

61. Babb, *Redemptive Encounters*, p. 164.
62. *Ibid.*, p. 160.
63. *Ibid.*
64. *Ibid.*, p. 178.
65. A discussion of Lal Beg and Bala Shah is found in Juergensmeyer, *Religion*, ch. 9, pp. 92–107.
66. See T. Sarkar, *Hindu Wife, Hindu Nation*, 2001, Delhi; U. Butalia, ed., *Women and the Hindu Right*, 1995, Delhi; and A. Copley, ed., *Hinduism in Public and Private*, 2003, New Delhi, among others.
67. Babb, *Redemptive Encounters*, p. 141.
68. *Ibid.*, p. 142.
69. *Ibid.*, p. 96.
70. *Ibid.*, p. 146.
71. *Ibid.*, p. 55.

7 Two Banks of the Same River? Social Order and Entrepreneurialism in India

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Are different kinds of social orders integrally connected to economic dynamism and stagnation? Do vertical, or horizontal, social orders promote entrepreneurialism? What might be the links between social structures and entrepreneurialism?

These questions have acquired uncommon analytic salience in India. As is well known, India's economy has done remarkably well in recent years. However, this progress has not been even throughout the country; India's South has surged far ahead of the North. In 1960, compared to the North, the South's per capita income was barely higher.¹ By 2007, however, the South's per capita income was more than twice as high.² The acceleration in the South's per capita income has been especially remarkable since 1980, generally viewed as the starting point of India's economic acceleration, to which the market-oriented reforms of 1991 gave a further push. During the period 1980–2007, per capita incomes in the South grew at an annual rate of 4.32 per cent; those in the North at less than half as much (2.12 per cent).

Accounting for about 20.8 per cent of the national population in the 2001 census, India's South consists of four states: Andhra Pradesh,

* For comments on earlier drafts, I am grateful to John Harriss, Lakshmi Iyer, Tarun Khanna, Ramana Nanda, and K.C. Suri; two anonymous reviewers of Oxford University Press; interlocutors at the Shimla and Harvard meetings of the American Political Science Association (APSA)–Tocqueville Project; commentators at a workshop at the Centre for the Study of Developing Societies, Delhi; and participants at a seminar at the National Law School, Bangalore. I would also like to thank Sana Jaffrey and Serban Tanasa for research assistance.

Karnataka, Kerala, and Tamil Nadu. India's North is not so easily definable. For the sake of tractability, I will use the term to describe the *Hindi-speaking North*, holding nearly 41.6 per cent of India's population, according to the 2001 census, and comprising four big states: Uttar Pradesh (UP), Madhya Pradesh (MP), Bihar, and Rajasthan.³ The statistics summarized above represent these two sets of states.

Amartya Sen suggests that if the current trends continue—and this assumption is critical—India will soon be 'part California and part sub-Saharan Africa'.⁴ Though Sen spoke of increasing inequalities amid rising prosperity in general, the most obvious way, as of now, to interpret this dramatic comment is to contrast the South (and the West) and the North (and the East). The contrast is not perfect and partial exceptions exist but, on the whole, enormous entrepreneurialism has burst forth in the South, and the Northern lag, though not locked in perpetuity, has been quite noticeable.⁵

One major difference between India's North and South is that lower caste movements opposed to the Hindu caste hierarchy erupted in Southern India as early as the 1910s and democratic politics—both movement- and election-based—eroded the vertically organized caste system by the late 1960s. The erosion was not deep enough to liberate the Dalits, but it did lift the middle-ranking other backward castes (OBCs), bringing down the political dominance of the upper castes. In contrast, caste hierarchies have come under intense pressure in parts of the North relatively recently. Does this social difference have anything to do with the radically diverging economic trajectory? This is the key question for this chapter.

My central hypothesis is Tocquevillean. In the 1830s, when Tocqueville visited Kentucky and Ohio, he attributed the former's economic listlessness to the presence of slavery in the state and the latter's dynamism to the absence of slaves. Analogously, it can be argued that the undermining of a vertical social order in the South has unleashed enormous entrepreneurial energies, and the Northern lag in caste politics has delayed the region's economic transformation.⁶ Since there was, traditionally speaking, a neat fit between caste and occupation, entrepreneurship was historically confined only to some castes.⁷ The unravelling of the caste order in Southern India means that the relationship between caste and business has broken down.

Brahmins as well as the lower castes have turned entrepreneurial. In the North, such developments are more recent and the extent of the social revolution, arguably, not as deep. The breakdown of caste hierarchies appears to be integrally connected to the Southern economic rise, and the converse seems to be true for the Hindi-speaking North. *Ascriptive* (birth-based) verticality of social order and entrepreneurialism show signs of an inverse correlation.⁸

Observers of Indian political economy will inevitably point to what appears to be a huge exception to the claim above. The state of Gujarat, neither part of the South nor the North, has been India's fastest growing economy for over two decades and among the fastest growers since as early as 1960. But unlike the South, Gujarat has not any significant or long-lasting lower caste movements.⁹ Does that invalidate the basic claim above?

For historically specific reasons, the traditional business communities of Gujarat—the Vaishyas—have enjoyed a remarkable cultural hegemony in the state. The social desire to be an entrepreneur is much more widespread in Gujarat than in any other state in India, and Brahmins have also followed the social and economic lead of the Vaishyas.¹⁰ An entrepreneurial revolution took place in Gujarat due to the cultural hegemony of the Vaishyas, not because of a lower caste revolution. These are two different routes to the same outcome, but *each relies on breaking the traditional link between caste and occupation*.

It is perhaps incontestable that multiple factors are nearly always involved in the long-run economic transformation of a country or region. In explaining the Southern turnaround, I will make no attempt to analyse the many factors that could potentially be listed: superior infrastructure, greater public investment, higher mass literacy, superior health indicators, better law and order, etc.¹¹ Changing caste structure is one of several factors in a multivariate explanatory space. Later work will have to wrestle with the question of which factor accounts for how much of the transformation, if it is possible at all to handle such a question in a statistically rigorous fashion. My focus will be on a conceptually significant matter whose importance in economic explanations is not explicitly recognized. The social foundations of entrepreneurialism are rarely included in economic explanations of success.

There are two conventional ways of explaining economic transformation at low levels of income. Economic growth is either viewed as a function of rising savings and investments rates;¹² or explained in terms of growth-inducing economic policies and institutions.¹³ The former is often termed factor-driven growth, to be analytically distinguished from efficiency-driven growth normally associated with economic policies such as trade-openness.¹⁴ There is also an alternative line of inquiry that some scholars have deployed to explain economic success. In this alternative framework, human development indices, especially education and literacy, are emphasized. Mass literacy can lift skills and give millions greater capabilities, which in turn allow them to create and/or exploit economic opportunities.¹⁵ Illiterate populations cannot be highly productive in modern times.

In either tradition, the focus is on entrepreneurialism and its social foundations. In what follows, I start with the theoretical inspiration behind framing the problem of economic dynamism in terms of social orders. Having outlined the inspiration and analysed its implications, I move on to India and present some economic contrasts between India's North and South. Next, I concentrate on a particular Southern caste, the Nadars, to illustrate the depth of Southern transformation and identify the mechanisms of transformation. The commercial implications of an emerging political revolution in a Northern state, bringing a Dalit party to power, are explored next. The final section summarizes the arguments.

TOCQUEVILLE AND TWO BANKS OF THE OHIO RIVER

Tocqueville's *Democracy in America* does not centrally deal with race, a master narrative of American politics and society.¹⁶ Only a section, 'The Three Races that Inhabit the United States', is devoted to understanding the economic and political implications of racial stratification. Nearly a decade before John Stuart Mill proposed his method of difference in 1843¹⁷, Tocqueville anticipated that form of reasoning and argued that the settlements on either side of the Ohio river, Kentucky and Ohio, were identical in all respects except for slavery, and that slavery made all the difference to their landscapes of economic dynamism and listlessness.

