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IN REFORM DEBATES**

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ABSTRACT

This paper is about the discursive aspects of reform debates, more particularly about their rhetorical forms. In the debates on economic reforms in India, communities of scholars seem to have been talking past each other, each side equally convinced that it has the ‘Truth’. Persistent disagreement among economists on important public policy issues sounds disconcerting to others. We argue that an appreciation of the rhetoric (i.e. the art of persuasion) might help us understand the nature of disagreement in reform debates. Through a close reading of the literature on economic reforms in India we attempt to examine the rhetorical devices – logic, facts, metaphor and story – that the participants in the reform debates have been using to persuade their audience.

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Introduction

In the debates on economic reforms in India, communities of scholars seem to have been talking past each other, each side equally convinced that it has the ‘Truth’. *The Economic and Political Weekly* has been incessantly publishing very high quality articles by economists and others on a wide range of issues related to economic reforms. If one follows closely the debates over the past fifteen years or so, one notices a gradual shift in the nature and the content of the debate, along with a gradual transformation in the modes of argument. In the late eighties and early nineties, grand issues like “to reform or not to reform” dominated the scene, which understandably generated more heat than light. As more evidence has poured in, the grand issues have gradually given way to small methodological conversations¹. Whether or not poverty has declined in the 1990s, manufacturing productivity ‘turned around’ in the mid-1980s, or regional inequality has increased, are some of the questions that are being addressed by economists. Professional economists, who are reluctant to accept simple answers that are seemingly complete, now dominate the discourse. Naturally one would now expect that as one issue after another gets settled in the light of more facts, people would move on to other business. But that never happens. Don’t they believe that empirical evidence can and should be the final arbiter in disputes? Yes most of them do. They would even

1 For a distinction between Methodology (with capital M) and small methodological (with small m) conversations, see Weintraub (1990) and Chakraborty (1998).

argue that the whole point of a ‘scientific’ enterprise is the eventual elimination of uncertainty and ignorance, at least from the well-trained minds of those who understand the importance of evidence in an argument.

Yet, disagreement persists². How can seemingly the same objective reality be interpreted so differently? Clearly, much of the disagreement is not due to ‘asymmetry of ignorance’; that is, one party is more ignorant than the other. And therefore a more equal distribution of knowledge is unlikely to make it better. That disagreement is not due to ignorance is fairly well-understood by most of the economists. Much has been written about economists’ failure to reach agreement³. Yet, to disparage one’s opponent, one often asserts that the other side knows so little. Another popular method is to assert that the other side is ideologically biased⁴ or motivated by special interests. It can easily happen then that the two sides become walled off from each other. Persistent disagreement among economists on important public policy issues sounds disconcerting to others. Is there not a way to decide who is right? Ironically, it is often the case that multiple interpretations are ‘correct’. Once Kenneth Arrow was asked what he would consider most important while judging competing theories, he answered:

2 In a recent paper, Kanbur (2001) has presented an analysis of the nature of disagreement in the general context of economic policy and observations. He identifies differences in perspectives on three key aspects – aggregation, time horizon, and market structure – that explain disagreement. The approach we are following in this paper is entirely different from Kanbur’s. Our focus is on the discursive forms, rather than the substantive content of disagreement.

3 The first issue of *The Journal of Economic Methodology* (June, 1994) carried a symposium on “Disagreement among Economists”.

4 In the reform debate, this charge continues to surface even after eleven years of reform. Prabhat Patnaik is often the target of this charge. See the exchanges between Khatkhate-Villanueva and Patnaik (Patnaik, 2001; Khatkhate and Villanueva, 2001).

Persuasiveness. Does it correspond to our understanding of our economic world? I think it foolish to say that we rely on hard empirical evidence completely. A very important part of it is just our perception of the economic world. (Feiwel, 1987).

Economists argue to persuade their audiences of the significance of their ideas or claims. The study of this process, what McCloskey (1985) calls ‘the study of rhetoric’⁵, would perhaps be a fruitful way of understanding the nature of various truth claims in the reform discourse. This paper is about the discursive aspects of reform debates, more particularly about their rhetorical forms. What we are aiming at is somewhat close to literary criticism, which is supposed to make the reader see how authors accomplish their results. This is not an easy task, particularly because most of us have no clear idea about the subtle distinction between critiquing and passing judgment⁶. Criticising certain economic literature in the sense of ‘literary criticism’ does not imply passing judgment. A criticism is a reading⁷. Through a close reading of the literature on economic reforms in India we attempt to examine the rhetorical devices – logic, facts, metaphor and story – that the participants in the reform debates have been using to persuade their audience.

5 In a series of writings, McCloskey (1985, 1988, 1994a, 1994b), Klammer (1983, 1988a, 1988b), and others have been forcefully arguing for a post-positivist turn in appraising economic literature. “Rhetoric”, “discourse”, “conversation” are some of the keywords in this paradigm. Our approach in this paper is broadly motivated by this literature.

6 “ I can’t help but dream about a kind of criticism that would not try to judge, but to bring an oeuvre, a book, a sentence, an idea to life;...It would multiply, not judgments, but signs of existence; it would summon them, drag them from their sleep....Criticism that hands down sentences sends me to sleep; I’d like a criticism of scintillating leaps of the imagination.” (Foucault, 1988, p326).

7 For another attempt of a similar kind see Chakraborty (1998).

Of course some rhetoric is better than the other, but the effectiveness of a particular combination of the rhetorical devices varies with the circumstances. The Walrasian auctioneer metaphor, for example, may be more effective in a general equilibrium class than in the State Planning Board. For illustrative purpose we select a prominent group of authors and some of their writing. It is neither possible nor necessary to cover all the major contested areas in a single paper. We randomly focus on the debates on the impact of reform on poverty and some other issues of more general nature. In order to capture maximum diversity in the rhetoric, we focus more on those writings which address a wider audience.

