentioned that we also carried out a smaller survey including local leaders alongside

the larger survey. In each of the panchayats around five persons were selected who were better educated or who had more responsibility than others in general. This information will be useful now.

In this part of the survey, the following members of society were included; teachers, doctors, other health workers such as nurses and *anganwadi*s, panchayat members from district, block and village levels, and some landowners. Those people completed a questionnaire quite similar to the one completed by the rest of the panchayat members in the larger sample. We could not find many indications that this group and their attitudes deviated significantly from the rest of the sample in the large survey, but some differences were worth recording. First, what mattered in the large survey, inter-group and intra-group trust, was not related in any way to performance in this group. The only stable connection we found was that in the low-performing villages, that is, the corrupt ones, the elite group tended to express a higher degree of trust in the village panchayat representatives than in the high performing or non-corrupt ones. This relationship could not be demonstrated in the large survey. The respondents were presented with the following statement: 'I would like to ask you some more questions about how you feel about different groups in society. Do you think you can trust all, most, fairly many, not very many or no one of the persons belonging to the following groups?' A list of people was then presented to the respondents. It included lawyers, the police, the army, and panchayat leaders. The respondents could then indicate their response on the scale where '0' at the left end was accompanied by the text 'no one', the middle position or '2' was indicated with 'fairly many', and '4' corresponded to 'all'.

The bivariate regression (see Table 5.6) shows that moving one step on the trust scale from left to right, from less to more trust, was related to the performance scale by moving about 37 per cent of the scale step from low performance (that is, high level of corruption, indicated by '0') to high performance (that is, low level of corruption, indicated by '1'). It should be noted that in 21 out of the 24 villages the 'elite sample' contained at least one panchayat member. So this question implied to some extent a form of self-evaluation for some of those asked. We will discuss this piece of the puzzle in the two remaining chapters.

Table 5.6
Bivariate Regressions: Local Leaders' Trust in Panchayat Representatives and Performance

	Constant	*B*	*S.E. of B*	R^2	*N*
Relationship between 'Trust in Panchayat Representatives' and performance	–0.246	0.371*	0.167	0.183	24

Note: * Significant at 95 per cent level of confidence.

However, it should be noted here that this indicates something important—if the groups we selected can be said to represent some kind of elite, but at the micro level, then it seems advantageous for the level of corruption if they trust themselves or the panchayat representatives. It seems that it may be useful to regard levels of trust, especially bonding trust among members of different groups, as weights that will determine a balancing point, which in turn determines who gains in the long or short run. If citizens in general do not trust each other and the elite does, then it seems that a situation that is conducive to corruption is created.

Furthermore, if no other direct relationships between the attitudes of the local leaders and performance can be established, we should ask whether any opinions held by either the group of local leaders or the larger segments of the population selected randomly are in some way related to inter-group and intra-group trust, which we found was related to performance. What factors are related to both bonding and bridging trust, or to either of them?

A second chance for decentralisation

When the data set was explored it turned out that several indicators aimed at measuring decentralisation—here defined as the distance between citizens, on the one hand, and the bureaucrats, politicians and those working in institutions financed by public funds, on the other—seemed to be related to both intra-group and inter-group trust, which had been found to have the strongest relationship with performance.[27] Therefore, an index was created where we totalled all the results from questions which were designed to measure the

distance between panchayat leaders at various levels, but with a slight bias in favour of the distance to the panchayat leaders at the village level.[28] As we may recall from Chapter 3, the distance scale ranged from 'close' (0) to 'distant' (4). Intra-group and inter-group trust were measured with the question asking whether help in times of sickness could be expected from members of the community or 'anyone' and the scale there ranged from 'never' (0) to 'always' (4) (see Figures 5.3 and 5.4).

As we can see in Table 5.7, the perception of the distance between citizens and those who rule is related fairly strongly to both inter-group and intra-group trust.

Table 5.7
Bivariate Regressions Including Only the Citizen Survey

	Constant	*B*	*S.E. of B*	R^2	*N*
Relationship between 'Perceived distance between citizens and Panchayats' and 'Inter-group trust'	3.147	–0.219*	0.035	0.037	1032
Relationship between 'Perceived distance between citizens and Panchayats' and 'Intra-group trust'	3.272	–0.267*	0.031	0.067	1027

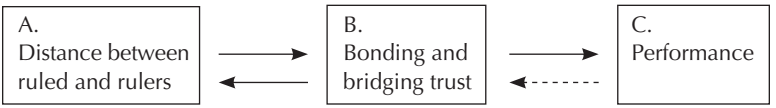
Note: * Significant at 99 per cent level of confidence.

Consequently, moving one step on the 'distance' index from left to right, that is, when the perceived distance increases, corresponds to moving 22–27 per cent of one scale step on the trust scale from right to left, that is, away from 'always' and closer to 'never'.[29]

Here the decentralisation hypothesis is to some extent resurrected. This is good news for those who advocate decentralisation as a reform for development since it shows the following. As we showed earlier, performance, or the degree of corruption, was not directly connected to any measurement of decentralisation included in this study. Only bonding trust, and to some extent bridging trust, was. However, the kind of bridging trust, and perhaps even more the kind of bonding trust, that was captured by questions about trust in times of sickness

is positively correlated to how close the citizens say their elected representatives are to them. Consequently, if we look at Figure 5.5, the direct connection between A and C cannot be established, but decentralisation, it emerges from this, is related to the kind of social capital that can work against corruption.

Figure 5.5
How Decentralisation, Trust and Corruption are Related



So, from a policy perspective it may be useful to implement policies that bring citizens closer to the bureaucrats and politicians. Naturally, it may be that in the case of the relationship between A and B, and also the one between B and C, the causal arrows run in the other direction, that is, from C to B and B to A. We cannot say anything definite about this here. The methodology used will not allow that. However, we can make some important points. Regarding the relationship between B and C it seems, as we discussed at the beginning of this chapter, that Rothstein (2003), Wuthnow (2002) and Chhibber (2002) may be right in pointing out that a non-corrupt government creates citizens that will trust each other in general. However, Uslaner (2004) pointed out that the effect of trust on the character of government was stronger than the effect of governance on civil society. In the Indian case, it should also be noted that it is the relationship between bonding trust and corruption which is the strongest, not the one between bridging trust and corruption as Rothstein hypothesises.

Moreover, it may be that it is trust among citizens, within and across groups that can cause politicians and bureaucrats to interact more closely with their citizens. It may be the case that the trusting citizens are those who make effective demands that, in turn, will lead to decentralisation on paper being implemented in reality. However, in this case, we know that the fairly recent constitutional amendments relating to panchayat reforms were the logical prerequisite for the panchayat structures to become active at all. Still this does not mean that society

cannot exercise pressure 'upwards' to shape political structures—that is what is assumed to happen in the relationship between B and C. And that a vibrant civil society can be conducive to development is well known. Just consider the following example, which illustrates the direct effect an NGO can have on the level of corruption.

Samarthan is an NGO in Madhya Pradesh which has worked very successfully on development issues of various kinds at the local level for a decade now. It is also one of the key organisations that have made this study work. Many of its stories and accounts of how panchayat institutions work at the most local level give important insights to the mechanisms involved. This is just one of several which indicate the important role that can be played by actors in civil society in providing a counterweight to corrupt leaders.

> The *Sarpanch* of Gadgaon Panchayat, Raigarh district was very corrupt. He had swindled Rs 10,000 from the Gram Panchayat account. An NGO based in Raigarh Lok Shakti had formed a *Mahila Mandal* in the village, which was very active and aware of its rights and responsibilities. The *Mahila Mandal* discovered the swindling and mobilised the people against the corrupt *Sarpanch.* They forced the Panchayat Secretary to convene a Gram *Sabha* meeting, where the *Sarpanch* was charged. Due to public pressure, the *Sarpanch* had to admit his folly and returned the swindled amount to the Gram Panchayat account (Samarthan 2000: 36).

Such an example could very well provide an effective warning to anyone else guilty of corrupt behaviour. In support of that argument it is interesting to note that when we asked questions about effective means of combating corruption, a substantial portion of the group consisting of local leaders thought that more cooperation among citizens at the local level would be effective. Again, it seems useful to think of actors in civil society and trust among citizens as counterweights to elite actors who may be prone to exploitation. Here we have to leave this discussion. We will settle for simply having determined that there is a relationship between A and B, and that it is not empirically determined in which direction the causal flow is the strongest. However, we have

found a possible connection between decentralisation and corruption, and certainly trust takes a central role in this relationship. This is another important piece of our puzzle that we will set aside for the time being and put in perspective in the final chapter. To conclude the present chapter, we have to consider some other points revealed by the study.

Other factors related to bonding and bridging trust

Given the fact that trust is related to both decentralisation and corruption, it would be interesting to consider some other factors that appeared conducive to a rise in trust levels in this study. It turns out that at the individual level the degree of satisfaction with the services provided by the panchayats was related to the level of bonding and bridging trust (see Table 5.8).

Table 5.8
Bivariate Regressions

	Constant	*B*	*S.E. of B*	R^2	*N*
Relationship between 'panchayat satisfying needs' and inter-group trust	2.048	0.266*	0.030	0.064	1131
Relationship between 'panchayat satisfying needs' and intra-group trust	2.458	0.127*	0.027	0.019	1129

Note: * Significant at 99 per cent level of confidence.

First, the respondents were asked to list the most important needs of the people living in the area. Then they were asked 'to which extent is the panchayat system able to satisfy these needs with its projects or services?' Here we found that satisfaction with how panchayats managed to provide these services was related to both bridging and bonding trust. Going one scale step from left to right in satisfactory provision of services, that is, from 'not at all' towards 'completely', corresponded to about 13 per cent of a scale step from left to right, or from 'never' towards 'completely', when we look at bonding trust and almost 27 per cent when we look at bridging trust. Here we find more

support for Uslaner's and Rothstein's hypotheses, for example, since the level of satisfaction is associated with general or bridging trust rather than with intra-group trust.

However, it is also interesting to note some factors that have significantly different effects on bonding and bridging trust. I will not bother the reader with too many figures here.

It turns out that it does matter what type of house people live in (our proxy for income), how often people say they visit a temple, mosque, or church, and whether they vote in the general elections. At least that is so in the case of bridging social capital. The more bridging social capital an individual expressed, the more he or she visited a temple, the better housing the person would live in and the more likely he or she was to vote in the general elections.[30] This comes close to the kind of citizen that can be said to be idealised in Putnam's work on social capital in America (1994). It is a citizen who is engaged in some organisational structure (who goes to church, for example), who is democratically oriented and who is fairly wealthy, who trusts others beyond the immediate group. This is also interesting since in India the success of BJP has been attributed to a rise of Hindu fanaticism. This study indicates the opposite that those who often go to the temple dare to trust those belonging to other groups!

