



SCHOOL FOR  
INTERNATIONAL STUDIES

# **Business and Politics in Tamil Nadu**

---

John Harriss with Andrew Wyatt



Simons Papers in Security and Development

No. 50/2016 | March 2016

The **Simons Papers in Security and Development** are edited and published at the School for International Studies, Simon Fraser University. The papers serve to disseminate research work in progress by the School's faculty and associated and visiting scholars. Our aim is to encourage the exchange of ideas and academic debate. Inclusion of a paper in the series should not limit subsequent publication in any other venue. All papers can be downloaded free of charge from our website, [www.sfu.ca/internationalstudies](http://www.sfu.ca/internationalstudies).

The series is supported by the Simons Foundation.

Series editor: Jeffrey T. Checkel

Managing editor: Martha Snodgrass

Harriss, John and Wyatt, Andrew, *Business and Politics in Tamil Nadu*, Simons Papers in Security and Development, No. 50/2016, School for International Studies, Simon Fraser University, Vancouver, March 2016.

ISSN 1922-5725

Copyright remains with the author. Reproduction for other purposes than personal research, whether in hard copy or electronically, requires the consent of the author(s). If cited or quoted, reference should be made to the full name of the author(s), the title, the working paper number and year, and the publisher.

*Copyright for this issue: John Harriss, [jharriss \(at\) sfu.ca](mailto:jharriss@sfu.ca).*

School for International Studies  
Simon Fraser University  
Suite 7200 - 515 West Hastings Street  
Vancouver, BC Canada V6B 5K3

## Business and Politics in Tamil Nadu

Simons Papers in Security and Development  
No. 50/2016 | March 2016

### Abstract:

Contrary to analyses of India's new model of development that portray influential business groups and politicians as entwined and interdependent, there is strong evidence that the economic success of the state of Tamil Nadu has come about in spite of the actions of politicians rather than with their support. Interviews conducted in autumn 2015 with businessmen in Chennai, together with observations of the practices of state politicians, also do not support the argument that business is able to mold state behavior. Rather, the pro-poor social policies that have been pursued in the context of the competitive populism of the two main Dravidian parties – combined with benign neglect of business groups' interests – have allowed high growth to be institutionalized in an electoral democracy with large numbers of poor citizens.

### About the authors:

John Harriss is a social anthropologist and a professor at the School for International Studies at Simon Fraser University, which he directed in 2006–2013. He has published extensively on the politics and the political economy of South Asia, and of India in particular. Harriss was Editor of the *Canadian Journal of Development Studies/Revue canadienne d'études du développement* in 2010–2014. Before 2006 he headed the Development Studies Institute (DESTIN) at the London School of Economics.

Andrew Wyatt is a Senior Lecturer at the School of Sociology, Politics and International Studies at University of Bristol. His research interests include regional politics, religion and caste in India; political party system change; and the relationship of national identities to economic policy. He has written or co-edited four books on India and numerous articles in such journals as *Commonwealth and Comparative Politics* and *Contemporary South Asia*.

### About the publisher:

The School for International Studies (SIS) fosters innovative interdisciplinary research and teaching programs concerned with a range of global issues, but with a particular emphasis on international development, and on global governance and security. The School aims to link theory, practice and engagement with other societies and cultures, while offering students a challenging and multi-faceted learning experience. SIS is located within the Faculty of Arts and Social Sciences at Simon Fraser University. Our website is [www.sfu.ca/internationalstudies](http://www.sfu.ca/internationalstudies).



## Business and Politics in Tamil Nadu

*'We have made it a point not to interact with government very much'*

*'In Tamil Nadu there is a division of roles between politicians and business. Politicians concentrate on the social sectors, leaving entrepreneurs pretty much to themselves'*

*'Government runs on liquor'*<sup>1</sup>

### Introduction<sup>2</sup>

The key proposition that Christophe Jaffrelot, Atul Kohli and Kanta Murali [JKM] have put forward is that 'At the heart of India's new model of development [which is focused on 'the goal of growth promotion via support for private enterprise'] is the enhanced role of business groups in politics ... With economic success, the power and influence of business groups has grown enormously. Business groups now use this power to mold state behaviour'. But, they wonder, can such a 'pro-business model of high growth be institutionalized in a competitive democracy with a large number of poor citizens?' And for them the state of Tamil Nadu presents an enigma:

---

<sup>1</sup> These are all quotes from interviews with businessmen in Chennai, referred to in note 2. Interestingly, the first quote is also reported by Aseema Sinha from interviews she conducted in 1997. See Aseema Sinha (2005) *The Regional Roots of Developmental Politics in India: A Divided Leviathan*. Bloomington and Indianapolis: Indiana University Press, p. 218.

<sup>2</sup> This paper is based in large part on interviews that I conducted in late October and early November in Chennai, with seven senior businessmen (two of them CEOs of the Indian subsidiaries of major international companies; two Managing Directors and CEOs of major Indian companies; and three of them MDs and CEOs of Chennai-based majors); with four business journalists; two former IAS-officers, both still active in business and consultancy; two economic consultants; and two academics. I also had a meeting with nine members of the Chennai chapter of FICCI, amongst them the President of the Tamil Chamber of Commerce, and the Secretary General of the Madras Chamber of Commerce. I have not usually attributed comments that are included in the paper to any particular individual, in order to preserve the anonymity of my interviewees – most of whom were remarkably open. I am grateful to them all, and to friends with *The Hindu* group of newspapers who made the interviews possible: N. Ram, N. Ravi, Mukund Padmanabhan, and especially N. Murali. Such has been the help that I have received from Dr Andrew Wyatt of the University of Bristol that he is named as a second author of the paper. I am grateful as well to Dr M. Vijayabaskar at the Madras Institute of Development Studies, and Dr J. Jeyaranjan.

how is it that the state has managed to ‘reconcile impressive developmental performance (both on growth and poverty reduction fronts) with notably corrupt leaders at the helm?’<sup>3</sup>

My answer to the two questions that JKM have raised depends upon my contention that in Tamil Nadu ‘the power and influence of business groups’ has *not* ‘grown enormously’. Business groups have not acquired an ‘enhanced role’ in politics over the last quarter century or so. I believe that there is strong evidence that the economic success of Tamil Nadu has come about *in spite of* the actions of politicians, who have often been indifferent if not downright antipathetic to private enterprise, rather than having been concerned to support it. In Tamil Nadu I do not believe that business groups are able to mold state behavior. There is, instead, a kind of a stand-off, arms-length relationship between the corporate sector and the politicians, reflected in the quotes in the epigraph above. The two major Tamil political parties, which have alternated in office in the period since the inception of India’s economic reforms in 1991, are not dependent in the way that JKM have suggested ‘on resources controlled by the wealthy’. Rather have they secured their own sources of wealth, partly through corrupt means. Almost thirty years ago David Washbrook described Tamil Nadu as a ‘Bonapartist state’.<sup>4</sup> I believe that this was an insightful suggestion, and that it helps to provide an answer to what JKM consider to be the enigma that the state presents. Tamil Nadu is not a ‘democratic developmental state’ but it offers a distinctive answer to the question of how a pro-business model of high growth can be institutionalized in a competitive democracy with large numbers of poor citizens.

Much of what follows is based on interviews that I conducted in Chennai in October-November 2015, referred to in note 2, as well as on a range of media sources. The interviews were relatively few in number and were not based on a systematic sampling procedure. They were all carried out in Chennai and most of those with whom I spoke come from the Forward Castes, Brahmans and Chettiars – or, broadly speaking, those whom Damodaran refers to as

---

<sup>3</sup> Quotes from unpublished workshop note.

<sup>4</sup> David Washbrook (1989) ‘Caste, Class and Dominance in Modern Tamil Nadu: Non-Brahminism, Dravidianism and Tamil Nationalism’, in Francine Frankel and M. S. A. Rao (eds), *Dominance and State Power in Modern India*. Delhi: Oxford University Press, p. 258.

‘Business Brahmins’ in his study of *India’s New Capitalists*.<sup>5</sup> It is possible that I would have found different views being expressed by people from important corporate business groups elsewhere in the state, notably amongst Kamma Naidus and Gounders in western Tamil Nadu (Coimbatore and Tiruppur) – though I strongly suspect not.<sup>6</sup>

## The Tamil Nadu Story

It is only in the quite recent past that Tamil Nadu has started to be thought of as some sort of a ‘model’ of development (as in talks that I have heard given by Pranab Bardhan over the last two or three years). In part the recognition of the achievements of the state has come about because of the contrast that it offers with Gujarat, which has been quite forcefully projected as a model, even for the country as a whole, as it was in the course of Narendra Modi’s electoral campaign in 2014. This invited comparative study, such as in the work of Kalaiyarasan, who argues that:

Tamil Nadu, which, unlike Kerala, did not have initial advantages over Gujarat, outperforms the latter on nearly every development indicator at the level of indicators as well as in the rate of change. This is despite Gujarat having a slightly higher economic growth rate. Tamil Nadu’s relative success is the result of state intervention in providing essential public services. Further, the history of social mobilisation in the state has been crucial in ensuring the formulation and efficient execution of social welfare measures.<sup>7</sup>

By now the relatively poor performance of Gujarat in regard to social (or ‘human’) development, in spite of the strengths of its record in regard to economic growth, is quite well known.<sup>8</sup> Tamil

---

<sup>5</sup> Harish Damodaran (2008) *India’s New Capitalists: Caste, Business and Industry in a Modern Nation*. Ranikhet: Permanent Black, Chapter 3.

<sup>6</sup> This view is confirmed by Andrew Wyatt who has had meetings with Gounder businessmen in Kongu Nadu. See Andrew Wyatt and M. Vijayabaskar (2013) ‘Economic Change, Politics and Caste: The Case of the Kongu Nadu Munnetra Kazhagam’, *Economic and Political Weekly*, 48 (48): 105-6. Naidus and Gounders are the subject of Chapter 5 of Damodaran’s study, *op cit*, note 5.

<sup>7</sup> A. Kalaiyarasan (2014) ‘A Comparison of Developmental Outcomes in Gujarat and Tamil Nadu’, *Economic and Political Weekly*, 49 (15): 55-63, quote from the Abstract. See also D. K. Joshi and K. McGrath (2015) ‘Political Ideology, Public Policy and Human Development in India: Exploring the Gap Between Gujarat and Tamil Nadu’, *Journal of Contemporary Asia*, 45 (3): 465-89.

