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Informal Economic Order: Shadow States, Private Status States, States of Last Resort and Spinning States: A Speculative Discussion Based on S. Asian Case Material

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Two notions of informal economy are introduced: i) petty unregistered activity and ii) the unaccounted economic activity of registered firms. The argument concerns the relations between the second type and the state. The informal economy of the powerful achieves order through a multiplicity of non-state regulative institutions as well as through state regulation. At the complex interface with the state, social relations of accommodation, sabotage, corruption and fraud create a nexus of interests with contradictory, countervailing capacities to the formal state's declared development project. Possibilities of shadow states, private status states, states of last resort and spinning states are discussed with reference to contemporary India. Such characterisations have implications for orthodox models and theories of state character and for existing conceptualisations of state reform, a radical overhaul of which is required.

Queen Elizabeth House

‘The balance between state and market has changed over time, from a relationship of control and antagonism to one of partnerships and complementarity. In solving the problems of market failure and helping markets to grow.. Government intervention.. can be market-enhancing’ (Chhibber, 1996, p15 on the World Bank’s Development Report , 1997, of which he is Staff Director)

Introduction

There are two kinds of informal economy in South Asia. The **first** type is most usefully identified as the economic activity of firms and individuals unregistered for taxation and/or regulation by the state[1]. As we will see, the fact of not being regulated by the state does not mean that activity is not regulated at all, for there are many non-state means of regulation. The reasons for not being registered or regulated fall into four broad categories:

i) production and exchange not in form of market transactions (non- and pre- capitalist production, household production, reproductive work - whether for exchange or not-; non-monetised market exchange using barter or kind payment; also non-market exchange on principles of reciprocity or non-state redistribution: exchange that Offer has called the 'economy of regard' (Offer, 1996) etc);

ii) market transactions by units or firms below the thresholds for direct tax or licencing (generally where the revenue collectable would not exceed the administrative costs of collection. In this respect practically the entire agricultural sector is informalised, but agriculture will be peripheral to the informalities discussed here. This is because, though massively undertaxed, the agricultural sector is controlled in other ways and property rights are now quite well registered). In the non-agricultural sector, the state might conceivably have a record of residential sites, or might have auctioned a marketplace to

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[1] Breman, 1976, was an early dissenter, arguing that India's informal economy included production and exchange of a substantial scale and capitalist in nature but under conditions where the social relations of the labour process were highly personalised. The activity might indeed be registered, but its key defining characteristics were the informality of its social relations.

a manager who, in turn, keeps records of site fees, but the state has no further records. The domestic service sector, along with other segments of the labour 'market', hardly enters the state's records at all.

iii) activity involving property rights which have no fixed site: mobile exchange and production - from rag picking and recycling (where the activity is mobile; much of which is either below tax thresholds or in products untaxed anyway) to rural household activity financed from urban sites (where it is capital and commodities rather than people which are constantly shifting site);

iv) fraudulent production and exchange (tax evasion, corrupt abuse of public office (the illegal privatisation of public property rights), moonlighting (the theft or privatisation of public time)) and other criminal business activity (the economy of adulteration, of forged brands and labels etc).

In India, the registered formal economy [2] accounts for only 10-20 per cent of livelihoods.[3] The informal economy is decidedly non-marginal. In terms of its contribution to the economy, it is **not** dominated by the urban equivalent of a peasant household (though household production and domestic reproductive work is bound to be much more significant in terms of numbers of people and livelihoods than it is in terms of GDP as currently calculated). It is **not** outside the ambit of market exchange. The black economy is an important subsector of the RIE, currrently thought to comprise about 40 per cent of GDP (Roy, 1996 and Personal Communication).

Indian research on the informal economy defines it as urban, isolates it or examines the relation between the informal and formal / the unorganised and organised / the unregulated and regulated sectors of the economy. The literature on India has been provoked by rural-urban migration, pressure on urban infrastructure and utilities and conspicuous urban poverty. Initially pre-

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[2] The conventional definition of a formal firm involves enterprises with electricity and 10 workers or without electricity and 20 workers.

[3]Breman, 1996, p7

occupied with the classification of what was rapidly realised to be a highly complex sector, a body of urban survey and ethnographic research has been successful:

- first in exposing the reductionism of dualistic models of labour market behaviour;

- second in forcing recognition of the extreme diversity and segmentation of coexisting relations of production, employment, technology and of product markets in sectors outside agriculture (where such diversity and segmentation has long been acknowledged);

-third in demonstrating the theorised functional usefulness of the cheap inputs, subsidised wage goods and labour reserve provided by the informal sector for capital (see discussion in J. Harriss, 1986 for instance) has to be recast in the form of an empirical question, for this role appears by no means universal or strong (Dasgupta 1992, Harriss et al, 1989; Rodgers, 1989; Roy and Basant, 1990). I am **not** going to refer further to this serious and substantial body of research (but see the review by Sanghera and Harriss-White, 1995), because I have an entirely different problem to explore, which is not well addressed by the conventional literature on the informal economy.

This paper is devoted to the relations between the informal economy and the state. The state provides two types of boundary to the informal economy. One is via the procedural boundaries of the state's regulative protocols for the formal economy. The second kind of boundary is at the point of the state's active (often competitive) involvement in the production and exchange of goods and services. It is a trivial point that neither of these boundaries are clearly delineated. There can be concrete laws and policies defining the boundary and structuring the economic exchanges between the state, the formal sector and the informal economy. But without state institutions and organisations to enforce the regulative procedures, such laws and policies are ineffective. Even institutions of enforcement are ineffective without employees as agents. Defined as a type of behaviour around these boundaries, informal economic activity can be, and is, practised by firms in the formal economy and even in the interstices of the state itself. This is the **second** definition of the informal economy. While the first kind of informal economy is archetypically the domain of the politically weak, the second can be the domain of the powerful.

I ask two questions in this paper about the relationships between the informal economy and the state. First, (section 2), if the state cannot or does not regulate the informal economy, then by what social means is orderly behaviour established and with what effect? Second, (section 3), if the state does declare the legal obligation to regulate (either parametrically via procedure or by direct means of competition or control) and if it does create institutional devices to implement such obligations, then how do those whose interests are formally threatened by such instruments respond? Section 4 of this paper then explores the consequences of these informal social relations for the state and section 5 revisits liberalisation policy as a result of these insights.

Our central hypothesis is that due to well-ordered social relations linking the second type of informal economy to the state, the state's developmental project can be effectively challenged. Classes or class coalitions emerge from these social relations which have a contradictory interest in thwarting the very same political and economic project on which they apparently depend.

