NEOLIBERALISM AND CONTESTED POLICIES OF THE POWER INDUSTRY IN INDIA

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ABSTRACT

This paper, adopting a political-economy approach, examines the evolution of electric-power policy in India by drawing linkages between global and local/national discourses, of development. The study focuses on the objectives and goals of the post-colonial developmental state of India, and examines the transition of India's electricity policy regime from Keynesianism to neoliberalism. I argue that the historically dynamic nature of state-society coalition in India, representing varying social and spatial interests, has impacted India's power policy. In addition, I argue that even as neoliberalism at the global level is pushed forth under the rhetoric of free market, global corporations, in collaboration with Global Governance Institutions, demand guarantee of profits and incentives from local/national governments that violate the principle of free competition.

Key Words: India, power, state, Keynesianism, neoliberalism

INTRODUCTION

This paper examines the evolution of electric-power policy in India. A key aspect of this concerns the change in development discourse at the global level and the simultaneous modification and re-imagination of the role of the Indian state, as an agent facilitating development, at the national level. The study focuses on the objectives and goals of the developmental state of India after the end of colonial occupation, and how the transition from Keynesianism to neoliberalism as the dominant developmental discourse at the global level has impacted India's power policy. I argue that the state, in my case the Indian state, needs to be understood as a political project in a continual process of formation, deformation and reformation, and as fragmented rather than monolithic, actively engaged with society. The fragmented nature of state-society makes policy formulation highly contentious. The understanding of state-society as fragmented and in a state of flux brings out the complex forms in which power is exercised by constantly changing class/social coalitions. The paper is divided into four sections. Section I: background, deals with the dominant and alternative development discourses and policy regimes at the global level. Section II: power policy in India, deals with the evolution of India's power policy in the context of changing developmental discourses at the global level. Section III: changing state-society coalitions, examines the transient nature of state-society coalition at the national level to bring out the endogenous contradictions within the Indian society in producing policy changes. I conclude with section IV.

BACKGROUND

India emerged as an independent nation-state in the year 1947, when Keynesianism was the dominant developmental discourse at the global scale. Keynes, in his *General Theory of Employment, Interest and Money* (1936) had argued that real investment (in new factories, tools, machines, and greater inventories of goods) was the crucial variable: changes in real investment fed into other areas of an economy. The decision to invest, Keynes said, depended on comparisons between expected profits and the prevailing interest rate. Keynes explained interest rate in terms of speculation about future stock prices, which in turn determined interest rates, as savings moved from one fund to another, which again depended on expectations about the future. For example, investors bought machine, thereby providing income to machine builders. The money spent produced further increase in national income, with the *multiplier effect*[1] varying with the proportion of additional income that was spent rather than saved, and so on; a decrease in real investment had the reverse effect (Peet with Hartwick 1999). The government could influence this process through interest rate and other monetary policies, shifting the economy from one equilibrium level to another, generally to higher employment levels. Conservative Keynesian economists have viewed the manipulation of interest rates as a relatively non-bureaucratic, non-intrusive method by which the central bank of a country tries to influence national income and employment; an alternative is tax reduction. Liberal Keynesian economists see government deficit spending as a more effective measure: the *liberal* aspect is that deficit spending improves social services (Peet with Hartwick 1999). Keynesian economic theory, in a sense, established the legitimacy of state intervention into market economies with the aim of achieving growth rates decided on the basis of social policy. Aspects of the Keynesian economic theory, coupled with socialist objectives of striving for social, economic and political justice and

[1] The degree of economic expansion induced by investment.

equality of status and opportunity (Austin 1999), became the guiding principal for development policy formulation of post-colonial India.