The stream that the Indians had named the Ohio, or Beautiful River par excellence, waters one of the most magnificent valleys in which man has ever

lived. On both banks of the Ohio stretched undulating ground with soil continually offering the cultivator inexhaustible treasures; on both banks the air is equally healthy and the climate temperate; they both form the frontier of a vast state: that which follows the innumerable windings of the Ohio on the left bank is called Kentucky; the other takes its name from the river itself. There is only one difference between the two states: Kentucky allows slaves, but Ohio refuses to have them.

So the traveler who lets the current carry him down the Ohio till it joins the Mississippi sails, so to say, between freedom and slavery; and he has only to glance around to see instantly which is best for mankind.

On the left of the river the population is sparse; from time to time one sees a troop of slaves loitering through half-deserted fields; the primeval forest is constantly reappearing; one might say that society had gone to sleep; it is nature that seems active and alive, whereas man is idle.

But on the right bank a confused hum proclaims from afar that men are busily at work; fine crops cover the fields; elegant dwellings testify to the taste and industry of the workers; on all sides there is evidence of comfort; man appears rich and contented; he works.¹⁸

It may well be that in the 1830s, Kentucky and Ohio were not identical in all respects except slavery. The possibilities of a natural experiment in the social sciences have always been viewed as quite limited. Though experimental methods have yet again risen beyond psychology (where they have always maintained a stronghold), even the most enthusiastic exponents of the method have not been able to reject the idea that fully controlled, laboratory-like experiments are inherently hard to come by for a whole range of deeper political, economic, or social questions. It is easier to have experimental research designs to sort out which poverty programmes work better than to understand the causes of civil wars and breakdowns of democracy. Moreover, even when experimental designs to ascertain the effectiveness of development programmes do approximate laboratory-like conditions, their external validity—or potential for generalization to society at large—has been a matter of considerable doubt.¹⁹ Still, Tocqueville's insight, viz. that slavery impeded economic dynamism and the absence of slavery freed human spirit and creativity, is to be taken seriously. It stands to reason.

Why should a vertical social order inhibit productivity? Following Taylor,²⁰ we can argue that a hierarchical social order is defined by

honour, not dignity.²¹ By depriving the toiling masses of dignity and reserving honour only for the slave-owners, slavery stifled the creativity of millions, who could have potentially taken life in their own hands, negotiated a legally secure space for political and economic expression, and added substantially to the ideas and productivity of the whole society.

It is, of course, worth probing whether ascriptive hierarchies are always associated with lack of economic dynamism. Moore gave a widely noted answer four decades back.²² By focusing on the comparative history of modernity, he identified a way of combining deeply structured hierarchies and economic productivity in the early years of German and Japanese industrialization. An industrial transformation of largely agrarian societies, he argued, was possible if 'labor-repressive agriculture' was imposed upon the peasantry. Exploiting peasants economically but inculcating values of obedience in them (and also drawing their support by arousing intense hatred for 'the other'), both Germany and Japan, despite their hierarchical social orders, managed to go through a massive industrial transformation in the first three decades of the twentieth century. But such industrial transformations, according to Moore, are normally accompanied by militant dictatorships, and we know from comparative theory of democratization that at high levels of income, dictatorships are not sustainable.²³ The implication is that ascriptive hierarchy and economic productivity can go together, but not for long. Sustained and long-run economic productivity requires the erosion, not maintenance, of ascriptive stratification. In order for economies to continue to do well, human beings must breathe freely.

Let me now recast Tocqueville's basic argument in the language of modern social science, and suggest that it can be meaningfully extended to India. In his comparison of the two banks of the Ohio river, Tocqueville essentially talked about the negative economic impact of what Horowitz has called a ranked ethnic system, which is to be distinguished from an unranked ethnic system.²⁴

HORIZONTAL AND VERTICAL SOCIAL ORDERS

Key to Horowitz's distinction between ranked and unranked ethnic systems is the idea that relations between ethnic groups can have a

horizontal, or vertical, structure. In a horizontal social order, an ethnic group is *more or less* randomly distributed over the upper, middle, and lower classes. In such systems, ethnicity, an ascriptive term, does not coincide with class, a term economically or occupationally defined. Think of the Irish in the United States today, though one should quickly note that is not how the Irish were distributed over the various economic class categories in the 1840s and 1850s, when the ancestors of most Irish-Americans arrived at US shores as poor peasants escaping a potato famine in Ireland. Analogously, the Nadars of Tamil Nadu, discussed at length later, are now to be found in all sorts of class categories, though until 150 years ago, they were mostly 'toddy tappers', confined to a 'near untouchable' and 'unclean' status.

Group relations can also take a radically different, and vertical, form. A vertical social order represents an overlap of ethnicity and class. In such systems, ethnic groups are occupationally confined, interoccupational mobility is prohibited by custom or coercion, and some groups are superordinate and others subordinate. In the field of comparative ethnicity, racial slavery in the US and the apartheid system of South Africa are viewed as examples of an ideal-typical vertical ethnic order.

How about India's caste system? How does it compare with racial stratification? Just as race is the dark underbelly of American society, caste is India's dark underbelly. This equivalence, not entirely obvious, requires some explanation. Race and caste are not identical, but they share some key conceptual properties.

Let us first note the key differences between racial stratification, as historically observed in the US, and caste stratification, as it traditionally operated in India. First, whatever one may say of ancient times, we have no evidence that in the late medieval or modern periods of Indian history, the Dalits, untouchable for centuries, and the lower Hindu castes were ever *enslaved as a group*. Slavery in modern India existed, but in pockets. Moreover, no specific ethnic group, or caste, was viewed as a target of enslavement all over India, or in any given linguistic region. Ethnic groups were neither bought and sold as commodities, nor owned as private property, as slaves were. The most recent historical overview of South Asian slavery argues that 'capture in war and impoverishment' were the 'two primary mechanisms of enslavement in South Asia'.²⁵ Caste was not directly linked to slavery.

Second, caste and skin colour do not perfectly overlap, as they normally tend to do in a racial stratification system. Last names give the caste away in India, not the colour of the skin. Darker skinned Brahmins and lighter skinned lower castes can be easily found in all parts of India. Since there are no all-India last names, the caste system is normally defined as national in theory, but regional or local in practice. It is virtually impossible for most South Indian Brahmins to recognize North Indian Brahmin last names and *vice versa*. The same is true for other castes. There are Dalits all over India, but there are no all-India Dalit last names. *Each last name makes sense in a linguistic register*, and India has many linguistic regions. As a consequence, conceptually, caste-based stratification is no different from racial stratification but, empirically, its theatre of operation is always local or regional. This is one of the important reasons why national-level caste-based political parties do not exist in India. Caste-based parties tend to be regional.

Let us now turn to the commonalities between racial and caste stratification. Two similarities stand out. First, each is an ascriptive and vertical division of labour.²⁶ The 44th President of the US wrote about 'the almost mathematical precision with which America's race and class problems (are) joined'.²⁷ In its pristine form, the caste system also aligned the ascriptive and occupational categories more or less perfectly. The upper castes had the higher professions (priesthood, administration, the military, scholarship, business); the Dalits, 'untouchables' until India's independence and Scheduled Castes (SCs) since then, were placed at the bottom of the social scale and restricted to the 'polluting' professions (cleaning, scavenging, leather making, alcohol making, etc.); and the 'lower castes', located in the middle, had the menial jobs (mainly farming and artisanship). The 'lower' or 'middle' castes came to be called the 'other backward castes' (OBCs) after independence. In aggregate terms, thus, the caste hierarchy is *tri-modal*. The three modes are: upper castes, OBCs, and Dalits (SCs).²⁸

Beyond an enumeration of SCs, no caste census has been taken since 1931. As a result, we do not have precise demographic percentages for the various castes. India's 2011 Census may give us reasonably precise magnitudes, but the general belief thus far has been that the upper castes constitute about 15–18 per cent of India's population, the OBCs 45–50 per cent, and SCs 17 per cent of contemporary India.²⁹

Another similarity between race in the US and caste in India has to do with segregation and denial of human dignity. Like African-Americans, Dalits were also socially segregated in all parts of India. There were no common civic sites where the Dalits and lower castes could come together, and similar was the case for Dalits and the upper castes too. Temples, housing, community halls, and, especially in southern India, even roads were segregated. Consider how the Ezhavas, a toddy-tapping caste, called semi-polluted due to its traditional professional association with alcohol-making, were treated *until roughly the 1930s* in Kerala, paradoxically India's most socially egalitarian state today:

They were not allowed to walk on public roads.... They were Hindus, but they could not enter temples. While their pigs and cattle could frequent the premises of the temple, they were not allowed to go even there. Ezhavas could not use public wells or public places....