Finally, the citizens who have a more bonding kind of trust are different. The factors mentioned for the bridging trust person did not play a big role for the bonding trust person. There are two factors, however, that are noticeable with relation to the bonding trust person. First, it seems that those who participate in political protest have less bonding trust than those who do not.[31] Or vice versa, those who are less inclined to protest boost their bonding trust. Second, gender is a factor that affects the level of bonding, but not of bridging, trust.[32] Evidently, women have higher levels of bonding trust than men. All these observations are worth keeping in mind when we discuss social capital in India and in general. And we will return to some of them in the final chapter, where we will try to produce a more coherent summary of our findings. But first we need to summarise what we have found so far.

Summary of results and discussion

In this survey, support for a modernised or humanised version of the Weberian bureaucratic model and a position against bribes is strong at the individual level. However, from the village level results we can see no association between attitudes to bribery, support for the ideal-bureaucrat model and performance. Consequently, the more general claim that corruption is more prevalent where it is culturally accepted finds no support here. In general, corruption is not accepted by most people and most respondents in the survey favour a rule-governed bureaucracy within a democratic setting regardless of whether the context is plagued by corruption or not. Nonetheless, preferences expressed at such a general level are not ideal in helping us to understand what governs behaviour.

It is more important to look at the capacity of individuals to distinguish between the public and the private sectors as an explanation of acceptance of the use of bribes at the individual level. People who know how the state should function are also less inclined to condone bribery. Whether this should be seen mainly as an issue of knowledge or education or more as a cultural factor can be discussed. Gupta (1995), however, would most probably say that this is a factor determined by both the cultural context and the level of knowledge, and it is naturally tempting here to agree with the position that in contexts where no clear boundaries exist between the state and civil society it is pointless to try to separate analytically the public and the private sector.

However, we must keep in mind that it is likely that those who took the tests perceived the questions as mainly referring to how the state and bureaucracy *should* behave—not how they actually *do* behave. The fact that the boundary between the public and the private sector may be blurred *in practice* in a society does not mean that people cannot make abstract distinctions about where it should be drawn. This survey shows, contrary to what we would assume from Gupta's arguments, that there is an interesting diversity in the way people think about the state and its relationship to the private sector. The fact that performance in the test is clearly related to people's acceptance of bribery shows that Rose-Ackerman's (1999) hypothesis is important.

The capacity to distinguish between public and private is related to the degree to which an individual is ready to tolerate the taking of bribes by officials in the public administration. This result finds empirical support in varying socio-economic and political contexts. However, we should emphasise that the main problem for Rose-Ackerman's hypothesis is that the perceptions and preferences of individuals in these matters are not translated into performance at a higher level.

But perhaps even more surprising was the finding that decentralisation does not seem to have any *direct* connection with the level of corruption. The proximity factor and all the other aspects of decentralisation discussed in Chapters 2 and 3 seem to be unrelated to governance according to this study. However, we have demonstrated that there are *indirect* connections worth taking seriously and we will return to them in the final chapter. But so far, it has not been possible to explain the different outcomes by means of contextual variables, sometimes labelled cultural, at the village level either. Also, the test that was constructed could not help us understand performance at an aggregated level. In fact, hardly any of the contextual variables included in this survey that could go in the causal direction from context to performance had any effect. However, this study shows that context can have an important bearing on performance. Proper attention should be given to the civil society factor that we found was the only variable clearly related to performance.

Despite the fact that we only use 24 cases here, the results in Table 5.3 should be regarded as at least interesting. We find some, although perhaps only weak, support for Putnam's hypothesis about generalised trust and efficiency in governance. More surprisingly, we see that intra-group trust is more clearly related to high performance. It may be hard to accept that a society where people 'stick to their own' is better at making development reforms work. There is obviously an important dilemma here—it is tempting to assume that there may be something of a zero-sum game between intra-group and inter-group trust, that the more you trust members of your own community the less you trust members of other groups. Hulterström (1996) demonstrated that

this was the case with credit systems for women in Bangladesh. The better the credit systems worked, the less the members trusted other groups.[33] This can be a serious problem since democracy in any society can surely be threatened by cleavages and lack of trust between groups, especially if we take into account that a group where everyone trusts each other can easily be mobilised against another weaker group. The capacity of Hindus to mobilise against Muslims in Gujarat in 2002 is a tragic illustration of Russell Hardin's important point about ethnic mobilisation. He has argued quite well that social capital or trust can be used to improve the living standards in one place while it can be used by one community to suppress another in other places. When Hardin discusses ethnic mobilisation he argues that the reason that ethnic groups can cooperate effectively and overcome the collective action problem is because individual and group interests coincide. And when such cooperation occurs 'the result is often appalling' (Hardin 1995: 5).

This survey, however, does not show that such a zero-sum game between inter- and intra-group trust is necessary. On the contrary, a closer scrutiny of the evidence reveals that trust in members of one's own community does not necessarily exclude trust in people in general. In fact, it turns out in this study that inter-group trust is quite strongly related to intra-group trust.[34] Yet the inter-group trust variable behaves in a more unpredictable way in relation to performance than the intra-group trust variable.

Undoubtedly, trust can be a double-edged sword. For example, Bardhan and Mookherjee (2000a) have argued that groups at the local level can be expected to use their power to capture the state institutions.[35] This is why in some cases a centralised state could avoid corruption. But here it turns out that intra-group trust is important in providing some sort of counterweight to corruption. From a normative perspective there is perhaps not so much to be disappointed about here as one may think. We have to remember that we have only shown that cooperation works well in areas that have high levels of intra-group trust. We have not found any evidence that inter-group trust is bad for performance—the results are simply not as conclusive for the role of inter-group trust as for intra-group trust. From these results we can,

however, hypothesise that the inter-group trust in some of the villages has not been useful for political mobilisation because of the lack of political entrepreneurs that Anirudha Krishna (2002) talks about in his contribution on this subject. However, higher levels of trust in some form make villages less likely victims of exploitation by corrupt officials or personnel working in the public sector.

Our results presented here confirm the idea often promoted in the discourse on collective action that trust, in some form, is a necessary condition for political cooperation. Or, if it does not lead to political mobilisation, it is at least a useful bulwark against corrupt officials. In societies where at least some significant parts of the population trust each other, the marginal cost for public officials that wish to extract bribes is higher than in societies that completely lack trust. However, we were surprised to find that the kind of trust we generally treat with scepticism in democratic theory—intra-group trust—may be useful for promoting development from which everyone can benefit.

So, at this point it all seems to boil down to the fact that we have ended up with two conclusions that we did not expect. Decentralisation is not directly related to the level of corruption. However, trust is—but not mainly the kind of trust that social capital theory predicts should be useful. One reaction to these conclusions would be to dismiss the survey as unreliable and simply conclude that we had better stick to the old maxims that decentralisation is good for governance and bridging social capital is good for democracy. But why should we do that? The data set collected for this study has been collected by four different organisations working independently of each other and the data sets have been thoroughly controlled. Perhaps other conclusions are possible. Perhaps something is wrong with social capital theory instead. Perhaps a relationship between decentralisation and performance can indeed be established, but not in such a simple way as the theory predicts. If the former is true we need to establish exactly where social capital theory has gone wrong. And if the latter is also true, there are serious policy implications to consider.

So if we stay with the results here, if we judge them as fairly reliable, we have to tackle a serious problem in social capital theory. To be honest, this was not the initial plan in this project, but the results we have

presented so far have generated serious arguments for a reconsideration of social capital theory. That will be the task of the next chapter. Then, in the final chapter, we add these experiences together and present the final answers of this study on the relationship between decentralisation, corruption and, obviously, social capital.

Notes

1. To mention only one example, this was manifested in January 2004, when Zee TV journalist Vijay Shekhar wanted to demonstrate the chronic state of the legal system. A team went to Gujarat and paid a judge INR 40,000 (about USD 800) to issue arrest warrants for certain people. The judge had no idea who they were. The deal the journalists made with the judge was taped and then disclosed in the media. The effect was not lessened by the fact that the list concerned India's President, A.P.J. Abdul Kalam, and Chief Justice, V.N. Khare. Quickly, however, the comic effect vanished when journalists in Gujarat were physically assaulted in acts of revenge soon after the story was revealed.
2. To read about Abacha, see http://news.bbc.co.uk/1/hi/business/3168197.stm (accessed on 24 February 2004). For Milosevic and the accusations against him, see http://news.bbc.co.uk/1/hi/world/europe/1218177. stm (accessed on 24 February 2004).
3. As an example of corruption involving far less money, Mona Sahlin, one of Sweden's top Social Democrat politicians and notorious for being completely disorganised, had to step down from her ministerial post a few years ago after having been caught buying chocolate bars and baby's nappies on the government's credit card. However, she has 'bounced back' and is now the leader of the Swedish Social Democratic Party.
4. See for example, Koch (1986).
5. The random sample was drawn from election rolls covering the areas selected. The surveys were carried out in 2001 with the aid of the Madhya Pradesh Institute of Social Science Research in Ujjain, Samarthan in Bhopal, Health Action by People (HAP) in Thiruvananthapuram and the University of Kerala, also in Thiruvananthapuram. The average response rate was about 70 per cent for the mass survey including all the 24 panchayats in the study. The survey personnel received detailed information about the background to the study and the ideas that guided the design of the questionnaires. It should also be mentioned that the main study was preceded by a pilot study undertaken in 2000 with the support of the Institute of Social Sciences in New Delhi and the organisation Debate in Madhya Pradesh in 2000.
6. For a discussion on the problem of selecting cases on the dependent variable, see, for example, King et al. (1994: Chapter four).
7. Naturally, as was discussed in Chapter 3, the diversity and size of these states make it hard to meet the latter criteria in several respects.

