

Neoliberalism's Two Faces in Asia

Globalization, Educational Policies, and Religious Schooling in India, Pakistan, and Malaysia

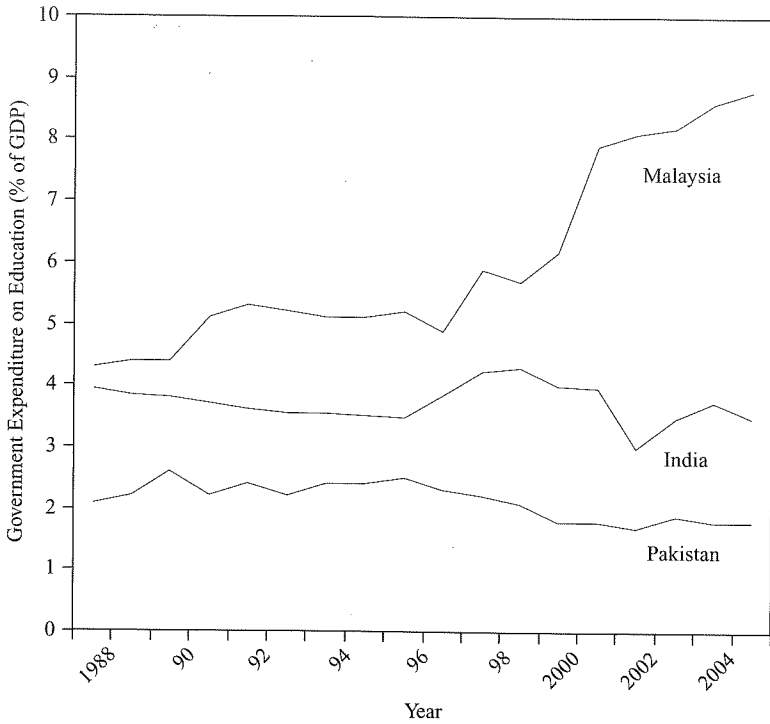
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South and Southeast Asian economies have received increasing attention for their recent rapid economic growth, as most countries in the region have deregulated their markets and integrated them into the global economy. This shared success has tended to mask some significant differences in the features of this growth across these states. An important dimension of such variance regards state spending on education in three countries, India, Pakistan, and Malaysia. All three countries were former British colonies that initially adopted fairly protectionist postcolonial policies but significantly deregulated their economies in the 1990s. Further, since doing so, all three have enjoyed high economic growth and declining public debt. Yet only in Malaysia have these improving fiscal fortunes under neoliberal reforms translated into significant increases in expenditure on schooling (see Figure 1). By contrast, in India and Pakistan such spending has stagnated or declined since 1990, despite severely inadequate educational infrastructure in both countries.¹

The variation in the educational policies of India, Pakistan, and Malaysia problematize theoretical arguments that predict either uniformly increasing or decreasing public social expenditures as states open their markets. Further, even those who have analyzed varying public policies under reforms have emphasized the importance of domestic economic variables (including macroeconomic indicators and the sectoral distribution of employment in the economy). There has been less work examining how specific domestic political factors differentially shape the interpretation and implementation of neoliberalism by national governments.

However, variations in both the nature of domestic political support structures and the susceptibility of political actors to pressure from religious networks are important in explaining differences in educational spending patterns under reforms. The development of a clientelistic political system in India and Pakistan has created incentives for policymakers to be more concerned with ensuring continued patronage flows to their elite supporters during reform. Consequently, South Asian politicians have adopted the rhetoric of advocates of privatization and interpret neoliberalism as justifying the "retreat

Figure 1 Comparative Expenditure on Education



Sources: India: Ministry of Education, Ministry of Finance (Economic Surveys)
Pakistan: Ministry of Finance (Economic Surveys)
Malaysia: Ministry of Finance (Annual Economic Reports)

of the state” even in the sphere of social policy provision to justify continuing inadequate spending levels in education.² In contrast, the Malaysian administration, relying on broad support from poor ethnic Malays, has stronger incentives to expand educational provision to allow its supporters to compete for jobs in the deregulated economy with wealthier ethnic Chinese and Indians. It has accordingly espoused a different discourse regarding states and markets, stressing the government’s responsibility for preparing its citizens for the conditions of the global marketplace.³

Further, the influence of religious organizations seeking to provide their own schooling to the poor varies markedly in the three countries, creating another source of variance in domestic incentives. In India and Pakistan influential political actors are heavily dependent on religious organizations either for mobilizing support (the

Bharatiya Janata Party, or BJP, in India) or for maintaining order in areas where they lack direct political support (the Muslim League and Musharraf in Pakistan). The promise of the backing of these groups provides a political incentive for these actors to continue or even further the withdrawal of the state from funding education. In contrast, Malaysia's ruling administration considers education provided by religious groups as potentially advantageous to its Islamist political opposition, and thus views the public provision of education as imperative in limiting the appeal of such schooling. As a result, a significant consequence of these different expenditure patterns has been variation in the growth of religious schools for the poor, which have proliferated in both India and Pakistan but have been relatively contained in Malaysia.

Liberalization and Educational Spending

Many of the studies theorizing globalization's impact on educational spending have expected convergent trajectories in social policies. The variance in southern Asian countries refutes this theorizing. More critical observers of globalization have posited that heightened capital mobility and deterritorialized production have forced governments to adopt policies that uniformly shrink the state, including government commitments to social welfare.⁴ Popularly termed the "race to the bottom" theory, this argument holds that neoliberal policies render governments more accountable to external economic agents than to their own citizenry. As a result, fiscal conservatism preached by international financial organizations dominates public demands for social services, resulting in a cross-national convergence in declining state provision of such services.

