

JULY 21, 2015 | NUMBER 776

## Capitalism's Assault on the Indian Caste System

### How Economic Liberalization Spawned Low-Caste Dalit Millionaires

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#### EXECUTIVE SUMMARY

**D**alits—once called untouchables—constitute one-sixth of India's population. They traditionally occupied the bottom of the caste hierarchy, in the filthiest occupations—cleaning toilets, cremating the dead, and handling dead animals. These jobs ensured rampant disease and early death. Touching the dalits was taboo for the upper castes.

When India became independent in 1947, its liberal constitution banned caste discrimination and reserved seats for dalits in the legislatures, government services, and some educational institutions. These reservations created a thin upper crust of dalits in politics and government services. But caste discrimination remained widespread and savage, especially in rural India.

However, major changes were sparked by economic reforms in 1991, opening up a once-closed economy. Dalits have increasingly managed to get out of their historical occupations and move into new ones. One district survey in Uttar Pradesh shows the proportion of dalits

owning brick houses up from 38 percent to 94 percent, the proportion running their own businesses up from 6 percent to 36.7 percent, and the proportion owning cell phones up from zero to one-third. The Dalit Indian Chamber of Commerce and Industry now boasts of over 3,000 member-millionaires. The former serfs have now become bosses hiring upper-caste workers.

The arrival of the competitive market and its creative destruction broke old caste bonds and facilitated the shift of dalits to new occupations. India's socialist policies achieved only 3.5 percent annual growth for decades. Licences and permits were required for all economic activity. Upper-caste networks monopolized these and kept dalits out. But the 1991 economic reforms dismantled controls, accelerating growth and competition. Fierce competition soon ensured that the price of a supplier mattered more than his caste. This created openings for dalit entrepreneurs, who were able to crack traditional upper-caste monopolies. The dalit revolution is still in its early stages, but is unstoppable.

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## INTRODUCTION: DALITS AND THE CASTE SYSTEM

Hindus constitute four-fifths of India's 1.2 billion people. They have historically had a caste hierarchy attributed to the ancient Hindu law-giver Manu. This system divided society into four major divisions or varnas—the brahmins (priests/intellectuals), kshatriyas (warriors/ landowners), vaishyas (businessfolk), and shudras (farmers and laborers of all sorts). Each varna, in turn, consisted of hundreds of jatis, usually members of a specific occupation (such as fishing or metal working). Both varnas and jatis are called castes.

Below this four-fold hierarchy, seemingly like dirt below true humans, lay a fifth group—the untouchables. They now have a more politically correct name—dalits, meaning “the oppressed.” Traditionally, the various dalit castes did the filthiest jobs—cleaning toilets, handling dead animals, flaying and tanning skins, cremating the dead. They also did agricultural work and anything else demanded by their upper-caste masters. Their filthy occupations were hotbeds of germs, condemning them to disease and early death. Because disease seemed to follow them everywhere, it became taboo for the upper castes to have any contact with them, especially in regard to food or drink, and so they were called untouchables. In some areas, a Brahmin was obliged to have a bath if touched even by the shadow of an untouchable. Dalits were usually not allowed to enter Hindu temples: they had to pray from outside.

The Hindu theory of karma held that those who had committed truly evil deeds in their last life were reborn into deservedly terrible conditions, such as untouchable households. Hence, Hindu society did not aim at ameliorating their living conditions, which were rationalized as just punishment for earlier sins. Untouchables had no rights, could be ordered around at will by the upper castes, and could be assaulted with impunity. They were often bound by debt or tradition to upper-caste masters. The Ramayana, Hinduism's famous epic, has an episode where the death of a Brahmin child is declared by priests to be the result of a terrible sacrilege

by somebody. The villain is identified as an untouchable, Shambuka, who had the gall to attempt brahminical ascetic rituals, and he is duly beheaded for this cardinal sin. This story truly sums up historical upper-caste attitudes.

The untouchables lived in segregated parts of a village, forbidden to draw water from wells and tanks used by upper castes, forbidden to get education, and forbidden to sit or eat with the upper castes at village festivals and weddings (they would be fed in a separate place). This was Indian-style apartheid.<sup>1</sup>

## THE GRADUAL EMANCIPATION OF DALITS

Historically the caste system was not entirely rigid: some movement in and out of castes was possible. Anybody wielding a sword could become a warrior, and a few untouchable warriors even became kings (such as the Gaekwad dynasty of Baroda state). Some, like Valmiki and Ravidas, became famous religious leaders. But, overwhelmingly, they remained dirt poor and oppressed.

In the 19th century, a number of Hindu reformers began to question the caste system and the morality of untouchability. Mohandas Karamchand Gandhi, who led India's movement for independence from British rule, was a social reformer seeking to end untouchability long before he became a political agitator. He won the support of a Westernized upper crust of Hindus in the independence movement, including Jawaharlal Nehru, who would later be India's first Prime Minister from 1947 to 1964. While many traditional Hindus regarded untouchables as being outside Hindu society proper, Gandhi was determined to integrate them into the Hindu system with honor.<sup>2</sup>

He sought to replace the word “untouchable” with “harijan,” which means “children of God.” This became the standard political usage in India after independence. However, in legal-bureaucratic terms, the various untouchable castes were called Scheduled Castes, from being identified in a schedule in the constitution. In the 1970s, radicals among untouchables

found the word “harijan” both hypocritical and patronizing, and started calling themselves “dalits,” meaning “the oppressed.” This caught on, and so dalit has now become common usage in the media and popular discourse, although “scheduled castes” continues to be the legal-bureaucratic description. Another constitutional schedule defines certain tribes living in jungles and mountains as “scheduled tribes.” These, too, are outside the formal Hindu four-tiered caste system, but efforts have been made to integrate them into Hinduism. Many have also converted to Christianity.