8. Variables 504 and 506 in the survey.
9. See Chapter 3 for a discussion of the scales.
10. One study of particular interest here is that carried out by Miller et al. (1998) in the Czech Republic, Slovakia, Bulgaria and Ukraine. The study seeks to determine whether citizens should be seen as sources, victims or accomplices of corruption.
11. It should also be noted here that when the respondents were asked to what extent they thought the ideal view was held by public sector personnel (Figure 5.2, question 27), we received some unexpected answers. In the whole survey, about 40 per cent of the respondents said they thought less than half of public sector employees held such a view. However, in Kerala, which most observers of politics in India would agree is a better governed state than Madhya Pradesh, 44 per cent answered that they thought less than half of all public servants held views in accordance with the ideal bureaucrat. In Madhya Pradesh, the corresponding figure was 35 per cent. In other words, the better educated Keralites are more sceptical about their bureaucrats than the citizens included in this survey from Madhya Pradesh. Consequently, this shows that we would have drawn the wrong conclusion if we had used quite general questions about bureaucrats as an indicator of performance at the state level.
12. Although there is a *significant* correlation between support for the ideal bureaucrat and what we could call the acceptance of bribery, we can see that the *influence* these two variables have on each other is not very strong (n = 1093, B = –0.06, S.E. = 0.027, significant at 95 per cent level of confidence). Moving one step from left to right on the scale for support for the ideal bureaucrat will only, on average, have the effect of moving 6 per cent of one step from right to left on the scale for attitudes to bribes. Interestingly, in the elite survey that was carried out a clearer connection is visible between these two variables (n = 121, B = –0.161, S.E. = 0.055, significant at 95 per cent level of confidence).
13. For example, we asked 'How do you think the public (*sarkari*) services are financed?' The options available were 'Public (*sarkari*) services are: 1 = financed mainly by fees you pay when you use them; 2 = financed mainly by taxes; 3 = financed mainly by donations.' Although, all questions would not necessarily measure the capacity to distinguish between the private and the public sphere in a direct way, the test results are at least useful as a proxy for that capacity.
14. n = 1139, B = –0.208, S.E. = 0.031, significant at 99 per cent level of confidence.
15. n = 1136, B = –0.065, S.E. = .013, significant at 99 per cent level of confidence. The respondents were asked 'What is your level of education?' and on our scale the figure 1 corresponds to the answer: none and illiterate, 2 = none, but can write name, 3 = none but literate, 4 = primary school, 5 = middle school, 6 = secondary or technical school, 7 = college, 8 = university or polytechnic.
16. See, for example Tanzi (1998: 559–94).
17. Naturally, several other models were tested but yielded no results that change the conclusions drawn here.
18. This relationship is described in n. 15.

19. At least according to the set of questions used in the test in this survey which tried to measure this either directly or by proxies.
20. According to Lewis-Beck, '[e]ven beginners know that OLS is simply "not done" or at least not published, when Y is binary' (Pampel 2000: v). Nevertheless, OLS will be used here for the following reasons. First, the sample size is smaller than is recommended for using logit. Second, OLS is known to be robust against violations of assumptions, for example, as discussed in Gujarati (1995). Moreover, the models for explanation here were tested using logit. However, none of the results would indicate that the results from the OLS regressions were incorrect.
21. It was disappointing since we had expected some clear results here which could be translated into more comprehensive and coherent policy recommendations.
22. We could imagine that there is some sort of threshold effect where villages below a certain average are always more likely to be low-performing while villages above the threshold will stay unpredictable in outcomes.
23. n = 24, B = 0.665, S.E. = 0.347 (significant at 90 per cent level of confidence). In other words, moving one step from left to right on the scale for opinion about public servants will have the effect on moving almost 70 per cent on the scale for performance.
24. Compare this to Inglehart and Welzel's argument that individual support for democratic values may only be 'weakly linked to societal-level democracy' (2003).
25. Given the way the model for the investigation is constructed, we cannot control for the variable state here.
26. The questions about who one can count on for help are used as indirect indicators or proxies of trust. Other questions regarding trust were also asked but indicated no strong relationship to performance at the village level.
27. See Chapter 3 for a presentation on how *distance* was measured.
28. The index includes opinions about the distance between citizens and the district panchayat representatives, the block panchayat representative, the village panchayat representatives and the village *panch*.
29. These relationships remain even when we control for the influence of factors such as income, gender and education.
30. For more details about these questions, see Chapter 3. House type and bridging trust:
    n = 1157, R^2 = 0.019, S.E. = 0.047, B = –0.221, constant = 2.986, significant at the 99 per cent level. 'How often do you go to temple, mosque, or church' (1 = daily, 6 = almost never) and bridging trust: n = 1015, R^2 = 0.039, S.E. = 0.037, B = –0.236, constant = 3.163, significant at the 99 per cent level. 'Voted in Lok Sabha Election' (0 = no, 1 = yes) and bridging trust: n = 1159, R^2 = 0.013, S.E. = 126, B = 0.490, constant = 2.136, significant at the 99 per cent level.
31. 'Demonstration' (0 = no, 1 = yes) and Bonding Trust: n = 1134, R^2 = 0.006, S.E. = 0.122, B = –0.307, constant = 2.730; significant at the 95 per cent level.
32. 'Gender' (0 = female, 1 = male) and Bonding Trust: n = 1155, R^2 = 0.026, S.E. = 0.072, B = –0.397, constant = 2.902; significant at the 99 per cent level.
33. Gibson and Gouws (2000) came up with results that were similar to Hulterström's but in South Africa.

34. The relationship between inter-group and intra-group trust is fairly strong (n = 1155, B = 0.483, S.E. = 0.021, significant at 99 per cent level of confidence). The results tell us that moving one step on the inter-group trust scale corresponds on average to moving half a step on the intra-group scale.
35. Goldsmith (2002) also supports this position. The results presented by Bardhan and Mookherjee and Goldsmith are, however, hard to reconcile with those of Fisman and Gatti in their study in 2002, and Crook and Manor (1998) who argue that fiscal decentralisation in particular is related to lower levels of corruption.

6

The Utility of Bonding Trust and a New Look at the Role of Social Capital in Development

The positive correlation between decentralisation and trust shown in the previous chapter may not be surprising from a more general perspective. The idea that the more citizens perceive that important decision makers have been brought closer to them by the reforms, the more they also seem to trust each other, seems to confirm the positive effects of decentralisation that were emphasised in Chapters 2 and 4. The puzzling part, however, against a background of widely held assumptions about social capital, is that this effect remains even when the social capital is of the kind that is usually seen as detrimental from a democratic perspective. Perhaps even more than bridging trust, bonding trust is positively related to a successful decentralisation. And even more surprising, more strongly than bridging trust, bonding trust is according to this study related to lower levels of corruption.

As discussed in the previous chapter, such results contradict traditional thinking about the role of social capital. However, in my opinion, the idea that bonding trust can have positive effects has not been thoroughly tested in previous research—the opposite has often simply been assumed. It is politically easy to win support for the idea that we should all like each other and that we should resist the idea that it is better to stick with one's own kind. This is not surprising, considering the tremendous human suffering caused throughout history by ethnic conflicts, racism, xenophobia, intolerance, and so on. All these

phenomena build on the idea that is better to stick with one's own. In this chapter, however, I will argue that we still need to consider the positive effects of bonding social capital that are empirically demonstrable. The examples that follow, together with the findings from the previous chapter about bonding and bridging social capital in a historical perspective, will show that the context in which these forms of social capital exist determines their effects on society. But they will also show us that regardless of context, some of these forms of social capital may be a necessary precondition for development.

Western Democracy and Bonding Social Capital

Since Putnam's wake-up call a decade ago, the debate on social capital has deepened and diversified. Although there is still no clear consensus about what social capital really is,[1] a substantial portion of research has focused on trust. There is one perception in particular in this debate which has gained a support that may be considered unwarranted. While several studies have focused on the usefulness or 'good' qualities of bridging social capital, bonding social capital has either been neglected or seen as the 'villain' which breeds ethnic conflict and puts a brake on development. To some extent, this view has worked its way through to development agencies and policy makers. However, against the background of our findings in Chapter 5 and the historical cases that will be presented in this chapter, it will be argued here that we need to reconsider this view of bonding social capital if we are interested in identifying the type of trust needed for collective action to produce results that may benefit society as a whole. If we assume that bonding social capital is generally a force that inhibits development and democracy, we not only overlook the evidence in the present study that there may be a positive correlation between bonding social capital and governance, but also ignore a substantial portion of the political history of the West. The movements that have earned political rights for women, blacks and workers generally may be cited to support this argument. Besides serving as a bulwark[2] against public sector employees who attempt to exploit citizens and even other civil servants and elected officials, bonding trust may be useful to those who want to act

politically in a coordinated and effective manner. From these results we can draw the conclusion that although it has undoubtedly been shown that social capital can play a central role in development, trying to brand various types of social capital as intrinsically 'good' or 'bad' may prove futile.

We begin by looking at some very different empirical examples of bonding social capital that has worked in favour of democratic performance in the West. At the end of the chapter, we return to the study in India to re-examine and interpret the factors that may decide how various forms of social capital can work today in a way that favours democracy. The cases discussed are not exhaustive, but they should serve as useful illustrations of the idea that in a variety of contexts and situations, and places in time and history, bonding trust can be an absolute necessity for protecting certain groups in society. This has to be seen as evidence against the prevailing idea that bonding trust is necessarily inimical to development. Finally, it leads us to challenge the view of social capital as a prime mover with inherent normatively attractive qualities.[3]

A *longue durée* perspective may not be necessary,[4] but examples of the role of social capital in the history of democratic development in the West over the last 100 or 150 years may be useful as a complement to studies (including my own in India) that have mainly been snapshots of the level of social capital at one point in time.[5] Just consider how effectively Sheri Berman (1997) adds support to the observation made by William Shirer (1950) in the 1950s that the Weimar Republic was full of civic organisations but still produced one of the most destructive and oppressive regimes ever witnessed. From a historical perspective, there may be other more encouraging examples from which to draw conclusions. Civil rights in America, women's rights and workers' rights are three movements that may illustrate how bonding social capital can be useful for democracy. These movements have been among the most important in defining democratic evolution in the West. Although it is hard to find direct measurements of levels of bonding or bridging trust in the historical accounts of these movements, we can at least detect indicators of trust and the kind of networks that were created. In particular, building a common political identity and defining a political

opponent is a feature of the building of bonding social capital. And these three movements have in common the fact that they have defined their own political identities and then emerged as the challengers to a dominant political system. In refined language, the opponents have been the political right wing, the supporters of a patriarchal system and the enemies of equal rights respectively. More simply, they have been categorised as *capitalists*, *men* and *whites*. It is reasonable to assume that they must have relied on bonding social capital to hold their organisations and movements together. Some bonding social capital is a necessary attribute of any movement, almost by definition. But the point here is that these movements may have relied significantly more on bonding social capital than is usually acknowledged in the social capital literature, especially at periods when bridging social capital was virtually absent. At certain phases, the aim of these movements has not been to create bridges or compromises, but rather to challenge and even overthrow political opponents and the values they have represented. And this has been good for democracy. It has made it vibrant, it has taught the state—at least in some significant cases—to be responsive to demands for equal rights, and, in return, democracy and state institutions have gained legitimacy.