However, empirical tests of this theory have severely undermined its validity. With regard to industrialized welfare states, increased exposure to markets was found often to generate domestic pressures for greater government protection, taking the form of compensatory welfare schemes.⁵ Indeed, governments seem to respond not only to the economic power and preferences of capital, but also to the lobbying prowess of other constituencies, including voters.⁶ Thus, economic globalization might plausibly be expected to lead to increased social spending. Further, scholars of economic liberalization realized the problematic nature of positing a single directionality on openness' effects, given the cross-national divergence in state policy responses.⁷ International development organizations noted that this divergence was especially stark in the case of poorer countries that were increasingly adopting neoliberal reforms.⁸

According to one argument, openness might affect government spending differently depending on the country's level of development, as richer countries were better equipped to increase compensation to buffer the adjustment effects of neoliberal reforms. Other arguments posited that the comparatively weak bargaining power of labor in less developed countries should make these states more prone to contract welfare

spending during reforms.⁹ However, such arguments were belied by divergences in both the form and content of social policy provisions even within industrialized states following different variants of welfare capitalism.¹⁰ Further, variation within poor countries with low levels of development and similarly weak labor organizations also countered the theoretical expectations of those arguments.¹¹ Another set of theories focused on the importance of democracy in promoting increasing social spending during periods of market reform, especially in educational spending and associated human capital formation activities.¹² The logic behind this argument was that educational training would be critical in ensuring that citizens remain competitive in a liberalized context and the voice of these citizens was loudest under democratic governments.

None of these arguments seems to account for the divergent patterns of educational spending in India, Pakistan, and Malaysia. If a legacy of democratic practice was truly pivotal, then India should lead and not lag increasingly behind Malaysia (or, indeed, less democratic regimes in South Korea and Indonesia). Further, Pakistan exhibits considerable within-case variation in terms of democratic governance, and the country's more democratic periods do not coincide with increases in educational expenditure. Democracy may still have some influence; comparisons between clientelist systems in India and Pakistan indicate that the former's democratic practice might help explain its slightly higher educational spending. Yet, when comparing across systems with varying levels of clientelism, democracy seems to matter less, as Malaysia's more authoritarian regime spends more on education than India's and this difference has increased during the reform era.

Scholars arguing that poorer countries are more likely candidates for race to the bottom theories might note some validation for their arguments in India and Pakistan, which are relatively poorer than Malaysia and other Southeast Asian countries. Stephen Haggard and Robert Kaufman, for example, noted that the nearly threefold increase in expenditure on education in East Asia (Korea, Thailand, Taiwan, the Philippines, Singapore, and Malaysia) between 1980 and 2000 might be explained by the rapidly improving state of public finances for East Asian governments.¹³ However, India and Pakistan have exhibited stagnant or declining growth in educational expenditure during periods of growing economies and declining public debt that would merit increased social spending. Finally, differences in country GDP should be expected to influence absolute expenditures on education, but not to result in significant differences in the proportion of GDP devoted to education as countries opened their markets. Various countries with per capita GDP equivalent to or lower than India's have spent a higher percentage of their GDP on schooling, including Lesotho (13.8 percent), Botswana (9.7 percent), Guyana (8.5 percent), Djibouti (7.85 percent), Tunisia (7.3 percent), Morocco (6.8 percent), Ghana (5.4 percent), Senegal (5.4 percent), and Jamaica (5.3 percent).

Fiscal constraints are thus clearly not the obstacle explaining the South Asian policy responses under neoliberal reforms. A different argument posited that poorer

countries would be particularly prone to contract social expenditures due to a weaker presence of organized labor. Yet the position of labor in East and Southeast Asian countries including Malaysia has been widely understood as subservient to powerful developmental state interests.¹⁴ Alternative approaches have tried to look at why the opening of markets has had broadly differential effects on specific sectors and industries. Formal attempts to model such differences have focused specifically on how producers of tradable goods have very different preferences regarding liberalizing trade than do producers of nontradable goods. However, while these models are persuasive in explaining different sectoral responses to liberalization, they provide less traction on variations in state responses.¹⁵ The following analyses of Pakistan, India, and Malaysia will focus on how differences in levels of clientelism in domestic political support structures and in the influence of conservative religious groups determine variations in educational spending patterns during reforms, rather than the reforms themselves. These domestic incentives influence the interpretation of neoliberal doctrine utilized by politicians to justify their policy decisions.

Privatization Discourse and Political Incentives in Pakistan

At the time of Pakistani independence, Muhammad Ali Jinnah remarked on the inadequacy of educational provision under the British Raj and insisted on a constitutional provision for free education.¹⁶ However, Pakistani postcolonial education policies have fostered rather than addressed the widespread inequality in the country. Much of the educational budget has been devoted towards subsidizing expensive English-medium schools and universities and military cadet colleges for training the country's elites, with the country's vernacular schools suffering as a consequence.¹⁷ Not surprisingly, enrollment in elementary schools routinely failed to meet the targets set by Pakistani five-year plans.¹⁸

The problem with state educational policy is not simply one of misallocation but of low allocation of public funds. As early as 1959, planning reports attacked the "welfare concept" of education. "Good education is expensive and educational expansion means more expense. The people must accept the fact that since it is they and their children who benefit most from education, the sacrifices must be borne primarily by them."¹⁹

Thus the state's responsibility in providing education has always been downplayed. Even the emphasis of the self-professed socialist Zulfikar Ali Bhutto was on nationalizing certain private institutions, not on providing wider access. Zia-ul Haq, Bhutto's successor through a military coup, concentrated on Islamizing the curriculum in state-run educational institutions but also made little effort to expand public education's reach. Consequently, even prior to economic reforms, expenditure on education was extremely low by global standards. However, there has been a dip even in this historically low level, coinciding with the period of market reforms in Pakistan, when national

expenditure dropped from a high of 2.5 percent of GDP to its present level of 1.8 percent. While spending was clearly never adequate, this decrease of over 25 percent is still significant.