<sup>8</sup> The poor record of the state under Narendra Modi’s stewardship in regard to welfare was discussed by *The Economist* (June 27 2015) under the heading ‘Sparing Mr Modi’s Blushes’, calling into question the claims for ‘inclusiveness’ made in the text on the ‘Gujarat Model’ which appears on Modi’s website: ‘How did Gujarat Emerge as a Model for Development?’ Available at: <http://www.narendramodi.in/how-did-gujarat-emerge-as-a-model-for-development/>.

Nadu, on the other hand, has a record for social development that on most of the conventional indicators is second only to that of Kerala, and on some of them may be even better than that of its neighbour to the west (as in the density of 24x7 primary health care centres).<sup>9</sup> At the same time, Tamil Nadu compares fairly closely with Gujarat in regard to economic growth. According to recent data it is second only to Maharashtra in terms of the size of the economy (given by GSDP); it has the third largest manufacturing sector, after Gujarat and Maharashtra; and a service sector that is second only to that of Karnataka.<sup>10</sup> According to an analysis by Kumar and Subramanian, over the period from 1993 to 2009, the growth rate of NSDP per capita in Tamil Nadu, of 5.37 per cent, was a little lower than that of Gujarat (5.77 per cent) and Kerala (5.8 per cent), and about the same as that of Andhra Pradesh (5.38 per cent) – these four states being ahead of all the other major states. The state has not done quite so well (at 6.75 per cent), according to the analysis by these authors, over the period 2001–2009, when it was bested by Haryana (6.98 per cent) and Maharashtra (8.13 per cent), as well as by Gujarat (8.18 per cent) and Kerala (7.54 per cent).<sup>11</sup>

Tamil Nadu, in common with Maharashtra and Gujarat, has inherited economic advantages that reflect what Krishna Bharadwaj referred to as the ‘historical legacy of port-enclave development’ in the colonial period. As she pointed out ‘As late as in 1948, the presidency states (Bombay, Madras, Calcutta) accounted for 76.7 per cent of total industrial workers (and) 77 per cent of the total value of industrial production’.<sup>12</sup> Since that time the initial advantages of ‘Bombay’ (the states of Maharashtra and Gujarat) and of ‘Madras’ (present day Tamil Nadu and the coastal districts of Andhra Pradesh), in regard both to overall economic growth and industrial development have generally been maintained, though those of ‘Calcutta’

---

<sup>9</sup> Jean Dreze and Reetika Khera have constructed a child development index, and according to this Tamil Nadu was second only to Kerala in 2005-06, and slightly bested by Himachal Pradesh, behind Kerala, in 2013-14. In both years Kerala and Tamil Nadu, with Himachal in 2013-14, were well ahead of all other states on this measure, while the index for Gujarat, in both years, is even below the all-India average. ‘Child development: How are Indian states faring?’, *Ideas for India* December 10 2015 (accessed at [www.ideasforindia.in](http://www.ideasforindia.in) December 18 2015).

<sup>10</sup> ‘Maharashtra is biggest state economy says report’, *The Hindu*, December 2 2015

<sup>11</sup> U. Kumar and A. Subramanian (2012) ‘Growth in India’s States in the First Decade of the 21<sup>st</sup> Century’, *Economic and Political Weekly*, 47 (3): 48-57 (see Table 1).

<sup>12</sup> Krishna Bharadwaj (1982) ‘Regional Differentiation in India: A Note’, *Economic and Political Weekly*, 17 (14-15-16): 605-614, p. 609.

(West Bengal) have not, or at least not to the same extent. In a paper of 1994, however, entitled ‘Where Are the Entrepreneurs?’, Padmini Swaminathan reported that ‘While maintaining its position as one of the three leading industrial states of the country [with Maharashtra and Gujarat], Tamil Nadu has nevertheless over the years lost considerable ground and many opportunities’. Private investment in the state, she found, had been low by comparison with the two western Indian states, especially in what she referred to as ‘modern’ and ‘growing’ industries. The findings of her detailed analysis are, in the context of this paper, worth citing quite fully:

The combination of an inherently dynamic entrepreneurial class, willing to assume risks, and an aggressive state government tuning its promotional activities to facilitate the setting up of industries has imparted considerable dynamism to the economies of Maharashtra and Gujarat ... [while] ... entrepreneurship in Tamil Nadu is characterised by pronounced timidity ... Such development on a larger scale that has taken place in recent years is insular and inbred with the same few business houses coming up with expansion and fresh proposals ... *The style and functioning of the state has, over the years, not only alienated the established business classes but, worse, it has deterred the significant emergence of new entrepreneurial classes ...* Without laboring the point further we wish to emphasise that the creation of a ‘favourable’ climate for industry cannot end with periodic announcement of industrial policies ... *At present the interaction between government and industry is at a very superficial level* which does not allow for the fruition of any objective since to a large extent the bulk of the private sector does not seem to talk in one voice and approach the government with concrete/operationally feasible proposals [emphasis added].<sup>13</sup>

This is a characterization of business, and of the relations of business and government in Tamil Nadu that is recognized by businessmen themselves, according to some of their statements to me. Several of them compared the political leaders of Tamil Nadu – both Jayalalithaa of the AIADMK, and M. Karunanidhi of the DMK – unfavourably with those of other states, such as Chandrababu Naidu in Andhra Pradesh, Narendra Modi as Chief Minister of Gujarat, and even S. M. Krishna as Chief Minister of Karnataka, or now Vasundhara Raje in Rajasthan. There is not the same ‘hunger’ for business in Tamil Nadu, was the way it was put to me, and it was generally said that the state owes its success to inherited advantages rather than to any actions of the state government, or of politicians. At the same time there is a recognition, amongst

---

<sup>13</sup> Padmini Swaminathan (1994) ‘Where Are the Entrepreneurs? What the Data Reveal for Tamil Nadu’, *Economic and Political Weekly* (Review of Management): M64-M74, quotes pp. M68 and M74.

businessmen themselves, of a conservative tendency in the corporate sector of the state, and – with notable exceptions – of an aversion to risk.

These points (and Swaminathan's arguments, too) are broadly in line with the findings of Aseema Sinha in her comparative study (from the later 1990s) of how the inter-twining of regional (state) politics and national policy has affected industrial development, taking the cases of Gujarat, Tamil Nadu and West Bengal. She points out that Tamil Nadu (in common with West Bengal) relied heavily initially, in the early post-independence decades, on public sector investment, while Gujarat combined public and private investments. Then Tamil Nadu, though an industrially advanced state, saw 'a marked decline in its industrial indicators from 1965 onward ... reflected in the average annual rate of capital formation in the factory sector'. She notes, indeed, that after 1968 a public sector unit was not established in the state until 1977, and that 'the lack of an independent state-level strategy [like that of Maharashtra and Gujarat] ... was reflected in the regional economic decline that was apparent between 1970 and 1990' (as Swaminathan had observed). The public sector strategy paid off very well, Sinha says, 'until the end of the 1960s, with regional party leaders effectively lobbying the central state'. After the DMK took power in the state from Congress in 1967, however, 'the political logic of a regionalist movement ... necessitated an anti-centre strategy from the 1970s through to the mid-1980s'. Then the declining political dividends from this strategy 'led the regional leadership to pursue lobbying and cooperation with the central government'; until in the 1990s the influence of the Dravidian parties as partners in India's new minority governments and coalition politics at the Centre lent them significant power. In 1991-96 the AIADMK government supported the minority Congress government and made use of that linkage 'to launch a regional strategy of liberalisation'; and after 1996 (when the DMK was re-elected into office in Tamil Nadu), the DMK politician Murasoli Maran, as Minister for Industry in the central government<sup>14</sup> exercised a very important role 'in informing Tamil Nadu's officials' about potential investors 'even to the

---

<sup>14</sup> Maran was elected to the Lok Sabha in 1996, when the DMK won most seats in Tamil Nadu in the general elections of that year, and went on to become part of the United Front government at the Centre. Maran was Minister for Industry in the UF government, and again when the DMK joined in the National Democratic Alliance government in 1999, until late 2002, shortly before his death.

extent of faxing details of possible projects before the central cabinet has had occasion to consider the proposals'.<sup>15</sup>

Sinha's analysis emphasizes the significance in the economic history of Tamil Nadu, of the taking over of power in the state by the Dravidian parties from 1967. In line with her argument one of the businessmen with whom I spoke put it that 'The DMK taking power in 1967 brought a tremendous churning, with people from the bottom of society taking over powerful positions'. It represented, he thought, a big cultural change that it was probably difficult for the established businesses in the state, run by Forward Castes – mainly Brahmans and Chettiars<sup>16</sup> – to negotiate. He recalled that in the days when Kamaraj was Chief Minister of Tamil Nadu, and T. T. Krishnamachari a member of cabinet in central government, they would come to his father's house in the evenings to play cards. Such relationships between politicians and the long-established business houses of Tamil Nadu haven't obtained, he thinks, since the take-over by the Dravidian parties.<sup>17</sup> There was a 'cultural problem' that, in his view, helped to make Tamil business generally risk averse. On the side of the Dravidian politicians there has been a tendency to be suspicious of the corporate sector, and businessmen are somewhat looked down upon. Another of my interviewees saw the lack of trust (a 'trust deficit', as he put it) between businessmen and politicians, as a problem for the state.

Whatever the merits of the argument about a 'cultural problem', it corresponds with Sinha's observation that both the Dravidian parties have 'excluded productive classes within their fold', though she goes on to say that 'the DMK, over time, did benefit from support from the local business groups'. This is borne out by the strong suggestions in my interviews that, on the whole, the DMK in office has been easier to work with, and more actively supportive of business interests, than the AIADMK. Yet, as Sinha argues, neither party has invested 'in

---

<sup>15</sup> Sinha (2005), *op cit*, note 1; quotes p. 10, p. 17, p. 108, p. 114.

<sup>16</sup> Even now, of the 17 Tamil Nadu-based private companies in *The Economic Times*' top 500 companies, seven belong to Brahmans (five of them in the TVS group), and three to Chettiars (two of them in the Murugappa group).