The literature resulting from the ‘unalienated’ field research which examines the state in action is surprisingly small and the critic frequently has to read between its lines. We can examine the first type of boundary relation between the state and the informal economy in a case study of land market relations in Karachi, Pakistan (Lau, 1996). This piece of fieldwork was the unintended consequence of survey research into legal access to environmental justice. We can examine the second type of boundary relation in cases of state foodgrains trading in Karnataka and local development and revenue administration in Tamil Nadu, India (Mooij, 1996; Harriss-White and Janakarajan 1996). The Karnatakan case study is derived from an ethnography of the implementation of a crucial legal act by the food administration. The Tamilian case uses life histories of low level officials. All three studies combine insights from field surveys of a 'petty commodity producing' type (where the researcher conducts the research at first hand) with those from haphazard, unstructured encounters. ('Participant observation' and 'ethnography' would be loading such crucially important but unpredictable research events with systematic attributes they do not have. Mooij, forthcoming, is most useful on this eclectic field method).

The non-state regulation of market exchange in the informal economy : the case of a small market town in S. India

'The challenge is to identify a menu of regulatory tools from which countries can select those most likely to yield benefits in their specific country settings' (Chhibber, 1996, 15)

The informal economy is far from being chaotic. The means whereby informal markets achieve orderly behaviour may be sought by examining minimally regulated market exchange as it operates in the informal economy of a town of some 80,000 population in S. India, the development of which I have been studying intermittently since 1973. Apart from one textile mill originally sited 3 km from the 'central business district' and now becoming incorporated into urban settlement and activity, plus a subset of the urban rice milling and silk weaving industries (increasingly not based on local raw materials or final demand), the urban economy is composed of petty to medium sized firms, most of which are licenced by the municipality but almost all of which avoid and partially or completely evade local taxes, much of whose capital is black and most of which operate in labour, capital and commodity markets which, even if state regulated *de jure,* are not regulated *de facto*. In an economy where infringements of property rights will rarely be adjudicated by means of the due process of law, how is order achieved?

Despite, or because of, widespread corruption, a strong system of reputational ethics orders and protects this commercial economy [4]. Business contracts are mostly oral and traders respect one anothers' property, sometimes lending resources when needed or minding stores. Informal market exchange is strongly structured not by open contract-forming processes but by tight persistent networks of repeated transactions, established hereditarily or through long processes of apprenticeship or induction, i.e. with high non economic barriers. In such networks, trust and **reputation** are as important structuring principles as is power, and all are simultaneously deployed.

[4] This is no 'generalised morality' of the sort Platteau argues underlies market exchange (1994). On the contrary, the commerce we have researched is underlain by a pluralist ethical system (see Harriss-White 1996).

Network trade is at one and the same time transactions costs efficient and a mechanism of power, not only in the confirmation of bilateral contracts but also in excluding and screening out of large numbers of possible competitors. Repeated contracts develop normative extra-contractual obligations the breaking of which (i.e. the engagement in trade outside of which) may affect reputation and even lead to exclusion. With the development over the last two decades of complex and sophisticated, informal, long distance trade with non face to face contracts, the nature of the reputation- and trust-based network is changing. Ascribed reputation (on the basis of family, caste, locality) is being replaced by acquired reputation (on the basis of reliability, efficiency etc). In the town we study, the social relations of commerce are still strongly rooted in institutions of ascription. Acquired reputation factors are most evident in long distance networks for new commodities, products of formal corporate industry. These networks, combined with the tendency towards uniqueness in the activity combinations of commercial firms and the recent development of firm-level branding and quality niches, constrain competition, secure profit, reduce risk and lend plasticity to the 'market' economy.

Regulation by reputation is as important for some kinds of ultimate client as it is for merchants. In the black financial economy, for caste-insiders reputation is crucial for creditworthiness, for terms and conditions. Reputation is inherited. If repayment is delayed the possibility of future loans is jeopardised throughout the black financial sector. People will keep themselves in very oppressive credit and debt relations rather than let reputational failure repercuss on their children and family. With a reported increase in corruption, with adulteration, quackery and incompetence, the importance of reputation as a mechanism of conduct regulation also increases.

However, enforcement is also carried out by private security forces :'goondas'. The locations of this kind of regulation are very precise. First, in the black financial economy, local social outsiders such as *marwaris* employ a visible coercive squad to enforce repayment. Second, the extracontractual obligations of paddy producers indebted to paddy mundy owners to sell all marketed surplus (not merely that which repays loans) an obligation currently under challenge is being regulated by collusion and force: 'The mundy men are on the look-out'.'They have 'supervisors'...' Third, mercenary forces are amassed by local political bosses to protect returns to their investments. It is the black and the 'political' economy which tends to use extralegal force. A corrupt transaction sited here can now involve two or three markets (money, commodities and rental markets for transport), five types of contracting party (a trader, a bureaucrat, a politician, a carrier and a security thug) and non contractual obligations (such as lagged, reciprocal favours and/or loyalty). In such a pentagonal arrangement, loaded with lags, the role of principal and agent may rotate.

When we turn to the regulation of the labour force, formal institutions play a rather more successful role than they do with the regulation of commodities. Certain parts of the urban labour force are unionised and strikes over working conditions are regular events. But organisation by competing political parties, insofar as it divides the work force, weakens it and works in the favour of management. Much of the working base of the town is collectively regulated e.g. market place coolies, cartmen etc all of whose associations set entry barriers and unilaterally fix rates for stints. The paddy and rice sector is poorly organised however and work conditions for casual female labour are the poorest remunerated and most physically oppressive.

By and large the regulation of the urban work force is achieved by the strategic use of family labour. Such labour is unwaged and relatively cheap in terms of the transactions costs of its management, it is both controllable and trustable. There is a synergy between family-based order and efficiency. Power and trust run together and structure much of the regulation of the labour force in the commercial economy.

The market town has a total of 25 professional associations based on occupation, plus two ginger groups for consumer welfare and urban development. These collective institutions appear to be regulatory bodies to which disputing parties would be expected to turn. They can establish norms of conduct for transactions and for the adjudication of dispute. But such regulatory activity is rarely put into practice. In fact, these associations i) defend members from threat - from organised labour and from the government; ii) organise collective bribes in the general interest of members; iii) exclude entrants; iv) perform small acts of redistributive charity. At closer gaze many are tight networks of interest cemented by caste and kin; institutions such as kinship are put to new economic roles. The Chamber of Commerce is also maturing as a political force, organising collective protest, petitioning, non-compliance and bandhs (organised protest) to challenge a proposed entry tax, the 1991 Packaging of Commodities Act, and hikes in Professional tax;

lobbying (unsuccessfully) for compensation for a major act of arson in the 'central business district' and (successfully) for a low-power TV transmitter and STD communications.