...An Ezhava should keep himself, at least thirty six feet away from a Namboodiri and twelve feet away from a Nair.... He must address a caste Hindu man, as *Thampuram* (My Lord) and woman as *Thampurati* (My Lady).... He must stand before a caste Hindu in awe and reverence, assuming a humble posture. He should never dress himself up like a caste Hindu; never construct a house on the upper caste model.... The women folk of the community... were required, young and old, to appear before caste Hindus, always topless. About the ornaments also, there were restrictions. There were certain prescribed ornaments only which they (could) wear.³⁰

Analogous stories can be culled from US history as well. Slavery ended in the US in 1865, but racial segregation and humiliation did not. A decade and a half after the end of the US civil war (1861–5), America's South witnessed the rise of Jim Crow laws, segregating the Blacks for housing, education, religious, and social life, not allowing them access to public spaces and voting rights, and punishing them often through lynching mobs if they crossed a politically and socially determined line. Inter-racial marriages were outlawed; inter-racial sex was criminalized. Lynching of African-Americans also became quite common.³¹ Available studies suggest an annual average of a little over 100 lynchings during 1882–1930 or roughly one lynching every third day during those 49 years.³²

Similarly, discrimination, degradation, and violence were written into customary norms about caste relations. The system worked

peacefully if the pre-assigned caste roles were accepted. There was upward mobility in the caste system, especially through 'Sanskritization' and 'Westernization', but such mobility was severely limited.³³ Sanskritization meant following the life style and rituals of the upper castes, but such moves by the lower castes would often be unacceptable to the upper castes and force would be exercised to maintain social order. 'Westernization', meaning speaking English and adopting English life styles, became a model of mobility only after the beginning of the British conquest of India in 1757. Bringing England home was, however, never a practical choice for India's masses; at best, it was available in the cities. At independence, no more than 12–15 per cent of India was urban, and the literacy rate, too, was a mere 17–18 per cent. English-speakers were a miniscule per cent of the population.

All of what has been said above is basically *conceptual*, an attempt to suggest that in its verticality, if not in other ways, caste is analogous to race. Let me now move toward the *explanatory* side of the problem at hand. The big question is: what economic consequences follow, if a vertical caste order is undermined. Tocqueville's argument about Ohio and Kentucky converges on how the absence of slavery led to economic dynamism in Ohio. In Kentucky, 'nature...seems active and alive, whereas man is idle'. And in Ohio, which never had slaves, 'men are busily at work; fine crops cover the fields; elegant dwellings testify to the taste and industry of the workers'. Can different caste configurations be similarly linked to the economic dynamism or stagnation of states and regions of India?

A RISING SOUTH: SOME BASIC STATISTICS

To illustrate the divergence between northern and southern India, let me present three sets of statistics: state-level economic growth rates as well as state-level growth rates in per capita income; growth rates in a number of what Government of India calls 'enterprises', both rural and urban; and growth rates of OBC-owned enterprises. The numbers below will make greater sense, if we keep in mind the relative population shares of the two regions. To recap, according to the 2001 census, the four Southern states held about 20.8 per cent, and the four major Hindi-speaking states about 41.6 per cent, of India's population.³⁴

Table 7.1 shows the annualized economic growth rates of the two regions. During 1960–80, the economic growth rates of the North and South were not very different. The Hindi-speaking North grew at an average of 2.8 per cent per annum, the South at 3.1 per cent. Moreover, both sets of states had a growth rate lower than the all-India national average. In the period 1980–2007, the all-India growth rate picked up substantially. The Hindi-speaking North has continued to grow below the national average, but the Southern growth has caught up with the national trend line.

TABLE 7.1: North and South India: Economic Growth Rates in India, 1960–2007

	(per cent per annum)	
	1960–80	1981–2007
All-India average	3.4	5.7
Hindi-speaking North		
Bihar	2.7	4.4
Madhya Pradesh	2.6	4.2
Rajasthan	2.9	5.6
Uttar Pradesh	2.8	4.5
<i>Average</i>	2.8	4.7
Southern states		
Andhra Pradesh	3.1	6.0
Karnataka	3.7	5.8
Kerala	3.1	5.6
Tamil Nadu	2.3	5.7
<i>Average</i>	3.1	5.8
South/North ratio	1.11	1.23

Source: Based on the World Bank Statistics on Indian States.

Table 7.2 makes the contrast sharper. It presents the growth rates *in per capita incomes*, a more meaningful category than aggregate growth rates, for it subtracts population growth rates from economic growth rates, providing a better measure of economic welfare. During 1960–80, compared to the North, Southern per capita incomes grew 2.77 times

higher per year. During 1980–2007, the South–North ratio in the growth of per capita incomes continued to be an impressive 2.04. In absolute terms, the South–North ratio for the second period is lower than for the first, but it is on a much higher statistical base by 1980. This effectively means that compared to the North, per capita incomes in Southern states have been growing virtually exponentially since 1960.³⁵ This is perhaps the sense in which we can best interpret Sen's comment that India will become 'part California, part sub-Saharan Africa' before long.³⁶ If the North does not catch up, Southern incomes will be many times higher than Northern incomes in the next 15–20 years.³⁷

TABLE 7.2: North and South India: Per Capita Net State Domestic Product (NSDP) Growth Rates, 1960–2007

	<i>(per cent per annum)</i>	
	1960–80	1981–2007
Hindi-speaking North		
Bihar	0.6	1.5
Madhya Pradesh	0.1	2.0
Rajasthan	0.2	3.2
Uttar Pradesh	0.7	1.8
<i>Average</i>	<i>0.4</i>	<i>2.1</i>
Southern States		
Andhra Pradesh	1.0	4.3
Karnataka	1.3	3.9
Kerala	1.0	4.6
Tamil Nadu	0.9	4.5
<i>Average</i>	<i>1.1</i>	<i>4.3</i>
South/North Ratio	2.77	2.04

Source: Based on the World Bank Statistics on Indian States.

Let us now turn to the growth of enterprises in the two regions. The Ministry of Statistics (MoS), Government of India, started taking an Economic Census of India in 1977. The aim was to provide a 'complete enumeration of all agricultural (except crop production and plantation) and non-agricultural entrepreneurial activities'. It defines an 'enterprise'

as 'an undertaking engaged in production and/or distribution of goods and/or services not for the sole purpose of own consumption'.³⁸ The definition includes non-crop growing agricultural enterprises, and large, medium, and small-scale industries as well as rural enterprises. The capital employed in each enterprise is not collected, nor is it perhaps easy to get an accurate measure of it in a largely informal economy. But the census does count the numbers of enterprises, permitting some fairly meaningful inferences for our purposes.