<sup>17</sup> Myron Weiner's account of politics in early 1960s Madurai also hints at a moment of rupture between business and state politicians in 1967. In contrast to the interview narratives reported here Weiner reports that a number of large businesses in Madurai had well developed connections with state-level Congress leaders. One of those businesses played a major role in organising the 1961 national meeting of the All India Congress Committee. M. Weiner (1967) *Party Building in a New Nation: The Indian National Congress*, Chicago: Chicago University Press, pp. 414-16.

systematic political or institutional support for industrial development’, and there have been many reports (again, confirmed in my interviews) that both under M. G. Ramachandran (‘MGR’) and Jayalalithaa, and under Karunandhi’s leadership, state governments in Tamil Nadu, whether AIADMK or DMK, have been subject to the ‘whims and dictates of the chief minister without much predictability’. As she says:

Overcentralisation and arbitrary decision-making, a bane of industrial decision-making, proved to have negative consequences for industrial investment. Entrepreneurs interviewed ... repeatedly insisted that Tamil Nadu’s ruling structure has become extremely arbitrary, ad hoc, and corrupt. Thus, a deep-seated culturalism, emphasis on cultural policy to liberate and institutionalize a Tamil identity, and a charismatic personality-driven politics in the state led to the active neglect of infrastructural and industrial development.<sup>18</sup>

It is possible that Sinha’s final statement here – about ‘the active neglect of infrastructural and industrial development’ – overstates the case, and may even reflect the holding of a grudge against the Dravidian party regimes, on the part of upper caste corporate business leaders, in the context of the ‘cultural problem’ described earlier. Loraine Kennedy, like some of my informants, refers to measures adopted by Governments of Tamil Nadu in the 1990s and after to attract foreign direct investment.<sup>19</sup> And at another level successive governments have actively encouraged industrial development, involving local businessmen, through the Tamil Nadu Industrial Development Corporation (TIDCO), and the State Industries Promotion Corporation of Tamil Nadu (SIPCOT) – founded in 1972, and which was setting up industrial estates in the 1970s and 1980s.<sup>20</sup> These agencies have been responsible, too, for creating a land bank that proved very useful when the state began promoting Special Economic Zones (SEZs). Tamil Nadu was one of the first states to have a state level SEZ policy, formulated in 2003.<sup>21</sup>

---

<sup>18</sup> Sinha (2005), *op cit*, note 1; quotes pp. 202-3, p. 207.

<sup>19</sup> Loraine Kennedy (2004) ‘The Political Determinants of Reform Packaging: Contrasting Responses to Economic Liberalisation in Andhra Pradesh and Tamil Nadu’, in R. Jenkins (ed), *Regional Reflections: Comparing Politics across India’s States*. Delhi: Oxford University Press, pp. 29-65.

<sup>20</sup> Loraine Kennedy (2014), *The Politics of Economic Restructuring in India. Economic Governance and State Spatial Rescaling*, Abingdon, Routledge, p. 59.

<sup>21</sup> M. Vijayabaskar (2010) ‘Saving Agricultural Labour from Agriculture: SEZs and the Politics of Silence in Tamil Nadu’, *Economic and Political Weekly*, 45 (6): 36-43

Still, those I spoke with made remarks very much like those that Aseema Sinha reports from the later 1990s. She speaks of the AIADMK as being ‘indifferent’ to corporate interests. This word came up repeatedly in my own interviews, too – and, earlier remarks here about the relative merits of the DMK notwithstanding, businessmen and journalists alike do not seem to see a great deal of difference between the two parties.<sup>22</sup> According to them, in so far as Tamil Nadu is successful in terms of economic growth it is in spite of government, and a reflection of inherited advantages. These may have encouraged complacency among the politicians, who take Tamil business and industry for granted, but they may also outweigh the difficulties of doing business in the state.

There is general agreement among my respondents that the state’s advantages include especially the numbers and quality of its educational institutions, and the availability of skills; a disciplined labour force; a relatively competent bureaucracy<sup>23</sup>; infrastructure that at least compares favourably with other states (recent woes over power notwithstanding); and the existence of a number of ‘enterprising’ communities,<sup>24</sup> such as the Nadars, the Rajus (of Andhra origin) and the Gounders and Naidus (also of Andhra origin) of western Tamil Nadu, as well as the Brahmans and the Chettiars. There is also a recognition that the quality of social provisioning of the state is in the long run interests of business, because it makes for social stability as well as for relatively high quality human resources – even though the immediate costs may be a source of concern for some.

Basic education is generally regarded as being better in Tamil Nadu than in most other states – though when, in 2009, Tamil Nadu was included in the OECD’s ‘PISA’ tests of educational attainment amongst 15 year olds, it came one place from the bottom of a list of 73 ‘countries’, just ahead of Kyrgyzstan. A major advantage of the state lies in the numbers of

---

<sup>22</sup> Vijayabaskar, however, says that ‘there is a consensus among senior bureaucrats that the DMK has pursued this path [that of attracting private investment] more systematically than the AIADMK has by making appropriate institutional interventions’, *op cit*, note 21, p. 39.

<sup>23</sup> Joshi and McGrath (2015), *op cit*, note 7, present some data showing that a significant factor in accounting for differences in regard to human development between Tamil Nadu and Gujarat is the higher quality of public administration in the former.

<sup>24</sup> One of my interviewees wanted to distinguish very clearly between ‘enterprising’ and ‘business’ communities. None of the communities I have listed, apart from the Nattukottai Chettiars – an hereditary banking community – is what would usually be described as a ‘business community’. See Damodaran (2008), *op cit*, note 5.

engineering colleges that it has, and even though it is known that the quality of many of them is deplorable there are still a number of private engineering colleges – perhaps 50, according to one of my informants – that do compare with the best public institutions, and produce competent, employable engineers. It was pointed out to me that in 2014-15 fifty per cent of all those recruited into the software industry across the country as a whole came from Tamil Nadu. The numbers of private colleges are seen as being one of the ‘gifts’ to the state of the charismatic Chief Minister, and former film star, MGR, in the 1980s. Though he may have encouraged the privatization of college education in order to satisfy some of his cronies, who saw profit-making opportunities, the state has derived a lot of public benefit from them. As to bureaucratic capacity, it is suggested that this goes back to the role of the city and of the Tamil districts in the government of the colonial Madras Presidency. It is claimed that Tamil Nadu had the strongest administrative framework following independence, and that the state has contributed disproportionately to the all-India services (at least until recently – for now the brightest and the best from the state are more likely to want to go into IT than into public service). One of those with whom I spoke said that in his experience, bureaucrats in Tamil Nadu interact with business much more than is the case in other states, and there is no doubt of the important role played by various IAS officers as Industry Secretaries, or in other positions. With regard to labour, the MD of a very successful auto components company argues that the industrial culture of Tamil Nadu produces disciplined workers. ‘If German workers are rated 90’, he said, ‘then Indian workers in general might be rated 30, but those of Tamil Nadu at 45’. And, as to infrastructure, the state has a comparatively good road network, and had an international airport before the other major cities of the South. It also has high band-width connectivity. The state is ‘blessed’ – the word used by a businessman in the software industry – because the under-sea cable from Singapore arrives in Chennai.

These are indeed all important assets, of enduring significance. But wouldn’t the state do all the better with more supportive government? This is the question I go on to consider.

## A Business-Friendly State?

A traveler passing through Terminal 5 at London's Heathrow airport in August 2015 was confronted in the spacious check-in hall by a whole flight of banners hanging from the ceiling, advertising a Global Investors' Meet to be held in Chennai in September. The banners, which were very well designed, advertised the strengths of the south Indian state of Tamil Nadu, including the facts that it has the second largest state economy in India, accounts for 21 per cent of automobile production and is one of the top destinations for inward investment, that it has the largest manufacturing labour force, and the largest number of engineering colleges in the country.

The Global Investors Meet (GIM) took place in Chennai on 9<sup>th</sup> and 10<sup>th</sup> September 2015 amidst much fanfare, and one of the big businessmen with whom I spoke in the following month suggested that its importance was marked by the fact that the Chief Minister, Dr J. Jayalalithaa, was in attendance on two occasions. That he thought this was remarkable is a reflection of the fact that in the perception of many businessmen the Chief Minister – at least in the period of the AIADMK government that assumed office in 2011 – has been 'indifferent' to business interests. Both he and others seemed in their comments to overlook the fact that the Chief Minister had been in jail for several months, following her conviction for holding 'disproportionate assets' in September 2014, until her acquittal by the High Court of Karnataka in May 2015. She had resumed office only on 23 May, and it seems a reasonable surmise that the decision of the government of Tamil Nadu to postpone the GIM from May to September was taken not, as was claimed, because of Chennai being too hot in May, but rather in order to wait for Jayalalithaa's acquittal. Following this event, the GIM became a major priority for her, according to reports of the views expressed by senior bureaucrats,<sup>25</sup> and it may be that as one CEO suggested, she had been stung into organizing the event because of the favourable publicity surrounding the meets organized by Narendra Modi whilst he was Chief Minister of Gujarat. Whether there is any truth in this suggestion or not, there is no doubt of the importance of the Chennai event in the context of the competition for investment between Tamil Nadu and Gujarat, and other states such as Rajasthan (which held a similar meeting, the Rajasthan Partnership Summit, in November 2015)

---

<sup>25</sup> 'Top Corporate Leaders to Attend Investors' Meet, by Sangeetha Kandavel, *The Hindu* September 3 2015.

and West Bengal (scheduled to hold a Global Summit in January 2016). And it was said by one of those with whom I spoke that it represented an important signal from Jayalalithaa to her bureaucrats.

In August 2015 Jayalalithaa spoke of a target of securing investments amounting to Rs one lakh crores (\$16B), from around 100 MoUs between the state government and Indian and international companies (with particular efforts being made to attract investors from the Japan, Singapore and the UK), but it was reported that this target had been surpassed even before the GIM took place. The government had established a Single Window Clearance system, promising the completion of all the necessary clearances within 30 days of the date of the lodging of an application with the Industrial Guidance and Export Promotion Bureau (a body set up by an earlier AIADMK government in 1992, roughly comparable with the iNDEXTb organization of Gujarat, which has been seen as instrumental in establishing Gujarat's reputation for business friendliness).<sup>26</sup> In the event, according to a report in *The Economic Times* of September 11 2015, Rs 2.40 lakh crores of investments were committed by 98 companies through MoUs involving commitments on both sides – the most important of them being agreements with major Indian companies, such as the tire manufacturers MRF and Apollo Tires, JSW Steel, and the vehicle manufacturers Mahindra and Mahindra. Opinions inevitably varied between observers as to how successful the GIM was. One view was that the failure to attract 'big players' showed that the GIM had not been successful in countering negative perceptions of the investment climate in Tamil Nadu; another was that the relative lack of investment from big-name international companies rather reflected an entirely appropriate rebalancing between domestic and international capital, that had been advocated earlier by CII South India.<sup>27</sup>

Still, the view that the GIM was at least partly directed at countering negative perceptions of investment prospects in Tamil Nadu, carries conviction. *The Hindu* reported that the state received only 3.5 per cent of the total number of industrial investments coming into India between 2008 and 2012, and that 'even Andhra Pradesh and Telengana have caught up ... ( and) ... bagged investments that were initially supposed to come to the state'; while firms such as

---

<sup>26</sup> See 'Will Pegasus Help TN Reach for the Skies?', by Sangeetha Kandavel, *The Hindu* September 6 2015.