It is plausible that increasing external debt would have prevented the state from expanding social spending, yet this explanation does not stand up to empirical scrutiny.²⁰ The economy in general has been enjoying sustained success, with GDP growth averaging over 6 percent for the past decade, and foreign exchange reserves are now growing at approximately \$500 million annually.²¹ Not surprisingly, from 1998 to 2007 Pakistan's external debt to GDP ratio has actually decreased from over 44.4 percent to about 24.6 percent, and total debt has declined from 100.6 percent to 53.4 percent of GDP.²²

A better explanation of educational spending patterns comes from the nature of incentives in the Pakistani political system. This system is structured to pressure leaders to embrace privatization rather than public investment in human capital formation. There have been three major players in Pakistan's neoliberal era: Benazir Bhutto and the Pakistan's Peoples Party (PPP), Nawaz Sharif and the Muslim League (both democratically elected), and Pervez Musharraf's military regime. Bhutto's PPP followed the most ideologically centrist platform of the three, and consequently the prospects for a more progressive educational policy were brightest during her tenure. However, the PPP's clientelist strategy for generating domestic support precluded any such possibility. The PPP relied primarily on "the elite class, especially the landowning elite to mobilize the masses through various forms of influence peddling," and the Harvard and Oxford educated Bhutto herself came from the country's feudal gentry.²³

Indeed, the PPP utilized its introduction of full-fledged liberalization in Pakistan in 1988 to consolidate and expand its patronage channels. A chief mechanism for this expansion was the sale of twenty-seven public sector units (including six profit-making state enterprises) to supportive elites in the private sector, while at the same time ensuring that certain other powerbrokers would retain coveted public sector jobs.²⁴ Further, party elites used the cover of such large-scale transformations to appropriate public funds for their own use.²⁵ Meanwhile, to justify the party's continued neglect of educational spending despite the country's growing economy, PPP officials like Sartaj Aziz began extending the discourse of private sector efficiency to the realm of education provision to justify such policies.²⁶

[W]ithout a drastic structural change which reduces the role of the government, you cannot solve any problem. . . . To involve the private sector in social services the government has initiated schemes to entice private sector investments in education and health.²⁷

However, this justificatory discourse clearly conceals deeper political incentives for the PPP to focus on taking care of its own during reforms rather than improving public infrastructures that elites do not utilize.

The other major Pakistani party to win national elections during the 1990s was Nawaz Sharif's Muslim League. Like the PPP, the League relied on elite powerbrokers to mobilize support among Pakistan's poor, rather than appeal to low income electorates directly. While Sharif's party was as clientelist as the PPP, it differed from the latter in that it catered more to the business community than the landed elite. Sharif was himself an urban Punjabi businessman and wanted to accelerate the general privatization of the Pakistani economy, which was favored by his commercial support base.²⁸ Sharif's chief economist (of the Planning Commission), A. R. Kemal noted: "there has been consensus on the continuation of privatization policy, and as such it is expected to be the cornerstone of all the future government policies . . ." ²⁹ Kemal goes on to note that in his opinion the efficiency gains privatization brings more than make up for any adverse social impacts it might have. Sharif himself noted that relying on private sector schools would reduce the "corruption and exploitation" that state-run schooling systems were mired in.³⁰

In accordance with this logic, Sharif's major National Education Policy actually cut spending as a proportion of GDP and encouraged enrollment in private schools.³¹ Sharif's elite base had little desire for higher spending on public education that they would not avail themselves of, and his administration followed the PPP's lead in using privatization discourse to justify low spending despite national economic gains under neoliberal reforms. The self-serving nature of educational policy was perhaps most explicit in the manner in which both parties circumvented pressures from the IMF and World Bank to enhance educational infrastructure. Both administrations accelerated construction in response to these demands, which was an easy source of patronage for developers, but limited nonpork spending such as teacher training or curriculum development. The result was a number of empty ghost school buildings, which an army-conducted survey numbered at approximately 12,737 at the tail end of Sharif's regime.

The incentives to keep educational spending low did not change with the transition to authoritarian rule under General Pervez Musharraf. As democratic rule had done little but entrench elite influence, Musharraf was concerned with retaining the support of the Pakistani upper classes. He therefore continued privatization policies and echoed the emphasis of his PPP and Muslim League predecessors regarding the "efficiency" of the private sector even in terms of providing schooling. "I believe that the private sector can produce such services more efficiently and at a lower cost than the government. The government's role should be in facilitating and creating an environment conducive for the private sector to play its essential role."³² The only concession Musharraf made in this speech towards the state's role in the provision of primary schooling was a need for "maximizing the impact of existing public spending on education," not increasing expenditure levels. The latest Economic Survey put out by Musharraf's government underscored this abdication of government-initiated reform.

