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DEVELOPMENT REGIMES IN SOUTH ASIA: HISTORY AND THE GOVERNANCE CONUNDRUM

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ABSTRACT

Until recently, regimes governing development occupied definite territories that delineated their relevant populations and identified authoritative leadership with distinct cultural boundaries. But development regimes today have at best ambiguous territorial moorings. Leading participants in the development process engage in rampant border crossing. Disparate institutions pursue disparate goals. There is no one guiding vision or dominant logic. Conflicts and negotiations over control of development underlie contemporary concerns with governance.

Keywords: development, regime, empire, nation, globalization, governance

I. DEVELOPMENT REGIMES

Development can be understood as an activity, a condition, an event, or a process. In natural science, it unfolds according to principles that humans do not control, but in social science, development is entirely the product of human decisions. In social science, development can be best understood as a complex set of institutional activities that employ public and private assets to benefit an entire population. It is a reflexive process wherein policies, institutions, outcomes, and analysis interact. It is distinct from its many objects of theory and measurement, such as economic growth. The process of development cannot be reduced to any specific set of policy goals, empirical trends, or normative statements, for it includes the definition of goals, setting of priorities, choice of policies, critical reflection, debate, relationships among all the people who determine what trends are important, and political efforts to change the direction of policy.

What appears to be objectively true about development at any moment in time is the product of debate, selection, and erasure. Mainstream and dissenting opinions acquire empirical veracity as their contending forces generate and deploy appropriate data. The result is a vast literature on all varieties of development, using various yardsticks. In economic development, for instance, the aggregate increase in national wealth is a common measure of progress; but national autonomy, food security, equity, poverty reduction, and social stability are typically important policy priorities; and a state's stability, revenue, military might, and cultural legitimacy may actually preoccupy development policy practice more than economic indicators. Contending forces conditioning development jostle for influence in policy practice and use various measures of success to bolster their positions in development debates.

Economics and Economies

Economic development is the subject of this essay, and its objective, scientific nature seems at first sight to be secure. But that appearance is deceptive. There is, most fundamentally, a definitive difference between what is called "the economy" and any particular "economy." The "economy" studied by economics consists of various market elements and mechanisms described in economic theory, but "an economy" includes natural endowments, social power, and political history, all officially confined by state boundaries that have no place in economic theory. The "world economy" in which "globalization" occurs is a kaleidoscopic configuration of national economies, most of whose operations elude the conceptual field of economic theory.

The application of economics to development in any economy requires that economic ideas and empirical statements be understood by participants in the development process as compelling representations of reality in their own economy. Thus, economic development embraces much more than economics: it includes all the institutional and material conditions that constitute economies. Most critically, economic development includes the historical processes through which some particular set of economic ideas and empirical statements become compelling to leading participants in the development process.

Power and Authority

A development regime is an institutional configuration of effective power over human behavior and of legitimate authority to make decisions that implicate whole populations. It includes an official state apparatus but also much more, and as we will see, one single state can participate in various regimes. A development regime includes institutions of education, research, media, technology, science, and intellectual influence that constitute a development policy mainstream. The power and authority of a regime resides not only in government but also in physical instruments of power over nature and in cultural instruments of authority over people's minds and morality. It is a techno-regime with a discursive regimen.

Composed of self-conscious, reflective, articulate people who work in specific contexts to direct the development process, a development regime is a documented historic formation. Its organized influence generates ideas and empirical knowledge that are most compelling for leading participants in the process of development in particular places and times. The history of development thus centers on regimes that chart trajectories of development from the past to the present and into the future.[1]

II. AN IMPERIAL REGIME

In South Asia, pre-modern regimes developed regional economies for many centuries, but the first development regime emerged under the British Empire after 1840. Built upon conquered regions, South Asia's first development regime subordinated conquered regional economies to imperial designs of globalization.

In 1929, one erudite British agricultural officer, William Moreland, concluded from his research that the "idea of agricultural development was already present in the fourteenth century." His conclusion can now be extended much further back in time, because now we know that ancient and medieval rulers in South Asia invested heavily to increase productivity, most visibly by building irrigation, roads, and cities. By the eighteenth century, state investments had helped to develop agriculture, commerce, and manufacturing most remarkably around capital cities in Bengal, Gujarat, Indo-Gangetic plains, and peninsular river basins. [2]

Pre-modern regimes endeavored to increase state revenue in political and social environments unfavorable to modern goals of development, because military and political struggles often destroyed investments in farming, manufacturing, and banking.[3] Though pre-modern states did accomplish economic development in their day, they were certainly not organized around the process of development in the modern sense of that term, because their efforts focused specifically on ruling elites.

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[1] David Ludden, "India's Development Regime." In *Colonialism and Culture*. Edited by Nicholas Dirks, Ann Arbor: University of Michigan Press, 1992, pp.247-87.

[2] Tapan Raychaudhuri and Irfan Habib. Editors. *The Cambridge Economic History of India, Vol.1 circa c.1200-c.1750*. Cambridge: Cambridge University Press, 1970. Irfan Habib, *An Atlas of Mughal Empire: Political and Economic Maps With Notes, Bibliography and Index*. Delhi: Oxford University Press, 1982.

[3] William Moreland, *The Agrarian System of Moslem India*, Cambridge, 1929 (reprint Delhi, 1968), pp.205-6.

The modern idea of economic development to increase the wealth of whole populations spread around the world in the nineteenth century. Its referent population was then, and still remains, the nation. One key early text was Adam Smith's *Wealth of Nations*, published in 1776, which attacked Crown support for elitist monopolies like the East India Company and promoted commerce to benefit the whole nation.

The British nation came into being during the imperial expansion of Crown authority overseas. British conquest in South Asia was underway in Adam Smith's day and continued to the late nineteenth century. At the same time, Britain became the world's foremost industrial nation. British India became an official collection of regions in the world-economy of British imperialism. The British Empire organized a development regime that embraced Britain, British India, and also Ceylon and other colonial territories, all of which became distinctly national segments of an imperial design whose legacy is still with us today.