<sup>27</sup> Information from a former CII Director for the Southern Region.

Ford were said not to be keen on expansion in Tamil Nadu.<sup>28</sup> There were suggestions of an ‘investment flight’ from the state,<sup>29</sup> with the recent history of power crisis held to be partly to blame for these trends. There was a suggestion too that problems relating to unrecognized unions were a factor. Even though the number of strikes in Tamil Nadu had dropped from 110 in 2003 to 28 in 2013, ‘The old scars still remain; even now firms globally look at TN as a state with labour unrest’.<sup>30</sup> But probably of greater significance was the shutdown of the Nokia plant at Sriperumbudur in November 2014, which had been the Finnish company’s largest factory.<sup>31</sup> It was left out, however, from the deal concluded by Nokia for the purchase of its worldwide handset business by Microsoft, because of the tax issues faced by Nokia’s Indian company. The European Union put the blame on ‘lack of support from the state’. The EU Ambassador was reported as saying ‘I have not understood why there was no support from the state government [on the issue] which resulted in significant loss of employment’.<sup>32</sup> The charge was vigorously refuted by the state government, which argued that blame attached rather to the UPA government, because of its tax policies, but the Ambassador’s suggestion that the whole affair had cast a negative light on how European companies looked at Tamil Nadu as a destination for investment was probably justified. The Nokia closure had knock-on effects, too, when the Taiwan-based company Foxconn also closed its facility in Sriperumbudur in February 2015, giving as the reason the loss of business following the shutdown of the Nokia plant – though a history of labour disputes in 2010 may have had a part in the decision. Salt was rubbed in the wound for Tamil Nadu when, in August 2015, Foxconn announced an investment in Maharashtra of \$5B over five years.

The suggestion that Tamil Nadu is not very friendly to business was confirmed not many days after the GIM when the results of an ‘Ease of Doing Business Survey’, comparing Indian

---

<sup>28</sup> These and the following points from *The Hindu*, *op cit*, note 25.

<sup>29</sup> The suggestion of a leading business journalist, but disputed by others with whom I spoke who reasoned that the decisions of transnational companies, such as their own, were explained by logistical factors – the ‘pull’ of other locations in India, close to important markets, rather than by a ‘push’ due to particular difficulties in Tamil Nadu.

<sup>30</sup> *The Hindu*, *op cit*, note 25.

<sup>31</sup> The plant was established in the first place, it should be said, with the advantage of sweeping tax concessions and relaxation of labour laws. See Madhumita Dutta (2009) ‘Nokia SEZ: Public Price of Success’, *Economic and Political Weekly*, 44 (40): 23-25. The Tamil public paid a high price for the Nokia investment, according to Dutta.

<sup>32</sup> See the report in *The Times of India*, December 9 2014.

states, conducted by the World Bank with the Government of India, were published. *The Economic Times* reported that the findings that the easiest states in which to do business are Gujarat, closely followed by (residual) Andhra Pradesh. Tamil Nadu came in only in twelfth place, behind such states as Jharkhand, Chhattisgarh, Madhya Pradesh, Rajasthan and Uttar Pradesh.<sup>33</sup> The methodology of the survey may be criticised – 256 questions with ‘Yes’ or ‘No’ answers were asked, I was told, of bureaucrats rather than of business people – but Tamil Nadu could clearly have done without such negative findings. Are they justified?

### **How Businessmen View the Politicians**

In the light of Padmini Swaminathan’s point that, in the early 1990s, ‘the interaction between government and industry [was] at a very superficial level’, and Aseema Sinha’s view that neither of the major Dravidian parties has invested ‘in systematic political or institutional support for industrial development’, arguments put by Peter Evans in his work on ‘embedded autonomy’ seem salient. His suggestion was that a positive relationship between state and business is one when politicians and the state bureaucracy are not in the pockets of businessmen, and are able to implement an industrial policy, yet are well networked with business people.<sup>34</sup> This is what he described in terms of ‘embedded autonomy’ – the bureaucracy having autonomy and being able to determine the broad direction of industrial development, but still embedded in networks that make for a flow of information, both ways, from business to government and from government to business. It seems clear from Swaminathan’s and Sinha’s analyses that such relationships did not obtain in Tamil Nadu in the later twentieth century. Nor do they now, though business interests may be better organized now than they were before. There is an institutional mechanism – as well as a consultative committee of the State Planning Commission the government selects a representative of ‘industry’ as a member of the Commission – but it is widely felt that ‘in general more happens in private meetings with bureaucrats than in public meetings’. One of the industrialists in the automobile components industry said it was important

---

<sup>33</sup> ‘World Bank Survey: India’s top 10 states on ease of doing business ranking’, at [www.economictimes.indiatimes.com](http://www.economictimes.indiatimes.com) (accessed December 7 2015).

<sup>34</sup> Peter Evans (1995) *Embedded Autonomy: States and Industrial Transformation*. Princeton, NJ: Princeton University Press.

to take advantage of casual meetings with ministers and senior officials at motor shows. Much depends, it seems, on the capabilities and the accessibility of senior officials. Some businessmen in the corporate sector say that they avoid contacts, as far as possible, with politicians – even though they may also recognize the importance of having access to the chief minister.

The significance for business of the actions of senior civil servants is very clearly shown up in the response of the Government of Tamil Nadu to the controversial Land Acquisition, Rehabilitation and Resettlement Act passed by the UPA Government in 2013 (and which the BJP government has subsequently sought, unsuccessfully, to modify, partly at least in order to satisfy business interests). Tamil Nadu was the first state to seek and to receive Presidential assent for excluding three major categories of land acquisition (for highways, for industrial purposes and for Harijan Welfare Schemes – together accounting for about four-fifths of land acquisitions in the state) from the purview of the Act – relaxing, therefore, its requirements in regard to consent, and for the conduct of Social Impact Assessments. One media source speaks of Tamil Nadu offering a ‘tutorial’ to other states on how to deal with the land acquisition legislation. That it has been able to do so, according to my informants, is down to the actions of senior civil servants.<sup>35</sup>

Business associations do have some influence, however. The Confederation of Indian Industry (CII) is described as having been a ‘National Partner’ in the Global Investors Meet in September 2015; the Federation of Indian Chambers of Commerce and Industry (FICCI) is described as ‘Event Partner’; and both ASSOCHAM (Associated Chambers of Commerce of India) and the Madras Chamber of Commerce and Industry are listed amongst various ‘Partner Organisations’. CII is very active in Tamil Nadu, and seems to articulate especially the views and interests of the larger corporates. Several of the big businessmen with whom I spoke have served as Directors of the Southern Region of CII. The Chennai chapter of FICCI has an active membership amongst somewhat smaller companies, as well as including the Hindustan Chamber of Commerce, The Tamil Chamber of Commerce, and the Madras Chamber. ASSOCHAM has relatively little presence. Both CII and FICCI exercise some influence over government policy,

---

<sup>35</sup> ‘Tutorial from Tamil Nadu for states to get around land acquisition’, September 3, 2015: <http://www.firstpost.com/business/tutorial-from-tamil-nadu-for-states-to-get-around-land-acquisition-2419440.html> (last accessed December 30 2015). See also Vijayabaskar (2010), *op cit*, note 21.

as for example in the identification of the priority sectors that are listed in the *Tamil Nadu Industrial Policy* of 2014,<sup>36</sup> and in making the case for the development of industrial corridors (such as that between Madurai, Tirunelveli and Thoothukudi, which is especially emphasised in the Industrial Policy statement). Aerospace industry is listed amongst the priority sectors, and FICCI played some part in this, having submitted a ‘Proposal for creation of an Aerospace Cluster in Tamil Nadu’ to the Department of Industries in 2012. It was active in making the case for the inclusion of pharmaceuticals as well. The Auto Components Manufacturers Association of India (ACMA) is another business association that has been somewhat successful in influencing policy, sometimes by using the strategy of playing off one state against another. The Association has recently sought to persuade government in Tamil Nadu to define the auto components industry as a public utility, so making strikes illegal. Chandrababu Naidu in Andhra has now done this (very largely using words taken from an ACMA policy document), which is putting some pressure on the Government of Tamil Nadu to follow suit.

Still, the view shared by all those with whom I spoke is that what matters most are the positions taken by the Chief Minister, especially when government is led by Jayalalithaa. As it was put to me by one business journalist, in Tamil Nadu there is just ‘One Window’ – the Chief Minister – and much depends upon her whims and prejudices. AIADMK ministers ‘are all more or less cyphers’. In another of my conversations we spoke throughout about ‘the Decision Maker’. And everyone agreed that in the period of the 2011-16 government, Ms Jayalalithaa has been inaccessible even to the biggest and most influential business people – at least until the GIM. It was reported to me that ‘there have been no significant new investments in the state during the period of this government, and those that have come up were all negotiated during the period of the preceding DMK government – and even those have been obstructed’. A notable case in point, commonly referred to, is that of the plant set up by the French tire company Michelin, negotiated by the DMK government in 2009, and intended to be the largest of the company’s plants outside France, with ambitious objectives for exporting from India. It was supposed to have begun production in 2013, but the start was delayed by almost two years because of problems over clearances and access to power and to water. There are many particular

---

<sup>36</sup> The Associations claim influence but it is likely that the views of one or two key officials were decisive.

stories both about problems being created by the Chief Minister – such as the delays caused over the opening of a prestigious new hotel development (the ITC Grand Chola) – and on the other hand about the successful resolution of problems through her intervention, once some means has been found of gaining direct access to her. It was reported to me that the Tamil Nadu Infrastructure Development Board has been able to move very few projects – in spite of the ambitions for infrastructure development set out in the Tamil Nadu *Vision 2023* document released by Jayalithaa in 2012 – because of a lack of access to her. But a more positive view of her actions in the period of the 2011-16 government is that she had to devote a great deal of attention to resolving (in the end, fairly successfully) the state’s power problems, that had built up because of a lack of attention and investment on the part of the preceding DMK government.<sup>37</sup> Opinions and judgments differ, of course. Several of those I talked with described Ms Jayalalithaa as brooking no dissent or criticism, and of the fear felt by both ministers and bureaucrats in case of getting on the wrong side of her. Others, however, described her as being ready to listen to criticism, as well as being able to make tough decisions (as over tariffs, and fares in the public transport corporations). But my interviews left me in no doubt that Aseema Sinha’s conclusion, that in Tamil Nadu government – and the fates of even big business investments – are subject to the ‘whims and dictates of the chief minister without much predictability’, remains a fair assessment. Jayalalithaa has behaved differently towards business in earlier periods in government, especially in 1991-96, when her government concluded the important deals with Ford and Hyundai – which had the consequence of establishing Tamil Nadu as the major hub nationally in the automotive industry. The companies were offered significant tax incentives and assistance with access to land, power and water, apparently without backhanders being asked.