Keynesianism as the dominant developmental discourse at the global scale, however, started facing opposition, from what has come to be known as neoliberalism, in the late 1960s. The main arguments put forth under the rubric of neoliberal policy regime are: (1) that macroeconomic problems like inflation and indebtedness derived from excessive government spending drive up the quantity of money circulating in a society; (2) that even dalliance with "socialist idea" (like Keynesian planning) would lead to disaster and that classical Smithian and Ricardian economic principles should be relied on instead; and (3) that laissez-faire and rugged individualism, was in general good for all economies and societies (Chang and Garbel 2004; Peet with Hartwick 1999). The Neoliberal discourse gained precedence over Keynesianism in the 1970s at the backdrop of a macroeconomic crisis which included stagflation [2] and instability in global commodity markets and business cycles (Peck and Tickell 2002). Neoliberal economic policies were put into effect under the governments of Prime Minister Thatcher in England and President Reagan in the United States in the early 1980s along with the rhetoric that there was no alternative, which popularly came to be referred to as the *TINA factor* (Krieger 1986; Toye 1987; Chang and Garbel 2004). Initiation of neoliberal policy in the United States and Britain was accompanied by the transformation of the World Bank and the International Monetary Funds (earlier known as the International Bank for Reconstruction and Development), global governance institutions created in 1944 to facilitate Keynesianism, to advocates of neoliberal policies (Peet et.al. 2003). India was coerced into adopting elements of neoliberal policies in 1991 by the International Monetary Funds and the World Bank that bailed India out of a balance of payment crisis that had been accentuated by the first Gulf War leading to the rise in price of petroleum, sudden decline in remittances from the large number of Indians working in the Middle East and collapse of the Soviet Union leading to sharp decline in India's foreign trade (Bhalla 2001).

Even though the global capitalist economy was undergoing a crisis in the 1970s and neoliberal arguments in favor of reduction and removal of state intervention in national economies has gained precedence, an overview of economic histories of most developed and newly industrialized countries of the world point to the fact that state intervention had facilitated their economic growth and development. Empirical evidences contradict the arguments forwarded by neoclassical economists who advocate that East Asian's economic success is due to the existence of freer markets and less state intervention than in other developing countries (Chen 1979; Balassa 1981; Aikman 1986). In fact, effective development has often required that some quite radical steps, like land reform or wage restraint, be taken early on in the developmental cycle (Leftwich 1994). There is abundant empirical evidence to show that many of the successful examples of 'late' development since mid-nineteenth century, as in Germany, Japan, Korea or Thailand have occurred under heavy state intervention (Gerschenkron 1962; Girling 1981; Amsden 1991; Fukui 1992).

Examining the economic success of South Korea and Singapore, Park (1998) points out that the state's role in housing is influenced by the nature of the political coalition the state has established with other social groups to promote economic growth. In South Korea, an exclusive developmental coalition between the state and large capitalists forced the state to minimize its

[2] Economic stagnation accompanied by inflation.

role in housing provision and severely reduced state autonomy in real estate speculation. Under the state-*chaebols* alliance, the state had given investment priority to the manufacturing sector and minimized distributive investment, such as investment in housing. Lack of financial support for the housing sector has made attempts to increasing housing supply ineffective in South Korea. In addition, as *chaebols* became the major landowning group, the capacity of the state to regulate real estate speculation was limited by *chaebols'* interests. Thus, the South Korean state has promoted economic growth at the expense of social development – not as a function of the rational decision of state bureaucracies, but rather as a consequence of the growth coalitions, which the state established with large businesses for effectively promoting economic growth. In contrast, the state in Singapore has been proactive in providing public housing and controlling landownership on the basis of a balanced relation between growth and populist coalitions. The Singapore government has played an active role in providing public housing and regulating private landownership to its people, which in turn has allowed to it intervene and regulate the economic development of the country (Park 1998).

In Argentina too, state expenditure on social welfare has traditionally been high. Historically, the state's commitment to social welfare, full employment and real wage growth has been directly related to the pivotal role that the 'popular sector' – non-elite groups – have played in the societal basis of the Argentine state (Deyo 1990). For example, labor support was instrumental for the ascendancy of some political leaders and presidents and this insured continuance of large social spending by the Argentinean state (Bosco 1998). This in turn, prior to the initiation of neoliberal policies, ensured low levels of unemployment and tremendous improvement in social indicators of development, like reduction in infant mortality, increase in the proportion of beds in hospitals to total population, and increase in literacy rate and years of schooling (Bosco 1998). With the initiation of neoliberal policies in the 1990s, however, the situation in Argentina is similar to those 100 years ago, where elites sustained a monopolistic hold on land and capital and governed the economy (Johns 1992).