Contemporary travellers to Southern India invariably note signs of economic dynamism virtually everywhere they go, whereas vast parts of the Hindi-speaking North, like Tocqueville's Kentucky, appear remarkably listless to the naked eye. Tables 7.3, 7.4 and 7.5 provide some statistical evidence for the traveller's visual impressions. Table 7.3 shows that during 1980–90, while the number of enterprises in the South grew by 33.6 per cent, the North managed a decadal rise of 21.2 per cent only. During 1998–2005, the latest period for which data are available, the South went through an explosive boom, as its number of enterprises grew by a massive 55 per cent, while new enterprises in the North added a mere 27.8 per cent to the 1998 base. If the economic census had also provided figures for the capital deployed, not simply the number of enterprises, a fuller picture could have been obtained. Nevertheless, Tables 7.3–7.5 make it clear that compared to the North, many more new enterprises emerged in Southern India since 1980.

TABLE 7.3: North and South India: Growth in the Number of Enterprises, 1980–2005

	<i>(per cent)</i>	
	1980–90	1998–2005
South	33.61	55.39
North	21.27	27.82

Source: Based on the Economic Census 1998 and 2005, Department of Statistics, Government of India.

Table 7.4 shows how the rural South has been transformed. During 1998–2005, the number of rural enterprises grew by approximately

TABLE 7.4: North and South India: Growth of Rural Enterprises, 1998–2005

State	Total Rural		
	1998	2005	Growth (per cent)
Andhra Pradesh	2,007,386	2,847,796	41.87
Karnataka	1,152,092	1,590,152	38.02
Kerala	1,240,685	2,101,075	69.35
Tamil Nadu	1,407,786	2,727,624	93.75
South Total	5,807,949	9,266,647	59.55
Bihar	872,107	1,131,303	29.72
Madhya Pradesh	1,207,195	1,356,340	12.35
Rajasthan	910,625	1,216,060	33.54
Uttar Pradesh	1,478,767	2,403,629	62.54
North Total	4,468,694	6,107,332	36.67
South–North ratio	1.30	1.52	1.6

Source: Based on the Economic Census 1998 and 2005, Department of Statistics, Government of India.

59.5 per cent in the South on a base that was higher to begin with, whereas enterprise growth was a mere 36.7 per cent in the rural North. By 2005, the rural South had almost one and a half times as many enterprises in absolute terms as the rural North did, though in terms of population, the rural South carries only about half as many people as the rural North. During 1998–2005, urban enterprises in the South also grew much more than in the North (Table 7.5). In 1998, Northern towns and cities had more enterprises than those in the South, but by 2005, the South had surged ahead. In purely numerical terms, then, the rural entrepreneurial boom in the South is very impressive, but the urban enterprise is not far behind.

Theoretically, of course, it is quite possible for the number of enterprises to decline or stay the same and economic dynamism to rise, provided mergers create economies of scale. No data are available on mergers and acquisitions in India beyond the top tiers of the formal capitalist sector, and most of the enterprises counted in the census are small and medium sized.³⁹

TABLE 7.5: North and South India: Growth of Urban Enterprises, 1998–2005

State	Total Urban		
	1998	2005	Growth (per cent)
Andhra Pradesh	895,156	1,149,186	28.38
Karnataka	759,539	948,722	24.91
Kerala	323,986	702,753	116.91
Tamil Nadu	1,106,018	1,705,767	54.23
South Total	3,084,699	4,506,428	46.09
Bihar	570,667	584,721	2.46
Madhya Pradesh	917,245	1,016,227	10.79
Rajasthan	619,960	745,405	20.23
Uttar Pradesh	1,564,244	1,942,138	24.16
North Total	3,672,116	4,288,491	16.79
South–North ratio	0.84	1.05	2.7

Source: Based on the Economic Census 1998 and 2005, Department of Statistics, Government of India.

In short, these statistics do not clearly establish that Southern enterprises are much more efficient than their Northern counterparts, though that may well be true. It is, however, incontestable that by now, *a significantly larger proportion of Southern population is involved in commerce.*

Are the new entrepreneurs randomly distributed across the various castes, or is it that some castes have stood out in the entrepreneurial boom sweeping through much of the South? The business landscape in Eastern, Western, and Southern India has been traditionally dominated by the trading castes, especially the Vaishyas and Marwaris. In the South, the Chettiers have been the equivalent of the Vaishyas.⁴⁰ Have the 'lower castes' finally entered commerce in a big way?

To observers of India's political economy, the real issue concerning change in the traditional occupational structure is not whether the Dalits (SCs) have risen as a commercial force, but whether OBCs have. Dalits were, and still remain, at the bottom of the social hierarchy. The OBCs were always in the middle, and their numbers were also much

larger than those of the Dalits. It is, therefore, theoretically possible to imagine that a combination of political power, facilitated by their numbers in a universal franchise polity, and an economic base higher than that of the Dalits would engender a commercial revolution for the OBCs. The contrast between trading and artisan castes is especially relevant here. The artisan castes, placed in the OBC category, were traditionally unable to scale up. They lacked the initial capital and literacy to transform their small-scale projects into larger units, while the trading castes, placed in the upper caste category, were able to utilize their connections and capital to dominate business as a profession.

How have the OBCs figured in Northern and Southern commerce? India's economic census did not collect caste-based commercial statistics until 1998. We only have two data points, 1998 and 2005, so we cannot statistically ascertain the changing social background of business over the long run. However, some quite indicative inferences can still be drawn.

Table 7.6 shows that in 1998, compared to the North, the OBCs had greater presence in Southern commerce. While 40 per cent of Northern enterprises were OBC owned, nearly 50 per cent of all

TABLE 7.6: North and South India: OBC Ownership of Enterprises, 1998

(per cent)

States	Total enterprises	Urban enterprises	Rural enterprises
Andhra Pradesh	44.05	36.96	47.21
Karnataka	29.91	25.31	32.94
Kerala	44.75	44.32	44.87
Tamil Nadu	73.63	73.30	73.90
South Total	49.50	47.89	50.35
Bihar	51.69	49.76	52.96
Madhya Pradesh	43.91	40.95	46.15
Rajasthan	29.23	24.25	32.61
Uttar Pradesh	37.58	34.52	40.83
North Total	40.16	36.76	42.96

Source: Based on the Economic Census 1998 and 2005, Department of Statistics, Government of India.

Southern enterprises were owned by the OBCs. Among Southern states, at 74 per cent, OBCs had the highest share of enterprise ownership in Tamil Nadu.⁴¹

Table 7.7 shows that compared to 1998, OBC ownership rose both in the North and South, though by a larger percentage in the North. The South continues to be ahead, but compared to 1998, its lead is lower. At one level, this may mean that with the rise of lower castes in Northern India, especially in UP and Bihar, a commercial revolution is perhaps in the offing. If so, the emerging trend will be consistent with the Tocquevillian hypothesis. But three points of caution are worth noting.

TABLE 7.7: North and South India: OBC Ownership of Enterprises, 2005

States	Total enterprises	Urban enterprises	Rural enterprises
Andhra Pradesh	43.08	40.67	44.05
Karnataka	40.31	31.22	45.73
Kerala	49.76	55.93	47.70
Tamil Nadu	71.69	73.47	70.57
South Total	53.14	53.48	52.97
Bihar	48.62	44.41	50.79
Madhya Pradesh	44.41	40.29	47.49
Rajasthan	44.92	36.51	50.07
Uttar Pradesh	49.18	43.99	53.38
North Total	47.19	41.87	50.93

Source: Based on the Economic Census 1998 and 2005, Department of Statistics, Government of India.

First, there are questions about how the government defines OBCs in different states. Coming later to the North, is it by any chance true that the term OBC became much more political in the Northern states? The most obvious example is the placement of Vaishyas in the OBC category in Bihar.⁴² The Vaishyas are North India's leading merchant community and normally viewed as an upper caste, but they are designated as 'backward' in Bihar. The statistical consequence of this placement is worth pondering: it is likely to have increased OBC

business ownership figures by a huge margin. Similarly, the Jats, viewed by scholars as a dominant caste, are included in the list of OBCs in several states. In Rajasthan, where, compared to the other states discussed here, the growth in OBC ownership was the highest between 1998 and 2005, rising by more than 50 per cent in this period, the Jats were added to the OBC list only in 1999.⁴³ A large part of the OBC business ownership in Rajasthan in 2005 may well be an artifact of the 1999 legislation.