In general there is, I was told, little to choose between the two Dravidian parties and their leaders, and there are no major policy differences between them. One difference is that DMK ministers are more empowered than are those of the AIADMK; and it is said that DMK governments have allowed for more interaction and opportunity for dialogue (‘At least the DMK

---

<sup>37</sup> There is a rumour that Tamil Nadu lost some big power projects during the period of the DMK government because the ‘ask’ for side-payments was excessive. Andrew Wyatt has heard similar rumours, ‘off the record’, in regard to other sectors.

government gave access’). When the DMK is in office, I was told, ‘You can be sure how to fix your problem’ – and this somewhat enigmatic statement seems to reflect the view that though the governments of the two Dravidian parties are equally corrupt, side-payments are more likely to be effective under the DMK.<sup>38</sup> The DMK government that was in office in 2006-2011, like that of 1996-2001, had the considerable advantage of being part of ruling coalitions at the Centre, and through the control of important ministries was able to bring significant investment to the state. I referred earlier to the role of Murasoli Maran first in the United Front government and later in that of the NDA. He was instrumental in bringing a lot of IT investment to the state in the later 1990s, and supportive of the setting up of the first software park in Chennai (the TIDEL Park<sup>39</sup>). Later administrations also tried to attract IT investments by making land available.<sup>40</sup> Maran’s son Dayanidhi, and A. Raja followed suit as DMK ministers in the UPA government, until their fall from grace over corruption scandals, especially that over the allocation of 2G spectrum.

‘Tamil Nadu is in a terrible state’, according to the CEO of the Indian subsidiary of an international company. The events of recent years such as the misadventures of the Michelin plant, the problems encountered at the ITC Grand Chola Hotel, the closure of the Nokia plant and the shut-down of the Foxconn facility, as well as problems of power supply, the reputation of the Pollution Control Board for corruption, and the state’s labour laws, have meant that less investment has come into the state than might have been the case. The general level of corruption has been ramped up, it is widely claimed, under the AIADMK government of 2011-16. ‘Where lakhs were paid, now it is crores’, I was told, though it is important to remember the warning of

---

<sup>38</sup> Aseema Sinha reported a similar observation: ‘We don’t mind corruption so long as it delivers the goods. In the case of the AIADMK government, the irritant is that it fails to honor its commitment for which we have already paid the fee’ (Sinha [2005], *op cit*, note 1, p. 229).

<sup>39</sup> There is a famous story that Texas Instruments came to Chennai in the 1980s with a proposal to set up in the city. MGR is said to have refused to meet the representatives who came to Chennai – who then went away to Bangalore. After returning to office in 1996, Karunanidhi, stung by all the publicity then surrounding Chandrababu Naidu’s efforts to make Hyderabad into the ‘cyber’ hub of India, sought to make up for MGR’s failing. He strongly encouraged the then-Industry Secretary to set up the TIDEL Park.

<sup>40</sup> SIPCOT has established a number of other IT parks, aside from the TIDEL project, including the large Siruseri IT Park 20 miles south of Chennai. Many of the SEZ projects backed by the state governments also attempted to promote further IT growth. See Loraine Kennedy (2014), *The Politics of Economic Restructuring in India. Economic Governance and State Spatial Rescaling*, Abingdon, Routledge, p. 59; and M. Vijayabaskar (2014), ‘The Politics of Silence’, in R. Jenkins, L. Kennedy, & P. Mukhopadhyay (eds), *Power, Policy, and Protest: The Politics of India's Special Economic Zones*, New Delhi, Oxford University Press. p. 311.

another of my interviewees that ‘one hears many stories of corruption, but rumour isn’t necessarily evidence’. And corruption affects companies very differently. Indian majors, such as Tata companies (‘It is not the Tata way’<sup>41</sup>), and transnational companies, usually do not make side-payments. The CEO of one transnational says ‘I have not paid a single paisa, not for moral reasons but because I don’t want to be arrested under American or British or French law’. Big international companies investing in Tamil Nadu often have sufficient clout – though not always, as the case of the Michelin plant shows – to be able to secure their land, power and water supplies, and get all the clearances they need without having to make facilitative payments. Or they wait, if necessary, for example, for a power connection. Two of the big IT companies have been ready to wait for power connections – one of them for 18 months – because the advantages of setting up in Tamil Nadu outweigh the costs that they incur. Local majors, however, especially those in manufacturing industry rather than in IT, may make facilitative payments (though not, I was told, side payments ‘to avoid the rules’) – and the costs are higher in Tamil Nadu than in some other states. Small and Medium Enterprises are those that are most adversely affected. One of the economic consultants with whom I spoke wonders why businesses stick to Tamil Nadu, and speculates that though there is inertia because of the inherited advantages of the state, a tipping point may not be far away. In some sectors there is a tendency that could become more significant for companies to set up in Andhra, where the regulatory environment is more friendly, and whence it is possible still to take advantage of assets such as the availability of skills in Tamil Nadu.

Another factor that may influence decisions over establishing new plants in Tamil Nadu is that there is quite a history of popular protest against major investments. In western Tamil Nadu protests over land acquisition for a gas pipeline that the Gas Authority of India Ltd sought to construct between Cochin and Bangalore and from which the state would have benefited, caused the project to be called off.<sup>42</sup> The project had been agreed by the previous DMK government, but the order for it to go ahead was given by the Chief Secretary to the AIADMK government. It seems, though, according to local journalists, that the Chief Minister was upset

---

<sup>41</sup> A Tata real estate company has been supplying power to a very big development in Chennai using generators, because it has refused to make payments to facilitate getting a regular power connection.

<sup>42</sup> ‘GAIL calls off pipeline work in Tamil Nadu’, *The Hindu*, April 21, 2014

that she was not consulted, and may even have orchestrated protests through the party, as well as giving a reproof to the Chief Secretary. Another case is that of opposition to (London-based Vedanta Resources owned) Sterlite copper smelter near Thoothukudi (the biggest in the region). Protest orchestrated by political parties, over what turned out to be a false accusation that the company was responsible for dangerous gas leaks, caused the plant to be closed for several months.<sup>43</sup>

By comparison with manufacturing industry and infrastructure development, however, the IT industry has had a much easier time of it in Tamil Nadu, perhaps in part because the industry's requirements in terms of land, power and water, and its environmental impact, are much less. The opportunities for graft are less (though, as reported elsewhere in this paper IT majors have encountered problems over power supply because they have been reluctant to pay bribes), and the industry has less need to interact with politicians and bureaucrats. Perhaps for these reasons, as well as because of the practical and symbolic importance of the industry for the state, senior businessmen from the IT sector report that successive governments of Tamil Nadu have generally been supportive. It is not entirely true to say, as did the BJP minister, the late Pramod Mahajan, that IT (and beauty!) have flourished in India because of government neglect, because tax breaks have helped (companies that were exporting had 50 per cent of their profits exempted from tax). What really helped was the availability in Tamil Nadu of high quality educational institutions. On the whole IT companies are able to keep government and politicians at arms-length. The CEO of one IT major, for instance, reports never having invited government people to functions such as the opening of new sites.

In sum, with the partial exception of the IT industry, there is little evidence that governments of Tamil Nadu, whichever of the two Dravidian parties has been in office, have pursued consistent industrial policies or have been particularly friendly to the corporate sector, or on the other hand that the corporate sector is able to 'mold state behaviour'. On the part of big business it clearly makes sense not to get too close to the party in office, given that in view of the

---

<sup>43</sup> 'Sterlite's pollution problem', Business Standard 14 April 2013, Accessed (December 31, 2015) at [http://www.business-standard.com/article/companies/sterlite-s-pollution-problem-113041801267\\_1.html](http://www.business-standard.com/article/companies/sterlite-s-pollution-problem-113041801267_1.html); and 'NGT reverses closure order for Sterlite's Tuticorin plant', *Down to Earth*, June 7, 2013. Accessed (December 31, 2015) at: <http://www.downtoearth.org.in/news/ngt-reverses-closure-order-for-sterlites-tuticorin-plant-41275> .

history of Tamil Nadu over the last twenty five years, it is rather likely that the same party will not be there after the next election<sup>44</sup>.

There is, therefore, usually an arms-length relationship between the corporate sector and the state. But this is not the whole story of the relations of business and politics in Tamil Nadu. At another level business and politics are intrinsically inter-twined.

### **Politicians and Business<sup>45</sup>**

The close connections between business and politics in India are well known. Indeed politics is sometimes, and understandably, seen as a kind of business in itself. A great deal of investment is required in order to win office at different levels, and it is commonly considered that very many of those who enter politics do so in order to secure personal gain, by using their office to occupy gate-keeping roles, and from having access to economically sensitive information. State regulation remains extensive and this opens up many possibilities ‘for entrepreneurial activity, expanding and limiting markets for different activities, creating or squeezing opportunities for profit’.<sup>46</sup> Participation in politics is seen, therefore, as a form of entrepreneurship: it calls for investment in the expectation of turning a profit – though it should not be assumed that this is accounts for the motivation of all politicians.<sup>47</sup> Andrew Wyatt describes, for example, the experiences of local politicians in a small town in northern Tamil Nadu whose political careers have been costly, and not always profitable. In several cases their

---

<sup>44</sup> The case of the ET 500 listed Southern Petrochemical Industries Limited (SPIC) illustrates the risks of getting too close to one political party. The company, originally a joint venture between the industrialist M.A. Chidambaram and the Government of Tamil Nadu, had public contracts to supply subsidised fertilisers. When the DMK returned to office in 1989 the joint venture was disrupted and a criminal investigation was launched against Chidambaram’s son, A.C. Muthiah (India Today, ‘Industrialist AC Muthiah relieved after the ouster of M Karunanidhi’, March 31, 1991). The company was bought out of the joint venture when the AIADMK was in power but ‘it was hurt adversely’ after the DMK returned to office in 1996 (‘Ashwin Muthiah pulls Spic back from the brink’, Business Standard, November 9, 2015). The experience of Sun TV also bears this out. The group, with its satellite television channels, is seen to be close to the leadership of the DMK and when control of government passed to the AIADMK in 2011 pressure was put on its owners.