A small number of dalits obtained education during British colonial days and were able to break their historical caste bonds. The most important of these was Bhimrao R. Ambedkar, the first dalit to study in Bombay University, Columbia University, and the London School of Economics. He became the national leader of India’s dalits in the 1920s and was independent India’s first Law Minister in 1947. He played a leading role in molding India’s new constitution in 1951. His savage denunciation of caste iniquities helped entrench “reverse discrimination” clauses in the constitution and new laws, such as reservation of seats in proportion to their population share for dalits and scheduled tribes, another historically disadvantaged group, in Parliament, the state legislatures, educational institutions, and—most importantly—in the central and state civil services. Discrimination against dalits was made illegal, but prosecutions were rare, and legislators fully understood that social attitudes would change only gradually.

In the 1950s, Ambedkar converted to Buddhism and urged all dalits to also convert, to escape the caste iniquities of Hinduism. This had very limited success, as did the new political party (Republican Party of India) that he launched. But he inspired later generations of dalit leaders, who in 1983 created the Bahujan Samaj Party (BSP), which became a force to reckon with in India’s largest state, Uttar Pradesh. Its one-point program was to destroy the caste legacy of the ancient law-giver Manu. The party also won a few seats in other states.

Mayawati (who has no surname), leader of the BSP, has been chief minister of Uttar Pradesh four times, and she has ambitions to become prime minister.<sup>3</sup>

Reservations in the legislatures, civil services, and colleges slowly helped create a thin upper crust of dalits. They reached the upper ranks of politics and gradually formed a middle class of educated professionals and bureaucrats. They were cultivated by the Congress Party as a vote bank, and other parties wooed them, too. This helps explain why, despite their low social status, several dalits became chief ministers, such as D. Sanjiviah in Andhra Pradesh, Bholu Paswan (three times) in Bihar, and the current Bihar Chief Minister Jitan Ram Manjhi. But all these were politically weak leaders, almost puppets, propped up by powerful caste leaders as part of vote-bank politics. Mayawati was the first dalit to become a powerful chief minister in her own right. Some dalits rose to the top of the foreign service (K. R. Narayanan) and supreme court (K. G. Balakrishnan).

Urbanization helped the progress of dalits, since cities did not have the old-style landowners with serf-like attached laborers. The urban pattern of modern occupations, corporate owners, and anonymity (urban strangers do not know your caste, whereas everyone in a village knows it) eroded the old sanctity and taboos of caste. Yet urbanization has been slow: India remains 68 percent rural even today after 67 years of independence.<sup>4</sup>

So dalits continued to face widespread discrimination. Indeed, for some decades after independence dalits found it difficult to even vote freely in elections, enter government schools, or visit Hindu temples. Dominant rural castes simply did not accept the equality that the constitution had decreed for dalits, and so legal rights were sometimes worthless in practice. But over the last six decades untouchability has eroded everywhere, above all in urban areas.

A constitutional amendment in 1993 mandated the formation of elected gram panchayats (village-level councils), with the usual quota of seats reserved for dalits. Yet there have been

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instances where no dalit candidate dared stand, even in reserved constituencies, for fear of upper-caste reprisals. Social progress has been substantial, yet patchy and incomplete.<sup>5</sup>

### SOCIO-ECONOMIC PROFILE OF DALITS

Dalits currently account for around 16.8 percent of the population. Their proportion of reserved seats varies from state to state depending on their population share, but at the central level, 15 percent and 7.5 percent of seats, respectively, are reserved for dalits and tribes (the latter fall outside traditional caste classification and may subscribe to a variety of religions).

The Indian Institute of Dalit Studies is a non-government think tank. One of its recent research papers gives some idea of how poor the economic and social indicators of dalits (SC, or scheduled castes) and tribes (ST, or scheduled tribes) are compared with the rest of the population (see Table 1). Some of the biggest disparities between dalits and the other castes relate to asset ownership per household (\$1,899 versus \$5,193), the proportion in rural areas who are wage laborers (61 percent against 25 percent), and child mortality (39 deaths per thousand births against 22 per thousand). In some indicators, such as rural poverty and child mortality, the tribes are even worse off than dalits. In other indicators the tribes fare better on average, but this cloaks

**Table 1**  
**Economic and Social Indicators of Caste Groups**

	Scheduled Castes (Dalit)	Scheduled Tribes (Tribes)	Other
Poverty, percent rural	36	46	21
Poverty, percent urban	38	35	21
Infant mortality per 1000 births	83	84	62
Child mortality per 1000 births	39	46	22
Underweight children*	21	26	14
Assets/household (US\$, at 1992 Rupee-US\$ exchange rate)	1,899	2,033	5,193
Rural laborer, percent	61	48.6	25
Urban casual worker, percent	26	26	7
Literacy, percent rural, 2001	51.16	45.02	62.55
Literacy, percent urban 2001	68.12	69.09	81.80
Registered cases of discrimination (1992–2001)	14,030	876	
Registered cases of atrocities (1992–2001)	81,796	7,645	

Source: Sukhadeo Thorat and Chittaranjan Senapati, “Reservation in Employment, Education and Legislature—Status and Emerging Issues,” Indian Institute of Dalit Studies, Working Paper Series 2, no. 5 (2007).