However, these kinds of regulatory institutions conspicuously fail to control an enormous amount of minor disorder in market exchange [5]. Such disorder includes the creation of impurities and adulteration, tampering with price and brand labels, with weights and measures, underbilling. These are examples of disorderly behaviour with respect to the parametric regulation of commercial property by the state. Further examples include encroachment, petty theft of public property, tax evasion, primitive internal relations in the larger firms with casual labour forces, evasion of labour laws, and the active resistance by employers to unionisation. Then there are pervasive agency problems: the underdeclaration of turnover to owners by managers, the appropriation of earnings in excess of an expected amount for a period of operation (e.g. bus conductors) and rogue extracontractual behaviour, all of which represent the opportunistic contravening of rules about employees' behaviour established by managers.

In the business economy studied, an uneasy tension exists between the legal rules of secular society (which businessmen admit they will either keep or try to break as and when it suits their interest), the collective norms of interest (such as lobbies, by means of which traders defend (sometimes illegally) their corporate interests and create institutional reputation), values such as family or caste loyalty (which still define personal reputation and legitimate actions at an individual level) and ideologies legitimating the applications of these different norms to the diverse circumstances of economic transaction and political behaviour encountered in market exchange. The prevalence of 'disorder' in the form of institutionalised crime seems legitimatable by its practitioners only if the norms which mould behaviour in commerce place loyalty and benefit to a tight group of kin uppermost. Status, honour and trustworthiness are seen among peers as residing in the manner of giving and not in the manner of getting. This range of

[5] The town, now actually approaching the population size of Oxford, enjoys an astonishing absence of recorded crime. In 1994, the police records reveal as many burglaries in four months as Oxford police register on a very quiet day.

commercial norms must also be being recognised and adhered to by those subordinated and victimised [6].

A.K. Ramanujam has commented on the alleged capacity of 'Indians' to hold sets of views which are inconsistent and to have a particularistic and therefore pluralist morality: "cultures (may be said to) have overall tendencies to idealise and think in terms of either context-free or context-sensitive kinds of rules" (1990: 20). He argues (controversially in my view) that while in 'the West' the context-free is hegemonic, "in cultures like India's the context-sensitive kind of rule is the preferred formulation" (ibid). (Moral) behaviour can be specific to life-stage, caste or class, season, external pressures. New ways of behaviour get compartmentalised: "not replacing but living along with older ways" (op.cit.; 23). What we observe about commercial ethics is consistent with Ramanujam's argument. It would then follow that market exchange has probably flourished with a plurality of norms for centuries. There are thus already many alternatives to state regulatory intervention. Non-legal enforcement is necessary and cheaper, not simply a market reponse to 'defective' state law but possibly predating it and very likely to survive formal deregulation. But non-state regulation is not to be regarded with starry eyes. Private industry and commerce may be corrupt and inefficient when regulated, but they are not necessarily competitive and efficient when not regulated by government. It is sometimes forgotten that rent seeking originated in markets, where it seems to remain a fundamental force. Norms and thugs and a penumbra of exclusive associations are the institutions on which local commercial orderliness rests.

In sum:

i) Most exchange in an ordinary market town in S. India is 'informal'. There are five non-state institutions by means of which conduct is ordered.

ii) However there is a great deal of disorder in such markets. Significant commercial profits come from the creation and manipulation of regulative delinquency. Disorder is part of the attempt to increase and cement market shares. It is not for nothing that rent

[6] It is a closely related point to note that the diffusion of a value system in which the capacity to corrupt is an attribute of high social status is highly erosive of social cohesion.

seeking was first recognised in markets rather than in the state. The tendency towards functional uniqueness of activity at the micro-scale of the firm which is a primitive form of niching and of resistance to competitive forces and which can accompany such manipulation leads in the aggregate to a systemic plasticity. The extent of this micro scale uniqueness and systemic flexibility endows each economic market with its particular capacity to resist, or be vulnerable to, macro-scale uncertainties.

iii) Primary and primitive accumulation, co-exists with advanced forms of capital and both are articulated with household/petty forms of production and non market exchange

States and Informal Economic Order

'The false dichotomy between state and market is giving way to an understanding of their complementarity.. Yet most states remain resistant to change' (Chhibber, 1996, 16)

Here we examine three cases which reveal the consequence of active state intervention for the informal economy. An attempt to systematise a much larger literature on rural development is presented in the appendix.

Land Use Planning and Land 'Markets' in Karachi, Pakistan

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Within half a century, Karachi has progressed from being an pleasant, planned colonial port of some 400,000 people to a megalopolis of 12 million. In the face of pounding waves of migrant squatters, the regulation of land use has been the responsibility of a series of state agencies, the penultimate of which managed to plan a ring of lavish satellite settlements which were rapidly engulfed by illegal squatter workshops and homes. Half the population of Karachi has seized the land it lives on illegally and has gained access to water and electricity [7] 'by stealth' i.e. by means of an elaborate set of social relations of corruption and fraud. These relations re-ration and re-order state provision. They also require continual payments in order to remain 'informally legitimated'. Such a constituency has created and paid a parallel state. Insodoing it also feeds and

[7] though not to sewerage

informalises a privatised development project. The same constituency resists with violence attempts by formal state agencies (which are now in the process of capitulating to this *fait accompli* and are mandated with legalising these slums) to obtain payments from them for long term leases and utilities.

Meanwhile, excluded by lack of formal property rights from access to legal protection, residents are subject to arbitrary or politicised harassment and eviction by political officials and the police, against neither of whom they have redress. This patently weak state is also a highly oppressive one.

Pace Griffith (1979), it is not that the imported institutions of law and state are not important. They are. But formal state law and institutions, instead of being 'merely' bypassed or ignored, form the basis for a regime of private extortion.

The local state is poised for a second bout of capitulation in which the private armies protecting the 'informal' construction sector would be recognised as legitimate.

