learnt the hard way back in mid 1970s, is unacceptable in modern India.

Reforms in India were initiated in 1991 by the federal government in New Delhi. As elsewhere, globalization and reforms, in a society that is developing an information-based system, have begun to erode the power of the federal government in India. The Congress governments at the centre have historically exerted considerable influence on state governments that have been run by the Congress party.

Since 1991, a number of industrial and high per-capita states, such as Maharastra, Gujarat and Karanataka, and the populous Uttar Pradesh, have elected non-Congress governments. Maintaining socialist state-owned enterprises, regulations and socialist entitlements in these states would require that they remain dependent on getting subsidies from the federal government in New Delhi. Some states have yet to appreciate the enlarged tax base that is made possible by liberalization and deregulation. It is in the interests of state leaders to strike out on their own and use reforms to enhance their clout. A number of provincial premiers are already making friendly noises to attract foreign investment in their province.

Overall, both at the federal level and in the states, the next phase will bring out the conflict between supporters of liberalization and those who want to maintain regulations, socialist state enterprises and entitlements. However, progressive senior civil-servants in India are firm supporters of continued reforms.

Power structure. India has to hold an election by May 1996 to elect a new federal parliament. Most pundits are anticipating a hung parliament, which will force the three large parties, the Congress party, the Bhartiya Janta Party (BJP) and Nation Front-Left Front (NF-LF), to engage in horse-trading to form a coalition government with smaller parties.

Short to medium-term reforms. In the short term, the pace or deepening of economic reforms will depend on which party forms the base of the next government in India. Consider three scenarios.

• The Congress party has traditionally attracted middle and lower classes,