The Business of Empire

By 1793, debates had begun in Britain about managing Britain's "Asiatic possessions" in the national interest, something Adam Smith never considered.[4] Two basic principles emerged. First, empire must pay for itself. The East India Company fell afoul of this principle, forcing Parliament to assume direct control over Indian finance. Secondly, British business had to benefit. The Company ceased to serve this purpose adequately and imperial policy shifted onto *laissez faire* lines. In 1813, Parliament ended the Company's monopoly to allow private merchants freer access to British territories overseas. In 1833, Britain opened India further by making English the official language of state law, administration, and education.[5]

The administrative articulation of Empire with British business interests moved ahead noticeably in 1833, when the abolition of slavery triggered petitions from Caribbean sugar planters, who being deprived of slave labor, spurred the Indian government to send shiploads of indentured workers from Calcutta to English sugar plantations in the West Indies. By 1833, tariffs against Indian cloth were protecting Lancashire industrialists, who sent cloth virtually free of tariff to British India, driving countless weavers into destitution. English merchants sold Bengal opium in China to buy teacups and tea for English housewives and factory workers to sweeten with sugar from Caribbean plantations. Meanwhile, English businessmen came more often to work in India and displaced Indians from commercial partnerships with British firms, as India's overseas trade moved more and more into British hands.

All this did not constitute a development regime, however. Building one began during decades from 1823 to 1854, when the real value of taxes in British India rose rapidly, as prices in India dropped steadily. During this long price depression, it became more cost effective to invest Indian taxes in India, where they could buy more than if remitted to England. At the same time, British businesses sought ways to invest state

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[4] *Historical View of Plans for the Government of British India and Regulation of Trade to the East Indies and Outlines of a Plan of Foreign Government, of Commercial Economy, and of Domestic Administration for the Asiatic Interests of Great Britain*. London, J.Sewell and J. Debrett, 1793.

[5] William Barber, *British Economic Thought and India 1600-1858: A Study in the History of Development Economics* . Oxford: Oxford University Press, 1975.

money overseas to improve the supply of raw materials and consumer goods. Thus in the 1840s, government began building infrastructure in British India to cheapen imports and exports, to expand military operations, to increase revenue, and to extend the field of British private capital investment.

So began the promotion of state infrastructure investments in economic development. It focused first on plantations, railways, cities, roads, ports, shipping, and irrigation. In the 1840s, an irrigation engineer, Arthur Cotton, led the way by arguing that Indian crop production could increase many fold with state irrigation that would pay for itself with higher taxes on more valuable land.[6] At the same time, Parliament sought ways to increase cotton supplies to Lancashire so as to reduce England's dependence on the American South. Bombay Presidency attracted special attention, along with Egypt.[7] The plan worked: when the US Civil War broke out, in 1860, Egypt and Bombay Presidency filled the void in cotton supplies created by the Union blockade of Confederate ports. Globalization had begun.

Globalization and Development

A development regime had emerged in South Asia by 1880, and it fed the first historic round of economic globalization. In 1853, Governor General Dalhousie announced a plan to build an Indian railway with state contracts that guaranteed English companies a minimum five percent return; and to secure that return, government kept control of railway construction and management. In 1871, the Government of India obtained authority to raise loans for productive purposes, and large irrigation projects began, following earlier success raising revenues from small projects. Infrastructure projects were all government works funded by Indian taxes, which employed native contractors, and their benefits also filtered down to native landowners who produced commodity crops for expanding markets.

By 1880, three basic modern development ideas were well established. First and foremost was the idea that the state would lead development. Secondly, major state investments in infrastructure would boost private investment, expand and integrate markets, accelerate economic growth, enrich the state, and benefit whole populations. Third, state-led economic progress would benefit "the poor," who for example were to be protected from famine by large irrigation works. The 1876 famines in British India made the state insistence that its development work benefited the poor all the more compulsory.

Imperial market integration spawned regions of specialized commercial production around the Indian Ocean. Ceylon was a plantation economy. Coffee plantations expanded from fifty to eighty thousand acres between 1847 and 1857, and peasants devoted another forty-eight thousand acres to coffee for export. Coffee acreage expanded another 35,000 acres in the 1860s. In the 1880s, leaf disease killed coffee cultivation, which was rapidly replaced by tea, rubber, cocoanut, and cinchona. British-owned plantations in Ceylon and Assam (including Sylhet) replaced China as the major

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[6] Arthur Thomas Cotton, *Lectures on irrigation works in India; delivered at the School of Military Engineering, Chatham, autumn session, 1874, by Arthur Cotton*. Collected and Published by Uddaraju Raman, Vijayawada, 1968.

[7] British Parliamentary Papers. *Reports from Committees, 1847-1848*. Volume 9. "Report from the Select Committee on the Cultivation of Cotton in India."

suppliers of English tea. British investors eventually drove out most peasant plantation crop producers and controlled export markets.

Labor supplies posed the major constraint for plantations, and the solution was found in (eventually permanent) labor migration. Tea planters depended on labor migration from southern Tamil districts into Ceylon and from northern India into Assam. British plantations in Malay colonies likewise depended on migratory Tamil workers. By 1880, the modern age of vast labor migration to major sites of capital investment had begun.

The mobility of commodities, labor, and capital, which now goes under the name "globalization" increased more between 1870 and 1914 than ever before; and more, in fact, than ever since. Globalization since 1990 is the second historic round, whose magnitude has yet to surpass the first. By 1900, distant lands around the Indian Ocean -- from the Middle East and East Africa to South and Southeast Asia – had become extensively attached. Many of those attachments broke after 1945, and most have yet to be restored, while the Middle East connection has alone expanded.

By 1900, British Burma and East Africa developed within circuits of mobility anchored in British India. In Burma, Tamil Chettiyar bankers financed agricultural expansion in the Irrawaddy River delta, which generated huge exports of rice for world markets, including India, where urbanization increased demand for imported rice. In East and South Africa, merchants from Gujarat and workers from Bombay, Calcutta, and Madras provided labor and capital for railway construction, forming urban nuclei for modern economies. Between 1896 and 1928, 85% of the emigrants leaving Indian ports went to work on plantations in Ceylon, Malaya, the Caribbean, Fiji and Mauritius.

Regions of Development

Regional economic specialization, based on consciously targeted capital investment and state-organized labor mobility became a hallmark of the national economies that emerged in South Asia during this first round of globalization. Though regional specialization is most visible in plantation and mining regions, it embraced the entire subcontinent.