On the whole, it is not unreasonable to conjecture that in government statistics, the OBC category in the North is substantially inflated. It is possible that the Southern OBC lead is bigger than what the government statistics indicate.

Second, we have no systematic analyses yet of the average size of the business enterprise in the North and South. If it is true, as is often speculated, that OBC enterprises in the North are generally very small, whereas many OBC businesses in the South are reasonably large, then the lead of Southern OBCs in commerce would be commensurably greater. Some examples of this phenomenon are given below.

Third, even if the OBC share of business is not inflated in the North and the average size of business enterprise in the two regions is not very different, it appears that the upper or dominant castes, whose traditional occupation was not business, have become much more involved in commerce in the South. A comparison of Tables 7.3–7.5, which report the overall numbers of business enterprises, with Tables 7.6 and 7.7, which report the OBC share of these enterprises, makes this inference plausible. By 1998, the overall size of the entrepreneurial community in the South had more than caught up with the North, even though the total population of the North was twice as large, and by 2005, the number of enterprises was greater in the South than in the North. Assuming that Dalit businesses are still few and far between, both in the North and South, the much greater non-OBC ownership in the South is likely to consist, substantially if not entirely, of upper and dominant castes.⁴⁴ Greater disaggregation of data, when available, will clinch this point, but the inference makes statistical sense. This is another sense in which the crumbling of the vertical social order is connected to a commercial revolution. Not just the OBCs, all castes, regardless of what their traditional professions were, have entered business in large numbers in the South.

To sum up, India's South appears to have stolen an entrepreneurial march over the North, and the earlier and more decisive unravelling of the caste order has played a large part in it. The North has lagged behind, on overall enterprise as also on upper caste and OBC involvement in commerce. The gap may well have started to close of late, but the historical difference is beyond doubt.

FROM TODDY TAPPERS TO HIGH-TECH BUSINESSMEN

Statistics provide us a clear picture of the aggregate outcomes, but they rarely give us a sense of the process generating the outcomes we observe, nor do they reveal the texture of the politics that drives the process.⁴⁵ Often, it is the in-depth examination of a representative or critical case that uncovers the process at the heart of an aggregate outcome. Let me, therefore, turn to one of the most remarkable transformations in India's caste history over the last 150 years.

The Nadars of Tamil Nadu are widely recognized as a leading business community of Southern India today. That was not always so, however. Until a century back, the Nadars were placed near the bottom of the caste pyramid. Their upward mobility indicates the depth of Southern social transformation. Nothing comparable has happened in the North, though some very recent trends, as discussed below, are worth watching.

Historically called Shanars, a term of abuse that they successfully fought to change, the Nadars were traditionally toddy tappers. They were classified as 'near untouchables', placed at the bottom of the so-called OBC category and slightly above the SCs. Toddy tapping essentially meant that the Nadar men 'climbed the palmyra (tree) to tap its sap, some of which was fermented to make an alcoholic beverage known in English as toddy. This association with alcohol was one of the primary reasons for the traditionally low social status of the Shanars'.⁴⁶

Like the Ezhavas in Kerala, described earlier, the Nadars also had to go through a litany of quotidian deprivations and insults, all enforced by violence if the tradition was violated:

A Nadar must remain thirty six paces from a Brahmin, and must come no closer than twelve to a Nair. As members of a degraded caste, Nadars were prohibited from carrying an umbrella, and from wearing shoes or golden ornaments. Their houses could not be higher than one storey. ... Nadar women

were not permitted to ... cover the upper portions of their bodies. They were subjected to heavy taxation, and while they were not enslaved,...the Nadars were forced to perform corvee labor in service to the state.⁴⁷

In conditions like this, some Nadars embraced Christianity in the middle of the twentieth century, responding—with hope and relief—to the attempts of a Christian mission doing its religious work under British rule. Christian Nadar women started to cover their breasts, defying tradition.⁴⁸ In October 1858, 'Sudras attacked Nadar women in the bazaars, stripping them of their upper garments'.⁴⁹ Nadar defiance continued, so did the repressive reaction by castes higher than them. The British government sided with tradition. Considerable violence ensued.

In a village market, a petty official ...stripped Nadar women of their breast cloths. The incident sparked twenty days of rioting in the district.... Rioting soon followed in other districts.... On January 4, 1859, some two hundred Shudras, armed with clubs and knives, attacked the Christian Nadars of a village.... Houses were burned and looted. During the months of rioting between October 1859 and February 1859, nine chapels and three schools were (also) burned.⁵⁰

A second set of vicious riots broke out at the turn of the century. The dispute was over the right of entry to Hindu temples. The Nadars were for centuries denied temple entry. By the end of the nineteenth century, through local trade and commerce, the Nadars had developed a small middle class. Once a middle class emerged, the Nadars began to assert that they had a right to enter Hindu temples. In 1899, in Sivakasi, where the economic rise of the Nadar was greatest, four years of violent confrontations between the Nadars and higher castes began. When 'the military finally brought riots under control, nearly 150 (primarily Nadar) villages had been attacked, and the reported figures of the number of houses destroyed varied between 1,600 and 4,000'.⁵¹

Quite in contrast to such conditions a century and a half ago, the Nadars by now have expanded their commercial interests over a variety of sectors, including high-technology products. The most recent success story is that of Shiv Nadar, CEO of Hindustan Computers Limited (HCL), one of India's most successful computer hardware companies.

Innumerable medium and small-scale enterprises in Tamil Nadu are also Nadar owned. The city of Sivakasi, famous for its fireworks

industry for a long time, has emerged as the heart of the Nadar business community. Initially, the Nadars manufactured matchsticks in Sivakasi. This eventually gave rise to the growth of Nadar owned chemical plants. Later, members of the Nadar community started businesses that used chemicals as the primary inputs: fireworks and art-supplies. As these businesses grew, the demand for printed packaging materials increased, and Nadar owned printing presses emerged to supply labels. Once established, these printing presses diversified their production by printing greeting cards and chequebooks. An industry that made matches and matchboxes 'has since evolved into a Rs 1000 crore business performing more sophisticated jobs, from printing notebooks, calendars, diaries, greeting cards, and brochures to flight tickets and bank chequebooks'.⁵²

Three developments shaped the economic transformation of the Nadars: creation of a strong community organization in 1910 that survives till now; growth of a self-respect movement in the 1910s and 1920s that made alliances with other lower castes and shook the politics of the state; and the emergence of an ambitious affirmative action programme in Tamil Nadu in response to the rising pressure from the lower castes. Affirmative action brought lower castes to positions of authority in government and to institutions of higher education. The Nadars were denied entry to public schools in British India until as late as the first decade of the twentieth century.

The creation of a community organization, called Nadar Mahajana Sangam (NMS), was at the heart of all the other developments listed above. The NMS not only fought social discrimination, but also became a financial, welfare, and educational body. Apart from providing access to financial resources, NMS regulated and coordinated business activity. It built communal facilities, *pettais*, for conducting business. The organization levied a formal tax, *mahamai*, on its members in exchange for using the communal commercial infrastructure.⁵³ Revenue from *mahamai*, was used for the association's operations and for the maintenance of communal facilities. The NMS also levied a charity tax, *dharuman*, to provide social services to the poorer members.

