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Undergraduate Submission

State Intervention in India:
An Analysis of Bureaucratic Change and its Impact on Economic Growth

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Introduction

Economists and politicians working throughout the developing world all agree that economic growth is needed to improve life. It can be extremely difficult for some countries to create, but vitally important for the success of any developing country. While there will always be a constant discussion over which segments of the population benefit the most from economic growth, growth is a major part of any plan to pull large populations out of poverty. It may be only one of several parts of a nation-wide poverty reduction policy, but it is an essential part.

During the last twenty years much of the discussion over how developing countries create economic growth has been focused on liberal economic policy and promoting free markets. While these are important, there is another vitally important part that must be analyzed to see the full picture of why some countries seem to boom, yet others just plod along at a slow pace: a country's bureaucracy.

The East Asian Tigers are an example of the effectiveness of bureaucracies that intervene in the economy and facilitate growth through private businesses. This type of bureaucracy is in contrast to the rent seeking bureaucracies seen in many countries, such as India, where the economy is filled with state owned enterprises (SOE). These SOEs often force the bureaucracy to grow, create economic rents, and reduce the efficiency of business as incentives are skewed. These economies are often following import substitution industrialization (ISI) policies, which create protectionist policies that limit international competition. This combined with a public sector that is filled with economic rents causes widespread corruption and inefficiencies.

India has always been in need of economic growth. It is the second largest country in the world in terms of population and has the largest group of people living below the poverty line in absolute terms. While it has jumped to the front of the list of developing nations surging ahead in the past decade, its history shows a different story. As a British colony its economy remained

stagnant until independence in 1946. At that time the leadership of Jawaharlal Nehru and the Congress Party began to push for equal growth throughout the nation. Founded on Fabian socialism, the country was closed to almost all outside investment and the economy was largely owned by the state through the creation of SOEs. India was using the same basic idea as the Tigers, which was that having the state involved in the economy would help industry grow.

While the Tigers found success in this policy, India did not until very recently and only after major economic reform in the 1990s. To understand the story behind India's failure to use this economic policy and pull its citizens out of poverty, we must look back to the history of the bureaucracy. Successful bureaucratic intervention has been one of the keys to the growth of many nations, but not having a bureaucracy working ably with business can often turn into a major disaster for a nation, as a select group often profits at the expense of the collective whole.

This paper attempts to understand the inability of the Indian government to realize necessary bureaucratic reform. It argues that because the British created a powerful and entrenched bureaucracy that was designed to benefit a colonial power, the subsequent Indian government has had little success in enacting the needed reforms that could generate a bureaucracy aimed at facilitating economic growth. As a result, the Indian bureaucracy was overly involved in the economy. This started at independence, a time when the bureaucracy was in charge of the many SOEs created to support India's import substitution industrialization policy. SOEs were tied far too tightly to the bureaucracy, leaving little separation between the government and the business. A further problem was that the bureaucracy was trained to control a colony and not to work to facilitate economic growth. The bureaucracy thus became too involved through running companies instead of guiding expansion and growth.

Although the British colonial legacy seems to have been a determining factor in the Indian bureaucratic dysfunction, this need not have been the case. A second important aim of this paper is to use Malaysia as a foil to bring into sharper relief how India was helped or hindered in

its efforts to reform its bureaucracy. Although Malaysia was similarly colonized by the British and inherited a colonial bureaucracy, Malaysia followed a path of continual reform so its bureaucracy could help assist the growth of businesses while not being a part of them. The Malaysian bureaucrats were able to erase the colonial legacy and create their own traits, aimed at facilitating private companies, and thus producing economic growth. This, combined with the appropriate economic policies, created a success story.

Recent changes in economic policy have made major differences in both countries. The liberalization and opening of India to world markets in effect removed the bureaucracy from many areas of business. This was a major benefit, but as the Malaysian case demonstrates, there are still many reforms to the bureaucracy that could be combined with these policy reforms to bring even higher levels of growth – in particular reforms that enable the bureaucracy to help businesses while not being a part of them.

The Significance of Bureaucracy in India's Development

While open markets and liberal economic policies can be useful for economic development, there have been other successful economic policies enacted during this period, especially in Asia. Atul Kohli notes that for such late-late developers, i.e., those countries developing after World War II, the reverse can be true: state intervention in the economy is imperative. Using intervention, facilitating growth of the private sector by working with private business, and protecting domestic markets has increased growth in several Asian countries, such as South Korea, Taiwan, and China. As an important arm of state intervention, bureaucracy must facilitate business growth, which in turn promotes economic growth. How to create successful intervention and policies is thus the key to developing nations.

Distinguishing among different types of state intervention, Atul Kohli argues that states with a cohesive capitalist strategy are most effective because they are able to work on a select number of goals without having to focus on the concerns of different constituents (Kohli 2004:

chap. 4). A state that has a fragmented multi-class strategy, by contrast, must cater to many different political groups that in effect reduce the ability of the government to focus strictly on economic development policy (Kohli 2004: chap. 7). What facilitates this focus in cohesive capitalist states is that they tend to have homogenous populations (here meaning both ethnic and policy-wise) and can thus focus on a few key goals. India falls into the latter group. As a fragmented multi-class society, creating goals, picking priorities and pressuring the bureaucracy to change are key areas holding back the country. Amplifying Kohli's point, Patrick Heller notes that the diverse population is causing a problem for the state. While the system is protecting minorities by allowing everyone a voice, the state is not able to focus on major goals that could rapidly improve the lives of many. Instead the state must cater to many different minorities who often have conflicting requests (Heller).

Also agreeing that India needs to develop a successful interventionist policy, Peter Evans points to the bureaucracy. While accepting Kohli's and Heller's argument about the demographic makeup of the country, he points to historical problems with the bureaucracy as the key obstacle to economic growth. Completely free markets are detrimental because the state must be involved to keep developing markets open and working smoothly. Using an effective bureaucracy that is both embedded and autonomous is the key for success (Evans chap 1). By being embedded, the bureaucracy is intimately aware of what problems companies are having and what can be done to help. While being autonomous, they are able to make the best decisions for the country as a whole instead of just acting in the best interests of the company.

India, Evans argues, became too involved in the economy after independence. Instead of facilitating the growth of industry, the government started to run it (Evans 17). The bureaucracy was not autonomous from industry, but instead the bureaucracy was part of it. Quickly the bureaucracy had problems with corruption, expansion, rotation, and a lack of specific goals. The

bureaucracy was embedded in the industry, but industry needed some autonomy to operate effectively.