At best the formal state and law have played a parametric role in the informal property market. A developer will follow the land use guidelines of the current Karachi Development Authority because he will thereby avoid the threat of penalties other than those for the illegal seizure of land, and will charge higher rents as a result. The parallel system of taxation and provision which 'shadows' the state is hard and dangerous to penetrate ethnographically. It is thought that while for the most part public officials play their shadow roles using resources stolen from the state, there is another set of intermediaries which mans gateways, ensures the informal economy buys goods, rights or favours cheaper from the state (or robs it outright) and sells dearer to the state, fetches and carries, performs technical activity (tapping wires etc), protects, adjudicates disputes and enforces the rules and norms of the shadow state. Just as the shadow role of the state official is derived from his acquired, public position, such intermediation is not independent of other social institutions, indeed it is embedded in them. It is thought that political party (or status in religio-political institutions) might play significant roles in the shadow state running Karachi. That such a set of social relations has succeeded in providing cheap housing for the poor (many of whom work in turn in domestic service for corrupt official patrons) is no guarantee that this would be the outcome were the property rights of land sellers and developers to be legalised.

The Essential Commodities Act and the Public Distribution System in Karnataka

The Indian state, in declaring itself to be constitutionally obliged to guarantee food supplies, confronts, and attempts to provide a legal framework of regulation to, one of the most formidable sectors of the RIE, that concerned with the production and distribution of foodgrains. Through its own control over food distribution it also successfully regulates and formalises a substantial subsector accounting for some 13 per cent of total production. The law (the Essential Commodities Act of 1955) is complex and inconsistent, covering 60 commodities and implemented by means of 70 government control orders. There is no simple correspondence between its far-reaching equity goals and its rules and procedures. This law and the institutions implementing much of it (the Public Distribution System, comprising central and state government Trading Corporations and a network of Fair Price Shops and Co-operatives) are the object of a unique, rich and territorially unrestricted ethnography by Mooij (1996) [8]. We will tease out some of her observations about the relation between the food administration and the informal economy. Mooij finds

> i) that the state generates interwoven, parallel, informal and illegal grain markets. It underwrites a proliferated segmentation which ensures a larger number of intermediaries and a greater range of interests in grain markets than would be the case without the PDS;
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> ii) that as a result of the ECA , competition in residual open markets is characterised not so much by price as by a jostling for access to the food bureaucracy with whom there are accommodative relations of black marketing, fraud and corruption. The latter are characterised by sharing rates of return to private trade that are far in excess of what might accrue in an 'equilibrium' condition. Just as non-contractual elements are necessary

[8] Mooij's research is comparative, examining the operation of the Act throughout the food bureaucracies and at the interfaces with non-state production, marketing and consumption in a surplus district in a surplus state with a 'vertical' politics of patronage (Karnataka) and in a food deficit district and a food deficit state with a 'horizontal' politics mobilising the labouring classes (Kerala).

for market exchange, so non-bureaucratic elements in bureaucracy are just as necessary for its effectiveness;

iii) that this nexus of interests sets entry barriers to the commercial economy and has differentiating impacts both at the entry point and subsequently. In the former case, the tender procedure requires economies of scale and in the latter, later on, the continual threat of prosecution is the mechanism forcing compliance with the state grain levy;

iv) that corruption is not a question of individual maximisation and of market clearing, but is governed by rules and norms determining prices, access and the distribution of returns. Individuals are capable of identifying socially excessive levels of predation and of imposing sanctions on non-compliance to norms of corruption. Locality, gender, caste and party politics are crucial to the operation of these rules [9].

Mooij's research shows that there are now quite 'rigid' social relations which constitute obstacles to reforms. These lead to pre-emptive development and in this case to pressure to phase the liberalisation of the grain trade in such a way that provisions which parametrically regulate private trade are first to be dispensed with.

Institutional Scarcity and the Private Status State in Tamil Nadu

'Introducing greater contestability (through decentralization, delegation and participation) improves the operation of state institutions' (Chhibber, 1996, 16)

The general state administration has two wings at the local level: developmental and revenue, the social relations of which were studied by means of life histories of a total of 35 local (low level) officials in northern Tamil Nadu over the period 1994-5 (Harriss-White and Janakarajan, 1996).

[9] There is a substantial literature showing the ways in which market exchange (land, labour money and commodities) is embedded in institutions of class, ethnicity, locality, gender and age (see Harriss-White, 1995 for a review) but there is strkingly little research asking what difference these social institutions make to the operation of actually existing states. Ramamurthy, 1995; and Mooij, 1996 contain hints of the roles played by caste and gender respectively; Sengupta, 1998 deals with both. Jeffery and Jeffery , 1997, examine gender and communal identity in relation to the local state.

The majority of local level development officials do not live in the localities they administer but instead in town. They had a restrained access to the dense web of information that characterises village society. The vast majority of these officials were of higher caste and (to judge from their property ownership) class status than those they were employed to serve. Their private political and social status was significant in explaining the minutiae of state capacity.

First, the local developmental state is highly politicised. Administrative duties are vulnerable to political interference. The questions of transfers of posts were influenced by party political affiliation as well as by bribes. Not only does party politics structure the queues for access of rural supplicants, it also structures the administrative response. Second, the authoritarian nature of the development wing of the local state is evinced by the heavy load of targets placed upon officials. Money may be borrowed individually and privately by wealthier officials in order to achieve state targets incommensurate with public resources. Poorer officials were likelier to perform less well.

Material resource scarcity results in 'participation' in the form of collective social action. Piped drinking water for instance is commonly maintained by collective action even though it is the formal responsibility of the state. But such collective responses often lead to conflict and dispute and may discriminate against women and low caste drawers of water. The formally weakened bureaucracy experience the process of collective response as defiance and the institutions of collective action as undemocratic and unaccountable.

In the local revenue wing of the state, opacity of information, extraordinary levels of complexity and discretion in the modality of performance create incentives for private intermediaries to make informal livelihoods from interpretation to clients.

We therefore see a state depleted of resources and fuzzy at the boundaries, with institutional responses from rural clients which are not superior to those of the state administration (were it to be adequately funded) and in this case only marginally superior to a condition of no action. We see corruption, fraud, deepened inequities in access and local level social conflict as resulting from these institutional scarcities.

The developmental state creates a sector of the informal economy in response to its failures and incapacities. It is common that state duties are a risk-averting residual for those so employed. The informal economy can be plundered for private funds so as to achieve state objectives. Position within the state (‘wet or dry posts’) is important for the returns from bribery, but, as we also saw with the Essential Commodities Act, state effectiveness increasingly depends on the private ascribed status of public officials. The latter can be said to impregnate the local state.