<sup>45</sup> The text that follows draws very extensively on recent, as yet unpublished research, focused on the DMK, by Andrew Wyatt of the University of Bristol. Andrew Wyatt (2015a) ‘Politicians as Entrepreneurs: The Business Careers of DMK Politicians in Tamil Nadu’, *mss*; (2015b) ‘The Comparative Advantages Enjoyed by Entrepreneurial Politicians’, *mss*.

<sup>46</sup> Wyatt (2015b), *op cit*, note 45.

<sup>47</sup> In the words of one of Wyatt’s informants ‘politics is a business for those who want to make money’.

sacrifices seem to have been driven by motives other than financial gain.<sup>48</sup> But there is no doubt about the financial demands that seeking political office involves. Wyatt also refers to ‘One MP from Tamil Nadu in the 2009 Lok Sabha election [who] had spent several million rupees making payments of 200 rupees to voters, obliging him to sell properties and get into debt until he could begin to enjoy his returns from office’. But it is not only offering rewards to electors that calls for financial resources. Money is needed, too, for legitimate campaign expenses, and – after electoral success – for financing constituency work; for maintaining a staff; for contributing to party funds; and, often, to finance bids for nomination. ‘At a minimum this [latter] might be a fee to purchase a nomination form or an application fee. The fees used by the DMK [1000 rupees for the form and a deposit of 25,000 rupees to accompany a completed form in the 2016 state assembly elections] deters some frivolous candidates and boosts party funds’. The fee charged by the DMK appears modest indeed by comparison with what is reported of other parties, when payments may have to be made several times over. ‘One AIADMK aspirant reported that he had paid five million rupees in the hope that he would be given the party nomination for a mayoral election’.

So a lot of money is required in order to enter politics. Some candidates are recruited from amongst those who have already built up a business, but, says Wyatt, ‘It is much more common for ambitious politicians in Tamil Nadu to combine a career in politics and business, accumulating and spending resources as they rise through the local ranks of their party’. He recounts the histories of several powerful DMK district secretaries, who have done just this, and the results of his analysis of affidavits completed by candidates, and of other evidence, show that about half of the DMK elite has business interests.<sup>49</sup> These are spread across different sectors, including notably transport, small-scale manufacturing, rice mills, retail and real estate. And whereas people from modest backgrounds were once, in the earlier years of the Dravidian parties, able to gain economic and social status through their political careers, it is now ‘doubtful

---

<sup>48</sup> Andrew Wyatt (2015c), ‘Political Service and the Use of Money in a South Indian Town’, *mss.*

<sup>49</sup> This group of 150 politicians was defined as the holders of first and second rank posts in the party organisation, members of parliament and those selected as candidates in the 2011 election. C. Manikandan & A. Wyatt (2014), ‘Elite formation within a political party: the case of the Dravida Munnetra Kazhagam’, *Commonwealth & Comparative Politics*, 52 (1) p. 34.

whether the DMK still offers many opportunities for such accelerated social mobility'. In the 2011 state assembly elections only four of the DMK candidates 'declared assets of less than a million rupees' [about \$15 000]. There is, on the other hand, a small group within the DMK elite, who are members of the regional capitalist class, often with interests in private education, and there are a few such, notably, as the Marans, who have very successfully used the platform provided by a successful political career to join the national bourgeoisie. (Both of the sons of Murasoli Maran, and grand-nephews of Karunanidhi, have prospered in the media sector. Dayanidhi Maran is active within the DMK, whereas Kalanidhi Maran, who is a dollar billionaire and one of the wealthiest men in India, keeps a certain distance from party activities.<sup>50</sup>)

'Politicians have particular advantages in business activity which is either illegal or in sectors where illegal practices are common'. These include mineral extraction, real estate and the liquor business, 'areas which are highly regulated, and (where) the state has a particular interest in regulation owing to concerns for public safety [or, ostensibly at least, the protection of the environment], and the taxation or revenue that flows from them. The rules and their enforcement also create opportunities for profit and rent seeking'. Sales of alcohol, quarrying of granite and sand mining (both from river beds, and from beaches where monazite can be obtained), and scams over the acquisition of land all contribute very substantial sums to ruling parties, and to the private fortunes of political leaders. Tamil politicians are not at all dependent upon 'resources controlled by the wealthy'. They have their own sources of wealth.<sup>51</sup>

The bold claim that the 'Government runs on liquor', as one of my interviewees put it, may be a little bit of an exaggeration. But only a little bit. Tamil Nadu stands first amongst Indian states in alcohol sales by volume, and tax on liquor sales (excise revenue, and sales tax) is the most important single source of revenue for the Government of Tamil Nadu,<sup>52</sup> which means that calls for the reintroduction of prohibition – proclaimed very loudly from different quarters in 2015 – are most unlikely to be successful. The 'freebies' given away by successive DMK and

---

<sup>50</sup> These data, and the quotes in this and the previous paragraph, from Wyatt (2015a), *op cit*, note 45.

<sup>51</sup> Quotes here from Wyatt (2015b), *op cit*, note 45.

<sup>52</sup> See R. Srinivasan (2015) 'Of revenues, bribes and regulation', *Frontline*, May 1 2015.

AIADMK governments – from television sets to laptop computers – have been funded (albeit not by hypothecation) from these revenues.<sup>53</sup> State control over the production and distribution of liquor also provides a very important source of rents. In 1983, in response to a spate of deaths from the consumption of illicit liquor, the MGR government took the wholesale supply of alcohol into public control, with TASMAL (the Tamil Nadu State Marketing Corporation) given a monopoly to supply licensed outlets – a policy widely thought to have generated funds for the AIADMK (and subsequently for DMK governments, too). Then in 2003 Jayalalithaa announced that the government would take over retail sales as well through TASMAL, and the powers that the Corporation has of nominating suppliers and controlling supply create abundant opportunities for seeking rents. The state owned Corporation is clearly in a very strong position to influence the sales of different brands, for as a TASMAL employee said to a reporter for *The Economic Times*, ‘Brands are imposed upon retailers. Pay money to officials and even if your brand has no takers, TASMAL will ensure that your stock moves’.<sup>54</sup> Most, probably all, of the major liquor producers in the state have political links, some with the AIADMK – such as Midas Golden Ltd, which has close connections with Jayalithaa’s confidante Sasikala – and others with the DMK.<sup>55</sup> The fortunes of the twelve companies that now control the production of liquor in the state consequently fluctuate according to the party which is in power.<sup>56</sup> The extent to which the parties benefit is unquantifiable but clearly considerable – even if not as great as the ‘one crore of

---

<sup>53</sup> See the report published in *The Hindu*, July 23 2015, entitled ‘Total prohibition of alcohol in Tamil Nadu is financially unviable’.

<sup>54</sup> ‘Tamil Nadu’s “corrupt” cash cow TASMAL: How politics and liquor came to form a potent mix in the state’, *Economic Times*, January 11 2015 (accessed at [http://articles.economictimes.indiatimes.com/2015-01-11/news/57940995\\_1\\_tasmal-illicit-liquor-quality-liquor/2](http://articles.economictimes.indiatimes.com/2015-01-11/news/57940995_1_tasmal-illicit-liquor-quality-liquor/2), December 30 2015).

<sup>55</sup> See the *Economic Times* report, *op cit*, note 54, and also the paper published by the Aam Aadmi Party on ‘Crony Capitalism in Tamil Nadu’ (accessed at [www.aamaadmi-party.org/crony-capitalism-in-tamil-nadu](http://www.aamaadmi-party.org/crony-capitalism-in-tamil-nadu) December 30 2015).

<sup>56</sup> As was reported in *The Economic Times*: ‘A senior executive of [a] drinks company says every local player is affiliated to a politician belonging to the AIADMK or the DMK. “It is a market neck-deep in political nepotism.” A Tasmal official agreed. “For instance, the market share of Midas was negligible during the DMK reign. It picked up after the AIADMK came to power.” For this reason, fortunes can suffer a reversal following a change of government. The Tasmal official says Mallya’s United Spirits Limited took a beating after the AIADMK came to power.’ Source: ‘Why Tamil Nadu is the most daunting liquor market in India’, *Economic Times*, February 10 2013. Figures on changes in market shares under successive DMK and AIADMK governments appear in the reports referred to in notes 52 and 53.

rupees' said by one of my informants to have been paid by one particular producer to the party in power *every day*.

The extraction of minerals is another sector that is highly susceptible to political influence as a relatively small number of very lucrative licenses are awarded, and elected officials can exercise a lot of influence over their allocation. Political support may also be very useful where local residents oppose new mines. The licenses may come with a requirement to pass revenue back to the state and under-reporting output is one way of reducing costs and increasing profits. Quarry owners may also be tempted to extend their excavation beyond permitted areas. In May 2012 the independently minded Madurai District Collector, U. Sagayam,<sup>57</sup> revealed how quarry owners were underpaying royalties and breaking the terms of their licenses. In what became known as the 'granite scam'<sup>58</sup> the collector was quickly transferred out of the district but the case attracted great publicity and was investigated further. The direct involvement of politicians in large scale extraction is unusual, though one of the companies involved in the granite scam was linked to a well-known DMK politician. It is much more likely that politicians will engage in mining for gravel and sand.<sup>59</sup>

Sand mining is a further activity subject to regulation by the state and which is an important source of rents for politicians and bureaucrats. The paper produced by the Aam Aadmi Party on 'Crony Capitalism in Tamil Nadu' documents commercial interests linking the family of Jayalithaa's confidante Saiskala with a Tirunelveli businessman called Vaikuntarajan and a company called V. V. Minerals, which is involved in the mining of monazite from sands on beaches in Kanyakumari. Monazite can be refined to secure the radioactive element thorium, of which the south Indian beach sands are said to account for 30 per cent of global reserves. The AAP paper claims:

---

<sup>57</sup> Sagayam, who has been entrusted by the Madras High Court with the conduct of an enquiry into a multi-crore granite mining scandal in Madurai, has a reputation such that in December 2015 he was being touted as a candidate for the position of chief minister. See *The Hindu*, December 27, 2015.

<sup>58</sup> According to Sagayam's initial report, the State has suffered a notional loss of Rs.13,000 crore from quarries in Madurai. (Ilangovan Rajasekharan [2015] 'The Mother of All Loot', *Frontline* 32 (14), accessed at: <http://www.frontline.in/cover-story/the-mother-of-all-loot/article7391496.ece>).

<sup>59</sup> This paragraph is taken from Wyatt (2015b), *op cit*, note 45.