\*Note: “The percentage of children aged 0–59 months, whose weights are less than two standard deviations below the median weight for age groups in the *international reference population*.” That definition comes from the United Nations, “1.8 Prevalence of Underweight Children Under-five Years of Age,” <http://mdgs.un.org/unsd/mi/wiki/1-8-Prevalence-of-underweight-children-under-five-years-of-age.ashx>.

huge regional differences. The worst off, by far, are the central Indian jungle tribes; the sub-Himalayan tribes fare much better.<sup>6</sup> Indian laws prohibit discrimination on the grounds of caste or ethnicity. But police stations rarely record complaints of discrimination by dalits and tribes. They are somewhat more likely to record caste-based atrocities (serious crimes). Recorded complaints of atrocities against dalits in 1992–2001 totaled 81,796. The actual number would be vastly higher.<sup>7</sup>

### THE CHANGES WROUGHT BY THE ECONOMIC REFORMS OF 1991

Politicians and social activists long viewed the ending of caste discrimination as a political and social problem, to be attacked by new laws and reservations. Yet by far the greatest improvements have occurred after 1991, when India decided to abandon its traditional socialism and adopt liberal economic reforms. The greatest social activists tended to be socialists or communists, and they sneered at the notion that markets could achieve what laws and job reservations could not. Yet that has been the case. The new opportunities and fast growth created by economic reform opened up new business spaces for the dalits to occupy. Traditionally, business was taboo for dalits: it was reserved for the upper castes, especially the vaishyas. But today millions of dalits run their own businesses, and a few thousand have emerged as millionaires.

Indian industry has long been represented by the Federation of Indian Chambers of Commerce and Industry (FICCI). But now more than 3,000 dalit businessmen have got together to create the Dalit Indian Chamber of Commerce and Industry (DICCI). Instead of being condemned to live at the bottom of the social ladder, these dalits have become bosses, hiring upper caste workers. This is an unprecedented social revolution.<sup>8</sup>

What accounts for the sea change? Capitalism, says Milind Kamble, chairman of DICCI. He says that as long as dalits lived in semi-feudal villages, they were at the mercy

of upper-caste landowners, who controlled the police stations, bureaucracy, and all other rural institutions, and so could assault dalits with impunity. Rural dalits could not progress beyond agricultural labor and dirty occupations such as cleaning latrines. But once dalits escaped feudal rural conditions and joined the modern market, they were able to break historical caste bonds and occupations, shift to new sorts of occupations, and even become millionaires.<sup>9</sup>

India's socialist policies achieved only slow economic growth for several decades: 3.5 percent per year for three decades after independence. Licenses and permits were required for all economic activity, and the upper castes had the networks and resources to monopolize them. Dalit progress was necessarily slow. But then came the economic reforms of 1991 that dismantled much of the license-permit system and enabled GDP growth and urbanization to accelerate. GDP growth had moved up to 5.5 percent per year in the 1980s, partly because of marginal economic liberalization plus a government spending spree based on unsustainable borrowing. But GDP accelerated to 6 percent per year after 1992 and averaged a record 8.5 percent between 2003 and 2011. This transformed the economic scene.<sup>10</sup>

In the socialist era, upper-caste networks dominated the economy and did not allow dalit entrepreneurs to break in. But after the 1991 reforms, the cozy quasi-monopolies of the license-permit era disappeared and were replaced by fierce market competition. In the earlier era, business families tended to give orders for supplies and ancillaries only to family members or caste members. But this inefficient patronage system became uneconomic in the new era of fierce competition. What mattered most in the liberalized era was the price—and not the caste—of a supplier, and this eventually cracked the old upper-caste monopoly over business. In many cases companies found it was uneconomic to have fully integrated factories, as was popular in the old era, and so farmed out ancillary and non-core work to others. This included not just component supplies but also

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associated jobs such as transport, maintenance, repairs, catering, security, and other services. Dalit-owned companies are now important suppliers of components to top automobile companies including Honda, Tata Motors, Bajaj Auto, and Hero Corporation.<sup>11</sup> This created a profusion of new opportunities, and dalits were able to move into some of them. The best placed to do so were those who had access to free government education or scholarships, and those whose parents had already moved up modestly in the earlier generation by becoming teachers or bureaucrats. The rise of dalit businessmen and millionaires is very recent, however, so the process has a long way to go.<sup>12</sup>

Confirmation of the improvement in dalit conditions comes from a Columbia University study looking at changes in poverty levels of different castes and religious groups over time. In the seven years between 2004–05 and 2011–12, the all-India poverty ratio declined by 15.7 percentage points. But the poverty ratio of dalits declined much faster, by 21.5 percentage points, while that of scheduled tribes fell 17.0 percentage points. Record GDP growth averaging 8.5 percent per year produced record poverty reduction at the national level, and even faster rates of reduction for the two lowest strata of Indian society, dalits and tribes. The same study shows that poverty also fell significantly in the previous decade, between 1993–94 and 2004–05, when GDP growth had improved to a bit more than 6 percent per year. In this period, all-India poverty declined by 8.0 percentage points, but dalit poverty declined faster, by 9.6 percentage points. In sum, the years after the 1991 economic reforms were unambiguously good for India overall, and especially good for dalits.<sup>13</sup>

### HOW INDIAN VILLAGES CHANGED AFTER ECONOMIC REFORM

Critics have often claimed that India's economic reforms after 1991 have benefited only a thin upper crust, and not the population at large. These critics are not overly impressed by the rise of a few thousand dalit millionaires:

what about the hundreds of millions still struggling far below?

The answer has come succinctly in a seminal paper, “Rethinking Inequality: Dalits in Uttar Pradesh in the Market Reform Era,” by Devesh Kapur, Lant Pritchett, and two dalit economists, Chandra Bhan Prasad and D. Shyam Babu. This paper reveals a veritable economic and social dalit revolution after 1990 in Uttar Pradesh, India's biggest state. Uttar Pradesh has some of the worst economic and social indicators among all states. It has also long been a sink of caste oppression.