Gurcharan Das takes a different opinion on this subject, insisting on increased liberalization and privatization as the most effective solution to development. Continuing the economic policy of the 1990s, he believes, will eliminate the large and inefficient SOEs that have plagued India for so long. The bureaucracy is simply "...self serving, obstructive, and corrupt."(Das 6). The people of India, according to him, have triumphed over the state and succeeded in economic growth. This statement is a testament to the inability of the bureaucracy to work with business. Das's argument is flawed, however. If the bureaucracy could intervene in the ways Kohli and Evans have described, the country would grow even quicker than if the bureaucracy was eliminated as Das suggests. This is so because businesses would be provided with the public goods and subsidies that could promote increased growth. If the bureaucracy was working with business, it could create an industrial policy that aids in the development of the economy.¹

Looking deeper into the Indian bureaucratic system, R.B. Jain writes that the ideal bureaucrat in India was a generalist who could be assigned to any type of management job (Jain 32). The men working in bureaucracy are upper class, educated at the best schools, and relatively isolated from business. This leads to the bureaucracy's major problem – that it cannot institute policies produced by the government. The policies are relatively general, but they require expertise in specialized areas for proper implementation (Jain 39). While trying to institute these policies, the bureaucracy spends a lot of time and energy working on details and delegating decisions to others. This happens because the bureaucracy is pandering to small minorities, exactly what Kohli and Heller mentioned as India's problem earlier. The colonial history passed

¹ A more detailed discussion of industrial policy and its benefits can be found in Chapter 4 of Dani Rodrik's *One Economics, Many Recipes*. Princeton University Press, 2007.

on from the British has created a status quo that has been reinforced over time and produced an ineffective bureaucracy.

J.D. Pederson gives the start of an explanation to where these problems arose. Despite the Indian government disliking the bureaucracy at independence, it was too involved in the economy to be removed, as Evans noted earlier. Pederson takes this further, saying that if the bureaucracy had been removed, there could possibly have been major economic problems, thus it had to stay in place. He believes that the bureaucracy needs to be able to work with business, but be its own actor when instituting policy (Pederson 518). This autonomy is the same that Evans talks about and continues the trend of disagreement with Das about further liberalization. Pederson believes that the bureaucracy could be successful if there was a decrease in the rent-seeking practices and an increased focus on the state as a whole.

The literature in general points to the fact that the bureaucracy could be an important and influential part of India's development, although currently it is ineffective because of several problems within the institution. Evans suggests that it lacks autonomy from business and, moreover, changing would aid in its effectiveness. Pederson and Potter focus on the general nature of bureaucrats and their inability to institute policies that increase development. Kohli has an important point, that the demographics of the country are a disadvantage. However, the bureaucracy, according to much of the other literature, is also an important part as to why India has suffered from low levels of economic growth.

What is missing, however, is an integrated account about why India's bureaucracy is not working. It is clear from the literature that the bureaucracy in India is a major problem, but other than the suggestion of eliminating the bureaucracy, little has been recommended. By looking at the bureaucracy through its evolution and in a holistic view, one can better identify what the problems are and what needs to be changed to increase growth.

Evolution of the Indian Bureaucracy

Indian bureaucracy has held onto several suboptimal characteristics adopted under British colonialism, despite serious political changes since independence. This has led to stagnation, inefficiency, and resistance to change. The Indian bureaucracy continues to hold considerable sway over policy. Administrators today continue to be generalists, rotating rapidly among posts and working within a seniority-based system. This is an unfavorable combination for facilitating effective interventionist economic policies, such as India's five-year plans which have been central to its effort to pull its population out of poverty. This section examines the origin of the factors which have cemented these traits in place, why they have continued to dominate India's bureaucracy, and why the Indian bureaucracy has become full of contradictions.

Bureaucracy under the Crown (1900 – 1946)

There are three important legacies of the colonial bureaucracy: recruitment; molding; and job security and rotation. Although these traits were effective for English colonialism, they translated poorly into effective policies for an independent country. The existence of a strong bureaucracy that was a powerful decision maker for the Crown was the reason the British could govern India for so long. The Indian Civil Service (ICS) was a powerful group of men that were given a wide base, both geographically and politically, to manage the country.

The method of recruitment is pivotal to the formation of any institution, and this was particularly true for the ICS. The ideal ICS men were smart, college educated, and loyal to the Crown, creating a group that the Crown could count on to look after its best interests. Indians later entered the ICS, and although the service spread out from the central government to include the provinces, it continued to attract similar men, even if they were Indian (Misra 1977: 226). This was an excellent recruitment system for the English, but closed out many smart Indians that were not wealthy or had not studied the specific subjects on the entrance exam, such as English

history. The bureaucracy remained effective in collecting taxes and maintaining order, but it did not involve people from Indian society.

The molding process created a legacy of elitism, seniority, and overall dislike of administrators by many Indians. The most detrimental part was elitism, which created numerous problems. This was less of a concern for England, as the ICS's elevated place in society meant that fewer men were needed because each man was extremely powerful. For India, though, this legacy hurt the new country because the bureaucracy was supposed to be an intimate part of development. The bureaucracy was unable to act as a group of facilitators if its intervention only created more tension.

A second important part of the molding process was the seniority-based system, which took new members and molded them so that the structure, behavior, norms, and values of the ICS were passed on. The recruitment process was the first part of this molding process because only a specific type of individual would be selected. Then came a variety of training and postings that took these individuals and added them to the homogenous group. The foundation of the ICS rested on the imperative to pay attention to senior members and follow set patterns because one received promotions and pay raises based on one's time in the service rather than on merit (Potter 107). This greatly increased the *esprit de corps* of the bureaucracy as a whole, but, as mentioned before, created a general dislike for administrators by citizens and ministers. This created an interesting status quo, because most bureaucrats are supposed to implement policy, not create it. It set up another problem for India at independence, making the relationship between administrators and ministers even more stressed and complicated.

As independence drew closer, power started to switch to the ministers at both the provincial level and in central government. Bureaucrats would no longer be the decision makers. Instead, the ministers were supposed to give orders to the ICS. While it is important to have autonomy, bureaucrats need to work as a team with ministers in order to create positive change

(Potter 46). Instead, the two groups worked against each other in a power struggle that would only grow worse with time.

Rotation and job security are the final legacies to be discussed. The quick rotation of ICS servicemen, combined with their job protection, are unique attributes that most people lack in their jobs. This again was an important characteristic for a colonial bureaucracy, but would cause problems at independence. The Crown did not want bureaucrats becoming integrated into the community and making decisions that were sympathetic to locals. By rotating men and guaranteeing their jobs, men would make pro-British decisions and policy without worrying about its effect on India (Potter 27). This was a problem after independence for obvious reasons. Bureaucrats were disconnected from the people they were supposed to be serving and had no incentive to help the community grow. Instead, they were distanced from them and could not find out what people needed or how to implement specific policies. Their only natural incentive was to exploit their powerful positions for their own benefit, which was quickly what they started to do.