Even in the 1980s and early 1990s, Japan challenged the World Bank and the neoliberal ideas. Over the 1980s, even as neoliberalism was getting established as the dominant economic policy, Japan poured aid and investment into East and Southeast Asia, using its strong domestic capacity to strengthen its external reach (Wade 1996). In doing so, Japan endorsed a market-guided role for the state in recipient countries, and justified this role by pointing to its success in the development of Japan, Taiwan and South Korea. Japan's challenge to the World Bank was also a challenge to the United States (US) – the Bank being an important instrument by which the US state seeks to project a powerful external reach, while having a much weaker domestic capacity than Japan's (Wade 1996). In the late 1980s, the growing tension between the World Bank and Japan led to the Bank criticizing Japanese aid programs, for undermining the aims of the Bank and the International Monetary Fund. In response, the Japanese government set out to change the Bank's core ideas about the role of the state in development strategy. It did so by inducing the Bank to pay more attention to East Asian development strategy, so perhaps the Bank would change its mind, see more validity in the Japanese principles, and enhance Japan's role as a leader in development related ideas. Specifically, the Japanese government persuaded the Bank to make a special study of East and Southeast Asia, focusing on why this region has become rich and what other countries should learn from the experience. The study was published in September 1993 as *The East Asian Miracle: Economic Growth and Public Policy* (Wade 1996). Though the study commended the alternative model for producing rapid economic growth, yet, the model was labeled as a miracle – an aberration from the normal. Since this model of economic growth was only accepted as an aberration, its validity as a model that could be replicated in other regions/nations was dismissed. Further, pressure from the World Bank on East and Southeast Asian countries to adopt neoliberal policies continued (despite the report's acceptance that the *miracle model* had produced economic growth). Thus, Japan's effort to change the notion of *there is no alternative* to neoliberalism, failed.

All the studies of state led development or developmental state discussed above expose the fallacy of TINA and the neoliberal rhetoric. These studies, however, accept the divide between Keynesian and neoliberal policy regimes as non-problematic. They present the Keynesian development model as the foundation on which neoliberal regimes have now come to prospered. They examine the past in the context of interventionist state. The present is accepted as a neoliberal regime and the evolution of the role of the state in manipulating the economy is left unexamined. Instead, examining the case of power policy in India, I argue that despite neoliberalism being the dominant economic discourse at the global level, state intervention at the national/local level continue. The nature of state intervention, however, has changed, as has the relation and nature of coalition between the state, society and capital.

Another aspect that is evident form the survey of literature on developmental state, for example on Germany (Gerschenkron 1962), Japan (Fukui 1992), Thailand (Girling 1981), China (White 1985; Gold 1990), Brazil (Przeworski et.al. 2000), Indonesia (Soesastro 1989), Taiwan (Humana 1987), South Korea (Amsden 1991), Zambia (Gulhati 1989), and Nigeria (Callaghy 1990), is that at some point of time in history, when the respective states were actively involved in developing infrastructure and economy, their political regimes were relatively non-democratic. This has not been the case with India. Ever since Independence from colonial rule, like the United States, Sri Lanka or Malaysia, India has been a democracy and state intervention in the economy has not involved the deprivation of democratic rights of the population. Democracy or otherwise, states function in collaboration with the society. In fact, I understand the state as a political project in a continual process of formation, deformation and reformation (cf. Painter, 2000). I understand the state as fragmented rather than monolithic, actively engaged with society, with no sharp demarcation between the two, with social, political and economic changes forged on the basis of state-society coalitions (Gramsci 1971: 160, 261; Alverez 1997; Bosco 1998; Young 2000). The nature of state-society coalition in a democratic country, however, differs from that in a non-democratic one. State-society coalition in a non-democratic nation-state reflects relatively stable class or clan power of those controlling the means of production, as in the case of South Korea (Park 1998). In a democratic nation-state, the coalition is constantly in a state of flux and is amorphous as new coalitions representing varying interests at different points of time in history, on principals that include the practice of one person one vote, keep on forming, deforming, reforming and being replaced. Even though presence of democracy does not automatically disallow the exercise of class power through state institutions, it does destabilize the nature of class power. Coalitions in a democratic state are in a constant state of flux not only to represent the fluid nature of class power but also to generate political consensus. In a county like India where 77 percent of its population earns less than 50 cents[3] a day (Government of India 2007), coalitions cannot completely neglect the demands of the poor, without jeopardizing electoral prospects of the political party in power. So state not only provides the institutional basis for exercise of class power, but also functions as realm of negotiation, fracture and compromise.

