

The lower class and minority caste-groups in India have yet to fully appreciate the potential economic and political benefits of reforms. The new domestic and foreign investment in infrastructure and manufacturing projects will directly create jobs all across India for the lower class and minorities. This change will convince regional leaders in India, as elsewhere, that states can create more wealth by attracting foreign direct investment than by relying on federal government handouts to state-owned enterprises. Regional autonomy can be better realized through economic progress than caste-based politics of horse-trading, which is often dominated by upper-caste and upper-class politicians in India.⁴ The debate on the merits of liberalization has yet to fully unfold at the regional level in India. While there will be fluctuations, the trend is for continued reform.

In sum, from the short to long term perspective, the reform process in India can be expected to continue. The pace may pick up or slack off at different turns and twists, depending on the short term political situation in India. But reforms will deepen and spread more widely over time.

6. Concluding Remarks

Will reforms persist in India? The answer depends on socioeconomic and political attitudes toward the market system. This note has argued that there is a tension between economic interests and political forces in how India reforms and adjusts to globalization.

India is currently beginning a historic economic transformation. It is hardly a fully market-based economy yet. Spurred by spectacular economic growth in China and the other Asian countries, and by its own middle class, India has finally moved. That reforms are in India's economic interests is well understood in India and the middle class and business community are committed to the reform process.

⁴The Enron case is an example of how certain upper castes opposed the Dabhol project because it stood to create significant economic opportunities for lower castes (Enron's primary labour pool) in the region. The Hindu fundamentalists and nationalists felt that the spin-offs from the project would undermine their political power. See *International Economic Review*, November 1995, p. 22.