These aforementioned characteristics of recruitment, molding, job security and rotation worked especially well for the British because they created a very strong institution that was loyal to the Crown and its interests. This legacy was less than ideal for a newly sovereign nation aimed at using intervention to increase the economic wellbeing of its citizens. India wanted control to reside among its democratically elected leaders, while the bureaucrats would be working to apply policy to the community.

In other words, the bureaucracy before independence was not facilitating growth or intervening in the economy. The institution was not set up for this, and the men in it were not even knowledgeable about how to spur growth. These differences in expectations and the reality of the ICS are a key reason why the British legacy worked poorly for the newly independent nation.

Independence and Nehru's Initial Government (1947-1950)

The transition from a colony to a sovereign nation was one where the people would rule India through a federal system that promised to industrialize the country and improve life for all its citizens. The Congress Party, under the leadership of Jawaharlal Nehru, led the construction of a constitution and the formulation of a new state system for India. The Congress Party followed Fabian socialism and was adamant about using SOEs to create growth and promote economic equality.

Central to the formation of the constitution was what to do with the ICS. The constitution envisioned a bureaucracy that would aid ministers with decisions through unbiased and apolitical advice. There was a serious internal disagreement between Congress leaders about what to do with the current bureaucracy, because many, including Nehru and Gandhi, saw the bureaucracy as a colonial symbol (Potter 127). Ultimately the bureaucracy was preserved, with the expectation that in the future it would be disbanded or undergo large reforms.

What India wound up with after the new constitution was passed and the first government was formed under Jawaharlal Nehru was a new form of the old bureaucracy. The ICS disappeared, but it really just changed into a similar organization called the Indian Administrative Service (IAS). While it was most likely necessary to keep this upper-level bureaucracy, what should have been discussed was heavy reform at independence not just the complete elimination of the service. The all-or-nothing approach to keeping the ICS was much different than the outcome when other British colonies, such as Malaysia, gained independence.

After the transition from a colony to a sovereign state, there still were several powerful interests from the colonial era that had significant political pull, and the bureaucracy was one. In the next couple of decades, the political leadership would focus on trying to reshape the IAS into a group of facilitators that worked with business and government for success. This was

exceedingly difficult because this reform would take power away and remove the IAS's elite status.

Since the new bureaucracy had similar characteristics to the one under the Crown, it is unsurprising that it wound up with several contradictions with the new Indian government. Three major contradictions between India and the IAS hampered the IAS's ability to be an effective institution in development: 1) there was limited constructive interaction between bureaucrats and politicians, and disagreements with who had what power; 2) the new country's development was based on five-year plans which necessitated a great deal of cooperation between business, government, and a bureaucracy that had no experience with this and ; 3) the government was a federal system, meaning the bureaucracy would have to work simultaneously with the central and state governments (Potter 150).

With regard to the first contradiction, democracy increased tension between bureaucrats and politicians because bureaucrats were used to making decisions and being in control. Now the bureaucrats had to listen to the politicians, who were representing the people This immediately created a clash between the IAS and elected officials over who had power in regard to creation and implementation of policy.

The IAS wanted to maintain its autonomy from the ministers and the community they worked in. Following the colonial legacy was not a good path for the bureaucracy now that India was a sovereign state. This quickly centralized decision making among upper-level bureaucrats and slowed down the rate at which the IAS could do work (Misra 1970: 323).

In the second contradiction, the bureaucracy, which had been a passive institution during colonialism, now struggled to intervene and institute programs that would create growth to meet the goals of the five-year plans. Gandhi had led the Congress Party on the idea of Fabian socialism and raising the standard of living of Indians in an equal way. Laissez-faire capitalism was not in favor politically, but using government intervention to spread growth was highly

popular. Unlike the government intervention that has been used in the more successful Asian countries over the past 40 years, the government was not going to support private business but create SOEs. The bureaucracy was again expected to do something which it had no experience with – direct these companies. These five-year plans were integral for the development of the country in a socialist way, and the IAS was meant to be a major contributor in implementing them. The problem with this was England did not create an institution with the ability to intervene in the economy, but just one to collect taxes and keep the nation under its control (Potter 150).

The final major contradiction was that the IAS was caught between the central government and the states, with no real guidance on where it should operate. The central government imposed the IAS on states as a way of keeping control over them despite the states' disapproval. Previously, the ICS was controlled by the Crown and had a great deal of autonomy instead of being controlled by two competing parts of government. This new problem hindered the growth of the IAS as an institution in India. It was no longer in control of itself, but had to work for another institution. Despite this and the previous stated problems, the IAS was able to survive and adapt to this new type of governance.

In sum, the colonial tradition gave India a highly developed and organized bureaucracy. The ICS colonial legacy had to be reformed to serve the country's new priorities instead of the Crown's. The three contradictions were never addressed and caused continual problems. Reform could have created progress over time, but there was not enough political pressure from upper-level ministers, such as Nehru, to really alter the institution. Without reform, the Indian bureaucracy continued to prosper as an institution. The administrators did well at the cost of the rest of the country, as will be shown in the following section.

Nehru through Indira Gandhi (1950–1984)

During the era of Nehru through Indira Gandhi (1950–1984), the Indian administration took the British system and changed it into India's own. This era contained several central themes. The 1950s and 1960s were a continuation of the status quo for the ICS and the economy, since neither made major improvements. What did begin to change were the recruitment and molding policies employed by the IAS. Then came the 1970s, when the government started analyzing and reforming the bureaucracy. The desired outcome was to resolve many of the contradictions left by the colonial legacy, such as generalist administrators, limited training, and elitism. Several committees were formed and studies conducted, but little change was enacted because there was inadequate political pressure to force the entrenched and powerful ICS to change. The country was trying to analyze the bureaucracy and find solutions. The IAS became even more embedded and used its political influence to resist reforms which would have forced them to become facilitators.

In the 1980s, the changed bureaucracy had evolved through pressure and consolidation of power among elites. Even with these changes, the bureaucracy was still unsuccessful at working with ministers to spur economic growth, as can be seen by India's low growth rates throughout this era. Nevertheless, the colonial legacy cast a large shadow over the new administration and the original colonial traits were still present.

The change during the 50s to 60s had two central themes displayed in the evolution of Indian administration. First, there were major changes in recruitment and training. Second, a growing political war between the state and the bureaucracy slowed down the already inefficient bureaucracy. The bureaucracy was aware that it had to improve its performance in development projects, no matter how good it was at capturing political clout. Because of this, recruitment and training started to move in a different direction.