The geographical literature, though sparse, has several case studies and empirical examples of how neoliberalism has unfolded in post-socialist and developing economies. For example, studies suggest that the unfolding of neoliberalism in Russia produced spatial concentration of capital along with widening regional disparities (Bradshaw and Vartapetov 2003). In Zimbabwe, the textile, clothing and footwear industries virtually collapsed following the adoption of World Bank's recommendations vis-à-vis economic liberalization and structural adjustment (Carmody 1998). Similar findings emerge from Mexico (Klepeis and Vance 2003), island countries in the Pacific (Murray 2000), Nigeria and South Africa (Lado 2000), Ghana (Logan and Mengisteab 1993) and Somalia (Samatar 1993). These studies, however, accept neoliberalism simply as a top-down, global governance institutions dictated, process and overlook the societal basis of policy transformation at the national/local scale. Further, even literature on developmental state that examine state-society coalition in production of policies, fail to de-homogenize society or class power. In the following sections, I will examine not only how global discourses and pressures have impacted India's power policy, but also how the evolving, and in turn the de-homogenized nature of state-society relations have produced policy changes.

[3] At approximately Rupees 40 to a dollar.

POWER POLICY IN INDIA

Before India's independence, electricity was decentralized; it was generated and supplied locally by private entrepreneurs, enterprising municipalities and provincial governments. The emphasis was on supply to large urban concentrations, and there was little coordination or cooperation between different suppliers (Rao 2002). In the *colonial economy*, generation and supply of power had clear-cut extractive and profit motives, i.e., power as a social or developmental infrastructure was not even conceptualized by actors generating and supplying power. After independence, drawing broadly form the United Kingdom's Electricity (Supply) Act of 1926 which had elements of the idea of state intervention in the process of national development, the Government of India passed the Electricity (Supply) Act of 1948 "to facilitate the establishment of regional coordination in the development of electricity transcending the geographical limits of local bodies." It provided "for the rationalization of the production and supply of electricity and generally for taking measures conducive to the electrical development of the Provinces of India." This enabled the creation of state electricity boards for promoting the coordinated development of generation, supply and distribution in the Provinces and in other areas of India. The Industrial Policy Resolution of 1956 reserved generation and distribution of electricity almost exclusively for the states, letting existing private licensees, however, to continue. Amendments in 1976, to the existing acts on electricity, enabled generation companies to be set up with close coordination between the federal/central and state governments.

Neoliberalization of India's power sector began in 1991. What neoliberalism in the infrastructure sector, including the electricity sector, in the Global South entails is brought out clearly in an occasional paper published by the International Financial Corporation of the World Bank. Sader

(2000), author of the occasional paper, suggests the following: first, he suggests granting of concessions, tax holidays and guarantee of profits to foreign investors. Second, Sader (2000) highlights the importance of overall sectoral liberalization and removal of subsidies. He suggests that this would require privatization of the state-owned entities combined with a pricing mechanism that primarily relies on market forces rather than political concerns. With the initiation of elements of neoliberal policy, amendments to the existing power policies in India were made. In 1991, generation was opened to private investment, including foreign investment. Further amendments in 1998 opened electricity transmission to private investment subject to approval of the central transmission utility, a public sector undertaking. Electricity subsidies are being slowly abolished and the government has increasingly become reliant on private capital in setting up new power plants. In addition, efforts are on to privatize several state-owned electricity related entities across several states in India (Prayas 2001).

Table 1: Five-Year Plans and Growth of Power Generating Capacity.