V.V. Minerals have been accused of large scale illegal beach mineral mining. Tuticorin [Thoothukudi] collector, Mr. Ashish Kumar during his raid on August 6 [2013] found that V.V. Minerals had encroached 30 hectares ... even though they were allowed mining only on 4 hectares. The raid reported that around 2,30,000 metric tonnes of minerals were mined illegally by V.V. Minerals. Mr. Ashish Kumar was transferred immediately after he conducted raids on the sand quarry of V.V. Minerals in August 2013. It is now clear why he was transferred as there are strong commercial links between people in AIADMK and V.V. Minerals.<sup>60</sup>

But the mining of these beach sands is dwarfed by the mining of sand from river beds, for the ever burgeoning construction industry, at immense environmental cost – documented in a special issue of the news magazine *Frontline*.<sup>61</sup> Sand is scarce, and significant rents can be earned by those who control its supply. In order to limit irregularities and reduce the environmental impact most sand quarrying was taken over by the PWD in 2003, but private contractors remain very actively involved in various ways. The official government rate for a lorry load of sand, at the quarry, was Rs 630 in 2013, but the same load was purchased for as much as Rs 7000 in Chennai. Clearly large sums of money are involved in the business and it has been estimated that the losses to the state exchequer amount to as much as Rs 3000 crores per year.<sup>62</sup> Contractors may make huge sums in spite of making pay-offs to officials and to police at various levels, and what is referred to as the ‘sand mafia’ is said to rule in various pockets across the state, and to be opposed only with great difficulty<sup>63</sup>. And Andrew Wyatt reports that politicians are involved in the business in a number of ways:

Some are involved in the actual quarrying of sand. They are in a position to skew the allocation of licenses to private quarries, and influence the inspection regime that supervises the operation of those quarries. In one case a District Collector organised a thorough inspection of sand quarrying by one company in his district and identified extensive irregularities in the extraction of sand. He was transferred to a new post within hours of the inspection. [The reference here is to Mr Ashish Kumar, the Collector of Thoothukudi, referred to above]. One DMK MLA was linked to an attempt to rig an

---

<sup>60</sup> See note 55. The claims made by AAP in this passage draw substantially on the article ‘Raids on mining sites reveal large-scale violations’. *The Hindu*, August 8, 2013, though the article does not draw the same conclusion as AAP about the reasons for Mr Ashish Kumar’s transfer. See also the article ‘Life is not a beach’, *Frontline* 32 (14), accessed at: <http://www.frontline.in/cover-story/life-is-not-a-beach/article7391673.ece> December 30, 2015.

<sup>61</sup> *Frontline* 32 (14), dated 24 July 2015.

<sup>62</sup> ‘Sand mining system entails annual loss of at least Rs 3000 crore’, *The Hindu*, September 3, 2013. See also Ilangovan Rajasekharan (2015) ‘A Requiem for Rivers’, *Frontline* 32 (14), accessed at <http://www.frontline.in/cover-story/a-requiem-for-rivers/article7391540.ece> , December 30, 2015.

<sup>63</sup> See Rajasekharan (2015), *op cit*, note 62.

auction of sand in which bidders were threatened and intimidated. The police also have a role enforcing the closure of illegal quarries and seizing consignments of illegally mined sand. The police can be placed under pressure by elected officials. In one case DMK politicians were alleged to have organised a cartel and used the police to harass those involved in small scale quarrying. In the course of my researches I have identified six DMK MLA candidates in 2011 who were directly involved in sand quarrying. Given the often illegal aspects of the business the number may be higher. The most egregious case to come to light involved an illegal quarry run by a DMK MLA on a 350 acre site which the police claimed generated revenue of 238 crore rupees'.<sup>64</sup>

An informant who must remain anonymous<sup>65</sup> has evidence that links payments of rents in this business directly to the Chief Minister.

Real estate, property development and construction also attract the attention of politicians, and builders and speculators are drawn to them because they can exercise discretion over various regulations. 'Gauging the extent to which politicians expand their real estate interests after they enter the state assembly is difficult', reports Wyatt, 'but there was some evidence that between 2006 and 2011 DMK politicians were making use of their political advantage/political capital and participating directly in property development'. Other sectors in which politicians are much involved are the film industry, and the private engineering colleges. Wyatt reports that 'At least twelve DMK politicians who were MLA candidates or sitting Lok Sabha MPs in 2011 were involved in running higher education establishments. The majority had more than one establishment'.<sup>66</sup>

The corporate sector may, generally, hold politicians at arms-length, as business leaders claim, and in many ways this is reciprocated by party leaders keen to maintain control of their own organisations. Activists are hostile to industrialists attempting to buy their way into party activities. So in the DMK it is considered acceptable to combine a political and business career, as many DMK district secretaries do, but cadres bristled in 2014 when a few nominations for Lok Sabha seats were given to wealthy associates of MK Stalin with no track record of party work.

---

<sup>64</sup> Wyatt (2015b), *op cit*, note 45. Wyatt's text supplies sources for each of the cases referred to.

<sup>65</sup> Suspicious deaths associated with sand mining are documented in 'Murders most foul', *Frontline* 32 (14), accessed at: <http://www.frontline.in/cover-story/murders-most-foul/article7391526.ece> December 30, 2015.

<sup>66</sup> Quotes in this paragraph from Wyatt (2015b), *op cit*, note 45.

Below the corporate level business and politics are quite fundamentally intertwined. Politicians run many small and medium sized enterprises. Some politicians have retired from electoral politics to concentrate on their business careers. There is a wide range of ways, some entirely legal, and others not, in which politicians, at different levels, are involved in business activities, sometimes directly, and sometimes as rent-seeking agents. Politics *is* business in Tamil Nadu, but this does not mean that the power and influence of business groups is such as to enable them to mold state behavior in the way that JMK suggest. Politicians also need to manage the electorate, and have to be ready in some circumstances to sacrifice business interests.

### **Conclusions: How Tamil Nadu Works**

The two most reflective of the businessmen with whom I spoke both offered the same analysis of the state in Tamil Nadu – that which is expressed in the second of the three epigraphs with which this paper begins: *‘In Tamil Nadu there is a division of roles between politicians and business. Politicians concentrate on the social sectors, leaving entrepreneurs pretty much to themselves’*. The evidence presented in this paper provides at least some support for this idea, so far as the corporate sector is concerned. ‘Entrepreneurs’ in small and medium enterprises, however, are likely to depend much more on the intermediation of politicians, in negotiating the still extensive state regulation of economic activity, and to be more actively involved in politics. Some, as we have seen, start out primarily as politicians. At their level business and politics are intertwined, and business interests may influence government policy. Certainly the liquor policy of the Government of Tamil Nadu appears to have been written to accommodate those around both Chief Ministers, and both education and land policy might also be biased to suit politicians with business interests.

The idea of the division of roles between politicians and the corporate sector, however, recalls David Washbrook’s conclusions from his analysis of the Tamil state:

Classically [he is referring here to what he calls, after Marx – hence ‘classical’ – ‘a form of Bonapartist or Caesarian democracy’], the bourgeoisie, or the elite of wealth, withdrew from a formal position of control over the state apparatus and the constitutional political process. Not only was their direct control no longer necessary for the purposes of capital accumulation but their attempt to exercise it, or rather the sight of their attempting to exercise it, provoked resistance and instability. Formal control was passed to a cadre of

political managers who on the basis of a populist ideology, mollified resistance by turning what was left of the state into a welfare agency and by stirring up feelings of patriotism and atavism [through the appeal to the idea of the ‘Tamilian’, the common man (JH)]. By these means the elites [the Forward Castes – Brahmans, Chettiars, Reddiars, Rajus, Kamma Naidus and others] ‘disappeared’ so that they could preserve their privileges and abilities to accumulate (in black money) at very little cost, while the illusion of democracy permitted the people to imagine that they ruled.<sup>67</sup>

This is a harsh judgment, perhaps, but it reflects pretty well what happened when the DMK took power in Tamil Nadu in 1967, causing what my elite Brahman businessman informant described in terms of a ‘cultural problem’. Those from his cultural background and social class have not occupied ‘formal positions of control over the state apparatus and the constitutional political process’ since 1967, yet they have continued to occupy the heights of the business world of the state<sup>68</sup>. The only business community in the state that has been very directly involved in politics, I believe, is that of the Nadars. Damodaran writes that ‘Many prominent Nadar businessmen have been politicians themselves’, and lists a number of them. He makes no reference to Brahmans, Chettiars, Naidus or Gounders having had such engagements.<sup>69</sup> And no doubt, in the light of the success of the mobilisations of lower castes (though not the Dalits) by the DMK, the ‘sight of the Forward Castes attempting to exercise control’ would have ‘provoked resistance and caused instability’ by the later 1960s. Yet, as Washbrook has it ‘The final and most amazing of all the transformations the Dravidian ideology was to undergo was that which turned it from a vehicle of anti-elite protest into one which accommodated privilege in Tamil society’. He goes on:

Wealth ... would be re-legitimized by appearing to be held and used for the benefit of other members of the Tamil ‘community’ – providing employment and distributing largesse. Even Forward Caste status might be acceptable so long as members of the Tamil Forward castes agreed to the right of members of the Tamil Backward Castes to a share in the privilege of education and government employment. Annadurai’s offer to de-

---

<sup>67</sup> Washbrook, *op cit*, note 4, p. 258.

<sup>68</sup> My study of the ‘industrial leaders of Madras’, almost forty years after Milton Singer’s seminal research conducted in 1964, showed the continuity in the ownership of the top corporations based in Tamil Nadu. See John Harriss (2003) ‘The Great Tradition Globalizes: Reflections on Two Studies of “The Industrial Leaders” of Madras’, *Modern Asian Studies* 37 (2): 327-62. See also C. J. Fuller and HariPriya Narasimhan (2013) *Tamil Brahmans: The Making of a Middle-Class Caste*. Chicago and London: The University of Chicago Press, pp. 96-8. Examination of *The Economic Times* list of the top 500 Indian companies in 2015 shows relatively little change. Sun TV Ltd (part of Kalandhi Maran’s empire) is the one upstart that I can identify. The rest are TamBram companies – five of them from the TVS group – or companies that belong to Chettiars, with two Coimbatore based companies, one belonging to Kamma Naidus, and the other to Gounders.