Changes to the Characteristics of Bureaucracy

The overall make-up of the bureaucracy began to change quickly after independence and continued to change for several decades. Along with this, came rather large changes in the training of new recruits. This major colonial trait, recruitment and molding, was becoming more unique to India. While these changes were significant, they did little to alter the outcome of most men. Most were still elevated in society, trained in gentlemanly manners, and educated at English medium schools. The changes that happened were within the institutional structure, and instead of making a real difference they just changed the façade of the IAS.

There were two important reasons for the large turnover that occurred among bureaucrats in the early part of the 1950s. First, there was a dislike for the growing politics associated with being a bureaucrat. One was expected to play the political game to get what one wanted. Second, the explosion of the public sector and SOEs added many new faces to the administration. In the first three five-year plans, the number of public sector employees more than doubled. In 1953, 4.1 million people worked in central, state, and local government. By 1973, 11.9 million people were employed (Potter 159). The expansion of the state also increased the problem of embeddedness, because as the economy expanded the bureaucracy pushed further into the economy. This made the rotation problem, originally created by colonialism, even worse. Rapid turnover meant there were two sets of inexperienced men: those who had rotated in from another department and those who had just been recruited. The turnover meant men were unfamiliar with their posts, and they were often inexperienced at working in the IAS because of the rapid expansion.

The famous exam for entrance into the IAS was still in effect, but with a few small changes. Beginning in 1949, applicants had to take three general sections (English essay, general English, general knowledge) and three specialized sections (physics, math, law, geography, philosophy, etc.) to gain entrance (Misra 1986: 112). This change to having specific subjects was

an effort by the IAS to increase the specialization of its recruits. Even with this change, the men were not specializing in this area beyond the test they took for acceptance. Further training and working in a ministry that was related to their specialty would have shown a greater commitment to reform.

The exam was still designed to get the best in India, but it was starting to fail. Beyond the many ways around the exam, such as promotion from low levels, the constitution had created reservations for minorities who faced discrimination which further diluted the elitism seen in the IAS. These reservations held aside a certain percentage of appointments for these minorities. While these new reservations were meant to create greater equality, they were a major concern because they had the ability to allow unqualified applicants into the service. According to Patel, none of the men who were selected because of their minority status would have made it without the reservation (Misra 1986: 118). While he had been a champion of the bureaucracy, he, along with many other political leaders, recognized the continued decline of the IAS that started before independence.

The country was caught in a position where it quickly needed administrators and could not be choosy. At independence the bureaucracy became embedded in the economy and, therefore, needed to expand to support all of the businesses. Instead of guiding business with a small elite and autonomous group of men, the IAS was directing it and thus had to recruit and train an enormous number of men. The IAS quickly ballooned into a much larger and involved organization.

To complicate the problem of unqualified people in bureaucracy, many new men were being quickly promoted to high-level positions. The position of Cabinet Secretary was created in the 1950s to act as a link between the administration and the government (Misra 1986: 161). Instead of easing the problems found between bureaucrats and politicians, the new cabinet position left things the same and caused an unexpected problem: bureaucratic growth. The

secretariat also tried to free up the time of top administrators so they could focus on decisions, but this again created more ministries and in the end just slowed things down as the bureaucracy ballooned. The costs went up while the quality of administration went down. Instead of creating more ministries and staffing them with the top specialists, generalists were still placed at the top. This caused a new clash, now among generalist administrators and specialists.

As the ministries started to grow, there was also an explosion in applicants to the IAS because it had many excellent positions. At the end of the 1960s, the bureaucracy was flooded with applicants, furthering the difficulty in finding good men. The problem with many of the sub-par men entering the bureaucracy was that they did not speak their minds to ministers. This was one of the most important parts of the job and this failure meant they often just promoted men that supported policies the ministers favored. This further damaged the effectiveness of the state to intervene in the economy. The dialogue between the policy creators and the policy administrators vanished. Ministers were in essence just trying to find “yes” men in the IAS.

Training during this same period also began to change, but continued to create the same type of men that were in the ICS. This is another example of how the bureaucracy only changed within the confines of the greater institution. When men received entrance into the bureaucracy, they were put through a one-year training program and were under a mentor while working at their first post. This was another colonial tradition passed on to the current administration. The training focused on making the men into gentlemen that could conduct business in a formal manner. Proper etiquette was taught and many considered the year a paid vacation by the state before they really had to get to work (Potter 187). While the training did help the *esprit de corps*, it had little impact on making the men better administrators.

Men were still lacking in appropriate training to help ministers with five-year plans and dealing with the political climate that they would enter. They did not get training in a specific area that could have prepared them for their jobs, but instead continued the molding process that

was common under the British. This process continued the entrenchment process and made the future of reform even more doubtful. Because of their immense political pressure, the IAS was able to continue to resist the necessary reform to make the institution into a group that acted as facilitators.

When men were first appointed to their district they were supposed to receive additional training from the state that was specific to the area in which they would work. Most of this training was abridged or never completed. The bulk of IAS men agreed that they were extremely under prepared for their first post (Potter 192). The earlier training they had done was of little use and had almost nothing to do with their current job. More importantly, none of the training would prepare the men for the political pressure that they would encounter (Potter 194).

Finally, once posted to a position IAS men would almost never receive more training during their time with the service (Misra 1986: 204). This was a major problem. While experience benefited IAS men, the institution was not set up in a way to constantly improve itself. This also hampered reform efforts because men were not used to having to improve their service or be held accountable for performance.

The IAS went through a massive turnover of men during the 1950s and 1960s for reasons varying from men disliking the growing political involvement of the job to the overall expansion of bureaucracy. Training was expanded in hopes of providing more specialized training, but this training was still highly influenced by the earlier colonial beliefs and proved to do little for men when they were placed in the field. These changes led to a larger and less elite bureaucracy that could do little better than the previous one at working to improve the Indian economy. Instead of meaningful reform that would impact the ability of the IAS to work with business, the IAS again just changed its façade yet stayed the same institution.

Interactions with Policy Formation

After independence, the bureaucracy had to work in a highly political atmosphere. This signaled the start of problems between bureaucrats and ministers, while also starting a quick change from creating to influencing policy. This change of influence constituted a decline in the apolitical role of bureaucrats to a more political role in influencing policy formulation. In the past, the IAS had been involved in politics but with the Crown and not the community. Now that the bureaucracy was working for the local community, there were many more pressures from more directions. Bureaucrats were able to maintain some of the power that the constitution had taken from them at independence, while also still following the constitution. These two changes were major parts of the evolution of the bureaucracy away from an elite group of men to a group that had to be politically savvy. Instead of following what politicians said, bureaucrats tried to influence policy and push decisions in a way that would benefit their position.

Even before independence, the bureaucracy began to become a more politically influenced group, but in the 1950s bureaucrats started to use heavy pressure to influence policy in their favor. The bureaucracy drastically changed as administrators had to work daily with ministers as advisors, unlike the past where they were often quite autonomous in their decisions. The only way to move up in the system and to be heard was to play this new political game.