The civil rights movement and bonding social capital

For deeper insight into the role of bonding social capital, one may consider the actions of the Student Nonviolent Coordinating Committee (SNCC) in the American civil rights movement of the 1960s. African Americans had undoubtedly organised themselves before. After the Civil War, the 'African American voluntary associations proliferated at an accelerated pace' and in 1909 the National Association for the Advancement of Colored People (NAACP) was founded (Skocpol et al. 1999: 56; Skocpol 1999: 468). However, as Skocpol points out, although the NAACP advocated civil rights long before the civil rights conflicts of the 1960s, it never recruited more than 2 per cent of African Americans as members, and those who joined were 'mostly professionals and ministers' (Skocpol 1999: 468). The 'direct action-oriented' organisations such as the SNCC, however, changed things rapidly when they managed to coordinate mass protests.

But the hostility of the environment, for example, in the South where the SNCC was active, can hardly be overstated. Numerous violent mobs disrupted the campaigns. The challenge of activating the black citizens was enormous. Between 1930 and 1950 Mississippi alone had at least 33 lynchings (Payne 1995: 7). In 1960, less than 2 per cent of the black population of that state were registered voters (ibid.: 1). Voter registration campaigners tell similar stories about trust at the local level. No doubt the white community saw the campaigners as enemies. But on top of that, when the campaigners travelled in the states, regardless of skin colour, they met with the distrust of the black community (ibid.; Carson 1995). Often the campaigners were seen as 'trouble makers'. Or as Payne (1995: 2) describes the situation:

> Wherever they were sent, the civil rights activists found that their initial reception by local blacks was less than enthusiastic. The movement was generally dismissed as 'dat mess'. Reprisals were virtually certain. Those who were even thought to be interested in the movement might lose their jobs. Those who did join could expect to be shot at and to have their churches bombed and their homes targeted by arsonists.

The campaigners had to, therefore, first rely on trust solely among their own workers. If there was any trust among blacks generally it had no chance of being translated into political action on its own in the face of the threats and violence of the dominant white community. After some time, however, as it was realised that their aims were serious and designed to achieve long-term results, they began to gain the trust of residents in the areas where they worked. Certainly, the fact that some of these activists were white might have helped to build bridging trust across community lines. However, the emphasis here should be on the fact that the level of trust within the black community was obviously growing. This movement finally became so successful that it paved the way for the march on Washington in 1963 and it contributed substantially to political victories such as the Civil Rights Act of 1964 and the Voting Rights Act of 1965.

Furthermore, as Skocpol points out, the victories of the civil rights movement were a democratic watershed from which a rights revolution followed, involving 'feminists, homosexuals, and a plethora of racial

and ethnic minorities'.[6] For the civil rights movement, however, it seems that for a long time the road to these victories had to depend mainly on the level of trust within the black community. Only then could bridging social capital be utilised for political victories.[7] This experience of the civil rights movement is in several respects similar to that of the workers' movement.

The workers' rights movement and bonding social capital

As Adam Przeworski (1985: 54) observed, '[b]y 1848 the problem was to organise this emerging proletariat into a class, to separate it from the masses of *le peuple*, to imbue it with consciousness of its position and its mission, and to organise it as a party.' The early union leaders and party activists had to begin by creating or building a common identity, to create cohesion and trust. Class-consciousness had to be built and undoubtedly the early leaders were met by distrust and scepticism not too different from that encountered by the SNCC campaigners in the early 1960s. Obviously, the fact that any worker who raised his or her voice against the employers would be fired was a permanent deterrent to collective action. There was simply too much to risk in trying to act politically in relation to what could be gained in the short term, at least for most individuals. Workers had no power to set against that of their employers.

Fifty years later, this collective action problem had been challenged and overcome by the German Social Democratic Party. The formation of a more coherent movement redefined the relative hierarchical positions of workers and employers. But then this particular movement arrived at a watershed symbolised by the conflict between Rosa Luxemburg and Eduard Bernstein. Rothstein (1987) captures the historic struggle that ensued when Bernstein argued that the workers had to bargain with the capitalists and Luxemburg refused to compromise. She saw revolution as the only way to overthrow the capitalist system. In the short term, Luxemburg won over Bernstein as she refused to 'bargain over exploitation'. Meanwhile, Bernstein's critique of Marxism evolved from its early form of 'revisionism' into Social Democracy. But even if Bernstein's model was more successful when it was decided accept

compromise—thereby building bridges with the capitalists—unions and social democratic parties certainly thrived on bonding social capital in their early phase. And in countries where social democracy has been quite successful, such as Sweden, union members continue to express high levels of distrust of corporate leaders (Öberg and Svensson 2002).

Today, however, if we take a broad perspective, the workers' movement seems to have become more fragmented and it is weaker in relation to the capitalists. It is often argued that the cohesion and trust within the movement have been diluted by too much bargaining and too many accords between the elites representing the workers and the employers.[8] Although such observations will not necessarily diminish the value of the victories gained by the workers' movement in earlier periods, they indicate an important shift in the political climate in the West. Some of these observations may also be relevant to feminists in the 1990s.

The women's rights movement and bonding social capital

The most profound change in the feminist movement during the last 100 years, if we may briefly lump together all the movements aimed at combating inequalities between men and women, is the move from cohesion to fragmentation.

By the late 19th century and the start of the 20th century, the suffrage movement was a unifying cause. Ever since then the guiding idea has not only been to fight for certain rights[9] but also to mobilise against a common enemy resisting change. Laura Clay's divorced mother's comment in the late 1870s on the problems of trying to recruit support for the suffrage movement is a symbolic representation: 'I expect that we will find a good many masters standing in the way of the enlightenment of their slaves. Aren't you glad we have no masters?' (Fuller 1975: 23). Feminism has experienced several 'waves' and successes since then. The movement has evolved and diversified—especially since the 'take off' mentioned earlier in the 1960s from which the 'second wave' followed. Observing how women and other groups organised in the US from independence until today, Theda Skocpol (2002: 131) refers to the sociologist Debra Minkoff who:

> … documents that groups acting on behalf of women and racial or ethnic minorities burgeoned sixfold between 1955 and 1985, from less than 100 to nearly 700. During the 1970s and the 1980s, moreover, the mix of groups shifted sharply from cultural, protest and service associations toward policy advocacy groups and service providers also engaged in advocacy. In contrast to earlier ethnic associations and female partner groups, contemporary rights-advocacy groups aim to highlight what makes their constituencies special and different from other Americans.

The feminist movement has been successful and celebrated victories, but it has faced serious setbacks or backlashes too (Faludi 1992). Today, the feminist movement is regarded by some observers as being fragmented, or from another perspective more diversified, and it is debated to what extent this is good or bad (Bull, Diamond and Marsh 2000). On the one hand, the fragmentation is a result of the fact that women have taken more important positions in different spheres of society. But the dilemmas and challenges to the feminists are to some extent similar to those faced by the workers and social democrats mentioned earlier. In an early phase, the women's rights movement relied heavily on bonding trust among women although it would to some extent also rely on bridging social capital to score political victories. However, it is now argued that the fragmentation of the movement has gone too far, and that too much of the bonding social capital may have been depleted. Or, as Randall (2000: 149) puts it: 'What is being undermined is a way of women thinking and acting collectively, both in terms of "sisterhood" and in terms of making claims on public resources to promote women's equality and autonomy'. Again, it should be noted that we are making broad generalisations about a complex movement. However, although we can surely find counterexamples, it is still possible to argue that for feminist organisations in several countries, bonding trust has been far more important in producing political victories than bridging trust (Nelson and Chowdhury 1994).

A recent example of this is the creation of *Feministiskt initiativ* (The Feminist Initiative [FI])—a new party formed in Sweden in the spring of 2005 that is addressed to women who want to abolish the patriarchal order and to those men who want to join this struggle in solidarity. However, its manifesto adds that:

> Feminist Initiative also sees that the global patriarchal power system, which operates and sustains itself through violence and warfare, leads to an unequal distribution of the world's resources as well as ruthless exploitation and destruction of the environment.[10]

When the party was formed, men were 'invited', but the leadership consisted at first only of 15 women and no men, and the impression was clearly that in this early phase of mobilisation this movement relied heavily on bonding trust—trust among women. It is no coincidence that the abbreviation FI is also a well-known military term in Sweden which stands for *fiende*, which means 'enemy'.

The power of bonding social capital

I think these examples tell us three things. First, bonding social capital, in particular bonding trust, is a necessary, although not on its own a sufficient, prerequisite or component for a successful political movement. Michael Walzer's (1992: 103) discussion of the movements for democratic citizenship, socialist production, free enterprise and nationalism may be useful here: 'There was a kind of heroism in these projects—a concentration of energy, a clear sense of direction, an unblinking recognition of friends and enemies.' This very well formulated description fits the rights movements in the West mentioned here, in particular in their early phases. A common identity was built and it probably created bonds, built on trust, among the members of the movement. In this process, the lack of trust across groups was instrumental. Just as liberal theory evolved from the lack of trust in government,[11] so have other rights-oriented movements been fuelled by the lack of trust in their political adversaries—why else aim at establishing formal rights? Distrust can also be a powerful engine for change in democratic directions.

Second, it is also clear that at certain points these movements have had to rely on bridging trust—if only between the leaders of the political antagonists. After the movements had succeeded in mobilising, building a common identity and forming closely knit organisations, the political 'enemies' of, for example, civil rights, workers' rights and women's voting rights simply had to be prepared to negotiate.

And the leaders of these movements had to do the same in order to cash in and score political victories. FI in Sweden will most likely have to do the same in the future in order to survive. These processes of negotiation can, however, work as a two-edged sword. Too many ties and too much bridging trust at the elite level can deflate a rights movement. If political positions have to be negotiated and compromised too far, the cadres may lose confidence. Consequently, *bridging* social capital sometimes leads to a process where the ideological content of a movement may be *diluted*. This is at present a common criticism of union movements in Europe.[12] However, this problem is rarely discussed in the literature, where the usefulness of bridging trust is emphasised. On the other hand, it should not be forgotten that upholding a very radical position and only building the bonding type of social capital may also be counterproductive for a movement. In 1965, Stokely Carmichael took the SNCC into a more radical phase but the movement lost strength by this (Carson 1995)—an experience not too different from the dilemma faced by Rosa Luxemburg. Obviously, both bridging and bonding social capital are important if a political movement is to be successful, but there is no single formula that will fit all movements at all times. Consider, for example, how the corporatist structure in Sweden has allowed union leaders at national level to create bridging social capital with capitalists and how that has allowed the workers to reap a valuable political harvest. In Öberg and Svensson (2002) perspective, when analysing 'co-ordinated market economies', large amounts of bonding trust in the cadres, added to a teaspoonful or so of bridging trust at the leadership level, have provided a recipe for successful policies for workers' demands.