The government has formally acknowledged that the public sector lacks all necessary resources and expertise to effectively address and rectify low education indicators . . . public policy has been amended to mobilize the private sector and civil society organizations (CSOs) in the financing, management and delivery of education services in Pakistan.³³

Unsurprisingly, Musharraf's administration continued spending reductions and passed legislation supporting privatizing education. A recent Education Sector Reform Action Plan outlines an incentive package for private sector schooling initiatives that includes the provision of land at concessional rates in rural areas and exemption of custom duties on the importation of educational equipment for private schools.³⁴

In summary, Pakistani democratic parties and authoritarian military regimes faced no pressure from their elite support bases to expand education. As a result of languishing public infrastructure, enrollment in private schools increased from about 10 percent of total enrollment in 1990 to 33 percent in 2007.³⁵ However, there was a second factor pressuring Sharif and Musharraf to continue inadequate state spending. The Muslim League needed at least the tacit support of conservative Islamic organizations opposed to the PPP, and Sharif was afraid his opening up of markets to the West would cause unrest among these groups. Like Sharif, Musharraf remained popular with the Pakistani elite through his continuation of economic reforms but was concerned about his ability to control the country's Northwest Frontier Provinces. His approval ratings in these provinces were the lowest in the country; a recent poll conducted by the U.S.-based International Republican Institute showed that this region was the only one in which less than 50 percent of people surveyed supported Musharraf's continued rule.³⁶ Musharraf was therefore always extremely dependent on the support of local clerics who control the Northwest Frontier Provinces to maintain the consensus for his rule there. Unlike Sharif, who sought active support from Muslim organizations, Musharraf looked instead to placate them, since he was largely vilified by these organizations as being too close to Washington.

Both Sharif and Musharraf saw an opportunity to use inefficient educational policy as a tool for currying favor with these Islamic networks. In 1997 Sharif made a campaign promise to help facilitate the utilization of welfare activities provided by Islamic groups.³⁷ One of the ways to ensure this promise was state inaction, which would also not upset his elite supporters. Accordingly, in his second term in office from 1997 to 1999, Sharif "slashed overall spending on education" at the same time that he hailed the virtues of an "Islamic welfare state."³⁸ His policy inaction, exemplified by the ghost schools alluded to earlier, fed sustained demand for *madrassa* education, thereby pleasing conservative Islamists.³⁹ An even more explicit tactic was to use the few funds actually spent (such as Sharif's much-hailed Program 2010) as a source of patronage for religious organizations that would support Sharif politically.⁴⁰

Like Sharif, Musharraf's nervousness about upsetting Islamic groups has been most visible in the realm of educational policy. Indeed, Musharraf often sought to defend

Islamic education in madrassas: “[T]here was no government condemnation [of the rise of madrassas in Pakistan]. Just two weeks ago, the Pakistan president, Pervez Musharraf, was calling them ‘misunderstood organizations,’ that were actually welfare systems to aid the poor.”⁴¹ Musharraf’s position became even more defensive given the unpopularity of his attacks on a seminary within the Red Mosque of Islamabad, which housed clerics who were mobilizing supporters against his regime. After the attack, Musharraf was more vulnerable to vilification by the Islamic right. Unsurprisingly, Musharraf’s administration both continued inadequate spending levels (which have never risen above 2 percent of GDP during his tenure) and refused to take strong measures to curb madrasa enrollment, particularly in the Northwest Frontier Provinces.⁴²

For about five years the government has been negotiating the fine print of the registration law with madrasa administrators. The law supposed to be in force now is toothless and non-intrusive. Even under this meek mechanism, the task of registration is far from complete.⁴³

Thus, the consequence of a clientelist system in which religious groups play a crucial role has been a withdrawing state and a sharp increase in religious education for the poor. The current increase differs from the first wave of Pakistani madrasa expansion during Zia-ul Haq’s Islamization campaign, when the government and not the private sector funded the building of a wide network of madrassas. Second, while under Zia the growth in madrassas was significant (from over 1,000 to 2,801 officially registered during his rule), subsequent growth has been much faster. In the post-Zia era, corresponding with neoliberal reforms, registered madrassas increased from 2,801 in 1988 to 12,153 in 2007.⁴⁴

The enrollment in these schools now crosses 1.7 million students. Moreover, this figure reflects only those schools that have been properly registered with Islamabad. Unofficial estimates of the total number of madrassas, registered and unregistered, range from 15,000 to 30,000.⁴⁵ This increase by no means suggests that madrassas are a dominant form of education in Pakistan, yet the ratio of government primary schools to registered madrassas has decreased significantly, from about 30:1 in 1988 to 8:1 presently.⁴⁶

It is also clear that the students attending the seminaries come from Pakistan’s poorest communities, and the little existing evidence suggests that financial concerns, not religiosity, drives this rising enrollment. A survey of a madrasa in Lahore reported 49 percent of students as saying that economic factors prompted their enrollment, compared to 5.71 percent who named religious motivation. Other studies also note that madrasa growth has been inversely related to the retreat of the state and that most enrollees hail from impoverished communities:

Madrasahs became immensely popular by targeting the lower class populations whom the Pakistani state has failed to provide proper access to education Dur-ul-Uloom

Haqqania, one of the most popular and influential Madrassahs . . . has a student body of 1,500 boarding students and 1,000 day students, from 6 years old upwards. Each year over 15,000 applicants from poor families vie for its 400 open spaces.⁴⁷

Even the secretary general of *Jama'at e Islami*, a conservative Islamic group that runs its own contingent of madrassas, argued that the appeal of madrassas has little to do with underlying religious devotion: "The majority of our population lives below the poverty line. These people cannot afford even admitting their sons to mainstream [private] schools, let alone their daughters. In religious schools, the teaching is absolutely free."⁴⁸

Religious groups have therefore increasingly realized the potential of the vacuum left by inadequate state expenditures. Pakistani political elites now face no incentives to expand public schooling from their elite base and can appease influential religious groups by keeping spending low. Thus, the nature of domestic politics has created strong pressures to adopt privatization rather than increased investment in human capital development as the appropriate state response to liberalizing the economy and indeed as the state's interpretation of neoliberal doctrine.