Finally, the NMS raised funds to provide first-rate educational facilities to its members and the community at large. The NMS manages a range of educational institutions from schools to colleges to polytechnic

institutes. A total of 94 educational institutions are listed on the community's website.⁵⁴ Especially noteworthy are the number of colleges and training facilities, such as V.A.P. Nadars Accountancy College, Jeyaraj Annapackiam College of Nursing, Sri Sivasubraminya Nadar College of Engineering, and MEPCO Schlenk Dental College.⁵⁵

Because of the power the lower castes have come to exercise in Tamil Nadu, state institutions have helped the efforts of organizations like the NMS by providing partial funding for their projects. For example, the Government of Tamil Nadu allocated funds for the construction of school buildings by private groups and also paid teachers' salaries. 'Being relieved of teachers' salaries while receiving substantial grants towards construction of new buildings has helped the associations rapidly to expand their educational services.'⁵⁶

Emerging as a byproduct of the lower caste revolution in politics, a final development should also be noted. Since affirmative action programmes in Tamil Nadu were among the most ambitious in the country, reserving as much as 69 per cent of all government jobs and seats in state-supported higher educational institutions for lower castes, Brahmins started entering commerce. Brahmins traditionally dominated the educational sector and civil service in the South,⁵⁷ but with big lower caste quotas by the mid to late 1960s, government jobs started drying up. Scholars started noticing the rise of Brahmins in industries in the 1970s.⁵⁸ By the turn of the century, Brahmins had come to dominate the knowledge-intensive information technology (IT) clusters all over Southern India.⁵⁹

In short, the commercial revolution in Southern India appears to be driven to a substantial extent by the flattening of caste hierarchies. It led to the rise of lower castes in business on one hand and the emergence on Brahmin entrepreneurs on the other. In contrast, the North did not witness a caste upheaval for much of the twentieth century.⁶⁰ That has begun to change only recently.

LOWER CASTES IN THE NORTH: WILL UP TURN AROUND?

Defying history, a veritable political revolution has started taking place in Northern India. In UP, India's largest state, home to over 170 million people, a primarily Dalit political organization, Bahujan Samaj Party (BSP), led by a Dalit woman and supported substantially by Brahmins,

came to power in May 2007. In South India, where the non-Brahmin castes came to power by the late 1960s, Dalits (SCs) were never in the lead; the OBCs, including those at the bottom of the OBC category such as the Nadars, were. No Dalit party had ever come to power in India's states.

Can the political revolution in UP lead to a Southern-style commercial revolution? The answer is complicated, but worth speculating upon.

Let us first look at the caste and communal arithmetic of UP. Table 7.8 has the best estimate of UP's castes and communities.⁶¹ Until the mid-1980s, UP politics was dominated by the Congress party (the Congress hereafter). The Congress had a sandwich strategy, combining support among the upper castes, especially Brahmins, with support from Dalits and Muslims. By the early 1990s, especially due to the political mobilization of lower castes and their alliance with Muslims, Congress dominance ended and several parties emerged on the scene. The party system became fractured, or 'multi-cornered' as it is often called in India.

TABLE 7.8: Castes and Communities in UP

	<i>(per cent)</i>
Hindu Upper castes	19.0
(Of whom Brahmins)	(8.5)
Hindu OBCs or Middle Castes	41.1
(Of whom Yadavs)	(9.0)
Hindu Scheduled Castes (SCs) or Dalits	21.1
(Of whom Jatavs)	(13.0)
Muslims	18.5
(Total)	(99.73)

Source: Based on Jasmine Zerini-Brotel's 'The Marginalization of the *Savarnas* in Uttar Pradesh?' in Christophe Jaffrelot, and Sanjay Kumar, eds, *Rise of the Plebeians? The Changing Face of Indian Legislative Assemblies*, 2009, New Delhi: Routledge.

For winning a majority of seats in a *multi-party, first-past-the-post* parliamentary system, one normally needs at least 30 per cent of votes. A party that could win over three-fourths of the OBC vote could have

easily done so, but no party has ever commanded the affection of all OBCs, who remain divided in UP. Unlike the OBCs of Tamil Nadu, who came together on a social justice platform, the term OBC is basically an official meta-category in Northern India. The various subcastes within that larger category define the lived reality for millions. Politically, it has been hard to put these many subcastes together, and create a united OBC community in the North.

As a result, since 1993, no political party could get more than 25 or 26 per cent of UP's vote. Unstable government alliances, lasting 2–3 years or less, ruled for 14 years. Mayawati finally crossed the 30 per cent threshold in 2007, with a combination of Dalits and Brahmins (as well as some lower OBC and Muslim support).⁶² To some extent, this was reminiscent of how the Congress party used to put together seat majorities in the past, but the key difference, of course, is that Brahmins used to be on top in the sandwich coalition of the Congress. Under Mayawati, Brahmins are either to be viewed as the coequals of Dalits, or their junior partners. In 2007, every sixth Brahmin in UP voted for the BSP.⁶³ In caste terms, UP, even in the absence of Southern-style self-respect movements, has witnessed arguably the most important electoral revolution of post-independence Indian history.

How does one assess the commercial possibilities under the new political dispensation? If our understanding of Southern transformation is right, the BSP government in UP faces a big challenge. In the South, lower caste *social* organizations have historically been very significant. These organizations have not only emphasized affirmative action, but also education and commercial activities. They did not rely entirely on the government to uplift their communities. For example, the apex social organization of the Nadars is also among the largest educational organizations in Tamil Nadu, running schools, colleges, and institutes of engineering and medicine.

Lower caste politics in Southern India moved from movement politics to electoral politics; in the North, lower caste politics has been almost entirely electoral.⁶⁴ The Dalits of UP have no non-governmental, commercial, or educational organizations. Nor do the other lower castes have such organizations. If a Dalit bourgeoisie is not developed, a Dalit revolution in politics will not necessarily lead to a commercial revolution as well. Much will depend on whether the upper castes,

pushed out of government jobs, take to commerce in increasingly larger numbers. Alternatively, if the OBCs take to business in large numbers, a commercial revolution is also possible. Tables 7.6 and 7.7 do suggest that this may happen, but a definite conclusion cannot yet be formed.

Compared to the North, the greater undermining of the Southern caste hierarchies has released tremendous entrepreneurial energies, as all sorts of castes, with very different occupational traditions, have entered trade and modern businesses in large numbers. India's South has become a Tocquevillean Ohio. While India's Hindi-speaking North may not be trapped in a 1830s Kentucky-like iron grip of vertical hierarchy, the Northern unravelling is taking place decades after the breakdown of caste hierarchies in the South.

In the near future, these patterns are likely to be reinforced. But in the medium and long run, some new issues are worth thinking about. Wages in North India are much lower than in the South. Cities like Bangalore are choked with traffic and pollution, and have also become remarkably expensive. Chennai and Hyderabad, too, are headed in the same direction. If the caste churning in the North does not lead to greater lawlessness, but instead a new political order is institutionalized, leading to better governance, as was the case in the South by the 1960s, then it is quite possible that investors will begin to move towards the North due to its wage advantage. Bihar's recent turnaround in governance holds considerable promise, though we still have to watch the longer-run trends in the state. Where such economic processes are not strong enough or not possible, can the state midwife a commercial revolution?

NOTES

1. In 1960 (at 1971 constant prices), the per capita incomes for the North and South were Rs 467.25 and Rs 530.75 respectively, the latter being higher by a factor of 1.14.
2. In 2007, the Southern states had a per capita income of Rs 15146.75 and the Northern states Rs 7140.25 (at 1993 constant prices). The Southern per capita income was 2.12 times higher.
3. Bihar, MP, and UP were broken up in 1999, leading to the birth of three new states: Jharkhand, Chhattisgarh and Uttarakhand. Since the chapter tracks

down historically rooted politics, I will not separately go into the question of whether these three fledgling states have a very different structure of politics. For some purposes, that question is critical, but not for the issues raised here.