Third, and this has not been a dimension that has been thoroughly discussed in the debate on social capital, the cohesion that is created by bonding trust does not only facilitate cooperation. It seems that there is a passive role that bonding social capital can play in protecting a group or community from exploitation. A political agent that has an interest in manipulating a certain group in society will naturally be able to dominate a fragmented society more easily than one where the level of bonding trust is perceived as high. Blacks in the south of the US were exploited, just as women and workers have been when group

identity has been weak, or the level of trust among the members of the group has been low. However, when the level of bonding social capital is high, it seems that a barrier is created which is not easily penetrated by someone who wants to control the rules of the game in a political system. These observations, I will argue, are also valid in other areas of the world, or at least in India.

Social capital in India and the West

From our study in India we can strengthen the argument that bonding social capital may have a positive external effect. This finding was rather surprising, at least to this author, since the discourse has pointed in a different direction for a long time and it is also fairly easy to assume that bonding social capital is less useful in a place like modern India. The rise of Hindu nationalism in India, for example, is strongly related to Hindu distrust of Muslims. In Uttar Pradesh, in 1992, Hindu nationalists destroyed a mosque in Ayodhya, after which several violent clashes followed where Muslims were the main targets. In 2002, perhaps as many as 2,000 Muslims were killed by Hindu-nationalist-inspired riots in Gujarat. In parts of Madhya Pradesh where the Bhartiya Janata Party has moved forward lately, almost 90 per cent of the Hindus express distrust of Muslims (Widmalm 2005). And, as we mentioned earlier, Varshney (2002, 2001) has convincingly argued that it is networks across ethnic lines that work to prevent conflict, while networks of intra-ethnic ties can escalate even a small conflict into large-scale violence. We can, therefore, use India as something close to *a most likely case* for testing the prevailing view that bonding social capital is bad for development. But, paradoxically, in societies where people trust their own group more than those outside it—as demonstrated in this study in India—the effect may be that governance improves, and it may do so in sectors from which everyone may benefit. Bonding trust is clearly important for democratic performance in the parts of India studied here and these results are consistent with the experience of democracy in the West.

In the examples discussed here, we can find further support for the claim that trust facilitates cooperation and helps to solve collective-action problems. From that perspective, social capital is a resource that

enables groups to work *actively* in a coordinated way. But it is at least problematic to claim that only the bridging dimension of various components of social capital (that is, trust, networks and norms) is conducive to development. A combination of bridging and bonding social capital may sometimes be what is needed in order to transform efforts at political mobilisation into political victories. We also see that bonding trust is a necessary component of any successful political movement and that this point is not strongly enough emphasised in the current debate on social capital. We could even go further and emphasise the virtues of distrust. The historical examples from the West show that polarisation between political adversaries and actors has characterised the evolution of these movements. Although they have certainly also made use of bridging trust, their histories are characterised rather by conflict, tension, struggle and a strong sense of 'us against them' than by the more cosy political relationships described in, for example, the literature on consociational democracy.

Another important conclusion we draw here is that, contrary to what current research tends to suggest, bonding social capital can be related to good governance and it can work against corruption. Naturally, we come back to the fact that trust, in any form, makes political coordination and action easier and therefore we can hypothesise that in societies with bonding trust, citizens will be more likely to protest, to act and to create pressure against corrupt practices. In the Indian study presented here, however, we did not find strong evidence that this is the main mechanism. The residents of villages that were functioning well were not necessarily more politically active than those in the corrupt ones. The explanation is most likely found in the more *passive* role played by bonding social capital.

The mere presence of bonding social capital creates a dilemma for, for example, a public official who desires to extract illegal fees or bribes from a group of people. The value of the bribe has to be weighed against *the risk* that the community will react collectively and take countermeasures. And the risk of countermeasures, such as protests and the threat of legal repercussions, is decidedly higher in a society with high levels of bonding trust than in one that is fragmented and characterised by low levels. The Indian cases are not alone in illustrating this point.

The case of the SNCC is also useful. Parts of the white community could resort to exploitation and abuse while bonding trust was lacking in the black community. The threat of violence continued to uphold the level of distrust until the civil rights movement managed to foster a degree of group allegiance based on a defined common identity and close social ties within the group. The women's rights and workers' rights movements, although to a varying extent in different phases of their histories, have also had this experience. And the villages in India studied here give support to this idea that cohesion, even if it is more within the group than across groups, may provide some kind of important counterweight to exploitative forces. The studies conducted by Samarthan (2000), which we quoted in the previous chapter, also support this.

Here we find a deviation from more common perspectives in the field. Varshney (2001: 363) claims that '[t]he more the associational networks cut across ethnic boundaries, the harder it is for politicians to polarise communities.' That idea goes back to Robert Dahl and Arend Lijphart and their contributions in the 1970s and, above all, as Lijphart points out, to Gabriel Almond. 'According to the theory of crosscutting or overlapping memberships which … is one of the theoretical bases of Almond's typology, crosscutting entails cross-pressures that make for moderate attitudes and actions' (Lijphart 1977: 75).[13] However, we should add to these perspectives that democratic stability or performance is not only dependent on crosscutting cleavages or overarching loyalties. Bonding social capital, or more specifically trust within communities, can work as a useful counterbalance in situations where otherwise one political actor would take a hegemonic role. Or, to use another of Varshney's metaphors, bonding social capital may serve as a useful *bulwark* against exploitation.[14] The examples presented here show that bonding trust in particular, and also distrust, may be useful for the mere survival as well as the continued political success of certain groups in politics. However, the contributions of, for example, the workers' rights movement, the women's rights movement and the civil rights movement go far beyond 'their own' groups. They illustrate that bonding trust may be not only useful but also crucial to the evolution of democracy in a much broader perspective.

Against this background it may be valuable to illustrate a number of examples of possible positions in which movements can be placed with regard to how they link or do not link with other groups and in relation to social capital and various forms of trust. In Table 6.1 we look mainly at potentially politically active groups and their relationship with their own and other groups.

Table 6.1
Political Mobilisation, and Bonding and Bridging Trust

		Bridging	
		High	*Low*
Bonding	High	Mobilised blacks, women and workers enjoying the fruits of political victories and/or becoming de-radicalised Well governed villages in India	Blacks, women and workers mobilising
	Low	Non-partisan cooperation?	Non-mobilised blacks, women, workers and Indian villagers

In the lower right corner we find the groups discussed earlier, before they joined as movements that were strongly mobilised. Using a Marxist terminology, we would argue that their objective political identities had not yet been transformed into subjectively realised political identities. The upper right corner illustrates the position when movements engaging women, workers and blacks in the West were mobilised but where the political gains had not yet materialised. That is, however, what happened in the upper left corner where the bonds within the movements are strong and yet some bridging trust enabled negotiations to take place that led to important political victories for these movements. Also we recognise the situation from India, where some bridging trust, but more particularly bonding trust, was found related to good governance. The lower left position is interesting although it is uncertain if we can find any real examples of it. Can bridging trust be high while bonding is low? Does not bridging presuppose bonding trust? Non-partisan cooperation of various kinds comes to mind here.

One example that could fit into this box comes from the Swedish island of Gotland, where in the early 1990s women from *all* political parties held meetings which resulted in an agenda demanding political reforms in the health sector—reforms especially concerning women (Eduards 2002: 73–77). In this case, the bonding identity based on a political left–right dimension that had initially brought these women into politics had weakened to such extent that these women decided to cooperate across this political dimension. The cooperation created bridging networks and trust as the party identification weakened. On the other hand, this would arguably make them a case fitting better in the top right or left corner since their politicised gender identity—clearly of a bonding type—grew stronger at the expense of party identification. So perhaps the lower left corner is not logically possible. By contrast, it is clearly in situations described in the top row that we can expect political action. This supports the claim that trust is a necessary condition for any political movement. And the contribution here has been mainly to show the possible utility of the bonding kind.

It seems from the results presented here that it is time to abandon the idea that certain types of social capital are *per se* connected to different types of utility or dangers. Perhaps Coleman (1990: 304) set us on the wrong track when defining social capital as something which 'facilitates *productive* activity' (emphasis mine). Several other authors have followed this line of thinking, connecting social capital to outcomes of which we are normatively in favour.[15] However, Berman (1997) put us on the right track when she queried the role of social capital in the Weimar Republic, and it is easy to imagine how the connectedness and trust within the movements discussed here could be found within movements that are working against equality or civil rights as well. For example, Sheilagh Ogilvie (2003) shows in a recent contribution that social capital can hinder development and work in favour of preserving patriarchal structures.

Certainly social capital is a resource for groups, but for which ends it is used is most likely decided by *non-inherent qualities*. And therefore, if we think about the development of supporting players and look at their policies, we need to take care to not just evaluate civil

society organisations mainly by the type of social capital to which they contribute. Bridging social capital is certainly useful at times, but bonding trust may also be a necessary factor if we want a vibrant democracy where demands from unprivileged groups are put forward vigorously. Even so, social capital alone is not enough, at least not according to Robert Wuthnow (2002: 86):

> [A]ny discussion focusing only on the decline in trust is missing the more essential fact that trust has been, and remains, quite differently distributed across status groups. These conclusions are worth emphasizing because they contradict the conventional view that social capital is a resource that the marginalized may be able to use even if they do not have other resources. If the hope is that association memberships are enough to build trust despite an absence of other socioeconomic resources, however, that hope appears to be ill founded.

Putnam's contributions on social capital (1992, 2001) undoubtedly boosted many policy makers' hopes that we had found one factor in societal structures that had an important impact favouring growth and democratic development—and that these factors were of a kind that could be shaped by public policies. But if it turns out that social capital can be utilised by organisations that work against development, and if it also becomes more apparent that the various distinctions of social capital do not enable us to understand what gives, for example, good governance or a better functioning democracy or economy in some cases but not others, then some other possibilities remain. One of these could be that social capital should more often be seen as an important intermediate variable when we try to understand economic and democratic development. This is where research endeavours involving social capital have more to contribute—by identifying which contextual and/or underlying variables may be prime movers and work *together* with trust, networks and norms.[16] Another implication is that it is not always the various distinctions of social capital that are the most important things in understanding development. It may be that *any* kind of social capital, for example, trust in either the bridging and the bonding form, is enough to create desired development effects.

We have now arrived at something of a paradox—the thorough tests of the role of social capital in relation to both decentralisation and corruption, in combination with the historical cases discussed here, indicate that we should sometimes hold various forms of social capital apart, and sometimes recognise that the presence of *any* kind of trust is better than the complete absence of trust. This enables us in the next chapter to say with greater confidence how decentralisation, corruption and social capital relate to each other. And it will also tell us which question marks remain after the conclusion of this study.