Globalization before 1920 gave economic regions in South Asia a distinct export-orientation, which faded in the first decades after 1947, but returned with a vengeance during the second great burst of globalization, after 1980. In 1914, almost all goods arriving at South Asia ports were destined for export: these were mostly cotton, wheat, rice, coal, coke, jute, gunny bags, hides and skins, tea, ores, and wool. Most cotton came to Bombay from Maharashtra. All tea came to Calcutta and Colombo from Assam, Darjeeling, and Ceylon. Most export rice came to Rangoon. Wheat came primarily from fields under state irrigation in Punjab and western United Provinces (Uttar Pradesh). Oilseeds came to Bombay from Hyderabad territory (Andhra Pradesh), the Central Provinces (Madhya Pradesh), and Bombay Presidency (Maharashtra). Coal, coke, and ores came from mines around Jharkhand into Calcutta and Bombay. Eastern Bengal (Bangladesh) produced almost all the world's jute.

The first decades of globalization also produced industrialization in British India. Imported industrial machinery was rapidly domesticated in new Indian factory towns. The first Indian cotton mill had appeared in 1853 in Bombay. The Factory Act (1881) imposed working rules on Indian factories to reduce comparative advantages they enjoyed in virtue of low local labor costs and cheap raw materials. The impetus behind

the Factory Act sounds familiar today, as western countries endeavor to raise compliance with international standards among industrial competitors in Asia.

But the Factory Act did not suppress industrialization in British India. In 1887, J.N.Tata's Empress Mill arose at Nagpur, in the heart of cotton country, and the Tatas became India's industrial dynasty. Tata Iron and Steel Works at Jamshedpur consumed increasing supplies of ore and coal, which by the 1920s rivaled exports from Calcutta. In 1914, India was the world's fourth largest industrial cotton textile producer: cotton mills numbered 271 and employed 260,000 people, 42% in Bombay city, 26% elsewhere in Bombay Presidency (mostly Nagpur), and 32% elsewhere in British India, at major railway junctures. Coal, iron, steel, jute and other industries were developed at the same time, producing specialized regional concentrations of heavy industrial production around Bombay, Ahmedabad, Nagpur, Kanpur, Calcutta, Jamshedpur, and Madras.[8] In 1913, manufactured goods comprised twenty percent of Indian exports, valued at ten percent of national income, figures never surpassed.

In 1914, war stimulated policies to enhance India's industrialization to make India less dependent on imports; and the Great Depression, 1929-1933, again boosted incentives for industrial growth by reducing prices for farm output compared to manufactures. As a result, industrial output in British India grew steadily from 1913 to 1938 and was 58% higher in 1936 than in 1914, compared to slower, more uneven rates of growth in the UK and Germany.[9]

A National Economy

By 1920, British India was a national economy with its own distinctive institutions and material conditions. Though dominated by agriculture, it included a large public sector and major industries. Native investors and nationalist politicians were by this time vocal advocates for increasing state development efforts. By 1920, British India was also a land of opportunity for global investors, and the US Consul at Bombay, Henry Baker, called it "one of the few large countries of the world where there is an 'open door' for the trade of all countries."[10] England was still British India's dominant trading partner, but losing ground. In 1914, the UK sent 63% of British India's imports and received 25% of its exports; and by 1926, these figures stood at 51% and 21%, respectively. By 1926, total trade with the UK averaged 32% for the five major ports (Calcutta, Bombay, Madras, Karachi, and Rangoon). Bombay and Rangoon did 43% of their overseas business with Asia and the Middle East. Calcutta did a quarter of its business with America.[11]

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[8] Department of Statistics, Government of India, *Inland Trade (Rail and River-borne) of India, 1919-1920*, Calcutta, 1921.

[9] Morris D. Morris, "The Growth of Large-Scale Industry to 1947," in *The Cambridge Economic History of India, volume II, c.1757-c1970*, Dharma Kumar, editor, Cambridge, 1983.

[10] US Department of Commerce, *Special Consular Reports, No.72, British India, with notes on Ceylon, Afghanistan, and Tibet*, Washington, Government Printing Office, 1915, p.9.

[11] *Annual Statement of the Sea-Borne Trade of British India with the British Empire and Foreign Countries for the fiscal year ending 31st March, 1926*, Calcutta, Government of India, 1926, Table 10.

South Asia's early twentieth century globalization also appears in migration data. In 1911, the British in British India numbered only 62% of all resident Europeans. Four times more immigrants came into British India from other parts of Asia than from Europe; seven of ten came overland from Nepal (54%) and Afghanistan (16%). In 1911, Nepalis entering British India (280,248) exceeded the resident British population by fifty percent; and overall, Asian immigrants were three times as many. In addition, by 1921, emigration far exceeded immigration. Between 1896 and 1928, 83% of 1,206,000 emigrants left British India from Madras (which accounted for only 10% of total overseas trade), and they mostly went to work in Ceylon (54%) and Malaya (39%). Bombay emigrants went mostly to East and South Africa; Calcutta emigrants, to Fiji and the West Indies.[12]

In 1920, Britain still controlled the highest echelons of South Asia's political economy, but by then, the overall process of capital accumulation inside South Asia had escaped British control. Before the First World War, London's political position in South Asia seemed secure. After the war, London's power declined visibly, both in relation to other imperial nations and in relation to nationalist forces in South Asia, which mobilized then on an unprecedented scale to wrest control of their national development from the British.

III. NATIONAL REGIMES

In the 1920s, a national development regime emerged inside British India. In 1920, the Indian government obtained financial autonomy from Britain. Nationalist forces focused their critique of government sharply on economic issues. The Indian National Congress had first met in Bombay, in 1885, and then met every year in late December in a different city of British India. Following the great Deccan famines, in 1879, Dadabhai Naoroji published his influential *The Poverty of India* to document the negative economic impact of imperial policies on India. It was, in effect, a nationalist revision of Adam Smith, with even greater impact, because of its political location. Naoroji presided at Congress meetings in 1886, 1893, and 1906, where delegates from all the provinces discussed government policy and argued for lower taxes and increased state development expenditure. In 1905, the Congress launched a Swadeshi Movement to induce Indian consumers to buy Indian made cloth rather than British imports. Economic nationalism was born.[13]

Perils of Globalization

In the 1930s, the Great Depression dramatized beyond doubt perils imposed on a nation when its economy is open wide to the world economy under imperial managers. Depression sparked peasant and worker's movements demanding economic security, and it spurred nationalist efforts to make government accountable to the nation. By this time, government had long experience as economic manager and investor in infrastructure. Government owned and managed most mineral and forest resources.