Any bureaucracy has this same inherent problem because when only a few people are allowed to allocate scarce resources, there will be political pressure. In the past, there had been little development work and major decisions were made by the Crown, so the bureaucracy did not have this same pressure. Now that ministers were directly in control, everything that the administrators had to deal with was a political affair. Most men were unprepared for this and struggled to perform their jobs at the same level. They could not make the shift towards instituting policy and were still trying to make and influence the outcomes of decisions. While

they were supposed to give advice, they were mainly supposed to act as policy implementers and facilitate the five-year plans.

This pressure and new political role led to a growing feud between ministers and their secretaries, which constituted the bureaucracy. The government was supposed to be focusing on economic and social development, but could do little because of the amount of internal fighting over who had power. There were problems at all levels of government, from the province extending all the way up to the prime minister. On November 9, 1966, the Home Minister resigned citing problems with the IAS men he had to work with (Potter 154).

The bureaucracy was not filled with terrible people, although the quality was declining, but the institution worked poorly. Ministers were required to work with a select number of IAS men who were still under the assumption that they should have a large amount of political say. Even if ministers did not like the IAS men they worked with, it was almost impossible to remove them. Ministers also resented the autonomy given to these bureaucrats. They tried to limit this but had minimal success because of the continuing political clout of the IAS. The lack of reform after independence was a signal to the bureaucracy that they still had most of the power and could carry on this internal fight to increase their political influence.

The fundamental problem between the ministers and the bureaucracy was that the ministers had to allow independence and freedom of the bureaucracy, while the bureaucrats had to give an objective opinion on all the issues they were presented. Neither side was willing to grant the other these requirements which created several responses to this problem.

The first response was that the aforementioned political influence on policy continued. To survive, administrators had to be successful in politics, and they would often do what they thought was best for their job security and not the country. Ministers also tried their best to work with bureaucrats that shared similar beliefs to themselves. They did not like to have meetings filled with diverse opinions, but instead had meetings with men who proposed ideas that they

would always agree with. This was compounded by bureaucrats giving advice they knew ministers would like to hear in order to assure their own promotion (Potter 167). This stopped discussion on issues and greatly defeated the purpose of having ministers and bureaucrats work together. Not only were the bureaucrats not working as facilitators, but they were also not working with ministers to create effective policy.

The second response was for ministers to force their way around bureaucrats. In the end, because India is a democracy, the power is with the people and the minister is representing the people. The administrators could only give advice and then take the decisions handed to them and implement the policies. In this way, democracy acted as a part of the new inefficiency that was added to the bureaucracy (Misra 1986: 173). Even if administrators had good ideas, there was such a stigma attached to working with the IAS that many ministers often did what they wanted without advice from the IAS.

This new trait of policy influence was one of the most important parts of bureaucratic evolution. It impacted all parts of the bureaucracy because it changed the dynamic between ministers and bureaucrats. Instead of increasing deliberations over policy by bringing ministers and bureaucrats together, discussions were limited further. Bureaucrats did not move into the position they were supposed to, that of instituting policy, instead they continued to flex their political muscle and impact policy without the knowledge that specialists had. Their political pressure helped them avoid reform by the government, thus continuing the failing path of the five-year plans, which produced little economic growth.

Reform and Analysis of IAS Failures

During the late 1960s through to the 1980s, the government started to take a look at the problems that were slowing growth. The bureaucracy was selected by many studies and committees as a perfect candidate to be reformed. An example of the frustration was Indira Gandhi's take on the administration in the late 1960s:

...the present bureaucracy under the orthodox and conservative leadership of the ICS with its upper-class prejudices can hardly be expected to meet the requirements of social and economic change along socialist lines. The creation of an administrative cadre committed to national objectives and responsive to our social needs is an urgent necessity (Potter 156).

The many committees that analyzed the bureaucracy did so in a very gentle way and avoided using any harsh language. No major reforms were completed because of this and a lack of political commitment to reform by ministers. A large reason why the reports were not more critical was because the committees were often filled with past IAS men who were trying to protect their old institution.

The 1967 Report on Administration pointed to the bureaucracy as one of the reasons for the countries failed policies. The ministers supposedly were open to neutral advice, but the administrators were too political in influencing policy. Along with this, the report found that the standards were continuing to fall among IAS men. Its major recommendation, which was accepted, was for a gradual change in how men were promoted. A system based more heavily on meritocracy was instituted. A person's qualifications and ability were starting to get some notice along with a more objective screening process to decide promotions (Misra 1986: 173).

In 1970, the Administrative Reform Commission was created (Potter 168). Many of its recommendations were important, but politicians paid little attention to the suggestions. The Congress Party was continuing to win votes and was averse to large change that would threaten its majority. There was also very little political pressure from the prime minister during this time, despite the obvious frustration as was evident from the feelings of Indira Gandhi. Specialists continued to push for reform, especially after the reform commission suggested all generalist positions should be eliminated and replaced with specialists (Potter 170). Again, the status quo prevailed and in the end the only thing that changed was a small increase in training among IAS men.

The one positive component of this reform was the switch from a trial-and-error form of bureaucracy to one that included some analysis (Misra 1986: 192). The government was looking at what was wrong with the bureaucracy and trying to make changes, which was an important first step. The government was aware that the colonial model worked poorly, and it was trying to make as many changes as possible.

By the time the 1980s started, India had made many great changes since independence and the bureaucracy was one of them. While the government had not directly forced change upon it through laws and regulations, the pressure and new role that administrators had to fill meant the bureaucracy had evolved. Along with this change was its new size. Public sector employment had now more than quadrupled between 1953 and 1983 (Potter 212).

The bureaucracy was still a group that was considered gentlemanly and ethically pure. The homogeneity of the past had changed slightly, along with the selection process, but these changes caused little change in the overall character of the bureaucracy and its ability to work as facilitators for the economy. The rapid rotation that had plagued the IAS for years was in fact still common. Eighty percent of IAS men had been in their current position less than 2 years in 1983 (Potter 210). Even if one looked at bureaucrats below the IAS, they displayed similar patterns of quick rotation. The colonial model had used political power and small compromises to continue to preserve its place in the state.

The government at the start of the 1980s came out with three keys to what a good bureaucracy would have: innovation, specialist expertise, and quick response to problems (Potter 237). The Indian bureaucracy, despite the evolution of the 1950s to 1960s and the reform of the 1970s, had not gained the above characteristics. Many IAS men de-emphasized these traits, but it was clear that the status quo could not last much longer. The slow and inefficient bureaucracy had both problems and political enemies looking to make large changes.