Notes

1. For example, Putnam (2002), Dasgupta and Serageldin (2000) contain contributions from some of the world's leading scholars on the topic but they show surprisingly little agreement about what we should call social capital. Kenneth Arrow (2000: 4) argues: 'I would urge the abandonment of the metaphor of capital and the term, "social capital".' See also Smith and Kulynych (2002) where arguments along lines similar to Arroware are presented.
2. This connects to the arguments developed by Varshney (2002), Carlberg (2003).
3. Hardin (2005) develops this position.
4. In Putnam (1992), 1,000 years of Italy's history is taken into account.
5. Compare with *l'histoire événementielle* as described by François Simiand (1903). See Braudel (1980: 27).
6. See Skocpol (2002: 128–31). See also Skocpol (1999: 467, 472).
7. See Wuthnow (2002: 86) for more information on trust among blacks in America and how it has declined from the 1960s to the 1990s.
8. Robert Wuthnow adds an interesting observation that is relevant in connection with this problem. In the US, the decline of civic involvement has 'been concentrated most heavily among the socially and economically marginalised, not among the more privileged segments of the middle class' (Wuthnow 2002: 60). Peter Hall makes a similar observation about Great Britain, where social capital has not declined in anything like the way that Putnam observes in 'Bowling Alone'. However, like Wuthnow, he observes a 'nation divided between a well-connected and highly-active group of citizens with generally prosperous lives and another set of citizens whose associational life and involvement in politics are very limited' (Hall 1999: 455).
9. See Skocpol (2002), Clemens (1999).
10. This quotation comes from FI's 'platform' which is available at http://www.feministisktinitiativ.se (accessed on 9 April 2005).
11. See Hardin (2004: 4), Skocpol and Fiorina (1999: 14).
12. Although such criticism is most often politically motivated.
13. See also Dahl (1971, 1982).

14. See also Carlberg (2003) for related arguments on this topic.
15. See, for example, Offe and Fuchs (2002: 189), Turner (2000: 95). Here, I agree with Narayan and Pritchett (2000: 281) that 'functional definitions run the risk of becoming circular'.
16. See Anderson (2003), del Carmen Feijoó (1994), Jenson (1994), Rothstein (2003a, 2003b), Varshney (2001). Elites thought cooperation among citizens could stop corruption.

7

Discussion: How Decentralisation, Corruption and Civil Society Connect

This study was started with the intention of finding out how far we could go with the argument that decentralisation promotes development, and also how decentralisation relates to democratic values and the efficiency of public administration. Now we have reached a point where we can comment on the democratic effects with some certainty. We also know that we have a complex relationship between decentralisation and corruption to sort out, and we have found that the only category of variables that may provide really significant leads is social capital.

I think it has been clearly shown that decentralisation is no simple panacea for underdevelopment. We began by discussing the two arguments for decentralisation. We can either regard it as having an intrinsic value—as an integral part of democracy. Democracy, from a certain angle, always implies that decisions should be taken as close as possible to the people. This is also known as the 'subsidiarity principle'.[1] Another argument for decentralisation is a more instrumental one. We then argue for decentralisation because we assume it will lead to certain desirable outcomes, such as economic growth, which it will do by making public administration more efficient and less corrupt.[2]

In this final chapter we will look again at the gains from decentralisation reforms in India, discussing both the intrinsic democratic values and the instrumental effects. In the first section, we only recapitulate the results of the reforms as described in the subjective opinions expressed by those included in the survey. Here we will bear in mind the earlier

discussion on the importance of distinguishing between the public sector and elected bodies in order to show that decentralisation does not necessarily move power closer to the people—it may simply move it around a bureaucratic structure.

We will then go on to discuss the connections between decentralisation and corruption and other factors that may determine the level of corruption in the cases studied here. This brings us to the central role taken by social capital. In this connection, we will discuss how the research results square with existing theories in the field of social sciences and what corrections to them we may suggest. Finally we will discuss normative conclusions that may be drawn with special reference to policy debates on decentralisation, social capital, corruption and aid.

Decentralisation Reforms—Some Gain More Than Others

In Chapter 2 we argued that in order to evaluate decentralisation reforms we need to consider the geographical location of institutions, their legal status and areas of responsibility, and the way powers have been moved, distributed, created, removed, increased or diluted. When looking at the Panchayati Raj reforms in India we found that they particularly increased the powers of the institutions that consisted of elected bodies—especially when we looked at the legal status and areas of responsibility of those institutions. This makes the reforms in India particularly interesting. Almost every state in the world today claims to be engaged in decentralisation reforms of some kind—but many are mainly designed to make civil servants more effective rather than to bridge the gap between the rulers and the ruled.[3] However, the implementation of panchayat reforms in India is to a large extent decided by state governments. Therefore, India is experiencing great variety in the degree of commitment to these reforms. For this study we picked two states, Madhya Pradesh and Kerala, which have undoubtedly made ambitious efforts to move real power to the local institutions of governance. The character of the reforms and the criteria we picked for evaluating their effects in the surveys allow us to say something about the extent to which people think that the distance

between the citizens and decision makers has been affected by the changes in the system of democratic governance.

General opinions on influence and effectiveness of democratic institutions

In the second part of Chapter 3 we showed that the decentralisation reforms in Madhya Pradesh and Kerala had certainly produced outcomes desirable from a democratic perspective. An impressive proportion of the population in all the areas surveyed thought that the decentralisation reforms had brought the decision makers at the local level closer to the citizens.[4] This was perhaps not so surprising with regard to Kerala—a state in which we always have high expectations with regard to governance. But Madhya Pradesh also managed to do well in this regard. Kerala and Madhya Pradesh also showed similarities when we asked whether people thought that their level of political influence had been affected by the reforms. Slightly more than a third of the interviewees said they thought they had acquired more influence—not a resounding success according to some voices in the debate, but still, it may be argued, a significant improvement. Even minor improvements are important when so many other regions of the world are experiencing an increased 'democratic deficit'.

However, we also saw that a significantly higher proportion of men than women thought the distance between bureaucrats and citizens had decreased. And a much higher proportion of men thought that their political influence had increased as a result of the reforms, at least in Madhya Pradesh. This does not undermine the conclusions reached by Chattopadhyay and Duflo (2004), who found that the reservation for women in the panchayat system had led to a situation where women thought the panchayat administrated by women responded better to needs that were to a higher degree expressed by women than men.[5] However, this study shows that men in poor areas gain more than women from the reforms in general. Consequently, we see that the panchayat reforms will produce a plethora of outcomes that do not fit easily into a single box. And even if in some cases men gain more than women, at least women *and* men can gain at the same time.

Furthermore, if we concentrate on effects that are related to equality, we find that more upper-caste than low-caste members in Kerala thought they had gained power. Educated people also felt they had gained more power. In Madhya Pradesh, upper-class people thought they had gained more power from the reforms. However, in contrast to Kerala, low-caste members in Madhya Pradesh also thought they had gained political power from the reforms. Civic engagement, however, seems to have had little effect here. The main conclusion that was drawn from the patterns discussed in Chapter 3 was that where inequalities in education levels are high, the perceived effects of the reforms on efficiency and democracy are also quite unevenly distributed to the advantage of the well-to-do.[6]

On the whole, we could observe several quite positive responses to the reforms, but we also noticed that local conditions—especially those relating to poverty—determine the outcomes of the reforms to a high degree. When an area is poor and people in general are illiterate, we can see that the possible effects of social capital are eradicated and that gender and caste, although not in a simple manner, emerge more strongly as factors affecting the perceptions of the outcome of the reforms.

Decentralisation and corruption

In the part of the study where bureaucratic ideals were investigated, we drew the conclusion that it may be wrong to assume that the idea of the state and the role of the bureaucracy is fundamentally different for people in India from that in the West. Studies relating to the state and social capital in India are often criticised for applying concepts only meaningful to societies in the West. However, it has been demonstrated here that what may be described as a modernised version of Weber's ideal bureaucrat was looked upon quite favourably by the interviewees both in Kerala and Madhya Pradesh. Also, it turned out that at the individual level, the factor most relevant to people's willingness to endorse or reject corrupt behaviour was the capacity to distinguish between the private and the public sectors. Those who were good at distinguishing between the public and the private sector were the least likely to accept the use of bribes.

To our surprise, however, when we moved to the next level of analysis—the village—and looked at the aggregated results from the study, we saw that factors such as education, caste, income and, most important, the perceived effect of the decentralisation reforms, had no direct relationship with the level of corruption. And in this part of the study we relied when classifying areas as corrupt or non-corrupt on information that was collected outside the survey. In a sense we end up here in a position between authors such as Bardhan and Mookherjee (2000a), Prud'homme (1995) and Treisman (2000), who claim that decentralisation may lead to more corruption, and those like Fisman and Gatti (2002), who claim that it is most likely to lead to less corruption.[7]

The only factor that we saw affecting corruption in this study was social capital, but then, again to our surprise, we found that it was bonding social capital that was most strongly correlated to low levels of corruption. Bridging capital was related too, but less so. This runs counter to a significant part of the discourse on social capital, where it is argued that bridging social capital usually contributes to development outcomes that we regard as normatively attractive, while bonding social capital is something of a villain. However, although perceptions of the success of the decentralisation reforms were not found to be directly related to corruption levels, they did turn out to be related to levels of social capital. So why is there no obvious or straightforward connection between corruption and the perceived success of the decentralisation reforms? The next two sections will offer some tentative answers to these observations, although it should be noted that some of the arguments go beyond the empirical evidence.

Why Social Capital can Prevent Corruption—Two Effects of Trust

In the social sciences literature we find two dominating perspectives on the causal relationship between social capital and good governance. One is top-down oriented and advocated by, for example, Chhibber (2002), Rothstein (2003) and Wuthnow (2002), who argue that a well-governed state creates trusts among citizens—or, to repeat an old Chinese

saying quoted by Uslaner (2004) when discussing corruption: 'The fish rots from the head down.' According to the other, more commonly argued, perspective—adopted by Putnam, for example, it is the level of trust among citizens that determines how well the state apparatus is managed. Societies where people trust each other will make the state perform better.

There is nothing that logically prevents the flow of causality from going in either of the two directions in this relationship—it is an empirical question to be posed for each individual case. However, in this study we found at least some evidence to support the bottom-up perspective—that trust creates clean government.[8] And it turned out that in some cases people did not have to be aware of a corruption problem although their level of trust was related to it. But how could that be? To answer this we should consider that there are two effects of trust that are relevant. The first is well known from the discourse of collective action. The second is a less often discussed type. Together, they help to establish the balancing point, or an equilibrium that decides the level of exploitation or justice in the relationship between citizens and the state.