The Informal Economy of the Powerful and Intermediate Classes

This case material is so compelling that a more general statement seems to be justified. These examples are not mistakes, accidents or aberrations, although they are often evaluated as if they were in the literature we have interpreted here and in the appendix. Nor are they are well considered as failures or (as Proust described it) 'class pathologies'. They add up to a type of development politics and capitalist development, one characterised by accumulative cruelty, one giving rise to distinctive property relations and class forces, a distinctive distribution of private wealth and public resources for development, the result of which is to enhance and protect the power of a diffuse coalition of interests or classes shaped around local agrarian and business elites and politicians. The numerical size of this coalition is large and significant.

To our knowledge, Kalecki was first to theorise (in 1964) the conditions under which a state would emerge to represent the 'lower middle class' and rich peasantry. He had Egypt and Indonesia in mind. He seems to mean a messy grouping of class forces of the sort described in these case studies. These classes are 'not necessarily rich'; but they are numerically crowded. They occupy a position in contradiction to big business because they are threatened by the latter's potential economies of scale. These 'intermediate classes' are able to come to dominate the political economy, Kalecki argues, because of the entrepreneurial weakness of what he terms the 'native upper-middle-class'. This has to be substituted for by a state which 'leads directly' (through its economic interventions, of the sort we have discussed) 'to the pattern of amalgamation of the interests of the lower-middle-class with state capitalism' (1972, p163). Their other class contradiction has been well amplified by Jha (1981) for India: the enormous army of land-poor or landless rural and urban workers (Kalecki calls them 'paupers') have a vital interest in low cost wage goods while the intermediate classes (which, from the perspective of the class of paupers seem a small proportion of the population and also exceptionally powerful at the local level) have an interest in controlling their scarcity.

While Kalecki enumerates the political strategies by means of which such a state would remain in power and continue to benefit this intermediate class, he is far more timid with his explanation of the means whereby the intermediate classes come to be the major political players over the heads of the two classically antagonistic classes, saying 'representatives of the lower middle class rise in a way naturally to power' (1972, p 162). And later: the state capitalist road encourages the expansion of the productive potential of this intermediate class and gives employment opportunities in the state apparatus for its scions.

From our case material on the state and the informal economy in sections 2 and 3 and from other literature (to do justice to which would require a book rather than a paper: see the Appendix) we can greatly add to Kalecki's superficial description of the rise to power of intermediate classes and question his assumption of 'naturalness'. The interface between the state and the informal economy is crucial to this widebased accumulation process.The informal economy it practises is not separate from the formal economy or the state but securely meshed within both. It is by means of social relations at what is in theory a neat fault line but in practice a spongiform interface that intermediate classes consolidate themselves and they do so predominantly in the informal economy. The means are **in essence** many and various.

Yet the outcome of this accommodative nexus of interests is to threaten and redefine the state's mandated and declared development projecct.

While the contradiction between the ‘intermediate classes’ and labouring people in the examples we have reviewed here is consistent with that theorised by Jha, the contradiction between these ‘intermediate’ classes and big capital is not as theorised by Kalecki. This is because economies of scale in large enterprises are not threatening to petty capitalists unless both fractions of capital produce the same or closely substitutable commodities. More research is necessary to clinch the next part of this argument but it is likely that the commodity composition of the different fractions of capital is segmented. But, even if not in outright contradiction, big capital may be relatively debilitated compared with intermediate capital for three reasons: first, economies of scale only accrue to technologies with marked scale economies at high levels of capacity utilisation. These have proved difficult to achieve. Second, the numerical significance and far more extensive spatial dispersion of intermediate capital enables it to accommodate itself with, and to gain formal and informal concessions from, a far longer and more complex interface with the state than that accessible to big capital. Third, for the same reason, big capital is easier to tax.

Accumulation is both highly concentrated and dispersed in the intermediate classes. It is highly concentrated when judged by the gini-coefficients for assets distribution within the informal economy and by the assets disparities between controllers of capital and assetless labour. Intermediate capital dominants the local political economy. It is dispersed when judged by the capital concentrations in the formal economy and the state but therein lies the capacity of this informal economy to constrain both. The informal economy is not (only) a set of non- or pre-capitalist enclaves which may be functionally useful for capital, it is actually existing Indian capitalism. Much capitalist enterprise unleashed in the 1990s has derived its capital from primary and primitive accumulation in which the state is deeply implicated.

Where not implicated in parallel systems of tribute, investment and consumption, the bureaucratic elites (the technocratic fountainheads of development policy) have distractedly overlooked the accommodation between the informal economy and a mass of bureaucratic 'subalterns' which has now generated the intransigence of a class force. Capitalists therefore do not have to enter politics directly in order to protect and privilege themselves.

Yet our evidence suggests that the rise and consolidation of a coalition of intermediate classes is very far from being a stable process, such that an 'intermediate regime' might be considered a viable model for development (as Kalecki clearly thought and as Namboodiripad ,1973, and Byres, 1994, equally clearly did not) a viable model for development. Other social forces, ranging from big capital to the new social movements, contest their power. Individual agents of the state can and do - by their probity and energy - mount effective challenges by transforming state capacity (though research on India’s economic and social development has tended to neglect the role of individual action). While scarcities (weather induced or policy induced) seem to charge the intermediate classes with dynamism, prolonged abundance (kisk-ctarted by domestic harvests and/or possibly a flood of international capital) ought to be able to attack their nutrient base and modus operandi.

The Shadow State

'It is not the size of the state alone that matters - the capability matters more'
(Chhibber, 1996, 16)

The concept of the shadow state has already been used for Sierra Leone in the context of civil war [10]. It is also irresistible as a label for the kind of state we have described. Whereas the Sierra Leonian shadow state is a wholly 'informal' entity, and whereas some informal economies are only very loosely connected to their respective formal economies, the shadow state we have described at work here both comes into being because of the formal state and co-exists with it. It is therefore part of the state.

Some elements of the shadow state are played simultaneously by real state players e.g. corrupt lines of tribute, patronage/clientelage. Other shadow state livelihoods are independent of direct state players e.g. private armies enforcing black or corrupt contracts, intermediaries, technical fixers, gatekeepers and adjudicators of disputes. Hence the real state is bigger than the formal state. The norms of the shadow state may become societies' norms. From one proverb: 'deliver us from justice' to another: 'an honest man is he who does not know how to live'. There are then extreme penalities in not playing according to the shadow state's rules.

As a result of the operation of the shadow state and the informal economy, the formal state loses legitimacy. Then state authority and formal effectiveness will come to reside in the private social status of state agents: in their class origins, caste, gender, age and in the private social relations of their locality. At the local level it is a private status state rather than the private interest state that can be observed at work.