This section of my paper relies heavily on this dalit study, because it is the only one that explores in depth many indicators of discrimination that dalits themselves view as important unexplored facets of discrimination. Normally, the lead of a research team decides what questions should be put into survey questionnaires, with the assistance of other learned scholars. But Devesh Kapur decided that a superior approach would be to ask dalits what they regarded as the most relevant measures of social and economic progress. In this, the two dalit researchers, Chandra Bhan Prasad and Shyam Babu, played an important role. They came up with many questions that had never been asked in earlier surveys, but were key measures of status and dignity from the viewpoint of dalits themselves.

Many dalit researchers in the past had focused on the exploitation of their caste brethren in order to raise public awareness of caste tyranny. But Devesh Kapur's study had no such preconceived agenda. It aimed to measure the social and economic progress of dalits, if any, in Uttar Pradesh. Unlike some earlier surveys, this one did not opt for samples. It sought to cover every single dalit household in two subdistricts (formally called development blocks in India). One subdistrict was in Khurja district, in the relatively prosperous western part of the state. The other subdistrict was in Bilariaganj district, in the backward eastern part of the state. The survey sought to map progress made by these dalit households between 1990 and 2008, and its findings were an eye-opener on the improvement in dalit economic and social status.

## Material Improvements

Historically, dalits lived in mud houses with thatched roofs, but they aspired to live in brick houses. The survey found that the proportion of dalit households with brick houses rose between 1990 and 2008 from 18.1 percent to 64.4 percent in Bilariaganj, and from 38.4 percent to 94.6 percent in Khurja. Earlier, only the upper castes had brick houses, and this was a symbol of high status. So, the near-universality of brick houses for dalits in Khurja by 2008 was an economic and social change of startling dimensions.

TV ownership is another important status symbol in rural India. This was almost zero among dalits in 1990, but by 2008 was up to 22.2 percent in Bilariaganj and 45 percent in Khurja. Cell phone ownership also became a status symbol in the 2000s, when the fast growth of transmission towers spread telephony to most rural areas. In the survey period, cell phone ownership among dalits increased from zero to 36.3 percent in Bilariaganj and from zero to 32.5 percent in Khurja. Their spread was inhibited by the lack of electricity in many villages, a problem assuaged by using truck batteries to charge cell phones in villages at night and taking the batteries to nearby towns to be recharged during the day.

Uttar Pradesh is searing hot in summer, with temperatures well above 100 degrees Fahrenheit. Electric fans are a cheap way of providing relief, but they cannot function in nonelectric villages. Even so, dalit ownership of electric fans rose between 1990 and 2008 from 2.1 to 36.7 percent and from 4.5 to 61.4 percent respectively in the two subdistricts. Bicycle ownership, once dominated by the upper castes, has now become ubiquitous. Among dalit households, it has gone up from 46.6 percent to 84.1 percent in Bilariaganj and from 37.7 to 83.7 percent in Khurja.

A motorcycle is a symbol of high rural power. Once, only the wealthiest and most powerful families could afford these. But dalit ownership of two-wheelers (motorcycles, scooters, and mopeds) has improved from almost zero to 7.6 percent and 12.3 percent respectively in Bilariaganj and Khurja.

Periodic distress, caused by natural disasters or diseases, as well as big spending on social occasions such as weddings, have historically forced dalits to mortgage (and often lose) their jewelry to upper caste lenders. The proportion of dalits mortgaging jewelry has dropped from 75.8 percent to 29.3 percent in Bilariaganj and from 64.6 percent to 21.2 percent in Khurja.

Food used to account for most dalit budgets, so naturally they tended to focus on the cheapest sorts of food to get enough calories needed for manual work. Today, quantity has been replaced substantially by quality in dalit eating habits. They have switched from inferior foods (broken rice, molasses) to superior foods (whole rice, sugar, pulses, tomatoes). In past centuries, many dalits ate just roti (unleavened bread) with spiced chutney for lunch. But between 1990 and 2008, the proportion eating this basic lunch has fallen from 82 percent to just 2 percent in Khurja, and from 82 percent to 9 percent in Bilariaganj. The proportion of dalit children eating the previous night's leftovers has plummeted from 95.9 percent to just 16.2 percent in Bilariaganj. The proportion eating broken rice has fallen from 54 percent to 2.6 percent in the eastern subdistrict, and from 22.7 percent to 1.1 percent in the western subdistrict.

The main protein source of the poor has long been pulses (lentils, beans, and gram). The per capita availability of pulses in India has been falling for decades, since production has not kept pace with population growth. So it's heartening to learn from the survey that the proportion of dalits consuming pulses is up from 31 percent to 90 percent in Bilariaganj, and from 60.1 percent to 96.9 percent in the west. Dalit consumption of packaged salt, cardamom (a relatively expensive spice), and tomatoes has shot up.

Leftist critics of economic liberalization claim that its benefits have bypassed the poor. But in this survey of dalits, 61 percent in the east and 38 percent in the west said their food and clothing situation was "much better." Only 2 percent said their condition was stagnant or worse.

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The reform era has created new economic opportunities that have facilitated the migration of poor villagers to towns and cities. The old state monopolies in bus transport have also gone, and private buses have greatly improved rural mobility. Many dalit families report that their conditions improved substantially when a family member migrated to a town and started sending home cash remittances. This broke their dependence on the dominant rural castes and enabled them to assert themselves in social and economic fields. The dalit proportion benefiting from remittances from migrant relatives has risen from 14 percent to 50.5 percent in Bilariaganj, and from 6.1 percent to 28.6 percent in Khurja.