Trust, collective action and corruption

In what is probably the most quoted passage in the discourse on collective action, Mancur Olson (2002[1965]) declared, with some minor reservations, that 'rational self-interested individuals will not act to achieve their common or group interests'. In several contributions, especially during the last two decades, it has been pointed out that besides factors pointed out as crucial by Olson for solving collective action problems, shared norms (Ostrom 1990) and trust (Liu and Besser 2003; Brehm and Rahn 1997; Ostrom 1998; Benson and Rochon 2004) may be vital factors that determine whether people will cooperate or not. Consequently, in areas where people trust each other, and provided that corruption is seen as an undesirable phenomenon, we can assume that people act together to apply pressure against corrupt practices at the local level. This is the most commonly mentioned mechanism at work. It seems from the survey, however, that in the cases and areas studied here, no dramatic pressures are applied. In the non-corrupt

areas people did not petition more than in corrupt areas. Protesting was slightly more prevalent in corrupt areas. And yet less corruption was related to high levels of trust. So if this is not only a top-down induced effect, what else could contribute in a bottom-up manner?

Trust as a passive defence against corruption

If we are correct in seeing trust as a factor that leads to less corruption, the fact that it will make citizens take action and apply pressure may not be the only reason. In several studies we see that values, norms, institutions and bonds that connect people in society are pointed out as a kind of passive defence, sometimes described as a 'bulwark', against actors or forces that may threaten democracy, society and justice (Carlberg 2003; Ericson and Doyle 2004; Flanary 1998; Nisbet 2000; Ochola 2003; Romero 2000; Varshney 2001, 2002). In his study of ethnic conflicts in India, Ashutosh Varshney (2000) noted that interethnic trust acted as a 'bulwark' against ethnic violence. The term 'bulwark' is an interesting and almost seductive metaphor. It tells us that there is some sort of structure resisting certain pressures. And if these pressures, pounding on the bulwark, were to act freely they would create chaos, inequality and violence. In the cases discussed in this study it is certainly possible that trust has enabled people to coordinate themselves to act as a bulwark and protect themselves against exploitation. But since high levels of trust have not been correlated to political activity registered by the survey, it is also feasible that high levels of trust have led to low corruption because other actors have feared the risk of citizens engaging in political action. It seems that social capital, in this case trust, does not always actually have to be utilised; sometimes mere awareness of its existence may be a deterrent against corrupt practices.

It is easy to hypothesise that the fact that people in a society trust each other, no matter whether the trust is bridging or bonding, is something which other actors, who might act in a corrupt manner, are likely to take into consideration in a simple cost-benefit analysis. In this study, we found some support for this hypothesis, which was discussed in Chapter 5. In a study by Samarthan it was clear that collective action was feared by corrupt civil servants. Also the part of

the survey that was addressed to community leaders, health workers and teachers indicated at least to some extent that cooperation among citizens was seen by the local leaders as one of the most effective factors that could hinder or prevent corruption.

The parallel to our line of reasoning with regard to the civil rights movement in Chapter 6 is clear. The interesting thing is not always what people will actually *do* when they experience strong bonds and trust each other. The decisive factor may be what the capacity of a group to act is estimated, evaluated or assumed to be by an actor who might resort to corrupt practices. For example, a doctor who is inclined to take bribes from villagers naturally cannot charge whatever he or she feels like. Two factors are important when calculating how much 'extra money' can be extracted. The first is the financial capacity of the patient. The doctor will have to guess how much in extra charges the villager in question can reasonably raise within a foreseeable period. This might vary according to the severity of the illness of the individual, but a ceiling would be set by the estimated income, assets and lending capacity of the individual.

Second, the doctor will most likely also have to assess how well connected the patient is. This is where trust plays a role. The doctor will have to calculate the risk of the extra fees stirring up anger and protest in the area where he or she is practising. In Chapter 6 we argued that a lack of intra-group trust in the black community worked to the advantage of racist whites. Accordingly, a fragmented non-trusting society would be considered susceptible to attempts at financial exploitation within the framework of what the monetary resources available would allow. And conversely, if a society is obviously full of people who trust each other, the doctor in question has to calculate the risk of provoking reactions that will lead to sanctions against him or her. A doctor in such a society, who is aware of this, would adjust the 'extra fees' downwards accordingly.[9]

Naturally, we can add more factors here that might decide the level of a bribe demanded. Certainly personal bonds, the character of them, or the lack of them, between doctor and patient could come into play. But the bottom line is that an estimate of the financial capacity or ability to offer something valuable in exchange, in combination with

the assessment of how tightly knit the fabric of society is, determines the bribe to a high extent. We do not have to go deep into the general equilibrium theory to state simply that this economic way of reasoning leads to the common conclusion that societies and actors that are involved in transactions with money and services will adjust their behaviour until a balancing point, or equilibrium, is found. In the cases discussed here it is likely that the equilibrium is determined by how corrupt actors will assess the resources available and the extent to which they want to use them in a long-term or short-term perspective.[10] This is why trust may work against corruption—even when it does not lead to citizens taking action.

And while we are producing hypotheses and wandering into the field of plausible explanations we should take a last look at the possible relationship between decentralisation and corruption.

Can there Still be a Link that Makes Decentralisation a Useful Safeguard against Corruption?

The empirical material provided in this study has at least told us that several of the effects of decentralisation on certain democratically desirable functions can be generally established regardless of context, but that the extent of the effects can to a high degree be determined by contexts.[11] In the previous discussion we had started to be satisfied with establishing that some intrinsic values of democracy could be achieved although no direct strong relationship between corruption and decentralisation could be established. We managed to show that there is an important relationship between the level of trust in a society and the level of corruption or, for simplicity, 'clean government', from here onwards, and this is illustrated in Figure 7.1.

Figure 7.1
Trust and Clean Government



We also found that decentralisation was related to trust. In places where people found that the central political actors such as the panchayat

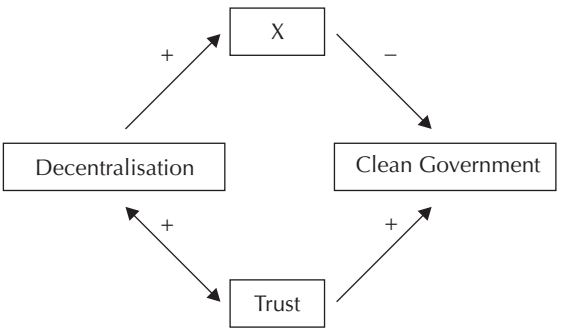
representatives had been brought closer to them, people were much more inclined to trust each other. This is illustrated in Figure 7.2.

Figure 7.2
Decentralisation and Trust



Consequently, it would be easy to expect that decentralisation could be noticeably correlated with clean government. However, as we discussed earlier in Chapter 5, this is not the case. Several tests were performed where it turned out that decentralisation and trust are positively related, but we cannot establish a connection, positive or negative, between decentralisation and clean government. One remaining alternative then is that decentralisation may contribute to trust (or vice versa) which may promote clean government, but decentralisation may also, at the same time, contribute to one or more factors that may produce corruption.[12] For example, as the model in Figure 7.3 illustrates.

Figure 7.3
Decentralisation, Trust, Clean Government and Something More



What is irritating about the set of survey questions used in this study is that they do not reveal exactly what this counterproductive force, indicated by the 'X' in Figure 7.3, could possibly be. When we set out to do the study we simply did not expect to have to dig so deeply into this particular area. But we do not lack plausible hypotheses.

This position in Figure 7.3 may actually solve some of the issues that appear when the research results presented here are compared to those by the aforementioned authors, for example Bardhan and Mookherjee, Prud'homme, Treisman, and Fisman and Gatti who have written extensively on the relationship between decentralisation and corruption. Surely trust can reduce corruption, and decentralisation can create trust. But at the same time decentralisation creates situations that are problematical from a corruption perspective. If we go along with Prud'homme (1995), one important factor is that when people are brought closer to decision makers, the number of opportunities for corruption increases.[13] And if the citizens have close interaction and dealings with public servants, the bonds that emerge could be expected to reinforce corruption. Rose-Ackerman (1999: 105–6) clearly suggests this: 'In societies with embedded interpersonal networks, citizens may care little about market and public sector efficiency.'

However, she also argues in the same section that 'trust, reputation, and reciprocal obligations can facilitate corruption and undermine attempts to improve the operation of the state.' This is also why, for example Bardhan and Mookherjee warn that decentralisation may support forces in society that are trying to capture the state. Consequently, while we found that social capital has an impact on corruption that withstands strong variation in contexts, decentralisation and its influence on corruption are more context-sensitive. Finally, then, since we have found that decentralisation has several positive effects from a development perspective, but may also have some effect on factors that can increase corruption, and since some of these negative effects can be counteracted with the positive effects of decentralisation on trust, there are implications from a policy perspective.

Policy Implications

Three sets of policy-related observations have emerged from the findings in this study. The first deals with perspectives on social capital in aid strategies. The second concerns approaches to fighting corruption and the third relates to difficulties in promoting decentralisation in development strategies.

Social capital and development

It has been shown here—especially in Chapter 6—that the most common way of disaggregating social capital variables does not necessarily reveal any *inherent* qualities that determine outcomes in terms of high or low democratic performance or particular levels of economic growth.[14] Although intra-group, or bonding trust, may in some contexts create ethnic conflict, it may in other situations, as we have seen in Chapters 5 and 6, create clean government and equality. Russell Hardin was perhaps one of the first to point out that social capital or trust may be used to improve living standards in one place while somewhere else it may be used by one community to repress another.[15] It may be added that in the 1950s, William Shirer (1950) made this observation with regard to the Weimar Republic.[16] However, this is far from the message that dominates the academic debate and that is where many aid organisations look when they design their strategies. Several of the main players in the aid industry have a fairly neutral perspective on various forms of, for example, trust, but some indicate that bonding trust is simply bad for democracy or development. However, as we argued in Chapter 6, such a standpoint would deny the empirical findings here, as well as the historical and positive impact on democracy in Europe of the workers' movement and feminism, and the political influence of the civil rights movement in the US.

Clearly, many other variables come into play when it is decided to what extent social capital in its various forms will work for or against development. So perhaps various forms of social capital, especially trust, work as capital in the most traditional sense. Cash can be used to buy both arms and medicine. In other words, 'money does not smell' and neither, it seems, do all forms of social capital. So this shows that sometimes when we break down social capital into too many specific categories, using it to predict or explain development, the specified factors turn out to be very sensitive to the contexts in which they appear. Furthermore, since we saw that both forms of social capital could be related to corruption, although the effect of bonding was stronger than the one from bridging, we can conclude that trust in most forms can be good if we want to combat corruption. Such a position is quite

unusual today. Most researchers in the social capital debate today demand that we try to disaggregate and pin down more in detail what social capital is. The lesson learned here is that it may not be necessary to do this. There is certainly something out there that we can call social capital and it consists of trust, networks and norms. And perhaps saying so may be enough—perhaps the nature of this phenomenon is that it behaves like the proverbial onion which will finally disappear if too many layers are peeled off. In a similar way social capital cannot or should not be disaggregated into too many subtly differentiated sub-units. Consequently, aid projects supporting civil society should not necessarily specify in detail what type of social capital should be produced. It is all right to be a little vague about it when we realise that we cannot simply call some social capital good and some bad.