<sup>69</sup> Damodaran, *op cit*, note 5, quote p. 193.

radicalize Dravidianism<sup>70</sup>, to bring together the elites and the masses in a single Tamil community, had an obvious appeal to the former (who) could carry on just as before and sleep soundly in their beds.<sup>71</sup>

This describes very well what happened after 1967. The elites from amongst the historically Forward Castes did, in a sense, ‘disappear’, but were able to carry on building their businesses (including, over the last quarter century, highly successful IT companies<sup>72</sup>), while the Dravidian politicians managed the state. As I argued, drawing both on the findings of earlier studies by Padmini Swaminathan and Aseema Sinha, and on the observations of those whom I interviewed, neither the DMK nor the AIADMK has operated in government in such a way as unambiguously to favour big business interests. Indeed, in the 1970s and 1980s, and even to an extent in the first years of the present century, and since 2011 under the AIADMK, the ways in which the parties have behaved in government have sometimes not been at all favourable to corporate interests. There are ways in which, as I have shown, Tamil Nadu isn’t particularly ‘business friendly’, and there is a good deal to support the claim that business in the state has succeeded rather in spite of, than because of, government. Yet the politicians haven’t invariably been obstructive or predatory; and senior bureaucrats have quite often been positively helpful. The problem has been that so much depends upon the ‘whims and dictates of the chief ministers, without much predictability’ – which creates anything but a positive environment for private investors. And there is also, as the later part of this paper shows, another level of business that is thoroughly inter-twined with politics (and which is where – somewhat contra Washbrook – much of the ‘black money’ really lies). Politics is funded through the business that is carried on directly and indirectly, legally and illegally, by politicians, rather than by depending on ‘resources controlled by the wealthy’.

---

<sup>70</sup> Though as the anthropologist Nate Roberts has pointed out to me (personal communication 29 April 2015), it is, to say the least, questionable as to whether the Dravidian movement was ever truly ‘radical’. It eschewed communist leaders, and Dravidianists, including Periyar, never looked closely at the political-economic basis of caste. To have done so would have undermined their own leaders, and funders, who came from landed and merchant backgrounds. There is a sense in which the Brahmin/Non-Brahmin distinction functions as an ideological dodge, diverting attention away from class contradictions, and away from the combined social and class antagonism between Dalits and all the others.

<sup>71</sup> Washbrook, *op cit*, note 4, p. 254.

<sup>72</sup> See Fuller and Narasimhan, *op cit*, note 68, Chapter 3.

But then, how has Tamil Nadu succeeded in delivering so effectively, by comparison with most other states, on most significant measures, social or human development? The idea that Tamil Nadu can be described as a ‘Bonapartist state’ has to be qualified, for sure, given that since the death of MGR in 1987, there have been, as it were, two ‘Bonapartes’, in Jayalalithaa and Karunanidhi. And as I have argued elsewhere, competitive populism in Tamil Nadu has delivered for the mass of the Tamil people,<sup>73</sup> partly at least because public administration works better than in most of the country,<sup>74</sup> and because – for all that the radicalism of the Dravidian movement was always shallow (see note 67) – the Dravidian parties, in very successfully building a broad base of support, have espoused an ideology of ‘inclusion’. Former senior civil servants whom I know, and who worked closely with MGR, attest very strongly to his commitment, in particular amongst the senior politicians whom they have served, to the poorer people of the state. The distribution of largesse to the people – not only the ‘freebies’ scorned by the elite,<sup>75</sup> but also and much more importantly the noon meal at school, and cheap (now free) rice made available through the Public Distribution System – has of course been paid for in part by taxes paid especially by poorer people (the liquor taxes discussed above<sup>76</sup>); but, as Andrew Wyatt has shown, the policies pursued by the two parties have become increasingly programmatic rather than clientelistic.<sup>77</sup>

In his study of *The State and Poverty in India* Atul Kohli argued that pro-poor redistribution is most likely to be achieved where there is ‘a tightly organized ideological party (that) can penetrate the rural society without being co-opted by the propertied groups’.<sup>78</sup> He went

---

<sup>73</sup> John Harriss (2003) ‘Do Political Regimes Matter? Poverty Reduction and Regime Differences Across India’, in Peter Houtzager and Mick Moore (eds) *Changing Paths: International Development and the New Politics of Inclusion*. Ann Arbor: University of Michigan Press, pp. 204-232.

<sup>74</sup> See Joshi and McGrath (2015), *op cit*, note 7, for some useful discussion on this point.

<sup>75</sup> One wealthy Brahman businessman told me how his son had phoned him up from school to ask whether he should accept a laptop. His father insisted that he should, but also to bring it home rather than selling it to one of the touts who was hanging around the school waiting to offer money for the machines, which they would then sell on at a profit.

<sup>76</sup> See S. Guhan (1988) ‘State Finances: Trends and Policy’, in *Tamil Nadu Economy: Performance and Issues*. Chennai: Madras Institute of Development Studies; and Narayan Lakshman (2011) *Patrons of the Poor: Caste Politics and Policymaking in India*. Delhi: Oxford University Press.

<sup>77</sup> Andrew Wyatt (2013) ‘Combining Clientelist and Programmatic Politics in Tamil Nadu, South India’, *Commonwealth and Comparative Politics*, 51 (1): 27-55.

<sup>78</sup> Atul Kohli (1987) *The State and Poverty in India*, Cambridge: Cambridge University Press, p. 8.

on to describe the critical characteristics of the sort of party that could deliver for the mass of the people, including coherent leadership; ideological or organizational commitment to exclude propertied interests from direct participation in the process of governance; a pragmatic attitude toward facilitating a non-threatening as well as a predictable political atmosphere for the propertied entrepreneurial classes; and an organizational arrangement that puts the regime ‘in touch’ with local society whilst not being subjected to local power holders. This comes quite close to describing a social democratic regime, and in later work Kohli talks of the possibility of a ‘democratic developmental state’, taking as an example the case of West Bengal.<sup>79</sup> Can Tamil Nadu be described in these terms?

Here I return to Washbrook’s last words in the long passage cited above: ‘the illusion of democracy permitted the people to imagine that they ruled’. This, in particular, seems a harsh judgment. Yet it is not unfounded. There is a sense in which – for all that electoral participation in Tamil Nadu is relatively high, that there is a flourishing Tamil press, and an active civil society – the state is characterized by anti-democratic politics. This is because so much depends on the devotion that is inspired by the great leaders, first Annadurai, then (and especially) MGR, and now Jayalalithaa. Karunanidhi, too, though he has never quite exercised the charisma of the other three. The other face of devotion is that ‘the leader’ is able to behave in an authoritarian manner.

The ideas of devotion to the Tamil language and to the Tamil nation, fostered by the genius of Annadurai, Karunanidhi and others in producing and projecting a mytho-history of Tamilian greatness, have been extended, Ingrid Widlund argues, ‘to leaders who were projected, or perceived, as embodiments or at least protectors of the nation and its associated values’. As she notes, like Washbrook earlier, this recalls the idea of Bonapartism, in which the power of the state is embodied in the person of the leader. Widlund concludes that the preoccupation with ancient kings and heroes in Tamil political culture, and current devotion to the leader, to the point of subservience, has ‘legitimised a conception of political relations as inherently unequal’. She suggests that ‘the DMK’s version of Tamil identity and pride, despite the party’s rhetorical

---

<sup>79</sup> Atul Kohli (2012) *Poverty Amid Plenty in the New India*. Cambridge: Cambridge University Press.

emphasis on equality, served as an ideological device for legitimizing the relations of subservience between ... the leaders and their followers', and that this feature was accentuated even further in the AIADMK. Such ideas and relations stand, Widlund argues, 'in contradiction to basic democratic values'.<sup>80</sup>

These aspects of the Dravidian parties are reflected in the fact that Tamil politicians, whether from the AIADMK or the DMK, have generally been resistant to decentralization. The state has been notably tardy in the implementation of the 73<sup>rd</sup> and 74<sup>th</sup> amendments of the Constitution that instituted the panchayati raj system of local government. One of the parties, the DMK, certainly once had significant local organisation, while the AIADMK has always been much more of a following of charismatic leaders. Internal party democracy in the DMK has been threatened by the dominance of the Karunanidhi family, and though the party ran organisational elections in 2015 there can be little doubt that the patriarch will be succeeded as leader of the party by his son Stalin. And successive governments of Tamil Nadu have behaved in a repressive manner, certainly as regards labour. Narendra Subramanian remarked upon the 'attacks of the AIADMK regime on trade unions [noting that] The police were particularly violent in suppressing strikes in bicycle, automobile and textile factories, and in the Madras harbour'. He also concluded that 'Although the inclinations of paternalist populism towards social control were tempered by the prior strength of social pluralism, civil rights were abridged when MGR's government faced radical challenges and when Jayalalitha's felt beleaguered'; and he offers similar observations about the DMK regime in the 1970s, when it is said that 'Local DMK leaders and party activists resorted increasingly to violence to enforce their will [and] gangs of toughs became part of the party's repertoire everywhere'.<sup>81</sup>

Tamil Nadu represents a very distinctive case indeed. It has some of the features of what Kohli describes as a 'democratic developmental state', and it has seen the realization of at least some of the outcomes that are expected of such a regime, yet without having either a politics or a culture of social democracy. Tamil Nadu has certainly seen the mobilization of a coherent

---

<sup>80</sup> Ingrid Widlund (2000) *Paths to Power and Patterns of Influence. The Dravidian Parties in South Indian Politics*. PhD Dissertation, Uppsala University, quotes p 377, p 378 and p 380.

<sup>81</sup> Narendra Subramanian (1999) *Ethnicity and Populist Mobilization. Political Parties, Citizens and Democracy in South India*. Delhi: Oxford University Press.

political collectivity, but around identity, and depending upon populist appeals. The politics of the state, remarkably perhaps, have remained fundamentally centred on caste.<sup>82</sup> It has lacked class politics and even has a political culture that is in contradiction with basic democratic values. Group rights have been pursued with particular vigour, but the state has sometimes been repressive, certainly of workplace rights – even though competition between the two Dravidian parties has, as Rina Agarwala has shown, led to the delivery of welfare benefits to unorganized workers, and to recognition of their status as ‘workers’, to a much greater extent than has been the case elsewhere (with the possible exception of Kerala).<sup>83</sup> The Dravidian parties are no longer embedded, as the DMK may have been at the outset, in a broad social movement, but the voice of civil society has ensured that the competition between the two Dravidian parties is channelled into responsiveness to popular concerns. There has been a kind of a tacit, Bonapartist agreement between the political leadership and the corporate sector that has ensured capitalist development, but nothing resembling a social democratic pact between capital, labour and the state.

---

<sup>82</sup> H. Gorringer (2012), ‘Caste and politics in Tamil Nadu’, *Seminar*, 633.

<sup>83</sup> Rina Agarwala (2013) *Informal Labor, Formal Politics and Dignified Discontent in India*. New York: Cambridge University Press.