Educational Policy and Party Politics in India

As with Pakistan, it would be erroneous to argue that efforts to privatize education in India run counter to a history of active state involvement. Expenditure on schooling has always remained not only below developed countries, but also below nations with far lower per capita incomes as well.⁴⁹ Yet in the postindependence era the percentage of Indian GDP devoted towards education increased steadily, from 0.64 percent in 1950 to 3.83 percent in 1989. As Figure 1 highlights, since then expenditure levels have gone through a prolonged period of stagnation.

A struggling economy cannot furnish the explanation for this trend. The Indian economy underwent considerable financial liberalization and overall grew at an unprecedented rate during this period. GDP growth rate has averaged over 6.8 percent since 1994 and over 8 percent in the past four years.⁵⁰ From 1994 to 2004 India's total debt declined from 31.8 percent of GDP to 17.6 percent, and debt servicing as a percentage of exports from 26.6 percent to 8.7 percent.⁵¹ Yet the easing of fiscal pressures has not translated into increased government expenditure, again suggesting that budgetary constraints are not necessary for low social spending patterns.⁵²

The Indian experience is particularly puzzling because democratic procedures are supposed to encourage higher social spending during liberalization.⁵³ However, as with Pakistani democratic and authoritarian elites, the main players in Indian domestic politics, the centrist Indian National Congress (Congress) and the Hindu nationalist BJP, face incentives to continue inadequate educational spending during neoliberal reforms despite the democratic state's improving finances. Further, as in Pakistan, elites framed

the process of economic liberalization in ways that emphasized discourses of privatization over those of government responsibility in order to justify their policies.

The example of the Congress, which initiated neoliberal reforms in response to a balance of payments crisis in the late 1980s, is instructive. Indian political historians have repeatedly noted that the party's success has been predicated on a top-down "pyramid" of patron-client relations.⁵⁴ Thus, Congress has been most concerned with maintaining the support of petty bureaucrats, rural landlords, and local businessmen through the provision of patronage. This concern became heightened during the late 1980s and early 1990s, as the proportion of richer, upper castes voting for the party steadily deteriorated from over 40 percent in 1986 to 27 percent in 2004.⁵⁵ As a result, like the PPP in Pakistan, the party never prioritized social expenditures during the reform period, focusing instead on how to liberalize while avoiding reductions in the pork needed to maintain waning elite support. Further, political analysts have noted Congress' historical complacency in believing that poor voters would never defect from the party to support a coalition led by a party like the BJP that has historically catered to upper caste constituencies.⁵⁶

Congress' opposition, the BJP, had a different reason for supporting continued stagnation in educational spending. Through the *Sangh Parivar*, the umbrella Hindu nationalist organization of which the BJP was the political arm, the party was closely affiliated with numerous grass roots Hindu nationalist groups. These groups were finding that state neglect made their provision of free education through youth centers and private schools a powerful tool in recruiting young people from lower class backgrounds. At the same time, the vote share among the poor for the the BJP has also increased, as the gap between Congress and the BJP among poorer lower caste (15 percent) and tribal (11 percent) electorates has decreased to the lowest in history.⁵⁷

As a result, both Congress (in its myopic focus on elite supporters) and the BJP (with its network of grass roots affiliates) believed that cutting educational spending was not detrimental or indeed beneficial politically. Not surprisingly, leaders from each party stressed the benefits of increasingly relying on the private sector, echoing arguments made by certain advocates of privatization.⁵⁸ P. Chidambaran, during his time as finance minister of a Congress-led government in the 1990s, argued:

Yes, in water, health care and education we are worse off. But that is because we put all these eggs in the government basket. Because we have such touching faith in the government delivering on health, education, water supply, sanitation, etc. Now I don't think either the central government or the state governments can deliver on these things. This must come from community action.⁵⁹

Another cabinet member of the same regime argued that a proposed constitutional amendment requiring schooling to be a fundamental right provided by the state was "neither practical nor feasible."⁶⁰ This opinion was not restricted to one end of the Indian political spectrum, as the education section of the BJP's *Election Manifesto*

noted the need to “(1) accord priority to free primary education and enroll the help of locally-funded non-government organizations in this area”; and “(2) encourage greater participation of social and charitable institutions in expanding the network of educational institutions and in improving their standards.”⁶¹ Murli Manohar Joshi, former minister for education under a BJP-led administration, responded to a recent critique of Indian education by UNESCO by saying that the problem was that participation by other nongovernmental sectors had been inadequate and needed to improve.⁶² Scholars have noted the articulation of such rhetoric at the very top of the BJP’s leadership chain when Atal Behari Vajpayee, prime minister from 1999 to 2004, argued that only “greater involvement of voluntary organizations will help the government in providing more efficient delivery of services at substantially lower costs.”⁶³