More important, dalits were able to shift to new occupations. Traditionally, dalits were either in the dirtiest occupations or were agricultural laborers, often attached to a particular upper-caste landowner as a bonded laborer. But in the reform era, they have been able to diversify into nontraditional work. The proportion running their own business is up from 4.2 percent to 11 percent in the east and from 6 percent to 36.7 percent in the west. The proportion of dalit families in agricultural labor has fallen from 76 percent to 45.6 percent in the east and from 46.1 percent to just 20.5 percent in the west.

What has driven these changes? The dalits themselves say it began 10–15 years ago, in the reform era. Uttar Pradesh has lagged well behind other states and is among the slowest-growing states. Yet in the highest growth years between 2003–04 and 2010–11, the state’s GDP growth averaged 6.6 percent per year. This was well below the national average of 8.8 percent, but it was nevertheless a notable feat by international standards. Dalits have shared in this rising economic prosperity.<sup>14</sup>

### A Social Revolution

Even more important than economic improvement has been the social revolution facilitated by two decades of economic reform. Many dalits in the survey emphasized that they viewed their improved social status as more important than their improved economic status. They could now look the upper castes in the

eye, demand their rights, and stand as equals.

In material terms, inequality (technically measured by the Gini coefficient) in poor states such as Uttar Pradesh (UP) has always been low. The big problem has been social inequality, underpinned by caste tyranny. The good news is that social inequality is being transformed in the state.

Traditionally, dalits were seated separately (sometimes in a remote courtyard) at social occasions such as weddings to avoid “polluting” upper-caste guests. The practice of separate seating at upper-caste weddings is down from 77.3 percent to 8.9 percent in eastern UP, and from 73.1 percent to 17.9 percent in western UP.

Caste taboos earlier prohibited the upper castes from accepting food or water from dalits. But between 1990 and 2008, the proportion of non-dalits accepting food and water at dalit households rose from 1.7 percent to 72.5 percent in the east and from 3.6 percent to 47.8 percent in the west.

Many dalits in eastern UP were locked into the halwaha (bonded labor) system, which Jagjivan Ram (former dalit deputy prime minister of India) once called “a remnant of slavery.” This has virtually disappeared: the proportion of dalits in the halwaha system is down from 32.1 percent to 1.1 percent.<sup>15</sup>

Traditionally, dalits did not own agricultural land. That changed gradually and very modestly when land reforms were introduced after independence in 1947. But between 1990 and 2008, the proportion of dalits depending on their own land has risen from 16.6 percent to 28.4 percent in the east, and from 50.5 percent to 67.6 percent in the west.

Another important social development is that dalits have started leasing land from the upper castes. Many upper-caste families have started migrating to towns and have little interest in farming, and so are willing to lease their land to the highest bidder, which in the new era can mean dalits, too.

Dalits who were once laborers on upper-caste land are increasingly able to negotiate tenancy based on a share of the crop. The proportion of dalits in sharecropping is up from 16.7 percent to



31.4 percent in the east and from 4.9 percent to 11.4 percent in the west.

Once, dalits plowed the land of upper castes with bullocks. Today, dalit landowners and sharecroppers are hiring upper-caste drivers of tractors to plow their land. This constitutes a huge social change: it was unthinkable earlier for the upper castes to be hired by dalits.

The proportion of dalit families working locally as masons, tailors, or drivers—all non-traditional occupations—is up from 14 percent to 37 percent in the east and from 9.3 percent to 42.1 percent in the west. Even more revolutionary is the rise of dalit business families, from 4.2 percent to 11 percent in the east and from 6 percent to 36.7 percent in the west. Being a dalit shopkeeper was historically impossible: goods touched by a dalit would not be bought by upper-caste families. The greatest caste pollution related to food and drink, so dalits could not dream of opening restaurants or juice stalls. Today, dalits have started running not just shops, but even restaurants.

Formerly, non-dalit and government midwives rarely came to dalit homes for deliveries, but the proportion is now up from 3.4 percent to 53.4 percent in the east, and from zero to 3.6 percent—still very low—in the west. Dalit households where most or all kids go to school are up from 28.8 percent to 63.4 percent in the east and from 21.7 percent to 65.7 percent in the west. Girls' schooling is up from 10 percent to 58.7 percent in the east and from 6.8 percent to 56.9 percent in the west.

Items such as toothpaste, shampoo, and bottled hair oil may seem commonplace in urban areas, but in villages only the upper castes used them. For dalits, it is a matter of dignity and pride to match upper-caste consumption patterns. Dalit consumption of these items has soared.

For centuries, the upper castes ate superior cereals (rice and wheat) while dalits ate coarse grains (sorghum, millet), which were also fed to cattle. Animals and dalits shared the same diet, and were on a different plane from caste Hindus. Dress habits were different, too, and in some regions different castes wore clothes

of a specific color or pattern to facilitate easy identification. But most rural dalits now eat superior cereals, too. Modernization has brought in new dress habits, and in some villages dalits match the upper castes in wearing jeans and T-shirts. This may not look like transformative change to the modern eye, but to the dalit eye the change is truly revolutionary.<sup>16</sup>

Earlier, only one-third of dalits in the east and virtually none in the west used cars or Jeeps for wedding processions, but today virtually all do. The proportion serving laddoos (an Indian dessert) to wedding parties has risen from 33.6 percent in the east and 2.7 percent in the west, to almost 100 percent in both cases.<sup>17</sup>

Political parties claim credit for providing job reservations for dalits in government services. These have certainly helped. Yet the survey shows that the proportion of dalit families with a member in government service has actually fallen from 7.2 percent to 6.8 percent in the east, and risen marginally from 5 percent to 7.3 percent in the west. Clearly, job reservation has not launched the state's social revolution; economic liberalization has.

Despite these heartening improvements, dalits are still discriminated against widely, and are far from achieving equality in status or income. Caste oppression is still a fact of life. Nevertheless, the changes in UP are radical. Dalit villagers themselves confirm that these changes occurred after 1991.