4. Amartya Sen, 'Can Life Begin at 60 for the Sprightly Indian Economy?', *Financial Times*, London, 14 August, 2007.

5. If one examined Delhi as part of the North, the Northern lag would not be as large. Over the last three decades, Greater Delhi (the so-called National Capital Region), consisting of the cities of Delhi, Gurgaon (formally in the state of Haryana), and Noida (formally in UP) has witnessed an astronomical boom, making Delhi one of the richest cities of India. I am not including Delhi in my analysis of the North for two reasons. First, to call Delhi a state is analytically imprecise. Much like Washington DC, Delhi is basically a metropolitan city, not a state. Second, even if one were to view Delhi as a state, it would be hard to call it a Hindi-speaking one. Hindi-Urdu used to be Delhi's traditional language, but since 1947, the character of Delhi has dramatically changed. A large number of migrants from Pakistan arrived after India's partition, making Delhi for many a Punjabi city. More recently, all linguistic communities of India—from Bengal to Tamil Nadu—have been able to make a home in Delhi. Delhi has become a microcosm of India's many diversities. See Sam Miller, *Delhi: Adventures in a Megacity*, 2009, London: Jonathan Cape. It should also be noted that unlike Mumbai, Delhi has never witnessed a sons-of-the-soil movement.

6. The analogy is not empirically exact. Ohio did not have to undermine slavery, for it did not have slaves to begin with. Conceptually, however, the analogy would hold. See the later discussion in terms of vertical and horizontal social orders.

7. In parts of India, especially where Hindu business castes were absent for some reason, Muslims and Christians often performed the role of businessmen. This is especially true of Kerala and Tamil Nadu.

8. Viewed in an interpretive framework, this negative correlation can be called an argument. But viewed in a strictly positivist framework, my claim would have to be phrased differently, and called a hypothesis. The existing statistics about caste and business in India are sufficiently indicative to take the Tocquevillean argument seriously, but they are not entirely conclusive. In order to estimate the current, as well as historically varying, caste backgrounds of entrepreneurs in the North and South with any degree of finesse, many thousand observations would have to be collected.

9. The KHAM (Kshatriya–Harijan–Adivasi–Muslim) movement of the 1980s was strong for a brief while, but it did not last long. Moreover, it was also sponsored by the Congress party, not by a lower caste party. The Congress

was trying to incorporate the lower castes in its vertical mobilization model, not trigger a horizontal lower caste revolution.

10. See Ashutosh Varshney, *Ethnic Conflict and Civic Life: Hindus and Muslims in India*, 2002, New Haven: Yale University Press and Delhi: Oxford University Press, Chapters 9–10. It is the only place in India where the term "merchant prince" was used. The term culturally expresses the hegemony of the business community. Merchants were rarely, if ever, princes in traditional India.

11. Bihar, widely viewed as an ungovernable Northern state for three decades after the late 1960s, has of late demonstrated high economic growth rates, but a lower-caste churning in the state has been followed by better law and order and significantly greater public investment. It is unclear whether the upward growth trajectory has something to do with changing social bases of entrepreneurialism.

12. A classic statement is W. Arthur Lewis, 'Economic Development with Unlimited Supplies of Labor', *The Manchester School of Economic and Social Studies*, Vol. 22, No. 2, 1954, pp. 400–49.

13. For the impact of trade on development, see Jagdish Bhagwati, and T.N. Srinivasan, 'Trade Policy and Development', in Jagdish Bhagwati, ed., *Dependence and Interdependence*, 1985, Delhi: Oxford University Press. For the impact of institutions, see Douglass North, and Robert Paul Thomas, *The Rise of the Western World: A New Economic History*, 1973, Cambridge: Cambridge University Press, 88–122.

14. Reliant as it was on very high investment and savings rates, the enormous, though unsustainable, Soviet industrialization during the first four Soviet plans was a classic example of factor-driven growth. In contrast, China and India appear to have combined efficiency and mobilization of the factors of production. Both became trade-oriented, China more so than India, plus their recent investment rates [ratio of investment and gross domestic product (GDP)] have of late been among the highest seen in the last century. In 2008, China's investment rate was close to 45 per cent, while India's investment rate crossed 35 per cent.

15. See Amartya Sen, 'The Concept of Development', in Hollis Chenery and T.N. Srinivasan, eds, *The Handbook of Development Economics*, 1988, New York: North Holland, pp. 10–26.

16. Alexis de Tocqueville, *Democracy in America*, 2003, New York: Penguin.

17. Mill originally proposed the method in *A System of Logic* in 1843. The book has been published many times since then. For the latest version, see John Stuart Mill, *A System of Logic*, 2011, Toronto: University of Toronto Libraries.

18. Tocqueville, *Democracy*, pp. 345–6.

19. This is now a familiar criticism of the method of randomized experiments, extremely popular in development economics and quite noticeable in political science as well.
20. Charles Taylor, *Multiculturalism and the Politics of Recognition*, 1994, Princeton: Princeton University Press.
21. See, however, Sharon Krause, *Liberalism with Honor*, 2002, Cambridge: Harvard University Press.
22. Barrington Moore Jr, *Social Origins of Democracy and Dictatorship: Lord and Peasant in the Making of the Modern World*, 1968, Boston: Beacon Press.
23. For the most recent examination of the relationship between income and democratization, see Adam Przeworski, Michael Alvarez, Jose Antonio Cheibub, and Fernando Limongi, *Democracy and Development: Political Institutions and Well-Being in the World, 1950–1990*, 2002, Cambridge: Cambridge University Press.
24. Donald Horowitz, *Ethnic Groups in Conflict*, 1983, Berkeley: University of California Press.
25. See p. 5 in Richard M. Eaton, 'Introduction' in Indrani Chatterjee and Richard M. Eaton, eds, *Slavery and South Asian History*, 2006, Bloomington, IN: Indiana University Press, pp. 1–16.
26. Also see Sidney Verba, Bashiruddin Ahmed and Anil Bhatt, *Caste, Race, Politics*, 1971, Newbury Park, CA: Sage Publications.
27. Barack Obama, *Dreams from My Father: A Story of Race and Inheritance*, 1995, New York: Three Rivers Press, p. 121.
28. Caste inequalities have substantially been transformed in politics, but not as much in education. Some recent calculations show a substantial, if not one-to-one link, between caste and educational attainment in contemporary India. Compared to their proportions in India's populations, the OBCs and Dalits are highly underrepresented in higher education (along with Muslims), and the upper castes are substantially overrepresented (along with Sikhs and Christians). See Satish Deshpande, and Yogendra Yadav, 'Redesigning Affirmative Action: Castes and Benefits in Higher Education', *Economic and Political Weekly*, 17 June 2006, pp. 2419–24.
29. In this formulation, the upper castes include the so-called dominant castes, which were not ritualistically upper but acquired enormous power and status over time—Marathas, Patels, Kammas, Reddys, Jats, etc.
30. G. Rajendran, *The Ezhava Community and Kerala Politics*, 1974, Trivandrum Academy of Political Science, pp. 23–4.
31. This is how Obama (*Dreams from My Father*, p. 12) describes the 1960 bi-racial marriage of his parents, a Black African father from Kenya and a white mother from Kansas:

'In 1960, the year that my parents were married, miscegenation was still described as a felony in over half of the states in the Union. In many parts of the South, my father could have been strung up from a tree for merely looking at my mother the wrong way; in the most sophisticated of northern cities, the hostile stares, the whispers, might have driven a woman in my mother's predicament into a back-alley abortion—or at the very least to a distant convent that could arrange for adoption.'

This description is quite similar to what normally used to happen when a Dalit would cross a sexual boundary by trying to marry into the upper caste. Even today, lynching can take place in rural India, though the incidence does not appear to be large.

32. Marilyn K. Howard, 'Lynching' in Walter Rucker and James Nathaniel Upton, eds, *Encyclopedia of American Race Riots*, 2007, Westport, CT: Greenwood Press. American lynching statistics look quite gory, but some other cases are more horrific. For the mind-boggling contemporary Indonesian numbers on lynching, see pp. 343–5 in Ashutosh Varshney, 'Analyzing Collective Violence in Indonesia: An Overview', *Journal of East Asian Studies*, Vol. 8, No. 3, 2008, pp. 341–59. Indian data on lynching have not been systematically put together, but if press reports are anything to go by, the incidence of lynching in contemporary India does not appear to be large.