The state’s inability to keep pace with demand for schools was evident. By 1999 private schools constituted nearly half of all urban schools, double the proportion of twenty years before.⁶⁴ Even in rural India, the most recent data estimate that from 1986 to 1993 the proportion of rural students in private schools increased from 2.8 percent to over 18.5 percent, and most reports agree this number will have increased substantially since then.⁶⁵ How does the shifting of educational services to the private sector facilitate Hindu nationalism politically? The BJP and its affiliates (most notably the *Rashtriya Swayamsevak Sangh*, or RSS) did not truly have any lower class support until they began to follow a strategy based on social welfare schemes, whose success depended on state failure in providing basic services.⁶⁶ In 1979 the RSS founded two agencies, *Seva Bharti* (Service of India) and *Vidya Bharati* (Knowledge for India) specifically to spread its influence through education for student populations in locales ranging from urban centers to *adivasi* (tribal) villages.

These schools have grown at a tremendous rate during the era of neoliberal reform in India. Vidya Bharati ran approximately 6,000 schools in the late 1980s, and by 2003 this number had reached a total of 19,741.⁶⁷ The enrollment of these schools has now crossed 2 million students, and the organization employs over 90,000 teachers. In addition to full-time schools, the RSS has also increased the number of local centers, known as *shakhas*, which in addition to acting as local offices also provide some educational programs and games for children.⁶⁸ The rise of *shakhas* in India over the past twenty years has quadrupled, from 10,000 in 1977 to over 41,000.⁶⁹

Disaggregating some of the state-level data in India reveals support for the link between decreasing public expenditure on schooling and increasing numbers of RSS schools.⁷⁰ States with greater resources devoted to public schooling in India from 1990 to 2000, such as Himachal Pradesh and Tamil Nadu, had far lower enrollments in RSS schools than states at the lower end of the spectrum, such as Orissa, Jharkhand, and Madhya Pradesh. A recent analysis of Orissa noted that, while the state did not have a history of extensive RSS schooling, in the past five years, “with the increasing impetus on the privatization of education, the RSS has been actively inaugurating schools in areas across Orissa where the government fails to provide public funding.”⁷¹ Thus,

when the proportion of private schools in India rose and government budgets shrank in accordance with domestic elites' interpretation of neoliberal doctrine, there were fewer options for lower class children for whom a private education was unaffordable. This situation created a void, which the RSS was only too happy to fill.

In a dangerous development, some analysts have in fact actively applauded the increase in school-going children that increasing enrollment rates in RSS schools signify without looking at the political impact of such provision.

A common prejudice against privatization is that it only serves the elite. The IFC [World Bank] study shows this not to be the case . . . there are groups which cater for very low income groups in rural or urban areas . . . offering a basic education with no frills. In India for example these schools . . . are usually sponsored by religious or minority charitable organizations.⁷²

However, while the education provided by RSS schools is free of cost, it is not free from communal ideology. What may seem to an external observer as "no frills education" is in fact deeply politicized.⁷³ A favorite game played in RSS schools and shakhas is the "reconquest" of Kashmir through simulated battle. Interviews with several former students revealed how these centers were in fact used to mobilize Hindus for attacks on Muslims throughout India. The interviewees confess that, not only did RSS students help organize the "rioters" into sections (like military cadres) to ensure maximum "efficiency," but they learned through the games played in their schools precisely "how to riot" in an effective and devastating manner.

Viewed from a current perspective, Christophe Jaffrelot's argument for the importance of shakhas in the rising success of the BJP was quite prophetic.

While the BJP was not in a position to capture power at the Centre, the ideas spread by the shakhas . . . constantly strengthen the influence of the RSS. This trend, if sustained, will help the latter to crystallise a Hindu nationalist identity which in the long run could challenge the durability of India's multicultural society.⁷⁴

Over the next decade the rise of educational institutions run by the RSS was matched by the increasing popularity of Hindu nationalism, especially with lower caste voters previously outside of the BJP's fold.

Ethnic Politics and Public Spending in Malaysia

In contrast to educational policy in India and Pakistan, Malaysian political elites rely on a much less clientelistic mobilization structure for generating electoral support and have an explicitly antagonistic relationship with religious organizations in the country. As a result, these elites have had clear incentives to expand educational provision, especially under conditions of greater market competition following neoliberal reforms.

A coalition of three parties, each representing one of the country's major ethnic populations (Malay, Chinese, and Indian), formed independent Malaysia's first government. The coalition was forged to oppose British plans to create a unitary Malaysian state following decolonization, a move that was fiercely opposed by leaders of all three ethnic groups, who favored some form of federal system. The Malay party in the coalition, the United Malays National Organization (UNMO), moved quickly to strike a bargain with the Chinese wing of the alliance, the Malaysian Chinese Association (MCA), whereby the latter would accept dominance of the political sphere by the Malay majority in return for protection for Chinese business activities. Over the years, *Barisan Nasional* (the umbrella alliance) became increasingly controlled by the UNMO. The UNMO regime has never relinquished power in subsequent elections and has overseen the entire era of economic liberalization in Malaysia since the late 1980s. Further, the party has frequently flouted democratic freedoms, including consolidating its power by declaring a state of emergency following the ascent of its opposition in the 1969 elections, and has repeatedly used its political power to pass legislative tools to repress the opposition (including restrictions on the press and the notorious Internal Security Act, which allows for detention without trial).⁷⁵ The combination of lack of alternation and state repression of political opposition makes Malaysia more an "electoral authoritarian" regime under UNMO leadership than a competitive democracy.⁷⁶