[10] it is relevant concept for conditions such as those thought to obtain in Afghanistan and Somalia where the formal state seems to have collapsed.

The shadow state is big. It is ignored in development discourse. Meanwhile, in a country as big as India, a variety of types of state with their inevitable shadows (developmental, predatory, clientelist, private-interested, class-interested (semifeudal, capitalist, underdeveloped capitalist, private status) and of relations of accumulation (from advanced to primitive) and various scales of capital can co-exist both spatially and socially in fractal reconfigurations at different scales and in different sectors.

Liberalisation, state compression and institutional scarcity

' The great (and false) debate between state and market seems to be over for now. There is growing realisation that a more credible -not larger- state is needed to create the institutional infrastructure for markets to flourish.. A more agile, information-intensive state (will be needed to work) in concert with the international community' (Chhibber, 1996, 16)

In theory, India's economic reforms should rout the informal economy and put paid to the shadow state. The vitalities of the market should remove the shortages and scarcities on which the intermediate classes thrive. The removal from state control of goods and services over which rent seeking opportunities develop should contain corruption. This in turn will strengthen institutions of good governance and state legitimacy. The latter will encourage fiscal compliance and discipline.

But the reforms of the 1990s have been mainly confined to the advanced industrial sectors and to those at the global interface. They have not put paid to scarcities in many essential commodities. The prediction that deregulation will reduce corruption can be confounded by many factors. Partial changes in ownership may multiply sites for corruption by complicating lines of accountability and by diluting enforcement capacity. There will be no change in corruption under a regime of privatisation if the state continues to regulate structure and conduct directly or indirectly through quasi-state organisations. Then some business interests may use corrupt means to maintain access to resources or exemptions, while other interests will bribe to enforce deregulation and increase the territory of market exchange. Officials may seek bribes against promises of future economic rents, given that their tenure outlives that of politicians. This form of ‘radical privatisation’ long preceded the contemporary reforms. As Mushtak Khan has argued [11] powerful clients/capitalist accumulators continue to hold the keys to the economy so that fiscal reform is met with the now familiar response of legal or discretionary loopholes and informal payoffs.

‘Liberalisation’ is thus not a recent phenomenon, not in India reducible to the product of an ideological volte face in 1991 by the then ruling party. Rather than being marked by changes in ownership or regulative regime the compression of the state has in fact long been happening by starving the formal state of revenue. This chronic fiscal malnutrition can also take acute forms: roughly 90 per cent of municipal taxes are said to be paid in the last month of the fiscal year. This kind of seasonality of timing can cause the state to teeter on the brink of fiscal failure. As the fiscal hungry season is increasingly long and the long term fiscal famine intensifies, the state resorts to coping strategies and then reverts to survival tactics: the ratio of capital to current expenditure declines; then under current expenditure, materials are reduced relative to salaries; finally staff are not replaced. Then citizens encounter half a fire service (even half a fire service dependent on informal patronage for access to water, in the absence of a budget for well-deepening and faced with a dry water-source), sweepers waiting months for their pay and half a police force.

What are the social consequences of this comprehensive depletion? A rise in discretionary powers of officials but also of their patrons and minders in civil society. Havoc to lines of accountability because lay-offs are not systematic, so a reduced capacity to enforce regulative policy. Deterioration in the terms and conditions of bureaucratic service, raising incentives to moonlight and to supplement salaries. Delay and deterioration in the quality of goods and competence of services supplied, encouraging private or black alternatives. Increasing queues with increasing incentives to 'exit'; therefore queues of increasingly needy clients. Thus a state of last resort. Unsystematic responses to this state tend to be socially differentiating.

As the state becomes weaker, so rights in the state's political transactions proliferate as it attempts formally and informally to buy off powerful challenges from the informal economy. As the state

[11] M. Khan 1997.

loses legitimacy so revenue compliance weakens, and the contradiction between rights, obligations and resources intensifies.

The Depletion of Municipal Finance

We can see this at a local level in the case of the South Indian market town (Table 1).

Table 1: Municipal Taxation (Rs)

	Period of democratic rule eg 1986-87	**Rule by Special Officer 1992-93**
A Taxes from Propertied Classes		
Property Tax	981,162.00	2,238,188.00
Professional Tax	204,231.00	75,201.00
B Taxes from Poorest Traders		
Municipal Market Fees	469,497.00	1,501,016.00
Cart Stand	276,476.00	293,304.00
Fines and Encroachment	19,411.00	9,022.00
	B = 64% A	B = 78 % A

Note: between 1986 and 1993 there was inflation and tax revaluation which greatly increased POTENTIAL formal municipal revenue.

On the whole, municipal tax evasion - see the subheading for the professional tax - was lower during the representative year of democratically elected local government. Taxes raised from the very poorest - with gross outputs currently estimated at less than 0.5 per cent of those of the 15 top firms - contributed in 1992-3 nearly as much as all inhabitants with taxable property and income. The entire municipal budget for 1993 equalled the gross output of a single of the more substantial businesses in town. The Municipality appears to be able to tax people earning less than its own employees but is unable or unwilling to tax the elite. Such fluctuating capacity is consistent with a private status state. Three interpretations suggest themselves: i) a class conspiracy (between officials and the commercial elite); ii) the political weakness of local government in the face of the local elite; iii) its lack of legitimacy, such that tax evasion represents a 'principled protest' by the elite at the high spend on salaries and the low spend on infrastructure. The latter set of circumstances is likely to be self perpetuating, if not self reinforcing.

Tax evasion fuels a black economy characterised here by i) a large black financial sector, ii) by tendencies (by no means exclusive however) to unproductive investment and oppressive labour relations in the informal economy, iii) by short term finance and investment, iv) by the informal privatisation of civic services (and therefore tendencies to double standards in performance) and v) by pervasive relations of corruption.

The state of last resort and the spinning state

This state of last resort is not market friendly but market abused. It is the self reinforcing product of a pervasive social non-compliance. Even more threatened than the state of last resort is the spinning state. Where, as the contributors to the book ‘Corruption in India: an Agenda for Reform’ so cogently argue, politics has also been commercialised and is a routine form of investment requiring profitable returns, and where significant fractions of the bureaucracies are politicised by party, patronage or faction, then the velocities of commercialised and/or politicised transfers accelerate. The state administration starts to spin[12]. A spinning state then destroys the institutional memories of its administrative components, for there is inadequate time to transfer this form of learning. Heavy informational loads and expectations are then placed on those unable to unwilling to be spun. The state administration might become reformalised since the time necessary to acquire informal knowledge and informal social relations is dysfunctionally truncated. But institutions which work to the formal rule are known to grind to a halt. Reform to these kinds of states has to be at the heart of the new international project of capitalist development in India (see those suggested in Paul and Guhan 1997).