### **MAYAWATI: THE CONTROVERSIAL DALIT CHIEF MINISTER WHO RAISED HER COMMUNITY'S STATUS**

The impact of reforms after 1991 was buttressed by the emergence of the BSP as a strong political force in the state. Its rise was spearheaded by Mayawati, the most formidable dalit politician ever. She ruled only briefly as chief minister in shaky coalitions with the Bharatiya Janata Party and other parties in 1995, 1997, and 2002–03. But in 2007–12 she emerged with a majority in her own right and asserted herself so strongly as to be called dictatorial. She

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“The practice of separate seating for dalits at upper-caste weddings is down.”

transferred thousands of civil servants to minor positions if they did not fall in line, ensuring complete subservience. She is widely accused of phenomenal corruption, and has held fancy birthday parties where she was garlanded with thousand-rupee notes. She has acquired enormous assets, claiming they are all gifts from admirers, and pays huge sums in income tax. But critics say this is pure extortion money. She is currently facing prosecution for having assets disproportionate to her income. However, several other politicians face similar charges, and have not lost their political clout since convictions beyond all appeals are rare.<sup>18</sup>

Most other politicians seek to hide their ill-gotten wealth, but Mayawati glories in it. Her dalit followers view her wealth as a symbol not of corruption, but dalit empowerment: she has beaten the upper castes at their own corrupt game. Her self-declared assets rose from \$3.53 million before the 2004 general election to \$12.59 million before the UP election in 2007. This made her far richer than other chief ministers such as Prakash Singh Badal (\$2.23 million), Karunanidhi (\$5.33 million), or Chandrababu Naidu (\$5.08 million).<sup>19</sup>

Her rise to chief ministership and her aggressive promotion of dalit rights and interests have helped change the social climate. She insisted from her first term that civil servants focus on implementing legal and social entitlements—including access to temples and village wells—that dalits were entitled to on paper but denied in practice. This enabled hundreds of thousands of dalits to obtain formal titles to land they had long held without clear title. She ordered the building of statues of dalit icon B. R. Ambedkar in villages and towns across the state, arguing that earlier all statues had been of upper-caste politicians. She went on a veritable building spree when she was in complete power in 2001–12, building hundreds of parks with statues and monuments to dalit leaders as well as the Buddha (as mentioned, Ambedkar had persuaded millions of dalits to convert to Buddhism to escape Hindu caste oppression). Dalits provide solid backing to Mayawati, but she has also sought to get the support of other

castes in a rainbow coalition. Dalits say her rise has helped them hold their heads high and stand up to the upper castes.<sup>20</sup>

Mayawati is certainly not a classical social reformer. She stands accused of dictatorial tendencies and high corruption. But other parties also face charges of high corruption. Unlike the others, Mayawati provided dalits with access to power networks and political favors that were earlier limited to the upper castes. In some important ways, this has buttressed the gains already being made through economic reform.

## MEET SOME DALIT MILLIONAIRES

*The Economic Times*, India's top financial daily, ran a series of articles on dalit entrepreneurs in 2011 to highlight their emergence. Many more stories of dalit success have been related in two books, *Dalit Millionaires*, by Milind Khandekar,<sup>21</sup> and *Defying the Odds*, by Devesh Kapur, Chandra Bhan Prasad, and D. Shyam Babu.<sup>22</sup> These tales show that many millionaire dalits came from lower-middle-class families, got a decent education, and then made good. But a few came from laborer families.

The biggest dalit millionaire is Rajesh Saraiya. He came from a middle-class dalit family and got a scholarship to study engineering in Russia. The Soviet Union collapsed during his stay, and he began to do odd jobs there. He became a translator for steel baron L. N. Mittal, who negotiated the acquisition of a major steel plant in Kazakhstan. Saraiya learned the tricks of steel trading from Mittal, branched out on his own into metals trading, and flourished. Today he is worth more than \$400 million.<sup>23</sup>

Bhagwan Gawai worked as a construction laborer as a boy in Mumbai. But he completed school and college, and then joined an oil company, Hindustan Petroleum Corporation Limited (HPCL). He was discriminated against by high-caste colleagues, sued HPCL on grounds of caste discrimination, and won. Later, HPCL posted him in Dubai, where he acquired Arab friends who later became his partners in a trading business. This business now has a turnover of \$20 million.<sup>24</sup>

Sukesh Rajan came from a family of Musahars, or rat-catchers, who traditionally hunted and ate rats. His parents educated him and wanted him to become a civil servant, but he flunked the exams. He then had an epiphany. He knew slum-dwellers couldn't afford standard packs of spices costing 10 rupees apiece. Why not sell them tiny one-rupee sachets? He started small, but sales soon soared. He diversified into packaged roasted sattu (gram flour), eaten by laborers. Sattu also sold well to urban youngsters as a health food. Today he employs over 100 people and aims for sales of \$161 million in five years.<sup>25</sup>

Rajendra Gaikwad started by buying and selling old newspapers. He then got a job at a pest-control unit. He later drove an auto-rickshaw while working part-time at a pest-control company. A poultry farm asked the company to eliminate rats in its farm, but the owner refused, saying that was a dalit's job. Gaikwad offered to do the job. When he succeeded, other orders poured in. He diversified into controlling other pests and expanded fast. Today his company is multinational, with one branch in Singapore and another planned in Thailand.<sup>26</sup>

Ashok Khade was born in a mud hut, the son of an illiterate cobbler. He started work as a welder's apprentice at Mazagon Docks at \$1.13 per month. In time, he and his brother used their welding skills to create a company that fabricated oil-drilling platforms, jackets, and rigs. They made their reputation by completing a five-month order in three months, and they now employ 4,500 workers, including 150 engineers.<sup>27</sup>