Year/Five Year Plan	Installed Capacity at the Beginning of the Plan (MW)	Target for Capacity Addition (MW)	Actual Capacity Added (MW)	Percentage increase in Capacity
1947	1,362			
First Plan (1951 – 56)	1,713		1,173	68.48
Second Plan (1956 – 61)	2,886		1,767	61.23
Third Plan (1961 – 66)	4,653		4,374	94.00
Fourth Plan (1969 -74)	12,957		3,707	28.61
Fifth Plan (1974 – 79)	16,664		10,016	60.11
Sixth Plan (1980 – 85)	28,448		14,137	49.69
Seventh Plan (1985 – 90)	42,585	22,245	21,051	49.43
Eighth Plan (1992 – 97)[4]	69,065	40,000 (revised to 30.538	16,730	24.22
Ninth Plan (1997 – 2002)	85,795	40,245	19,119	22.28
Tenth Plan (2002 – 2007)	105,046	41,110 (revised to 39,920 in 2004	27,000	25.70
Eleventh Plan		60,896	Anticipated	

Source: Planning Commission of India

[4] Plan period when neoliberal policies in India was initiated.

Table 1 highlights the impact of neoliberalism on India's electricity sector. An overview of the increase in power generating capacity in India through the Five Year Plan periods (see Table 1) shows that the rate of increase in capacity has been relatively high. Even more noticeable is the fact that prior to the initiation of neoliberal policies (till the end of the Seventh Plan), the rate of increase in capacity was far higher. Percentage increase in capacity declined from 60.11, 49.69, and 49.43 in the Fifth, Sixth and Seventh Plan periods respectively to 24.22, 22.28 and 25.70 in the Eighth, Ninth and Tenth plan periods. The decline in the rate of increase of power generating capacity has taken place despite continuing energy shortage in India -- from 1997-98 through 2003-04, energy shortage in India has ranged anywhere between 5.9 percent to 8.8 percent and peak energy shortage has ranged between 11.20 percent and 13.90 percent (Government of India 2005a). Existing shortages are clear pointers to the fact that the power sector is nowhere close to its saturation point, so slowdown in its rate of growth is neither 'natural' nor acceptable from any rational economic perspective. Thus, neoliberalism seems to be adversely affecting the power sector's growth. In view of the fact that the power sector has linkages with all other industries, since they all require electricity, and with the agricultural sector, through farm mechanization, a rapid growth in electricity generation capacity of the country is vital for sustaining and increasing the rate of India's economic growth.

Rao (2002) has argued that there seems to be certain attitudes that are almost axiomatic in the electricity sector. Prior to the initiation of elements of neoliberal policies in 1991, electricity was understood virtually as a fundamental right that had to be supplied irrespective of certain sections of population's inability to pay. The generally accepted discourse was that the lives of a large number of very poor and opportunities for their economic advancement, would greatly improved if electricity were available to them, and making electricity available to them should be the responsibility of the state. Increase in accessibility to electricity in economically backward regions and amongst the poorer sections of the population were understood as desirable social goals, thus, state ownership that gave precedence to social objectives over profit motives, was understood as good for the society. Generation and supply of electricity were seen as opportunities to expand and create employment opportunities by the Indian state adhering to Keynesian economic policy and socialist goals.

Initiation of neoliberal policies, however, is embedded in a discourse and mindset, especially amongst the rich, that is dissimilar to that which prevailed under the Keynesian regime. Proponents of neoliberal policy argue that Power generation and distribution should be run on the principles of efficiency and profits rather than on social objectives, and this will ensure the sector's growth. State ownership of the electricity sector is seen as support to inefficiency. 'Professional management', as opposed to bureaucratic control is epitomized as rational, qualitatively different and better. Power sector's social objective of creating employment opportunities is criticized for giving rise to inefficiency. Markets, as opposed to the state, is understood as being fair and state's effort to ensure accessibility to electricity of backward regions and the poor sections of the population, is criticized as being populist measures to attract votes.

The answer to why the earlier mindset and discourse is being challenged and elements of neoliberal policies are getting incorporated into India's power policy can be partly explained by the dominant position of the neoliberal discourse at the global level, including pressure of the World Bank and the International Monetary Fund on the Government of India to tighten its budget by reducing social expenditure. The explanation, however, is incomplete without an understanding of the changing nature of state-society coalition within India which is in a state of flux and is amorphous as new coalitions representing different set of interests come to occupy positions of power at different points of time.

