

## Chapter 97

# Governance Evolution and Impact on Economic Growth: A South Asian Perspective

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### ABSTRACT

*Governance matters (Kaufman, et al, 1999) for growth is now an accepted dictum. However, there are as many hypotheses as to what constitutes governance ‘as there are researchers in the field’ (Bressers, J.T.A. & Kuks, S.M.M., 2003). Apart from econometrics, political science provides important insights on factors that influence governance and facilitate growth. This chapter examines the political history and economy of South Asia to determine the features that shaped governance and affected economic growth. It finds that governance in South Asian context evolved through three phases. Using a comparative perspective of GDP growth rates and World Governance Indicators in South Asia and Brazil, it analyzes the relationship between political history and economy in each phase. The findings indicate that political ideologies, stability of regimes and policy continuity hugely influence the institutions of government and economic growth. The chapter also finds that people’s participation in governance would enhance growth and distributive social justice.*

### INTRODUCTION

The term ‘government’ has usually included formal institutions of the state, and its monopoly of legitimate violence. Formal and institutional processes formulated centrally are used to maintain common order and to facilitate collective actions (Stocker, 1998). As a contrast to these traditional views of government, political systems and processes are increasingly discussed in terms of ‘governance’, and sometimes even

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in terms of ‘modern governance’ (Rhodes, 1996, 1997; Kooiman, 1994). One of the biggest challenges of these theoretical frameworks is that ‘there are as many ideas of governance as there are researchers in the field’ (Bressers, J.T.A. & Kuks, S.M.M, 2003). Notwithstanding the apparent diversity of expressions, it is necessary to appreciate that governance is not a science or field by itself. As Dixit (2009) stated, “governance is an organizing concept for many fields in all social sciences; it is not a field per se, and certainly not a field within economics. Case studies in law, political science, sociology, and anthropology, and game-theoretic modeling in economics, have all contributed to the advancement of our knowledge concerning governance institutions. This offers a unique opportunity for the social sciences to have a meeting point, if not for reunification, after their separation over a century ago”. This chapter aims to understand the relationship between political governance and economic growth by examining the history of political economy of South Asia, in particular India. In such an examination, whether political stability, policy continuity, institutional framework and stakeholder (citizen) participation contribute to economic growth is looked into by use of a comparative study.

The French Revolution of 1787 – 1799 changed the way people looked at their kings and countries. Nation or State came to be regarded as the guarantor of three principles: Liberty, Equality and Fraternity. In due course of time, people across the world have come to regard their countries not merely as guarantors of the fundamental principles but as promoters of institutions and practices through which opportunities to fulfill their political, economic and social aspirations will be provided. In short, governance is measured in “the manner in which government uses its power in the management of the institutional environment, hence affecting the accumulation of the factors of economic growth” (Badun, 2005, p. 280).

Three major events in the Western hemisphere influenced South Asian thinkers and practitioners in developing the concept of state as well as governance: French Revolution, American Independence and the two World Wars. While the West industrialized and developed, the East, particularly South Asia, became the laboratory where the colonial rulers practiced the art of governance from the colonizer’s perspective (Iyer, 2004). However, by the end of 19<sup>th</sup> century, a strong movement for independence emerged in the subcontinent. Western education and the remarkable struggle for Indian Independence, combined with the emergence of USSR played a huge role in laying the ideological foundations to South Asian concept of governance (Bayly, 2008; Chandra, Mukherjee, Mukherjee, Panikkar, & Mahajan, 2013)<sup>1</sup>. To a large extent the over-awing impact of the Empire left political leaders and thinkers in South Asian region adopting, rather than experimenting, the concept of governance that had evolved in the West by the end of World War II (Roy, 2002).

## **DEFINING GOVERNANCE**

In order to appreciate the lessons from South Asian experiences, it is important to commence with a survey of different ways the term governance is defined. Richards and Smith (2002), suggest that governance is a descriptive label that is used to highlight the changing nature of the policy process in recent decades. In particular, it “sensitizes us to the ever-increasing variety of terrains and actors involved in the making of public policy”. It thus demands that we consider all the actors and locations beyond the ‘core executive’ involved in the policy-making processes (p. 2). Rhodes (1997) argues that governance refers to a ‘new process of governing’. He then proposes that, in the British case, governance “refers to self-organizing, inter-organizational networks characterized by interdependence, resource exchange,

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