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[12] *A Historical Atlas of South Asia*, Joseph E. Schwartzberg, editor, Chicago: University of Chicago Press, 1978, p. 115.

[13] Bipan Chandra, *The Rise and Growth of Economic Nationalism in India: Economic Policies of Indian National Leadership*. New Delhi: People's Publishing House, 1966.

Government agricultural departments, colleges, and experiment stations supported scientists and engineers who worked on state-funded development projects. Yet the vast state sector of the imperial economy was managed within a *laissez faire*, free-market policy framework that favoured big investors and delivered benefits disproportionately to foreigners.

During the 1930s, nationalists concluded from empirical data interpreted with mainstream nationalist economic ideas that a *laissez faire* free-market development regime discriminated against politically subordinate regions, which enriched imperial nations by providing their investors profits, and their consumers, cheap raw materials and consumer goods. Having reached this conclusion, national leaders devised new ambitions for development. In 1931, Jawaharlal Nehru pushed economic thought in a new direction by saying, "the great poverty and misery of the Indian People are due, not only to foreign exploitation in India but also to the economic structure of society, which the alien rulers support so that their exploitation may continue." He went on to proclaim, "In order therefore to remove this poverty and misery and to ameliorate the condition of the masses, it is essential to make revolutionary changes in the present economic and social structure of society and to remove the gross inequalities."[14]

Planning Regimes

The 1930s and 1940s brought peoples of South Asia as bitter an experience of state failure as any population has ever endured, including mass suffering, death, and dislocation during the Great Depression, Bengal Famine, and Partition. Disastrous experience of imperial governance induced leading nationalists to lay groundwork for nationally planned economic development that stressed autonomy, security, and national integration under strong central state leadership. In 1951, Prime Minister Nehru chaired India's Planning Commission, and in the 1950s, all South Asian countries wrote national plans stressing self-sufficiency and addressing problems of national economic growth, poverty, and inequality.

The twenty-five years between 1950 and 1975 were the heyday of nationally planned development in South Asia. Uniquely in Bangladesh, however, independence arrived only in 1971, and until then, its Pakistan regime rejected legitimate demands for regional development in East Pakistan. Though Pakistan started national development in what became Bangladesh, it also delivered intensely discriminatory, uneven development, which spawned mass discontent, upheaval, and eventually, brutal war. In 1971, Bangladesh emerged determined to pursue progressive, planned national development for all citizens.

Notably for Bangladesh, but to some degree for all post-colonial regimes, national planning faced serious constraints: financial, infrastructural, administrative, political, and intellectual. All these were quite severe in Bangladesh. The imperial regime had stranded this region on outer margins of public and private priorities. Administrative and judicial systems, transport and educational infrastructure, and financial resources were notoriously weak, compared to other parts of British India. To address these weaknesses, Lord Curzon established the Province of East Bengal and Assam, in 1905, but this innovation died in 1911, under nationalist pressure. Regional development remained subordinate and marginal under both imperial and early national regimes. Raw

[14] A. Moin Zaidi, editor, *A Tryst With Destiny: A study of economic policy resolutions of the Indian National Congress passed during the last 100 years*. New Delhi, 1985, p.54.

materials, zamindar rents, interest payments, tax revenues, and plantation and industrial profits moved systematically out of eastern Bengal to enrich Calcutta, Delhi, London, and Islamabad; while the inflow of public and private investment was minimal. Imperial development had designed all dependent regions to serve dominant, metropolitan regions, but comparatively large public and private investments had nonetheless flowed into favoured regions of British India, particularly the western Ganga basin and Punjab.[15]

During the heyday of planning, systematic inequalities in wealth and power among social groups and regions remained starkly visible in development thinking. The Bangladesh freedom struggle dramatized inequalities, which also became prominent in India, Sri Lanka, and (West) Pakistan. Planning regimes tackled inequalities with administrative and legal action, supported by the burgeoning academic field of "development studies," endowed in these decades with policy-oriented research centres focused on development in nations emerging from imperial regimes. In post-colonial countries, the political character of development -- and the necessity of changing power relations in order to redesign development regimes, to serve national citizens -- pervaded mainstream development thought.

In that historic context, development theory and practice converged on planning, whose goal was to re-orient development toward national priorities. Imperial regimes had turned resources of subordinate regions into objects for *laissez faire* allocation by markets in the world economy. National planning separated national and global market priorities, enclosing national economies and instituting state redistributive systems to make national markets serve national citizens.[16]

Most national regimes around the world became more self-contained in the 1950s and 1960s. Traumas following the first great burst of globalization made most national regimes more inward looking and self-protective. Foreign direct investment (FDI) declined globally from roughly ten percent of world output in 1913 to less than five percent in the 1960s, when the rate of increase in world merchandise exports remained well below the 1.7 percent that pertained from 1870 to 1914.

In South Asia, as elsewhere, national plans focused on national markets. Planners devised priorities for allocating public and private resources, acquired internally and externally. External funding came in grants and loans directly from countries that sought to wield influence in former imperial dependencies, and indirectly from the richest countries, for the same reason, through Bretton Woods institutions, the World Bank and International Monetary Fund (IMF). Among rich countries, the United States became the most aggressively expansive.

Following the basic working principles of their imperial predecessor, national planning regimes in South Asia strove to enhance and supplement private investment. They were not anti-market, but rather, pro-national market. Planning instituted a combined public-private apparatus for monitoring and managing national economies. Planning agencies organized initiatives like cooperative societies and community development programs. Governments set up public food procurement and distribution systems to control food costs. They expanded national health and education. They

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[15] *Agricultural Production and South Asian History*, edited by David Ludden, Preface to the second edition (Delhi: Oxford University Press, 2005), pp. vii – xxiv.