CHANGING STATE-SOCIETY COALITIONS

When India gained independence, the Government of India had innumerable challenges at hand; the consolidation of different regions and identities into a single nation-state was one of the most important challenges. The role of the state in improving the living conditions of the general population and uniting diverse regions and identities on the agenda of bringing about development and progress was chosen as the rational way of consolidating the national identity. Policy makers believed that what India needed was the strategy of balanced growth (simultaneous development of the industrial and the agricultural sector). In 1951, nearly 83 percent of India's population lived in rural areas. While the importance of industrial growth was giving priority, rural and agricultural development was understood as vital for India's food security and overall development of the nation. The fact that independent India instantly emerged as a democracy, compelled the state to draw legitimacy through support from the largest section of the population that was poor and lived in rural areas. Even the elites, who drew substantial power from ownership of land in rural India, could not be ignored. But the issue of poverty and landlessness of the poor in rural India was an issue that the state needed to take care of at the earliest. Further, if democracy in India was to survive, the support of the poor through electoral politics to those in position of power was considered necessary.

According to Rudolph and Rudolph (1987), it is because of the intervention of the state that polarization based on left and right class politics in the agricultural sector and rural society is now unlikely. India no longer has an agrarian class corresponding to England's landed aristocracy, Prussia's Junkers, or Latin America's latifundia masters. The first wave of land reforms in the 1950s nominally, and to a considerable extent actually, abolished "intermediaries," the quasi-feudal landlord class, which stood between the state and the cultivator by acting as revenue agents and performing some local government functions. Since then, no prominent political party, at least till the late 1980s could dare to represent the interest or forge an alliance of urban and rural capitalist produces at the cost of alienating the poor.

In the 1960s, two producer groups occupied the dominant position in the countryside left vacant by the quasi-feudal landlords. One included landlords with variously sized holdings who, having successfully blocked or evaded land ceilings legislation, rented to sharecroppers or tenants or employed attached or casual labor. The other included *bullock capitalists* (Rudolph and Rudolph 1987), small to medium-sized self-employed independent agricultural producers who were the principal beneficiaries of intermediary abolition. The balance of power between these groups lay with landlords in the sixties but in the seventies it shifted toward *bullock capitalists*. Ensuring electrification of villages became an important means of garnering support for those in power, from these powerful groups. By the late 1960s, India had entered a period now referred to as the Green Revolution, which involved the widespread use of high-yielding crop varieties, with significant increases in inputs of water and fertilizer in fields that had hitherto been almost solely dependent on rainfall. Much of the early irrigation projects were large, publicly funded ones involving surface water resources, but especially in the 1980s, groundwater pumping on individual farms using electrical or diesel pump-sets became increasingly popular (Dubash and Rajan 2001). Electricity subsidy began to be used as a political tool for garnering the support of powerful section of the rural population in the mid 1970s. To an extent, this subsidy also benefited the poor farmers and led to rural development, but the fact that the richer farmers benefited the most and paid very little to nothing for the resource they consumed, over time became a liability for the state exchequer. These farmers became so used to this subsidy that any discussion amongst policymakers about removing it drew protests and jeopardize the chances of the ruling political party to return to power in the following elections.

According to the economic survey published by the Government of India (2005b), the proportion of the population living in rural areas continued to be more than 70 percent in the 1980s, but the contribution of the agricultural sector to the national economy declined. Till 1970-71, the agricultural sector (including fishing, forestry and mining) contributed more than 50 percent, in terms of sectoral share, to the national income. In 1980-81, agriculture's contribution to the national income had declined to 41 percent. The industrial and the service sectors, which are mainly located in urban areas, made up for 65 percent and 77 percent to the national gross domestic product in 1990-91 and 2004-05 respectively (Government of India 2005b). These figures portray tremendous change in economic power between regions (urban/rural) and sectors of the economy. Further, the rural elite had diversified, i.e., by the 1980s many had invested and had financial interests in the non-agricultural sectors of the economy that brought in higher returns on investments. It was amongst the section of the population whose economic interest lay in non-agricultural sectors, and who did not benefit from agricultural subsidies, that a mindset against state control of power generation and distribution developed – this section of the population became supporters of neoliberal policies vis-à-vis power.