Sushil Patil's father, a laborer in a defense factory, gave his son a college education, persuading the college dean to waive the final year's fees, which he could not afford. Sushil graduated and got various jobs, after which he started his own business. He failed in a series of ventures. But he persevered, and ultimately set up Indo Engineering Project Corporation, a company providing engineering procurement and construction services. It now has revenues of \$45 million per year.<sup>28</sup>

Balu (he has no surname) is not among the biggest dalit businessmen, but he has an amusing

story to tell. He has tried varied businesses, often with indifferent results, and now manufactures soldering equipment. He had great difficulty finding a wife through India's normal system of arranged marriages: 32 parents of marriageable girls rejected him because his business prospects looked so shaky. But he has finally triumphed: today he has revenues of \$400,000 per year, and a wife, too.<sup>29</sup>

Milind Kamble, son of a school teacher, got educated and became a civil engineer. After working briefly for contractors, he became one himself. His company, Fortune Construction, has revenues of over \$19 million per year. Earlier, dalits were typically laborers in construction companies, but Kamble is part of a new breed of dalits that have become owners of construction companies, too.<sup>30</sup>

## A COUNTERVIEW FROM HARVARD

Three Harvard researchers have questioned whether dalit business has really prospered in the reform era. The researchers examined data from the Economic Censuses of 1990, 1998, and 2005, which are supposed to cover all non-agricultural enterprises in India. They find that the share of dalits in business ownership has stagnated or declined marginally—it was 9.9 percent in 1990, 8.5 percent in 1998, and 9.8 percent in 2005. In all three years, it was well below the 16.5 percent share of dalits in the population, a measure of their underrepresentation in business.<sup>31</sup>

How is this to be reconciled with the plain fact that thousands of dalit millionaires have emerged where none existed before? There is no evidence that the millionaires surveyed had any special connections or characteristics distinguishing them from economic trends affecting all dalits. One hypothesis could be that economic reforms have enabled businessmen of all castes to soar, and so dalit businessmen are faring much better today without actually increasing their share of business ownership. This would still be a welcome outcome. But this hypothesis seems flatly contradicted by

“Today, dalit landowners and share-croppers are hiring upper-caste drivers of tractors to plow their land.”

“When liberalization opens the gates for multinationals to enter, this also opens the gates for dalits.”

the study of Devesh Kapur and others in Uttar Pradesh showing that the proportion of dalits running their own business has increased from 4.2 percent to 11 percent in Bilariaganj and from 6 percent to 36 percent in Khurja. These are major changes, especially in the latter case. Moreover, Kapur’s study showing sharp increases in business ownership of dalits is consistent with the increases in ownership of expensive durable goods such as motorcycles and scooters by dalits.

Another plausible explanation, albeit a sobering one, may be that the Economic Censuses are totally unreliable. Certainly it has been alleged that official surveyors cook up a lot of data, spending their time sitting in coffee houses instead of actually making the huge effort needed to identify and cover all enterprises. The introductory chapter of *Defying the Odds* says “most dalit entrepreneurs we surveyed said they were never approached by enumerators of the Economic Census, the only official instrument that supposedly gathers information on entrepreneurs.”<sup>32</sup> If the Censuses fail to cover most of the prominent millionaires surveyed in the book, can they be relied on to provide data on tiny one-person enterprises in rural areas, often run from residential premises? Would badly trained, badly motivated surveyors have the initiative and time to locate all small enterprises? Very possibly no.

Besides, many dalit entrepreneurs are reluctant to publicize their caste, fearing that this might hurt their businesses. So, even those dalit-owned businesses actually contacted by census surveyors may have given incorrect information on caste ownership. At this stage we can only say that more research is required to explain the gap between the census data on the one hand and research studies at the grassroots and millionaire level on the other hand.

### **HOW ADAM SMITH BEAT MANU, THE HINDU CREATOR OF CASTE**

Chandra Bhan Prasad is mentor and adviser to the Dalit Indian Chamber of Commerce and Industry, organized by Milind Kamble in 2010.

By 2014 it had 3,000 members with combined sales of half a billion dollars, and researchers were told that the chamber expects to double this figure within five years. In a TV interview in 2013, Kamble and Prasad explained how they thought capitalism was destroying the caste system and enabling dalits to break into areas that were traditionally taboo. They acknowledged that the constitutional scheme of reservations for dalits in educational institutions and the civil services had improved dalit conditions and produced a small dalit middle class. But they add that for a real share in power and wealth, dalits need to be prominent and successful in business, too.<sup>33</sup>

Prasad was educated at Jawaharlal Nehru University, a hotbed of leftist thinking, and in his youth joined Maoist insurrectionists seeking to overthrow the current system. But as the consequences of economic reform unfolded, he changed direction totally. “Earlier, we held a belief that only an individual (Maoist) can liberate society. Now we see that there is an economic process, that capitalism is changing caste much faster than any human being.” He decided that dalits should cease looking at capitalism as the tyranny of the rich business castes, and instead view it as a wrecker of the caste laws of Manu. Capitalism was a force multiplier of other legal and political efforts to end caste oppression. “Dalits don’t succeed in villages. Dalits don’t succeed in traditional trades (monopolized by upper castes). That’s why we say bring in Foreign Direct Investment . . . and destroy this traditional system where dalits can’t even step in.”<sup>34</sup>

In India, many old-time industrialists in the 1990s constituted the Bombay Club, opposing rapid economic reform or globalization on the ground that foreigners would decimate Indian businesses. The insight of Kamble and Prasad is that such destruction of old money by global capitalism will actually facilitate a social revolution by destroying upper-caste strongholds. When liberalization opens the gates for multinationals to enter, this also opens the gates for dalits. According to Prasad, “Capitalism cannot survive without finishing feudalism and destroying caste.