[16] Gunnar Myrdal, *Asian Drama: An Inquiry into the Poverty of Nations*. NY: Random House, 1968.

added to inherited portfolios of state-owned assets and enterprises heavy industries, public utilities, banks, and insurance. [17]

IV. REGIME CHANGE

During the heyday of national planning, economic progress became a central feature of national life. Public intellectuals and organizations representing farmers, workers, businesses, and many other economic interests became intensely involved in development debates. Public interest groups of all kinds mobilized themselves politically. As in earlier nationalist times, economic self-interest preoccupied urban middle classes, which became more populous, diverse, and politically active.

To address development demands pressed by all these groups, national politicians deployed deficit spending, which increased their need for external funding. International and bilateral funding agencies, as well as national donors and lenders, thereby obtained more leverage on post-colonial national economies. Funding needs and national pride pushed politicians in South Asia to emphasize economic growth, so that increasing national wealth per capita became an end in itself, which turned policy priorities toward the interests of investors of all kinds, as competitive politics pushed governments to undertake larger projects demanding more external finance.

Pragmatic Strategies

While in theory, expanding popular political participation would favour the inclusion of all citizen interests in the development process, in fact and in practice, financial pressures to meet citizen demands made governments more dependent on people with money to invest in development. Launched in the 1960s, the Green Revolution represents a strategic amalgamation of these contending forces, for on the one hand, being based on the intensive use of pesticides, fertilizer, tractors, tube wells, and high-yielding hybrid seeds, it favoured investors in agriculture and industry, and on the other hand, because it raised wheat and rice yields tremendously, it secured basic food requirements for national populations and spread benefits widely, though unevenly. Green Revolution provided a strategic blueprint for national development by encouraging regimes to (1) increase national wealth and security by (2) spreading new productive technologies (3) with the help of lavish state subsidies that (4) favour richer investors, (5) so as to generate more private investment and (6) bring producers throughout national economies into more wealth-productive systems of combined state-and-market asset allocation.

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[17] Amiya Kumar Bagchi, "Development Planning" In *The New Palgrave: A Dictionary of Economics*, editors Murray Milgate and Peter Newman John Eatwell. London: 1989. Pranab Bardhan, *The Political Economy of Development in India*. Bombay: Delhi Oxford University Press, 1984. Pramit Chaudhuri, *India's Economy: Poverty and Development*. New York: St. Martin's Press, 1979. Francine R. Frankel, *India's Political Economy, 1947-1977: The Gradual Revolution*. Princeton: Princeton University Press, 1978. Rajni Kothari, *The Political Economy of Development*. Bombay: Orient Longman, 1971.

South Asian planning regimes substantially reorganized market economies inside their borders. This activity was in tune with development thinking, which supported land reform and redistributive policies to favour disadvantaged groups. Development theory also supported industrial import substitution and the production of many basic goods and services, including transportation, energy, banking and insurance, in public sector enterprises. Yet in theory and practice, national economies remained predominantly market-oriented, mostly under private control. Private enterprise still dominated agriculture and industry. Even in India, where national planning had the largest impact, eighty-percent of industrial production remained in the private sector, where public output lowered input prices. The result was slow economic growth and visible progress in shifting development benefits toward groups that would not have benefited as much from free-market allocation in post-colonial economic conditions, especially farmers, industrial workers, and big business.[18]

Unplanned Problems

Regulatory systems established under planning regimes also pushed national markets in unforeseen directions, which became counterproductive. Most notably, bureaucratic controls on imports, exports, and business generally spawned corruption as well as black and grey markets. Foreign exchange shortages put private and public sector companies into financial competition, driving profit seekers underground. One estimate put the value of India's black market at nearly half GDP in the late 1970s.

In addition, political pragmatism mixed development administration with political patronage. This sparked opposition from groups left out of the patronage circuit, deprived of development benefits. In the 1970s, this opposition became volatile in Pakistan, Bangladesh, India, and Sri Lanka. Charges of corrupt, inefficient, domineering and discriminatory state development practices became effective weapons in competitive politics. By the late 1970s, leading and aspiring participants in national regimes clashed openly over control of development. Bureaucrats, politicians, the military, domestic investors, and international financiers were tearing at the fabric of national planning regimes.

Transitional Decades

In retrospect, we see a transformation in national regimes that began in the late 1960s and yielded new development regimes by 1990. The transition began slowly, soon after Nehru's death, in 1964, when famines struck India, in 1967. Bangladesh independence gained political force at the same time, and then in 1974, famine hit Bangladesh. In both famine times, foreign aid became critical, and in response, national regimes put new energy into the Green Revolution. Planners concentrated on investing state funds in sites of intensive cultivation, where well-endowed landowners controlled local labour, finance, and political institutions. Critics called this strategy "betting on the rich." Defenders called it the only road to national food security.

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[18] B. R. Tomlinson, *The New Cambridge History of India: The Economy of Modern India. 1860-1970*. New Delhi: Foundation Books, 1997. Johnson, B. L. C. *Development in South Asia*. Harmondsworth, England: Penguin, 1983.

This strategic blueprint led states to adopt development plans that called for increasingly expensive investments, which demanded more external finance, more and more in the form of debt. At the same time, the World Bank dramatically increased its lending under Robert McNamara, who led the charge to increase development loans and aid from rich countries and private banks. These new loans came with new conditions, collectively called structural adjustment programs, which began in the 1970s, and gained force and reach in the 1980s and 1990s. Under these programs, the World Bank and IMF demanded that borrowing governments drastically reduce their regulatory and provisioning role in their economies, to assume the role of supporter and facilitator for private investors, who would, according to emerging mainstream economic thought under the so-called Washington Consensus, engage rationally in market activity to allocate resources most efficiently for the increase of national wealth. Freeing markets from state control became the mantra of the international development mainstream.[19]

Planning regimes unravelled under structural adjustment. Sri Lanka, Bangladesh, and Nepal led the way in South Asia, starting slowly in the 1970s and accelerating in the 1980s. With declining relative prices for primary product exports, the burden of external debt grew heavier, while raising funds for large development projects, epitomized by the Mahaveli scheme in Sri Lanka, then the largest irrigation project in the world, became more pressing. At the same time, rising oil prices brought Europe and North America recession, inflation, and petro-dollars in need of circulation, while they brought South Asia higher costs for industrial growth, middle class consumption, and the Green Revolution. The smaller countries first began borrowing on a much larger scale and succumbed quickly and decisively to structural adjustment. In 1981, India began to rely foreign debt, and by 1991, internal and external pressures had forced economic liberalization. In the 1980s, neo-liberal free-market orthodoxy conquered the economic mainstream, where harsh critics of state planning, provisioning, and regulation become most influential. Development strategies emphasized private sector leadership in market-driven economic growth, emphasized imports and exports, and shifted the balance of power in national state-and-market asset allocation toward national and international business interests.[20]

V. THE GOVERNANCE CONUNDRUM

Development regimes in South Asia operate today inside the same national states that managed them in 1975. But today's regimes are fundamentally different, and their transformation has accompanied -- if not caused -- major shifts in national politics.