33. M.N. Srinivas, *Social Change in Modern India*, 1966, Berkeley: University of California Press.

34. As reported earlier, three Northern states—Bihar, MP, and UP—were broken up into smaller states in 1999. I will continue to use the historical names for the sake of simplicity. The post-1999 statistics summarized later will include the split-off states, when I compare pre- and post-1999 Bihar, MP, and UP.

35. In per capita terms, even Kerala, normally viewed as a laggard state in terms of growth (but not in terms of human development), has done very well. One should, however, note that it is not because Kerala's economic growth rate has been exceptional. Rather, Kerala's internationally renowned success in bringing the population growth rate down has been decisive. Demographically, India is a predominantly young country, but Kerala's population growth rate, like much of Europe and Japan, has reached below replacement levels.

36. It should be parenthetically added that since the beginning of economic reforms in 1991, the relative position of Punjab, a non-Hindi speaking Northern state, has also suffered a decline. Driven by the Green Revolution in agriculture, Punjab used to be an economic powerhouse in the 1970s and 1980s. The Green Revolution is now exhausted, the watertables have sunk because of over-irrigation, the soil is increasingly losing its fertility due to over-salination, and the agrarian revolution has yet to transform itself into

an industrial revolution. See Isher J. Ahluwalia, 'Challenges of Economic Development in Punjab' in Kaushik Basu and Ravi Kanbur, eds, *Arguments for a Better World: Essays in Honor of Amartya Sen*, 2009, Oxford: Oxford University Press. Unlike the sheep farmers of Barrington Moore's England, the wheat farmers of Punjab have failed to become a flourishing bourgeoisie. In all, with the exception of Greater Delhi, and perhaps Rajasthan, India's North is showing signs of a relative, long-term decline. Whether the decline is reversible remains unclear. Some speculations are presented later in the chapter.

37. It is also worth pointing out that the distribution of foreign direct investment (FDI), too, hugely favors the South. India did not have much FDI until 1990. Since then, with the exception of Kerala, the Southern states have attracted a lot of FDI. Indeed, Tamil Nadu and Karnataka have been the leaders in attracting foreign investment, their attractiveness eclipsed only by the West Indian state of Maharashtra. More germane to the discussion here, the Southern states have left the Northern states behind by a huge margin. Since 1991, the Southern states have together received over three times the investment Northern states did.

38. As quoted on the MOS website: http://mospi.nic.in/mospi_ec.htm

39. Indeed, according to the 1998 economic census, 98 per cent of all firms in India were in the so-called informal sector, which tends to be small in size.

40. See David W. Rudner, *Caste and Capitalism in Colonial India: the Nattukottai Chettiars*, 1994, Berkeley: University of California Press. In addition, unlike in the North, Muslims have also been a trading community in Southern India.

41. Note that these numbers, to be more meaningful, would require a denominator. We need to know how much of each state's population can be classified as OBC. But we do not have that information for sure—until the 2011 census gives us those figures. As a result, we can not fully judge whether the OBC proportion of the number of business firms is the same as their proportion in the population.

42. Cyril Robin, 'Bihar: The New Stronghold of OBC Politics', in Christophe Jaffrelot and Sanjay Kumar, eds, *Rise of the Plebeians?*, 2009, London and New Delhi: Routledge, pp. 65–102.

43. Christophe Jaffrelot, and Cyril Robin, 'Towards Jat Empowerment in Rajasthan', in Christophe Jaffrelot and Sanjay Kumar, eds, *Rise of the Plebeians?*, pp. 164–87.

44. In addition, Muslims would be significant in Kerala and Tamil Nadu.

45. For a fuller methodological statement on these lines, see John Gerring, *Caste Study Research: Principles and Practice*, 2007, Cambridge: Cambridge University Press.

46. Dennis Templeman, *The Northern Nadars of Tamil Nadu: An Indian Caste in the Process of Change*, 1996, Delhi; New York: Oxford University Press, p. 20.

47. Robert Hardgrave, *The Nadars of Tamil Nadu*, 1969, Berkeley and Los Angeles: University of California Press, p. 57.

48. About 10 per cent of the Nadar community is Christian today, the rest overwhelmingly Hindu.

49. Hardgrave, *The Nadars*, p. 64.

50. *Ibid.*, pp. 65–6.

51. *Ibid.*, pp. 117–8.

52. The passage is from Harish Damodaran, *India's New Capitalists: Caste, Business, and Industry in a Modern Nation*, 2008, New York: Palgrave MacMillan, p. 187. Rs 1000 crore would at the current exchange rate, be equal to \$225 million.

53. *Ibid.*, p. 182.

54. A complete list of Nadar managed educational institutions can be found at: <http://nadar.kuttyjapan.com/nadar-institutions.asp>.

55. This preoccupation with educating the community is not particular to the Nadars. Associations of other OBC and SC groups have also made remarkable progress in the education of their communities.

56. Templeman, *The Northern Nadars of Tamil Nadu*, p. 171.

57. David A. Washbrook, 'Caste, Class and Dominance in Modern Tamil Nadu: Non-Brahmanism, Dravidianism and Tamil Nationalism' in Francine R. Frankel and M.S.A. Rao, eds, *Dominance and State Power in Modern India*, Vol. 1, 1989, Delhi: Oxford University Press, pp. 204–64.

58. E. Wayne Nafziger, *Class, Caste and Entrepreneurship: A Study of Indian Industrialists*, 1978, Honolulu: The University Press of Hawaii for the East West Centre.

59. Florian Arun Taeube, 'Culture, innovation and development: The case of South Indian IT Clusters' in Sunil Mani and Henry Romjin, eds, *Innovation, Learning and Technological Dynamism of Developing Countries*, 2004, New York: United Nations University Press, pp. 202–28; Damodaran, *India's New Capitalists*

60. The rise of Charan Singh in UP politics is sometimes read as an example of lower caste assertion. See Zoya Hasan, 1989, 'Power and Mobilization: Patterns of Resilience and Change in Uttar Pradesh Politics', in Frankel and Rao, eds, *Dominance and State Power*.

61. This is an estimate because caste census has not been taken since 1931. Political operatives and survey agencies have worked out the basic percentages.

62. A.K. Verma, 'Mayawati's Sandwich Coalition', *Economic and Political Weekly*, 2 June 2007, Vol. 42, No. 22, pp. 2039–43.

63. Ibid.

64. See Amit Ahuja, 'Mobilizing Marginalized Citizens: Ethnic Parties Without Ethnic Movements', 2008, PhD dissertation, University of Michigan, Ann Arbor: Department of Political Science.

8 After Eden

The Transformation of the Landscape of Political Power in the United States

Margaret Levi

For Tocqueville, America was an Eden, a paradise for the creation of new forms of governance and political relationships. As social conditions changed, so did the laws and the nature of the relationships among individuals, their associations, and democracy. Tocqueville's Eden disappeared. Tocqueville recognized this as a real possibility. Indeed, one of his most astute predictions has unfortunately come true:

...the manufacturing aristocracy which is growing up under our eyes is one of the harshest that has ever existed in the world; but at the same time, it is one of the most confined and least dangerous. Nevertheless, the friends of democracy should keep their eyes anxiously fixed in this direction; for if ever a permanent inequality of conditions and aristocracy again penetrates into the world, it may be predicted that this is the gate by which they will enter.¹

The gates have been breached. Corporations are now immense, transnational, and largely unaccountable to governments. Corporate power contributes to the inequalities of wealth and influence that corporations helped foster in the first place. Is American democracy up to the task of keeping corporate power in check and of ensuring that the general welfare is determinative of the public agenda?

The answer is a highly qualified and very pessimistic yes. The fundamental structures of power seem to endure² through recessions and depressions and despite governments that commit to tighten the regulations on corporations and rein in their power. For nearly all government actors, capitalism and corporate economic freedom are the prerequisites to protecting not only American well-being but also its