Primary accumulation is logically prior to productive economic growth. When accumulation becomes decentralised under conditions of weak state regulative and developmental capacity then 'primary' easily becomes 'primitive'. Primitive accumulation co-exists with advanced forms of capital. In the absence of state regulation conforming to the relations of governance of global corporate capital, even international

[12] As in 1996-7 in UP where the executive and the administration has started a 6 monthly rotation.

(finance) capital is entering the fray to exert regulative pressure on patriarchal, authoritarian and familial governance structures and on contractual behaviour at the apex of Indian capitalism (Banaji, 1997).

These property relations constituting the shadow state and the informal economy reinforce the conditions for their perpetuation. Calls for the radical privatisation of the state ignore the effective radical privatisation, informalisation, personalisation, residualisation and now mafianisation that S. Asian states have been undergoing for much longer than the era of liberalisation of the 90s.

Reforms to the legal infrastructure face two contradictions. First while development signifies the rule of law, law is at the least unimportant, at the most riddled with unintended and unforeseen consequences and at the worst a base for extortion: formally counterproductive but informally very productive for legislators. Second, any attempt at legal downsizing and at the shedding of inappropriate law means capitulation to law breakers, which delegitimises the state. And what is true for the law is likely to be true more widely for institutions implementing the law.

Throughout this discussion we have woven quotations from the World Bank's 1997 *World Development Report* where the vision of the state is radically different from the one described here. Instead of counterposing state and market, the World Bank now speaks of a partnership between them in order to provide the institutional infrastructure for market exchange. Here we have shown that the Indian partnership also is a solid basis for widespread fraud. For the World Bank, a menu of regulative policy tools needs to be devised in order for them to be selectively adopted by countries according to efficiency criteria. Here we have seen that a great structure of regulative tools is already available to the Indian state but that their selection and activation depends on their propensity for accumulation shared between regulators and regulated. We have also seen that states resist change because states do not take the form modelled by the World Bank. Their form is complex. No single model can capture the Indian state for it differs widely in form and role according to its sector, spatial and social location. Neither state nor society is ever in equilibrium. Lastly the World Bank needs to redesign states as information intensive agents of international capital. The state described here (though excessively secret about the information it has and uses) is very poorly endowed with the kind of information necessary for international capital. Yet the Indian state may need big national or international capital because in them is to be found the first order solution to the problem of fiscal failure.

The relations between the formal state, the formal economy, the various forms of shadow, private status, residualised and spinning state and the informal economy are responses to political struggles. Unless and until there is a strong mandate for a public ethics against corruption and fraud and for tax compliance, transparency and accountability (and Indian form of 'good governance'), the prospects for the intermediate classes look good. Anti corruption campaigns have more of a history than anti tax evasion campaigns, but the conditions for their success are quite restrictive and not historically compatible with democratisation [13].

We are reminded by the World Bank, however: *'Broad political contestability, however, appears to be neither necessary nor sufficient for sound economic and social policies'* (Chhibber, 1996, 16)

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[13] Harriss-White and White (1996).

Appendix: the State-in-action in Rural Development

In a study of development discourse, Sudipto Kaviraj argued that policy is transformed in implementation 'beyond all recognition'. This does not mean we cannot recognise pattern in the means and mechanisms by which those denoted as victims in the 'grand discourse' of development have become material beneficiaries, and *vice versa*. We start by listing them from the perspective of state procedure (i to v) and progress to implmention by the state (vi to xiv) and then to types of seizure, sabotage and other responses (xv to xx). We thus have twenty kinds of pattern (of different analytical 'status'), but no doubt there are more.

(i) exemption from state control . This is a 'negative' but carefully worked relation: non-policy is policy. It results from associative politics, from lobbying at the political source e.g. for the quite high gross output thresholds for commercial taxes; rural assets (which are not controlled at all) and rural land (which is badly controlled). These forms of civil society are neither civil nor social.

(ii) 'technically' low quality law (e.g. the land reform laws which have enabled landowning elites to consolidate substantial holdings, evict tenants and release miserably little land to the state for redistribution).

(iii) non mandatory law. The laws guaranteeing reservations for the lowest castes - and for disabled people - in government employment and in public sector undertakings and the articles encouraging universal education are the most important of these but most economic rights come here. They are not guaranteed or enforceable under the constitution.

(iv) overt neglect (on the one hand: India’s reservations, child and bonded labour and social security provisions - where the constituency is too weak to enforce claims to what the state has declared itself obliged to provide; on the other hand: the regulation of rural market sites - where the state is too weak to enforce its own provision).

(v) the segmentation of regulative law and procedure : differentials in the legal and management frameworks which prevent state institutions from competing with the private sector as mandated (well exemplified by regulations of investment, technology and trading practices in the co-operative versus the private sector in agricultural commerce where co-operatives suffer disadvantage in all but some rather few, well-publicised cases).

The first two mechanisms enable landed interests to accumulate rural assets and to enter and dominate commerce, from which position they exercise through moneylending a transactions-cost-efficient indirect control over agricultural production. In enabling the capture and perpetuation of social and economic advantages, non mandatory and neglected law positively penalise the poor. The non-level agro-commercial playing field allows private trade to score the goals. The state-in-action differentiates the very society it is rhetorically committed to rendering more equal.

(vi) incapacitating budgetary underprovision (especially on materials sub-heads). There are many such instances: the employment-creating Food for Work Programme; drinking water schemes; the Public Works Department; the National Rural Employment Programme; regulated markets (staff and enforcement) education, health. Cases of urban land use planning and rural infrastructure show not only that such underfunding makes a mockery of implementation-as-planned and reveal the weakness of the state developmental project, but equally significantly that civil society responds, often in the form of collective action battened onto such schemes, 'informally' but in ways which may be socially divisive, excluding, differentiating and/or physically threatening.

(vii) delayed finance. The relation between the Reserve Bank of India and the Cotton Corporation and Food Corporations amounts to domination of the latter by the former in such a way that private merchants buy cheaper and sell dearer than would be the case without delayed finance.

(viii) lack of commensuration between technique and competence; administrative 'co-ordination' problems. These are classically exposed in the literature on targeting policy and practice - the Integrated Rural Development Programme, the National Rural Employment Programme, the public distribution system.