Corruption and development

The metaphors of 'remedies' or 'cures' for corruption may sometimes be rather misleading. They may imply too strongly that corruption is a kind of anomaly or 'unnatural' condition to which the bureaucracy or state apparatus has fallen victim. Apply the right cure or medicine and the institutions of the democratic apparatus will be 'healed' and work in tandem again. There are some problems with this view.

There are no 'natural' systems of governance. To use a term that has become almost a cliché, they are constructed. Therefore, it should not be forgotten that whatever normative departure points we may have when we evaluate systems of governance, systems may not in reality necessarily gravitate towards or away from ideal typologies. Political systems undoubtedly perpetuate their own 'logics' of behaviour and they may also create a variety of outcomes where some sort of equilibrium is established. And the end point may have little to do with our ideal types. For example, in some cases systems spin out of control until they completely collapse as economic resources or other sources of power are depleted. At the other extreme, a cycle has been entered where all forms of corruption are eliminated—what from the normative perspective we call a virtuous cycle. But in many cases an official or some government employees may find a balancing point where a fair

amount of advantages can be extracted for quite a long time while the system at large continues to function and survives.

Therefore, it is useful to remember that our ideal types are not natural in the sense that they will necessarily have some inherent gravitational pull. An attempt to reduce corruption must therefore often be seen as an attempt to change balancing points. The equilibrium will remain until we drastically change the conditions including some supporting parameter. This may imply radically increasing the risk of sanctions, reducing incentives by raising salaries, or, as we have discussed here, boosting the power of some local decision-making bodies, or helping a group to act with more cohesion and trust. To do this we have to understand complex realities. And from what we have learned so far, decentralisation is not always an obvious choice of method for fighting corruption. Increasing social capital may be. But when carrying out a decentralisation reform, in order to achieve the intended democracy-enhancing effects such as giving more 'power to the people', corruption-fighting measures are probably needed first.

Decentralisation and development

Warner (Chapter 4) emphasised that 'For decentralisation not to be accompanied by an increase in corruption, citizens do need to become local government watchdogs' (Warner 2003: 26). This study to some extent confirms this. However, if we agree that decentralisation is still desirable, perhaps more for its intrinsic qualities rather than its instrumental effects, it is apparently quite hard to achieve as a development or aid strategy induced from the outside.

The study of projects carried out by the Swedish aid organisation, the Swedish International Development Cooperation Agency (Sida), discussed in Chapter 3, may illustrate the difficulty of promoting decentralisation policies.[17] About 50 project descriptions and evaluations were studied in a project designed to evaluate aid strategies intended to produce decentralisation and local governance. It turned out that most of the aid efforts labelled as support for decentralisation reforms involved 'capacity-building at the local level', 'training' of officials at various levels and handing out information to citizens at the local level

about their formal political rights. Although these efforts could surely be argued to be desirable, the problem with this was that the efforts were designed to promote general development goals making it hard to argue that these were specifically conducive to 'decentralisation'. It turned out that more concrete reforms directly relating to decentralisation, such as constitutional reforms and the promotion of laws that would move powers from central or state level to local levels, fiscal reforms that would enable structures at the district level to assume responsibilities otherwise held at the state level and making support to certain areas conditional on the prior implementation of decentralisation reforms by local powers, were regarded as 'too political' and difficult to promote in practice. So if we allow ourselves a slight exaggeration, when decentralisation was decided on as an overarching goal in development strategies, programmes that could previously be carried out under labels such as 'good governance', 'equality promoting', or 'efficiency', were simply re-labelled 'decentralisation reforms'. Projects that in more direct and substantial ways promote decentralisation are rare in aid—at least from the Swedish horizon. Surely, promoting real decentralisation can be cumbersome and it certainly demands great political skill. However, it is important to demand that aid agencies, as well as academics, mean what they say. The aid community is particularly plagued with jargon and catch phrases when development strategies are discussed. Today 'sustainable development' and 'poverty eradication' are in vogue. Yesterday, it was 'good governance'. But if all these concepts can be used for one and the same project, and if such patterns are repeated often, credibility will finally be lost. Therefore, it is recommended that aid agencies either start making more serious efforts to support decentralisation, or admit they do not have the capacity or the will to do so and drop this item.

Epilogue

It is clear that we have to keep in mind the observations made most recently by, for example, Atul Kohli (2004) and William Easterly (2006) that development projects are too often designed in a top-down manner and that a serious mismatch with realities on the ground is the

usual consequence. This study, too, supports the position that local conditions are obviously very important to consider when constructing development plans and projects. Ideally, a substantial part of a total budget for a development project should be spent on a pilot study and thorough surveys before long-term aid efforts are initiated, and then supplemented with exit studies. Today, there are many indications that costly projects are initiated without any type of serious preparatory study and if evaluations are afterwards made, the choice of indicators is determined by those who had large stakes in the process of carrying out the project in question. However, as we particularly observed in the discussion on corruption, taking local contexts into consideration does not mean we should start leaning towards a more radical postmodern position—where all observations are regarded as so unique that generalisations have no meaning at all. Patterns that are important to keep in mind from a scientific and policy perspective, especially regarding social capital, and that seem to hold good in a variety of contexts, have emerged in this and other studies.

Even so, we should not forget that a substantial part of the variation in performance discussed here cannot be explained even with the civil society variables. The study has also shown that the impact of decentralisation reforms may vary and that boosting social capital does not single-handedly fight corruption. One conclusion to be drawn from this is that outcomes of reforms in the Indian context are to a great extent decided at another level—the elite level. One important illustration of this was found in Chapter 3 when we explained that the implementation of the panchayat reforms largely depended on the sitting government in each state. Kerala and Madhya Pradesh had governments that decided to implement these reforms, whereas the government in Bihar is still reluctant to do the same—to put it diplomatically. So whether serious reforms will be initiated, no matter whether they concern decentralisation or corruption, or both, is to an important extent decided in a top-down fashion. How they then work out, on the other hand, is at least to some extent decided in a bottom-up fashion.

This is both good and bad. It is bad, and depressing, that what people think at the citizen level may often have such a limited impact on how

reforms are initiated. Does this mean that people in the villages have very little chance of changing their future? Not necessarily? Democratic institutions, and elections, do matter, although the variation can be great. However, this study of the Panchayati Raj reforms shows that a more realistic picture of the challenges that people face, when we discuss corruption or governance issues, is essential before we can expect radical 'change from below'. The good news is that the results in this study show how politics can matter—if leaders decide to push for reforms in one area in a focused and dedicated way, the chances are good that they may be successful although the conditions 'on the ground' look unfavourable. Consequently, if an area is poorly developed, politicians are as responsible as when an area is well developed. In either case, there is great scope for political action when trying to promote development.

Notes

1. But this idea is not only a part of democratic theory. We find it expressed clearly in the Catholic normative system, where it reflects views on the relationship between state, the church and the family. See Chapter 2.
2. Provided, of course, that we have separated decentralisation and democracy as dependent and independent variables.
3. Naturally, I am not suggesting that one cannot have both at the same time. However, a system with effective civil servants is a necessary but far from sufficient prerequisite for democracy.
4. In the survey 37 per cent said the distance had decreased.
5. See earlier discussion.
6. Here it is important to remember the observation in Chapter 3 that neither in this survey nor in other studies has a strong correlation between caste and income been established (this is not to say that caste and social status cannot be correlated—they obviously can be).
7. See also World Bank (2000) which presents arguments in favour of decentralisation for those who want to combat corruption.
8. In Chapter 5 we discussed the fact that in the survey, several of the interviewees managed to point out corruption in the health sector in accordance with the classification we had made with information collected from sources other than the survey. However, the interviewees were not able to identify the same problem in the education sector. So we could naturally say that a state which is poor at producing services could create distrust among citizens. However, this study showed that citizens could be unaware that the lack of services was caused by corruption and this causes a problem for the top-down oriented hypothesis. If people are unaware

of corruption, then corruption naturally may not provide (at least not directly) an explanation of the level of trust. Uslaner (2004) also finds support for the argument that the bottom-up path is more common or has a stronger effect in a person's life time.

9. At least this applies if the doctor has a slim chance of getting caught by auditors from the state. In a very poor non-trusting area, a doctor will only add an extra charge of Rs 10–100 for handing out, for example, malaria medicine (or a useless substitute for it, as we saw in the examples provided by Sainath in Chapter 4). When an area is more affluent, but still low on trust, it may be rational to charge Rs 100–1000 for the malaria medicine. But as soon as an area is perceived as trusting, the fee will be affected and lowered.
10. For a more detailed discussion on related topics, see Majumdar (2000), Cheung (1996).
11. The most recent contribution to the development discourse that supports this conclusion comes from William Easterly (2006) and will be discussed in the final policy section of this chapter.
12. Special thanks to Frida Widmalm and Karl-Oscar Lindgren here for providing important inspiration and clarity.
13. However, we found some support in the surveys for the conclusion that in places where panchayat leaders were trusted, corruption was low, and at first glance this could be seen as contradicting this hypothesis. On the other hand, the survey revealed that perceptions of the distance to the panchayat representatives are not related to the extent to which the panchayat representatives were perceived as trustworthy. In other words, close contact does not necessarily produce trust, and naturally this can be a consequence of some form of corruption taking place.
14. See Berman (1997), Widmalm (2005).
15. When Hardin (1995: 5) discusses ethnic mobilisation he argues that the reason ethnic groups can cooperate effectively and overcome the collective action problem is that individual and group interests coincide. And when such cooperation occurs 'the result is often appalling'.
16. Berman (1997) developed this argument more recently.
17. The study was carried out by this author and Johan Tralau in 2003.

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About the Author

Sten Widmalm is Associate Professor and the Director of the master's programme in Development Studies at the Department of Government at Uppsala University, Uppsala, Sweden. He has worked extensively on politics in South Asia and is currently working on a project funded by Swedish International Development Cooperation Agency (Sida) and Uppsala University on 'Tolerance and Governance in India, Pakistan, Kenya and Uganda'.

He has authored the book *Kashmir in Comparative Perspective—Democracy and Violent Separatism in India* and has contributed articles to journals such as *Asian Survey*, *Comparative Political Studies*, *India Review*, *The Journal of Civil Society* and *The Journal of Peace Research* as well as chapters in several books on South Asia.