CONCLUSION

In order to find out the reasons for slowdown in capacity addition in the power sector, I interviewed Sushil Kumar Shinde and R. V. Shahi, the cabinet minister and the cabinet secretary, respectively, in the Ministry of Power, Government of India. I also interviewed Dipankar Mukherjee, who had been a member of the Indian Parliament and a member of the Parliament's standing committee on Energy. According to my informants, the1990s saw reduction in government investment in capacity addition and increased dependence on private investments in the electricity sector. In 1991, several global corporations showed tremendous interest in investing in India. In order to facilitate investments, several policy changes, that I discussed earlier, were introduced. These policy changes were followed by the initiation of 9 power projects across India – each of these power projects were headed by foreign corporations, including Enron, Bechtel, General Electric, AES Corporation, CMS Generation, and so on. Despite several incentives given by the Government of India, like tax holidays, debt or equity guarantees, exchange rate guarantees, cash-flow guarantees [5], government-counter-guarantees [6], revenue enhancements[7], and so on, each and every single project failed. According to Dipankar Mukherjee, the global corporations were never satisfied with the incentives and the

[5] Guarantees for government support in case minimum revenue or consumption targets are not being reached.

[6] Host government promises to assume liabilities in case a public sector contractual party fails to meet its financial obligation toward the project company.

[7] Revenue entrenchment may involve direct government expenditure such as construction of complementary and adjacent facilities or give investors the right to develop ancillary facilities.

speed at which the Indian power sector was liberalizing – they kept asking for more incentives and complete liberalization of the power sector. Such demands became politically unviable, since there was tremendous opposition from opposition political parties and the civil society to the incentives that had already been doled out. Dipankar Mukherjee pointed out that the opposition political parties and several civil society groups were of the opinion that the guarantees and counter-guarantees that had been given out to the foreign corporations made a mockery of free market principles, as free market is about competition rather than guarantee of profits. In addition, liberalization of the power sector was leading to rapid increase in the cost per unit of electricity that the rural and the poorer sections of the population were being asked to pay. Thus, societal pressure on the state prevented the government from providing further incentives and liberalizing the sector more rapidly – at least for the time being. Each of the foreign power corporations abandoned the initial power projects since the Government of India could not meet their continuing demands. This impacted the growth of the Indian power sector.

My study also highlights the fact that neoliberalism at the global level is pushed forth under the rhetoric of free market, but at the local scale, the World Bank as well as the global corporations demand guarantee of profits and incentives that violate the principle of free competition. Thus, neoliberalization and marketization of India's electricity sector has not been very popular amongst the general population in India. But neoliberalism has support amongst industrialists, educated urbanites whose chances of gaining employment in global corporations have increased post economic liberalization, and the section of the population that believe that they should not have to subsidize electricity for the poor and the backward regions. Those who support neoliberalism, also exercise great power over the government, primarily on account of their superior educational background and economic power – thus, neoliberalism remains the dominant economic/policy discourse in India. My study also highlights that class power in a democratic society is not static – it is in a state of flux, evolving and reconfiguring. Power and dominance was exercised by different groups – quasi-feudal landlords, *bullock capitalists*, secondary and tertiary sectors of the economy, urban elites – at different points of time in history. A de-homogenized understanding of society and class power is essential to understand the complexities involved in national economic transformations.

The Indian state, which has been in a state of flux, representing interests of groups that have been able to develop powerful coalitions and influence the state, has still however, not completely sided with the supporters of neoliberal policy in the power sector. The fact that more than 26 percent of the population still live below the poverty line, 77 percent of the population earn less than 50 cents a day, and more than 70 percent of the population live in rural areas has compelled the democratic state, which has to seek the mandate of the people for its acts and policies, to constantly juggle between social objectives, and the idea of the free market, to make power generation and distribution cost efficient rather than a 'burden' on the state budget. This was evident when I examined the National Electricity Policy announcement of February 2005. While the policy seeks to make the power sector cost efficient by allowing the market to play a more important role, it also sets the goal of ensuring that every household in India has access to electricity in the next five years. It seeks to supply electricity at 'reasonable' rates and meet the shortfall between demand and supply of electricity fully by 2012. Further, it aims to provide the poor and the socially deprived sections of the population a minimum lifeline consumption of one unit per household per day as a merit good by the year 2012. As to what shape the future policies, vis-à-vis the power sector, will take and which ideology, mindset and demands will gain precedence, will depend on the kinds of coalitions that develop between the state and dominant actors in the society and their political viability in terms of electoral politics.

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