In India, private capital and state governments both gained independence from New Delhi, Congress lost its old hegemony, national government came to be composed of shifting coalitions of regionally-based parties, and state Chief Ministers now compete fiercely to attract FDI to their individual states, all of which has effectively made each

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[19] The Structural Adjustment Participatory Review International Network (SAPRIN), *Structural Adjustment: The Policy Roots of Economic Crisis, Poverty and Inequality*, London: Zed Books, 2004. Colin Leys, *The Rise and Fall of Development Theory*. Nairobi and Bloomington: EAEP and Indiana University Press, 1996.

[20] Moazzem Hossain, Iyanutul Islam and Reza Kibria. *South Asian Economic Development: Transformations, Opportunities and Challenges*. London: Routledge, 1999.

Indian state a distinct development regime. In Nepal, electoral democracy was established in 1991, opening development to wide public debate, as foreign investments grew, and as a Maoist insurgency also grew, carving the nation into regions of war and allowing the king to manage a royal coup, purportedly to secure Kathmandu against revolution. Sri Lanka has endured civil war since 1981, and the nation that existed in 1970 has effectively disappeared. In Bangladesh, struggles over development brought military coups and a popular movement that established democracy in 1991, amidst a deep dependency on international finance and trade. In Pakistan, a government wracked by struggles for regional autonomy felt disruptions from two decades of war in Afghanistan, leading to more stringent authoritarian dependence on the US.

History in the Present

Contemporary development regimes are in flux. Dismantling government controls to expand the private sector has accompanied domestic and foreign demands for more public scrutiny and popular participation to make state regimes accountable and transparent to citizens and investors at home and abroad. A vast reinterpretation and reorientation of government is occurring. States are officially intact, and nations remain the basis of development, but national states no longer govern development.

No wonder governance is now such a prominent concern in development discourse. No coherent set of institutions has the power and authority to establish norms and enforce rules that govern development.

How is development governed today? The question is more than contentious: it is a conundrum, which we can analyze historically and spatially. As we have seen, imperialism established modern development regimes, which redesigned regional economies to serve a world of markets managed by imperial nations. The British Empire designed territories of development in South Asia, which nationalists captured and redesigned by disciplining markets inside independent states. Thus, the spatial framework of development shifted from empire to nation, in the middle decades of the twentieth century.

In the last twenty years, another shift has occurred. States have lost much of their disciplining power over markets, and thus their leadership role in development. As that has occurred, national territory has lost its definitive role as the spatial framework that determines who is authorized to govern development and what people development must serve. Territorial boundaries had defined participants, populations, and priorities in the development process. Now links between development and territory are ambiguous. Leaders of development have diversified, they are scattered all over the world, and their border crossing is ubiquitous.

National states still define official territories of development, but national powers to govern development vary tremendously. In general, these powers decline with national wealth until they reach virtually zero in the world's poorest countries.

Growing inequality of wealth and power among nations is an increasingly visible feature of the development process, but also increasingly invisible in mainstream development discourse, which treats all countries as equally sovereign territories in the world of globalization. Disproportionate rich country influence is pervasive globally, in government circles, business, finance, technology, international agencies, consumerism, education, media, fashion, language, and other realms. A new imperial formation is emerging and globalization today has much in common with globalization a century ago. Then there was British Empire, now there is US Empire.

Yet imperial authority is gone. In a world of nations, empire cannot provide legitimate governance. But at the same time, most poor national states cannot provide effective governance inside their own borders. So who then will govern development?

Balanced precariously between the real power of contemporary imperialism and the real authority of national states, in shifting sands of globalization, leadership in development today has no clear guidelines of organization. Leaders have disparate loyalties and priorities. Their institutions pursue disparate goals. Their relationships with one another are messy, filled with competition, conflict, resistance, and negotiation among old, new, emerging, and aspiring leaders. Television images of protesters at World Bank and WTO meetings, or of the carnivalesque World Social Forum raised against staid G-8 meetings, represent only the visible surface of the disorderly contestation underway in development regimes today.

Can Finance Govern?

The overarching influence of finance capital in development suggests it may now be dominant. Financial interests take many forms but have in common their ability to suborn and discipline the needy. The first order of business in development work today is gathering finance, and the power and authority of financial institutions gave grown exponentially in the last twenty years. The striking absence of diversity in government economic policies in poor countries of the South, and the uniformity of policy trends and economic problems following structural adjustment, result from the vast power and authority of Bretton Woods institutions.

Most international funding agencies have followed World Bank leadership when using money to increase their influence over development. In the age of structural adjustment, they by-passed national governments and supported the rise of Non-Governmental Organizations (NGOs), which now play independent leadership roles. 22,000 NGOs operate in Bangladesh, and the largest, BRAC, rivals ministries. Launched on a small scale in 1976, the Grameen Bank now counts its clients in the millions and values its loans in billions of dollars. In India, NGOs employ more people than the central government. Using individual access to financing, and working independently of government, NGOs have effectively scattered governance in the development process among countless fragmented geographies and institutions, many with strong intellectual and other links with international agencies, and though grounded in specific countries, also dispersed around the world.