Malaysia as a Comparative Foil: From Independence to the 1980s

India's history shows how the bureaucracy has impacted the development and successes of the country. This logically leads to a discussion of the changes that India could have made during this time and what the effects would have been. Using Malaysia as a foil allows one to look at what could have been. Malaysia is an appropriate comparison to India because of its similar colonial history. It was also under colonial rule until after the Second World War, gaining independence from Great Britain in 1957. It was left with the same colonial bureaucracy India had at independence. While many of the characteristics of the bureaucracy were, and continued to be, the same, several large differences took shape over the ensuing twenty-five years, which ultimately allowed Malaysian bureaucrats to succeed at promoting economic growth.

The Malaysian bureaucracy after independence was also seen as an extremely prestigious and powerful group. Joining the Malaysian Civil Service (MCS) was one of the best jobs available for college graduates. The men that were selected to serve were the smartest Malaysians who passed a rigorous test to gain acceptance. After several years of independence, bureaucrats began to influence policy at the upper levels of the MCS, in the same way that the ICS had.

At independence, there were almost no native Malaysians in upper level positions in the MCS, meaning that the new Malaysian bureaucracy and nationalist movement were not at odds with each other. The nationalist movement had grown out of low-level MCS men who were Malaysian, creating a strong link between bureaucracy and government.

The prime minister immediately pushed the MCS to reform, which continued for twenty-five years. This was much different than Nehru and Gandhi's wish to eliminate the ICS in India. Promotion was also based on performance and education with little hinging on politics. These differences made a considerable impact in creating an effective bureaucracy.

Bureaucratic Similarities and Differences with India

The MCS followed many of the patterns that were seen in India with regard to the ICS and IAS, but also deviated in critical parts. There were four main similarities: it was quickly filled with Malaysians, bureaucrats were supposed to implement policy, it was a prestigious bureaucracy, and bureaucrats were centralized generalists.

The MCS was considered one of the top job placements and employees were highly centralized decision maker for national policies. The MCS was quickly filled with Malaysians at independence, because all of the Englishmen returned home. The number of MCS positions also expanded because the bureaucracy grew. As in India, it was no longer just involved with collecting and running the state. The MCS became an interventionist institution aimed at economic development. The smartest graduates were recruited and, as in India, one had to pass an examination to gain entrance to upper level positions in the bureaucracy.

Second, bureaucrats were also expected to implement the policy that was created by politicians (Puthcheary 40). Despite this, their real role, as in India, was to work with political leaders "...charting the course of Malaysia's history through the formulation of long term policies. This role is, however, only tacitly accepted and reluctantly acknowledged as a fact by civil servants who prefer to describe themselves as mere implementers of public policies." (Ahmad 105).

Third, being an administrator in Malaysia at independence, and through this period, was considered a prestigious appointment. Part of the reason why was that Malaysians had been "culturally conditioned" to accept this belief (Puthcheary 93). During the 1970s, there was a decrease in the desirability of positions in bureaucracy because of other opportunities in the private sector, but the prestige lived on. This same problem occurred in the Indian bureaucracy when private sector jobs started offering higher wages.

Finally, Malaysian administrators were highly centralized generalists. Decision making was kept for the upper-level men, who had a good understanding of how administration and politics worked. Malaysia was able to move towards more technical men through reforms in the 1970s, but it still suffered from the generalist problem that India had. In general, these four themes created many of the same problems that India struggled with. The primary problem was that the bureaucracy was structured for a colony and not a sovereign state.

Where things start to change between India and Malaysia is how the bureaucracy interacted with politics. The politicization that the ICS in India experienced was one of the main changes that impacted the ability of administrators to conduct their work. This same change happened in Malaysia, but we can see that this politicization is where the Malaysian bureaucracy starts to stray from the Indian model. In Malaysia, there were close connections between the bureaucrats and the politicians, but they were much more constructive towards policy implementation than those in India. Upper-level administrators were intimately involved with politics and creating effective policies, unlike India, where there were large disagreements.

The political influence that occurred in Malaysia was mainly centered at the top. Upper-level men were the ones most closely associated with politicians after independence and had many of the same connections that IAS men in India had. The major difference was there was relatively little political influence at lower levels. Since Malaysia had no upper level natives working in the bureaucracy during colonial times, there was not a large transition of bureaucrats switching from British control to Malaysian control. Instead what happened was that the bureaucrats went in two directions. Some became the political elite, while others continued as upper-level bureaucrats. The lower levels were filled with new men that mainly stayed out of politics (Ahmad 95).

This close connection at that the top of the government with the bureaucracy was a major informal avenue for the bureaucracy to derive power. With the large resignation of men from the

MCS at independence to work as politicians, there was a positive connection at the upper levels of government, instead of the detrimental infighting seen in India (Puthcheary 39). There was no struggle between the old and new because the only men left working were the pro-nationalist group, as the old constituted just the British.

The bureaucracy had formed in a similar way to India, but had avoided having the deep divisions between government and administrators. Despite this there were still problems with political interference, but not to the same extent as in India. The major changes had happened close to independence, creating an influential elite with a rather apolitical lower level.

Malaysia's Own Brand of Administration

In contrast to the passive approach towards bureaucratic reform used by India's government and prime ministers, the Malaysian prime ministers made reform a major political goal. This reform was important to eliminate any contradiction with the economic policy which, as mentioned earlier, India did not address. Before this reform could even start, there were some differences between the two at independence. Politicians and administrators worked well together from the start. The bureaucracy was also not threatened with elimination but was pushed to reform. This was an important difference to what India did at independence. Promotion was not a political venture; instead it was based on performance and quality work. Finally, the Malaysian bureaucrats were better at letting private businesses thrive, by giving them a helping hand instead of controlling their every move. Bureaucrats were embedded among businesses while still having some autonomy. This degree of autonomy was what India lacked.

While the differences in political influence have been outlined above, the added benefits are not directly clear. This ability of bureaucrats and politicians to work together in a constructive manner greatly increased the ability for Malaysia to complete development projects. The two groups were mutually supportive of each other, with politicians setting long term policy and bureaucrats carrying out the technical details (Chik 41). Unlike India, the men in the civil

service led the Malaysian nationalization movement, and thus the political elite grew out of this group. Because of this, the MCS was not seen as a colonial arm and could avoid the stigma that was attached to India's bureaucracy. The ICS was a very powerful organization that had Indians at upper posts before nationalists got close to gaining independence. This meant that there were two distinct groups before independence, something that Malaysia did not have.

Immediately after independence, the prime minister of Malaysia pressed for change of the bureaucracy, not the removal of the institution. This, as mentioned earlier, was the opposite of India and turned out to be a key for productive reform. Many politicians, including Nehru, called for the destruction of the ICS. In Malaysia, they made the decision to work with what they had. The executive branch also put a great deal of pressure on the MCS to change, something that was not done in India.