However, a lack of competition does not necessarily translate into an absence of responsiveness by the government to popular needs. The UNMO has constantly relied on overwhelming support from the country's ethnic Malay population (also known as *Bumiputeras* or sons of soil), and this reliance has increased with the dissipation of the consociational politics of accommodation between the UNMO and the MCA immediately following independence.⁷⁷ From early on, educational policies, in particular, revealed the UNMO's pro-Malay bias. The 1961 Education Act, for example, placed all district primary schools under direct national government supervision, making all schooling fall directly under the Malay party's control. It also made Malay compulsory as the language of instruction in all primary schools, which enabled further UNMO control over curricula. While these moves were justified as necessary in "constructing national unity" out of the "seeds of division" sown by a colonial system that established separate schools for the three ethnic groups, they served to polarize the polity further along ethnic lines.⁷⁸

This polarization came to a head during the ethnic riots between Chinese and Malay communities following the 1969 general elections, in which Chinese parties had their best showing. The UNMO responded by declaring a state of emergency in which it ruled by decree and passed the controversial New Economic Policy (NEP). The NEP, which was in place from 1970 to 1990, articulated a two-pronged strategy, in which the policy would first address poverty among all Malaysians and second focus on ensuring greater ethnic Malay participation in and ownership of the economy. However, non-Malays tended to feel the latter concern dominated the NEP, which included special

credit arrangements for Malay entrepreneurs and forced Chinese and foreign businesses to restructure their companies to ensure a 30 percent share Malay ownership.⁷⁹ In the sphere of education the NEP emphasized positive discrimination through quotas for the Bumiputeras at the expense of ethnic minority non-Bumiputeras. The plan also catered to Bumiputeras symbolically by continuing to insist upon Malay as the medium of instruction in public schools.⁸⁰

To understand these earlier educational policies, it is once again imperative to examine the domestic political support structures the UNMO-led regime faced. Instead of exclusively relying on top-down patronage networks, as their South Asian counterparts did, Malaysian policymakers have relied on “collaborative means of social control,” resting on broad direct support from the economically marginalized ethnic Malay populations.⁸¹ The crucial factor informing this difference with India and Pakistan was that, whereas in South Asia political and economic elites largely coincided, enabling a patron-clientelist political system, in Malaysia the politically powerful Malays were a distinct population at odds with the country’s primarily Chinese economic elite. This power stems from their demographic weight: Malays comprise 50.4 percent of the total population, more than that of the Chinese (23.7 percent) and Indians (7.1 percent) put together.

This argument does not mean that cronyism is absent in UNMO politics. Because sociopolitical formations in Malaysia have been constructed along ethnic lines, there is a defined majority community in a way that does not exist among Hindu populations in India or Muslim populations in Pakistan, which are fractured across linguistic, regional, caste, and class lines. Consequently, the UNMO’s domestic support structure gives it stronger incentives to pursue social provisioning policies to reduce economic inequalities than Indian and Pakistani political actors face.⁸² For example, the UNMO was always aware of the potential of educational policy to address the somewhat paradoxical needs of the party to be actively pursuing its promise to reduce ethnic economic differences while simultaneously hardening ethnic political differences upon which it relied for maintaining its Malay base.⁸³

However, by 1990 the UNMO realized that by focusing on language and quotas, and not public expenditures, the party’s educational policies had not significantly improved access to public schooling and Malays continued to lose white collar jobs to wealthier ethnic minorities who were able to send their children to superior private schools. The government tried to address this failure by refusing to recognize private school degrees for public sector employment. However, the effectiveness of this policy waned as Malaysia liberalized its markets and employment creation shifted from the protected public sector to the private sector. Moreover, the explicit preferentialism of quota policies meant that ethnic minorities were increasingly vocal in their opposition, which “undermined the cooperative possibilities” for governing at the center.⁸⁴

With neither Bumiputeras nor non-Bumiputeras satisfied, the UNMO’s popularity began to wane, and in 1990 the Barisan Nasional gained only 53.4 percent of the vote

as opposed to its customary 60 percent and lost control of two state governments. The party began to consider the need for greater commitment towards state spending on education. While the government clearly apportioned more funds towards schooling than either India or Pakistan, educational spending never crossed 4 percent of GDP until the late 1980s. However, greater expenditure to improve access for Malay-dominated rural communities was potentially more efficacious than allocation of spaces for Bumiputeras in existing schools. At the same time, by employing a discourse promoting the norm of universal education rather than allotting quotas, the ethnically tinged nature of the government's policies would be somewhat masked, thus placating non-Bumiputeras. Indeed, this move signaled a shift to the first prong that the NEP articulated of addressing poverty in general rather than specifically Malay empowerment.

As a result, the government's New Development Program (NDP) has emphasized increasing expenditure over the past decade to develop "a strong human resource orientation in order to be internationally competitive during the process of industrialization."⁸⁵ This shift in educational policy reflected the broader attempt of the NDP to shift rhetorical emphasis from ethnic populism to "developmentalism" in an attempt to reinvigorate its base while quieting its critics.⁸⁶ Indeed, the UNMO has garnered attention for devoting a high (and increasing) percentage of national income to public schooling, which Figure 1 highlights.⁸⁷ The government increased its expenditure on education from 4.3 percent of GNP in 1988 to about 5.3 percent in 1993, to over 8 percent in 2002.