Funding worth hundreds of billions of dollars circulates in networks of development finance, which is wide open for NGO entrepreneurship. Garnering these funds no more makes an NGO a mere tool of funding agencies than receiving NGO goods and services makes pawns of village beneficiaries; and no more, indeed, than taking a bank loan makes a business a banker's mute instrument. NGOs have minds and agendas of their own and funding agencies need NGOs, as well as governments, to utilize funds effectively and keep the money moving. The growth of NGOs reflects the rise of a relatively autonomous leadership sector in development, while state dependence on donors and lenders indicates that governments remain indispensable.

Immeasurably more money moves through business networks, seeking profits. Numerous multinational corporations control more finance than all development agencies combined. Indeed, it might be said that what goes under the name of "development funding" only makes sense economically when synchronized with business interests. Making places and people attractive for investors now seems the dominant

concern for most development agencies. From this perspective, we can see the World Bank as a conduit for the power and authority of major business interests and of its major rich country financiers.

Yet financiers and businesses need sustainable sites for profitable investment, which they cannot create themselves. However dependent governments and NGOs may be on funding agencies that serve profit-makers, businesses rely on governments, and now also on NGOs, to secure investment environments in national territories to which all the world's population are variously attached.[21] Structural adjustment did not intend to demolish national governments, but rather to make them better serve financial leaders in an emerging global development regime, which articulates the power of many rich countries in authoritative international institutions, including the Work Bank, IMF, UN, OECD, and WTO.

A Global Regime

In global development discourse, each national state governs its economy, and each "developing economy" is developing itself, in a global context, but in South Asia and elsewhere, national development regimes can also be understood realistically as officially but not operationally independent territories in a global regime. Imperial histories underpin that global regime, which includes difference and competition as well as collaboration among its leaders. Yet the integration and coherence of the global regime have increased dramatically in the last twenty years, under the authority of the World Bank and increasing impact of globalization.

As a result, each country in South Asia now inhabits more than one development regime. National regimes still operate, but each has various local and regional sub-units with distinctive rules of operation, and each must also abide by international rules. In this light, we can consider, for instance, the Tuesday Group -- composed of diplomats from donor countries who meet each week in Dhaka to make their will known to government -- as a part of the Bangladesh regime. US embassy and World Bank offices act like global headquarters in Dhaka. Numerous NGOs and government agencies, such as DFID, serve as articulating institutions that knit together local, national and global regimes with cross-border activities that connect rich and poor capital cities with "target" sites and populations throughout Bangladesh.

Thus, populations served by development regimes are now difficult to delineate geographically. Each country's national citizenry is ostensibly its target population, but national regimes must please donors, lenders, investors, and financiers, whose compelling interests lie elsewhere as well. Like the leaders of imperial development in British India, contemporary leaders all claim to be serving "the poor." Viceroy Lord Curzon once famously quipped that he had personally done more for India's poor than all the raving nationalists who attacked him. With this in mind, it is worth considering that programs that proclaim their goal to be poverty reduction also have other functions. Moreover, their geographical reach is important today, as national states steadily lose the capacity to undertake poverty reduction effectively on their own, inside their own borders.

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[21] David Ludden,"Maps in the Mind and the Mobility of Asia," *Journal of Asian Studies*, 62, 3, November, 2003: 1057-1078

All the major globally active development institutions have now adopted Millennium Development Goals (MDGs). This unprecedented common framework for policy thought and action adds coherence to the global regime, whose leaders seem to agree that national states only serve their own poor peoples adequately by meeting uniform targets set by international agencies. "Targeting the poor," "listening to the poor," and "learning from the poor," also preoccupy NGOs, donors, funding groups, and action groups of many kinds, with various territorial attachments. "The poor" now represent a global population living in countries saddled with MDG performance targets under global surveillance. Poor people are thus no longer conceived primarily as national citizens. They are targets, beneficiaries, and participants in a development process wherein leading financiers, intellectuals, activists, policy makers, and disciplinarians travel the globe, measuring, monitoring, cajoling, and rewarding state performance according to global standards rendered acceptable in most countries through the operations of international agencies like the World Bank and United Nations.

A Second Globalization

Nationalist preoccupations had guided national regimes during the heyday of planning, and they still pervade national politics, education, and cultural institutions. But national economies have become increasingly "outwardly oriented" in the last twenty years, and so have national cultures. Today's educated youth, the next generation of national leaders, is more outwardly oriented every day. This represents a reorientation of national culture with "the opening up" of national economies to world markets and globalization generally.

The techno-regime propelling this trend includes communications systems that shape national ideologies and politics. Television media owned by multinational corporations have flooded public information systems in South Asia, at the same time as national economies have become more export oriented and thus more sensitive to what people see going on in rich countries. The import-export reorientation of national economies, under the influence of global information and communications systems, repeats and magnifies globalization trends a century ago, and likewise, accompanies increasing domestic investments by rich country businesses.

In the past twenty years, imports into countries affected by structural adjustment policies have grown much faster than exports, straining state treasuries, compelling more export production, and inducing national needs for more foreign direct investment (FDI). The growth of exports from South Asian countries measured 13.5% annually in the 1990s, almost four times the rate of the 1970s. FDI also grew rapidly, though it remains a small proportion of South Asia's GDP. In the 1990s, FDI increased in India, Sri Lanka, Bangladesh, and Pakistan roughly by factors of 50, 30, 10, and 3, respectively.

National imports, exports, and FDI forge linkages between national and foreign business, which in South Asia typically subordinates needy domestic business to the needs of richer external partners. A global policy orientation turns national territory into a collection of strategic sites for geographically dispersed operations by international investor networks. Externally oriented governments compete to make their territories attractive for investors. Success increases capital resident at least temporally inside their borders; it compels government to adjust domestic policies so as to attract ever more external investment and to hold it as long as possible.

Disarticulation

Outward national policy orientations fragment national territory spatially into a collection of potentially profitable sites for business investment, at the same time as development institutions "target" disparate groups, interests, and issues in the world of so-called "developing countries." Women, poor people, indigenous people, the environment, health, micro-credit, governance: the list goes on and on of specific topics of global development specialization, each with its own set of experts and leading institutions. The *World Development Report* represents an annual compilation of leading global issues, to be tackled in each country separately under the discipline of the global regime.