The relative overdevelopment of technique in the formation of state policy agendas and the relative underdevelopment of competence in implementation intensifies the incentives for the lifting of elements of the state into the informal economy.

(ix) the deployment of official discretion, not necessarily corruptly at widely differing scales and significances. The 'miscellaneous' category of priority sector credit planning, where the achievements of local banks invariably exceeds its targets; reservation quotas, discretion in the implementation of which mean that non scheduled castes take the place of schedules castes, men take the place of women, non disabled of disabled etc; the disadvantaged access of those eligible to entitlements (in the Tamil Nadu Noon Meals Scheme, scheduled caste children have been discriminated against in feeding).

(x) nepotism. IRDP targets have been found to depend on party political allegiances. The proliferating Lions and Rotary Clubs are places where officials mingle with businesspeople; new economic relations of caste and kinship are developing, in which trading castes (which one generation ago avoided government) now routinely and deliberately lodge kin in the bureaucracy (and in which kinship and caste groups rework their identities as business association).

(xi) fraud. We are not concerned with the issue of the criminality of law but instead with fraud by officials - depriving the state of resources (e.g. the undervaluation of stamp duties on transfers of property, the profits from which are shared); the theft of state resources by non state personnel (e.g. 'leakages' of foodgrains from the public distribution system); defrauding the state : the ubiquitous evasion of taxes and duties.

(xii) the commercialisation of politics: ‘politics has now been perfected into a well organised profession or business where the investment brings forth manifold and profitable returns’.[14]

(xiii) the commercialisation and (party) politicisation of the bureaucracy (entry, postings, velocity of transfer) of audit, of enforcement, of the means of redress, of the institutions of transparency and accountability. Concealment and secrecy are the handmaidens to the profitable abuse of administrative power.

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[14] Ganesan 1997 p34 in (eds) Paul and Guhan. We must ask to what extent is this festival of private interest the self-fulfilling consequence of teaching rational choice theory to a generation of young administrators and politicians ?

(xiv) the increasing role of individual ascriptive status in the capacity of the state; in which the social institutions of caste, gender, locality, and class increasingly determine the performance of its revenue and developmental wings.

Turning to the mechanisms and politics of subversive access to the state's 'political settlement', these include the opportunistic funding of political parties, aggressive lobbying, infiltration of state institutions and the formation of coalitions and tactical alliances between agents of state and market within institutions of civil society:

(xv) open capitulation in implementation (e.g. price policy (especially to wheat before 1990s); food and fertiliser subsidies (which have failed to be enforced in the 1990s); industrial estates for small scale industries (which have been colonised by medium and large scale enterprises); anti poverty policy (captured by non poor or the least poor of the poor) etc).

(xvi) co-option by local commercial elites of policies and practices specifically intended to undermine their power (e.g. the management of co-operatives intended to compete with or replace private trade by private traders themselves; traders' domination of access to National Warehousing Corporation facilities intended for small farmers; access to finance generally (to Finance Corporations, to the Co-operative Development Corporation; Land Development Banks etc).

(xvii) informalising pre-emptive development (e.g. trades unions law, the factories acts, licences and industrial controls, land reform law:- where the structure and behaviour of regulated sectors develops so as to avoid regulation or even the treat of regulation). Industrial labour forces are deliberately casualised, factory scale is deliberately miniaturised, production processes deliberately dispersed while actually being centrally controlled etc.

(xviii) unreported commercial crime: chicanery with weights and measures, counterfeiting of brands and labels, contractual delinquency, oppressive and illegal labour relations.

(xix) co-ercion (e.g. privileged access (using private mafias or conspicuous possession of firearms as means of intimidation) to police and courts to defend illegal interests (traders/busowners/moneylenders); forced informal deductions by politicians from officials' salaries to finance private and public projects).

Order in contracts, in market exchange and in rights over property is pervasively informalised. Law works when it coincides with self regulation. The informal economic relations through which state capitulation is expressed are at the heart of the state and meshed with it. They are sometimes part of the cost structures of the formal economy and not (only) a separate 'economy within the economy'. They shape state activity and force the state into formal and informal concessionary pay-offs.

(xx) corruption, which has gone critical in the last decade. According to Transparency International, India ranks with China and Indonesia as the most corrupt nations in the world. Over two fifths of the world's population competing in economies the size of Belgium (India) and California (China) face the most extensive corruption. No longer can the poorly salaried official be adequately modelled as the epicentre of corrupt transactions; resources in the black economy are as necessary to a corrupt transaction as a privatised public resource. Nor is corruption confined to the grand scale [15]. Corruption has been decentralised over time and its centre of gravity seems to have shifted from being state-driven to being driven by powerful elements in society. Decentralised corrupt relations are also rapidly being politicised in the India of the 1990s, such that officials are agents rather than principals. It is open to question whether politicians are principals (politics being informalised and reduced to a risky investment requiring high and rapid returns) or whether instead it is the 'clients' belonging to the intermediate classes in civil society who hold the balance of power as principals in such corrupt transactions. Certainly ‘society’, to whom the state should be accountable, is not the principal. In prevalent multi-agent, corrupt transactions (involving the politician, official, carrier, trader and protector) the roles of principal and agent become loaded with non contractual obligations. The roles also rotate. Over time power accretes to those in the transaction holding the micro-monopoly of force.

[15] Certainly the investigative press has unearthed huge scandals at the top: in the Centre: Bofors, the HDW submarine scam, the securities, sugar, urea, housing, petrol pumps, railways and telecom scams, the Jharkand Mukti Morcha and the Havala scams. In the states: the fodder scam of Bihar, ENRON scam of Maharashtra, the cloth and school uniforms, colour TV sets, transport spare parts , steel doors, slippers, crematorium, furniture purchase and coal import scams of Tamil Nadu . And Paul and Shah assert that corruption in public service delivery - what they term ‘retail corruption’ does not attract public attention (in (eds) Guhan and Paul, op. cit. p 144) even though it clearly involves widespread public practice and connivance. In a 5 city study, one in four people in Chennai and one in eight in Bangalore were found to pay bribes when dealing with the administration, telecom or electricity. Among urban slumdwellers the frequency of bribing is universally very much greater than in the population as a whole (op.cit. pp151-3). The episodic nature of retail corruption may explain public apathy about its reform. But no evidence has been marshalled to show that retail corruption is not now politicised or that fear of present or future reprisal explains the apparent public ‘apathy’, lack of which is a necessary condition for anti-corruption reform.

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