Further, unlike the South Asian countries, where the proportion of national income devoted to education decreased following the deregulation of the economy, the rapid rise in spending in Malaysia has corresponded with the period during which the national economy increasingly integrated itself into the regional and global marketplace. Public officials in Kuala Lumpur articulated a far different view of the government's role in a globalizing economy than their Indian and Pakistani counterparts. Former prime minister and longtime leader of the UNMO coalition, Mahathir Muhammad, argued that it was imperative as the country liberalized its market to "put up an education policy geared toward manning new industries, so that in the new globalized world, Malaysia is not left behind."⁸⁸ In a recent speech, former prime minister Abdullah Ahmad Badawi said that the increase in educational spending to over a fifth of total governmental spending over the next five years was aimed at boosting the country's competitiveness, particularly with China. "We can no longer adopt the approach of handing out fish. We have to provide the hooks and the boats, the nets, the compasses and the maps so that they will dare to go out and brave the waves to fish in deep waters."⁸⁹

Thus, the language of Malaysian political elites does not depict liberalization's central premise to be the greater efficacy of the private sector. Instead, it focuses on how the opening of national markets necessitates increased state investment in human capital development, to equip the citizenry with the skills needed to compete in the world economy to which the government is increasingly exposing them.

As this analysis hopes to make clear, this interpretation is itself informed by the incentives deriving from the nature of political development in the country. In addition to ethnic calculations, as in South Asia, the relationship between the ruling elite and religious organizations played a significant role in determining the UNMO's policy strategy. However, in contrast to South Asia, the Malay leadership was explicitly hostile to certain conservative Islamic groups, particularly regarding the latter's role in providing educational services.⁹⁰ Education Minister Hishammuddin Tun Hussein argued that ensuring citizens chose public non-Islamic education was crucial in "inoculating people against racial or religious hatred."⁹¹ Badawi agreed, noting that modern education, not the Islamic doctrinal training emphasized in madrasahs, was necessary "for the sake of the future, for Malaysia to be more competitive."⁹²

Political realism, rather than secular idealism, explains these attitudes. The UNMO, understood that opening the door for private schools would allow religious schools to mushroom, which in turn would help generate support for its main political opposition, the *Parti Islam Malaysia* (PAS). The PAS's electoral successes in two state assemblies (Kelantan and Terengganu) in the mid 1990s were of particular concern to the UNMO, as they were in Malay-dominated regions. The party has followed a mixture of policies to thwart the PAS's recruitment efforts. In 1997 the UNMO set up a National Accreditation Board to control the "quality" of private curriculum.⁹³ In reality, a chief concern of the board is restricting the growth of schools preaching radical Islam at odds with the moderate Hadhari Islam the state promotes. Simultaneously, the UNMO has sought to outflank support for the PAS through partial cooption of the latter's demands for more religious training, by ensuring that Islamic texts are part of the required curriculum in public schools. The party has also made broader symbolic concessions to Muslims, including the expansion of state-sponsored Islamic organizations. Further, the UNMO has made overtures to and indeed won the support of more moderate Islamic organizations formerly allied with the PAS, such as the Malaysian Islamic Youth Movement (ABIM).⁹⁴

While the strategy to counter the PAS was clearly multifaceted, a policy of expanding government education played an important contributing role in limiting the appeal of the PAS's welfare activities. In both India and Pakistan the primary enrollees in religious schools tend to be the rural poor. As this group is precisely the UNMO's support base, it has yet another reason to ensure that government schools that fall under its control are accessible to these students. Indeed, a mixture of more widespread provision of education coupled with the incorporation of religious teaching in state classrooms led one study to conclude that "madrasahs have become redundant in Malaysia."⁹⁵

Conclusion

Most analyses of the impact of liberalization on social spending tend to ignore the domestic political histories that refract international economic paradigms differentially. In South Asia the political development of clientelist systems has limited the influence of

demand-side constituencies interested in greater public spending on education. In turn, elites have appropriated privatization discourse to legitimate continued lack of attention to the public school system. Further, politicians are sometimes either closely affiliated with religious nationalist organizations (the BJP) or extremely concerned with obtaining their approval (Nawaz Sharif and Musharraf). These organizations have vested interests in providing their own schooling to the poor for recruitment purposes. In contrast, because of the nature of ethnic politics and economic inequality in Malaysia, ruling elites have incentives to appeal directly to their poor support base through educational provision, particularly in the economic environment of open market competition. Further, the party regards schooling provided by Islamic religious organizations as recruiting instruments for their political opponents. Increasing educational infrastructure was thus seen by the regime as integral to meeting the needs of their core supporters and containing the mobilizational strategies of their opposition.

Liberalization poses new challenges and opportunities for developing states to negotiate, but the strategies they deploy are not unilaterally imposed by the international arena. Instead, both the policies governments adopt as they deregulate their economies and the justificatory discourses they appropriate depend upon the structure of domestic politics. Reforms have brought an easing of fiscal barriers to expanding educational services in the countries analyzed here. At the same time, neoliberalism has provided two sets of discourses, private sector efficiency and state responsibility, both of which have been deployed. Thus, the comparative experience of Pakistan, India, and Malaysia in the realm of educational policymaking reinforces the importance of liberalization's economic and discursive effects but also highlights their contingency upon the actions of state elites and the domestic incentives they face.

NOTES

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