There were many successful changes that occurred during this twenty-five year period. The Montgomery-Esman report, by the Ford Foundation, along with the Fulton Report, outlined the changes that had to be made during the 1960s. At the top of the list was an increase in specialized skills among administrators (Puthcheary 112). As the Fulton Report states "...many lack the fully-developed professionalism that their work now demands. They do not develop adequate in depth knowledge in any one aspect of the department's work and frequently not even in the general area of activity in which the departments operates." (Puthcheary 112) These changes were put into place under intense pressure from the executive branch.

The prime minister created the Malaysian Administrative Modernity and Manpower Planning Unit in 1977 to create gradual, but consistent, reform (Painter 368). This was continued in the 1980s as Prime Minister Mahathir bin Mohamad continued to push reform, this time moving the administration towards accountability, efficiency, and discipline (Painter 369). The institution continued to improve in a much more effective way than did India, where even the long-term existence of the IAS was never completely assured.

These reforms have also led to major differences between the two nations. From the beginning, Malaysia promoted education for administrators, and this rapidly improved the men who were working for the MCS (Ahmad 101). Men also had the ability to move up quickly if they had the qualifications and ability.

In India, politics played an enormous role in promotion. Men had to play along with ministers in order to move up in the system. This was untrue in Malaysia. When Malaysian bureaucrats were questioned about the top three reasons for promotion, they cited seniority, past performance, and qualifications (Puthcheary 102). This same study found that political factors were not a big reason for promotion. Along with this, technical experts were often promoted to upper-level positions in the 1970s. After reform committees highlighted the lack of these professionals, the government made sure the best technical experts were placed in appropriate departments.

The final difference was the way that the bureaucracy approached the economy. While India was a major owner of most large enterprises after independence, Malaysia had a more hands-off approach. By 1969, large riots caused a shift in policy. The government began to get involved in the economy through nurturing private business and starting state-owned and joint ventures (Puthcheary 107). This worked well, as private business was quite productive and the bureaucracy was embedded but still autonomous. During the 1980s, the government increased its goals to foster business. Increased privatization began in 1983 to spur growth of sagging public industries (Puthcheary 108). The bureaucracy switched almost completely to a role of aiding business as opposed to running it, a step that India had not even started to make.

While there are many close similarities between Indian and Malaysian bureaucracy during this period, the differences that quickly grew after independence show why Malaysia experienced growth and can explain how the British colonial model could be adapted to promote a statist approach to economic growth.

India and Malaysia - 80s to present day

The second half of the 1980s was a pivotal time for both countries as they continued to look for ways to increase economic growth. Although in the 1980s Malaysia was certainly in a better economic position and equipped with a better bureaucracy than India, both still needed extensive reforms to further economic growth. During the last twenty-five years both countries have changed dramatically through economic reforms focusing on economic policy and administration. These changes have been both in response to economic troubles that developed during the 1980s. Ultimately, India was unable to change the colonial legacy which had crippled its bureaucracy's ability to intervene and facilitate economic growth.

In India, after years of underperformance at SOEs, the country confronted a major balance-of-payments problem at the start of the 1990s. Liberalization of the economy led to more export-oriented growth and took power away from the IAS. This change solved the financial problems, but did little to fix the poorly performing and corrupt bureaucracy. In Malaysia, the country fell into a recession in the mid 1980s, but in contrast to India, this prompted major changes in the bureaucracy along with a more export-oriented growth strategy modeled after the successful Asian Tigers.

While Malaysia has seen large reforms pertaining directly to its bureaucracy, India has not followed this model, but instead has changed its economic policy to remove much of the bureaucracy from a controlling position. The amount of reform that has occurred is modest. Most of the change comes from a more outward-looking economy focused on export oriented growth, which undercut IAS power and gave it to entrepreneurs and international investors. The changes, or lack of, reflect five general themes: leadership, downsizing, accountability, economic policy, and management. These often overlap and combine to have very powerful effects, albeit less powerful than in Malaysia.

Leadership

What India needed during the late 20th century was for leadership from a section of the government to propose and push for specific reform. During the mid 1980s, Rajiv Gandhi tried small reorganizations of upper-level bureaucrats to minimize the inefficiency displayed in the civil service (Manor 88). This had little effect on taking away the bureaucrats' power. This is in contrast with the changes that were happening in Malaysia at the time. With the election of Mahtir bin Mohamad in 1981 as Prime Minister, reform took off. During the 1980s, he pressured the bureaucracy to change into a more accountable, efficient, and disciplined group (Painter 368). During this time, his changes created a more business-like culture in the bureaucracy. Punch clocks, routine procedures, office ethics, and productivity measures are some examples of changes to increase accountability and discipline (Siddiquee 109).

Downsizing

India also needed significant downsizing. In Malaysia, bureaucratic cutbacks were initiated by the executive sector, to fix the financial problems that had been created by the recession (Painter 369). The Malaysian civil service was a prime candidate for this downsizing as it had consistently grown since independence. India could have learned from this change. But the Indian bureaucracy continued its growth from Independence because of the expansion of SOEs. This continued to build financial problems that would hit a breaking point at the start of the 1990s.

In Malaysia, the New Remuneration Scheme started in 1992 was used to decrease the number of pay levels for government positions. This greatly reduced the hierarchy in the administration. Paired with this, a large privatization of government projects took 210 projects and turned them into private companies between 1983 and 1995. This eliminated 105,000 government employees, which not only reduced bureaucracy, but also reduced the financial burden on the country (Siddiquee 110). India went through similar changes, in order to alleviate

its Balance of Payments (BOP) problems. The major change that ended India's sustained but slow growth was its liberalization during the 1990s. India started inviting in foreign investment and following an export oriented economic policy instead of import substitution industrialization. It did not, however, make reforms such as the New Remuneration Scheme or the Modified Budgeting System, mentioned below, that were key to Malaysia's success.

What India inadvertently did that started limiting IAS positions in business was to use economic policy as a downsizing policy. A rapid transition occurred in which companies run by the bureaucracy turned into private companies that were more responsive to success and international competition. As the number of government-run businesses declined, the power of the IAS started to slip. The IAS was no longer able to collect the rents it had in the past or impact the creation of policy as it had since the British held power (Pingle 28). The success was not because the bureaucracy became more involved in aiding the economy, but because business could operate without interacting with the bureaucracy. In fields such as computer technology, where mainly private companies developed, India has enjoyed widespread success because of limited IAS interference (Pingle 163).

Accountability

A third area in which India lagged was in accountability. In 1989 came one of the most important changes to the Malaysian bureaucracy, the Modified Budgeting System (MBS) (Siddiquee 113). This linked the financial inputs into government programs with outputs from these same programs. This did two important things for the bureaucracy. First it let managers manage. Politicians were removed from day-to-day actions of government programs. They could only control general policy and had to leave the specific application of policy to the administrators. Second, it gave more authority to lower levels. This helped because more people were involved with enacting policy instead of having a powerful administrative elite.