Meanwhile, in the world market economy, a repeat of the core trend of the first globalization -- the creation of specialized sites for capital investment and labour control -- is well underway. In Nepal, tourist sites and hydro-electric projects attract foreign and domestic partnerships. Sri Lanka is a free-trade zone. India is now a collection of regional development histories.[22] Bangalore and Hyderabad are growth nodes for global high technology business collaboration. In Bangladesh, an urban garment industry has been the fastest growing employer, primarily of women, relying on imports of all material inputs and exporting all its output; and specific rural sites for shrimp cultivation, natural gas extraction, and coal mining preoccupy development news. Sylhet specializes in the restaurant business in Britain, and in natural gas production, complete with recurring disasters caused by foreign investors who buy rights to national resources at bargain rates dictated by national needs for FDI and secured by shady deals with government officials.

In South Asia and elsewhere, a visible disarticulation of national territories is occurring today under the combined influence of historical processes that include the outward reorientation of national policies, economies, and cultures; the localization of economic specialization in world markets; the fragmentation of groups and issues for isolated targeting by development institutions; and the increasing force and coherence of the global development regime. The territorial basis for development has thus become ambiguous.

Any future spatial re-articulation of development regimes along the clear territorial lines that gave them such firm coherence in the past seems very unlikely. The global development regime is itself ambiguously territorial -- or we might even say, hypocritically so -- because it proclaims national sovereignty and undermines it at the same time.

There is some international movement toward a reterriorialization in Asia, but SAARC, for instance, remains weak, and the global regime undermines strengthening. Added territorial coherence might be gained by cooperation among contiguous countries, but for the most part, their governments and businesses compete for shares in world markets and squabble over border crossings they cannot control.

As markets escape states, border-crossing eludes regulation and monitoring. Cross-border labour migration has reached staggering proportions but is impossible to regulate or assess accurately. The largest known overseas flow is to the Persian Gulf, where Bangladesh alone sent 1,600,000 workers in 1995. Only a fraction of resulting remittances are ever recorded and most move through informal channels to finance domestic consumption, investment and foreign trade in the migrants' home locality.

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[22] Jean Dreze and Amartya Sen editors. *Indian Development: Selected Regional Perspectives*. Delhi: Oxford University Press, 1998.

Illegal trades flourish in drugs and arms; organized crime has gone beyond its old interest in black market radios and videos to trafficking in women and child sex-workers. Markets without borders thus thrive at the expense of national economic coherence and political authority.

Such mobility suggests that much of the citizenry has acquired an ambiguous attachment to national authority and national territory. Many poor people may be more effectively attached to local and regional institutions and to NGOs than to national governments. Aspiring educated urban classes were the historic font of nationalism, but their lifestyles and trajectories also attach them now to rich countries where they study, work, travel, invest, marry, send children, and emigrate, often to return. This global attachment of disarticulated middle classes pervades NGOs, which deal with development problems using ideas and finance that travel the world into national localities where they employ suitably trained employees and experts.

Resistance and Exclusion

Adding further incoherence to the governance of development, mobile experts and activists lead citizen groups that sharply criticize national and global development regimes and are mostly excluded from them.[23] Popular movements against the Narmada Dam in India and Arun Three hydroelectric project in Nepal are but two of countless efforts to make development more respectful of people marginalized, displaced, excluded, and impoverished by development programs. Such movements typically articulate local grievances with national politics as well as with globally active organizations.

Direct resistance to the discipline of development regimes also takes many forms, some deemed legitimate, others not. Corruption and criminality can be seen to represent illegitimate efforts to free markets in goods and services from regulatory discipline. Legitimate "free markets" require intense discipline and imposing that discipline is today a major preoccupation of development regimes.

Markets are much better at serving regimes that operate inside clear domains of territorial authority which delineate legitimately enforced systems of rules for market governance.[24] Today's territorial disarticulation and ambiguous re-articulation has generated rich liminal space for resistance to rules and norms imposed by any regime. Concentrations of crime and corruption on the external and internal margins of national territory -- in ports, on coasts, in rivers, chars, borderland, and mountains, slums and poor villages -- excluded from the benefits of development discipline, indicate that territorial governance requires not only border controls but also spatial integration of people and places in effective institutions of resource provisioning.

Explicit political opposition adds further ungovernability to development regimes. Countless grassroots movements aspire to participate in the mainstream, but others seek to redefine development in local, regional, ethnic, national, religious, and even global terms. Influential struggles to inject disenfranchised groups into development

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[23] *The Post-Development Reader*, Editors Majid Rahnema and Victoria Bawtree. Dhaka: University Press Limited, 1997.

[24] As M.D.Young says, "competitive markets are excellent servants but bad masters." *Sustainable Investment and Resource Use: Equity, Environmental Integrity, and Economic Efficiency*. Paris: UNESCO and Parthenon Press, 1992.

regimes often face fierce repression and are kept on the margins of public visibility. Some struggles over development straddle distinctions between legitimacy and illegitimacy, because their demands may be legitimate while their strategies and tactics may not be, as among Maoists in Nepal, Naxalites in India, the LTTE in Sri Lanka, Islamic militants in many countries, ULFA in Assam, and tribal peoples in mountain regions in India's northeast and the Chittagong Hill Tracts.

Conclusion

Contemporary development regimes inhabit histories they do not control. They operate among forces and tendencies that do not form one dominant trend. Globalization, regionalism, and localization are all progressing at the same time. In this context, the use of national statistics to measure the progress of development is not only inadequate but deceptive, because national territories no longer comprise the spatial domain of development. No other territorial domain has come into existence.

Problems of governance today thus do not derive from national governments and cannot be addressed realistically by reforms designed to improve national state performance as a managerial development institution. Governance today is rather a conundrum locked in place by forces operating inside and outside national territories. Experts and disciplinarians who work earnestly to enforce rules and norms of the global regime in national states participate in struggles and negotiations over control over the development process, rather than being dispassionate purveyors of universal truths about trajectories of human progress.

Who is leading development, who is benefiting, and where today's trends are moving remain debatable. Some say development is dead. It is more accurate to say that development has entered a confusing phase of flux and uncertainty, wherein increasingly numerous, vocal, and contentious participants organize to pursue disparate, sometimes contradictory goals, including free market globalization, economic growth, gender justice, ending poverty, and empowering the poor majority of citizens who have never yet had their own effective institutional voice.