It is in the interest of capitalism to destroy caste, and that is happening, whether we like it or not.”<sup>35</sup>

Kamble says his two sources of inspiration for launching DICCI were Ambedkar and black businesses in the United States. Kamble reasoned that the conditions of blacks in the United States were once comparable to that of dalits in India. But now stories galore are told of successful black businessmen. While most poor dalits viewed business as the preserve of rich exploiters, Ambedkar wrote about the potential of capitalism to break the shackles of the caste system through its inherent creative destruction. Indian socialists headed by Nehru emphatically rejected his theories and brought in the license-permit raj instead. The political process and educational preferences in colleges had no doubt helped raise the legal and social status of blacks. But their rise in business was not caused by reverse discrimination. Free markets in the United States created conditions for black businessmen to become millionaires in their own right, without props from the government. The highest net-worth black capitalist was Robert Johnson, owner of the BET [Black Entertainment Television] television channel. But blacks also rose to the top of the biggest corporations. These included Richard Parsons of Citibank, Ken Chenault of American Express, and Don Thompson of McDonalds.<sup>36</sup>

Kamble concluded that Indian dalits could do exactly what American blacks had done. In India, as in the United States, reverse discrimination and democratic politics would be the initial steps in providing fundamental caste equalities, enabling a dalit middle class to rise despite much continuing discrimination. But the next step, of empowering dalits to rise to the top of the commercial class, required the forces of capitalism to demolish old institutions and business networks, and open up space for the formerly oppressed. This insight inspired Kamble to set up DICCI, both to demonstrate that caste had nothing to do with business acumen and to provide mentoring to up-and-coming dalit businesspeople.<sup>37</sup>

Historically, dalits were indigent job seekers, but the DICCI seeks to convert dalits into job-

givers, not just seekers. Kamble lays great stress on creating businesses where dalits employ upper-caste workers, destroying the traditional caste relationships. He says, “Adam Smith is the enemy of Manu, and so capitalism is a great ally of dalits in ending Manu’s rule.”<sup>38</sup>

## NEW DEVELOPMENTS FOR DALIT BUSINESS

Historically dalits had no financial capital and no access to the financial networks monopolized by the upper castes. Banks and other financial institutions demanded collateral for loans, and dalits had little or no collateral. The rise of a small dalit middle class made it possible for its members to launch businesses using the savings and assets of relatives and friends. Yet the future of dalit business depends significantly on improved access to financial capital.

In 1989, the government set up the National Scheduled Castes Finance and Development Corporation (NSFDC) to provide capital, training, and mentoring. Until 2013, the NSFDC disbursed an average of \$484 per borrower to 860,000 dalits. The sums were trivial, and there is no evidence that they met the actual needs of dalits. Not a single dalit businessman listed in *Defying the Odds* obtained any finance from the NSFDC. Indeed, the NSFDC came under the jurisdiction of the Ministry of Social Justice, not the Ministries of Finance or Industry, revealing the condescending, non-commercial mindset of the government in such matters.<sup>39</sup>

The DICCI decided in 2013 to tackle the problem by launching a dalit venture capital fund that would raise \$80 million to finance small businesses run by dalits and tribesmen. This aimed to be a fully commercial venture. Indeed, it aimed, rather optimistically, to provide investors with a commercial 25 percent pre-tax internal rate of return, comparable with the returns mutual funds aim to garner from top companies in the stock market.<sup>40</sup>

However, investors were not exactly excited, so the fund has not yet managed to raise all the money it aimed to. But politicians sat

“Empowering dalits to rise to the top of the commercial class required the forces of capitalism to demolish old institutions and business networks.”

“There has been a transformation of the economic and social status of dalits.”

up and took notice of the rise of DICCI and decided that they needed to woo dalit businesses. Speaking at the fund's launch, Finance Minister Chidambaram said he would instruct every public-sector bank branch to finance at least one dalit entrepreneur, and since India had more than 100,000 such bank branches, a similar number of dalit businesses would bloom. This was a barely disguised attempt to woo dalit voters before the general election of May 2014. Chidambaram also later announced the creation of a venture capital fund by a government-owned company, with a corpus of \$32 million.<sup>41</sup>

These efforts did not save Chidambaram's party, the Congress Party, from massive defeat in the 2014 election. The new Bharatiya Janata Party government will continue with these measures, which politicians regard as logical extensions of the original idea of reverse discrimination for dalits and tribes. The DICCI welcomes these measures, but Kamble is clear that the real driving force of dalit business will always be open markets and capitalism, not government props.<sup>42</sup>

## CONCLUSION

Karl Marx was wrong about many things, but was right about one thing—the revolutionary nature of capitalism in destroying feudal values and institutions, and allowing new entrepreneurial classes to arise. In India, this has enabled dalits, once the very bottom of Indian society, to not just rise but to flourish. The improvement must not be exaggerated. Despite progress, dalits still face much discrimination and have social and economic indicators far below the national average. The dalit struggle for equality continues. To borrow the words of Winston Churchill, as used in another context: “This is not the end. This is not even the beginning of the end. But it is, perhaps, the end of the beginning.”<sup>43</sup>

The economic reforms of 1991 helped open up the economy and let loose the forces of creative destruction. These opened up new spaces that dalit businesses were able to occupy. As GDP growth accelerated to record heights, so did new

opportunities, leading to the rise of thousands of dalit millionaires. Once objects of pity, some are becoming objects of envy. Even at the village level, there has been a transformation of the economic and social status of dalits, with many starting to run businesses that historically had been upper caste monopolies. This augurs well for the future.

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