At the same time, the Malaysian Ministry of Finance streamlined the process of investing in the country at the national level through eliminating red tape and the license system. The bureaucracy received an increase in training and an extension of its training throughout the employees' tenure in the civil service. All levels of the bureaucracy were required to continue education to promote career-long development. (Siddiquee 115). "Customer service" was made an important part of the bureaucracy. All of these changes greatly increased the accountability of the service.

Economic Policy

In a fourth area, India was, in hindsight, blessed with an economic crisis. It ran into large BOP problems in 1991 that became so severe it had to be assisted with a large loan from the International Monetary Fund. This forced ministers to accept that the current economic policies were not working (Thakur 139). Previously, 71% of the organized sector was publicly run, meaning the bureaucracy was in control (Thakur 139). The years of poorly managed SOEs had caught up to India. The Minister of Finance, Manmohan Singh, now Prime Minister, became the architect of major economic liberalization that has since spurred continuous and increasing growth.

Throughout the 1990s and 2000s there has been minimal reform to the Indian bureaucracy. The license raj ended with liberalization during the 1990s, taking away much of the rent-seeking ability of many bureaucrats (Thakur 139). Other than this change, the recruitment, training, hierarchy, and rotation, which has plagued the IAS throughout its history, continues to this day.

In Malaysia, Mahtir bin Mohamad used political pressure to institute reform. He displayed autocratic-like power to reshape the bureaucracy and refocus it on a select few goals. This did not happen in India, perhaps owing to the higher turnover of prime ministers in India, better democratic institutions, or another unseen variable. The major conclusion from this seems

to be that political pressure is needed to change the bureaucracy. Because the executive holds so much power, and is not a congressional body filled with conflicting opinions, it holds the best possibility to push through reform.

Management

India has also followed a different form of management from Malaysia. In Malaysia, the bureaucracy changed so that it could create a symbiotic relationship with business.

Administrators helped businesses flourish and acted as facilitators. The bureaucracy has thus become one of the most business-friendly in all of Asia (Painter 367). It has accomplished all of this because of reforms surrounding meritocracy, accountability, “customer service,” quality, and productivity.

Instead of adapting to the change in economic policies that were facilitating growth as experience by their peers in Malaysia, the IAS continued to resist becoming facilitators for businesses. As one said in 1994, “A few years ago, I could afford to keep top industrialists waiting: they needed to come for licenses, renewals, permits... Now we’re totally irrelevant in that area because the central Government has reformed the system and industrialists no longer need to come to us.” (Hazarika). The IAS will have to switch to the role of facilitator if it is to play a major role in the development of India in the future.

Despite the success that this liberalization has had on removing bureaucratic interference and increasing with economic performance, many problems still face India in regard to its bureaucracy. India is ranked 84th on Transparency International’s corruption index while Malaysia is listed at 56 (Transparency International). In a survey conducted by the Political and Economic Risk Consultancy, India ranked last out of 12 major economies in Asia as the worst bureaucracy for business to work with, far behind Malaysia. The report went farther in saying that working with Indian bureaucracy was a “slow and painful process.” (E-Gov). Outside the

central government, the problems with licenses has continued at the state level. In effect, the private sector is still fighting against the bureaucracy in order to succeed.

In contrast, Malaysia has been able to make both policy and administrative changes. Noore Siddiquee outlines the Malaysian reforms during this period perfectly, saying “...*Malaysia* has witnessed the privatization and corporatisation of public entities, refined the system of budgetary, financial and personal management, introduced quantifiable performance indicators, modernized and standardized work procedures and increased quality, client-focused approach and greater concern for public accountability.” (Siddiquee 116).

Conclusions

India, despite recent global slowdowns, has been rapidly growing for the past decade. Despite this apparent success, there are still major reforms that must be made. The problems with the bureaucracy – elitism, rotation, general knowledge, and political interference – have not been fixed. There has been no major push by the government, specifically the prime minister, to reform the bureaucracy. Instead, economic policy has created a way for business to get around the rent-seeking and inefficient bureaucracy. Malaysia, in contrast, made the appropriate reforms to create a bureaucracy that aids in development. This bureaucratic reform is the fundamental difference between the two nations and can explain why Malaysia’s economy has performed better and businesses find it an easier place to work.

India’s bureaucracy has begun to see increases in its autonomy from businesses because of the liberal economic policies that have been put in place. This is beneficial because the bureaucracy is starting to become both embedded and autonomous. Still, many bureaucrats are resisting change. In many areas, there continues to be a lack of autonomy. Bureaucrats are far too embedded in the operation of SOEs. This must change in the future through reform of the bureaucracy, not just economic policy.

Bureaucrats in India have been pulled away from many sectors since the 1990s, but this has not turned them into facilitators. Many, especially at the state level, are still involved in rent-seeking activities and can be seen as a detriment to greater investment and growth of private industry. Large sectors of the economy, such as the energy sector, are still dominated by the state. State ownership has caused extreme power shortages throughout the country. Other areas, such as the technology and service sectors, have seen the impact of poor bureaucracy lessen as they have been freed from a large amount of direct intervention. This has reduced the impact of a corrupt bureaucracy, although not necessarily creating an efficient bureaucracy.

India needs to address rapid rotation, general knowledge, and political interference. These are all common in the IAS and need to be replaced with accountability, performance-based promotion, and increased training in specialized areas throughout peoples' careers. This will further strengthen the economy, adding to the benefits already created by changes in economic policy.

This reform needs to come from the people and, more specifically, the ministers at the federal level. The only way that this powerful and entrenched institution will be changed is through a large amount of political pressure. Unfortunately, since India is a fragmented multi-class democracy, this pressure is unlikely. This is where the Malaysian example is instructive. To avoid many of the problems of a fragmented multi-class country, the prime minister of India must use the power he has to push for reform. What has been lacking in India is a prime minister that makes reform a priority. Nehru, despite his obvious frustration with the IAS, never put his political weight behind reform. This has continued with Indira Gandhi, Rajiv Gandhi, Manmohan Singh and the many other prime ministers who served shorter stints in office.

Instead of focusing on bureaucratic reform, the country has looked to economic reforms. These have been extremely successful but will never be able to make up for a bureaucracy that is pushing against business. India will never be able to get the full potential out of its economy if it

lacks a civil service dedicated to facilitating growth. Asian economies have shown the world that an export-oriented economic policy, combined with an embedded and autonomous civil service dedicated to facilitating the growth of business, can pull millions out of poverty. The best hope for India is that increased political pressure, especially from the executive sector, can push through major reforms changing the IAS into a group that works with business.

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