The protagonists

For selection of authors we take into account a wide spectrum of viewpoints. At one end of the spectrum economists at JNU's Centre for Economic Studies and Planning (CESP), by any reckoning, have formidable presence. In an excellent survey of the major debates on the Indian economy, Terence J. Byres notes that "JNU's contribution to the debate on liberalization has been wide-ranging, substantial and of the highest quality". (Byres, 1998, p66). We focus on some of their writing. On the other side, we have a heterogeneous group of 'reformers'⁸ with a variety of viewpoints – Jagdish Bhagwati, T.N. Srinivasan, Kaushik Basu, Ashok Desai, Deena Khatkhate, Pranab Bardhan, Vijay Joshi, I.M.D. Little, and others. Since we are not attempting an exhaustive survey of positions and arguments, maintaining a chronology is not very important. Our selection is mainly from the more recent writings⁹.

8 In the anti-reform literature the word 'reformer' is often used with a bit of sarcasm. Here we are using the word simply to mean someone who is in favour of reforms in India, in the absence of a better word.

9 An alternative starting point would have been Srinivasan's two short pieces in EPW in 1991, which attracted a series of responses from Arun Ghosh, Ashok Rudra, Deb Kumar Bose, Kirit Parikh, and others.

Reform or liberalization?

What is simply ‘reform’ to reformers, is ‘liberalization’ to the JNU group. The title of Deepak Nayyar’s R.C.Dutt lecture was *Economic Liberalization in India: Analytics, Experience and Lessons* (Nayyar, 1996). Jayati Ghosh’s survey in Byres (1998) is titled “Liberalization Debates”. Prabhat Patnaik (1998) too uses the term “liberalization-cum-structural adjustment”. Nowhere in Joshi and Little (1996), however, do we find the word liberalization except in one section heading “Liberalization of Capital Flows”. Even in their chapter on “Fiscal Policy and Trade Policy”, the sections are “The Reform of Trade Controls”, “The Reform of Tariffs and Protection”, and so on.

What difference does it make? We shall argue that it does indeed make a lot. Ghosh herself admits that the word liberalization is “ill-defined and unfortunately prone to multiple interpretations”. Why does she then persist with liberalization instead of ‘reform’? We try to give a speculative explanation. Apparently, the word reform tends to evoke the image of progress. Social reform, land reform - all have progressive connotation. Liberalization, on the other hand, brings about the image of opening of the floodgate, ending protection of the infant (i.e. the weak), girls hanging out with their boyfriends on the valentine’s day, and so on. All these can scare to death every Indian parent, particularly those with teenage daughters. After all, who is not afraid of foreigners allowed to invade our homes?

A definition is not just a definition

We argue that the choice by the JNU group of the term liberalization instead of the widely-used term ‘reform’ serves the very important purpose of persuasion. It may be that a definition is just a definition. But if the definiendum already exists with favourable connotation in the world

view of a people, it is clear that the author wants to be persuasive¹⁰. In other words, the choice is in accordance with myths. The reader may be disconcerted by our use of the terms ‘rhetoric’ and ‘myth’ because of the popular notions attached to these terms. Rhetoric is not what we mean when we say ‘empty rhetoric’. It is not something that resides on the opposite side of logic and evidence. It is the whole art of argument (McCloskey, 1994). Similarly, by ‘myth’ we do not want to mean that it is a false or ill-founded belief. In fact we mean to imply nothing about the literal truth or falsity of a myth. The way we use the term in this paper fits the dictionary definition. Webster’s New Collegiate Dictionary defines myth as: “a usually traditional story of ostensibly historical events that serves to unfold part of the world view of a people or explain a practice, belief, or natural phenomenon”. Myths are an important source of meaning, “a mode of signification” (Barthes, 1972). They provide analogies which help make sense of events and provide simplifications of a more complex reality. The correspondence of any myth to ‘facts’ or other notions of truth is a matter for investigation.

Since no definition of liberalization is available from its advocates or ‘votaries’, Ghosh herself makes an attempt to define it:

The most common connotation of the term when used in the context of economic policy is that of reducing government regulation of economic activity and the space for state intervention (except in the all-important matter of guaranteeing private property rights) and allowing for the unfettered operation of market forces in determining economic processes. (Ghosh, 1998, p295).

10 This is a slightly modified version of what Kenneth Arrow once said in a different context (Feiwel, 1987)

If this is how she wishes to define liberalization, surely no votaries of it can one possibly identify. Even the whole paragraph she quotes from Bhagwati (1993) in her support does not contain any reference to either the word liberalization or its defining feature “unfettered operation of market forces”. More puzzling is the following statement, which she adds after the long quote from Bhagwati. “[T]his argument....mistakenly believes that economic liberalization is the simple and universally applicable panacea for India’s economic maladies”. While the average reader remains unconvinced because she fails to see the connection, the reader with an elementary knowledge of logic may like to go a bit further. She would say, Ghosh is falling into the fallacy of a very common variety – the ‘straw-man fallacy’ – which consists of presenting a position in an altered version that is easier to attack than the original. An unsuspecting audience, however, can easily infer that the original argument is demolished when the straw man is blown over.

When someone advocates “unfettered operation of market forces” one is clearly not speaking economics. It is well-known to any student of economics that there are clear cases where unfettered (meaning unregulated) market leads to sub-optimal outcome. These are the situations of ‘market failure’. Who is ready to believe that Bhagwati, an outstanding mainstream theorist, commits such an elementary error? Indeed, when Sau in his review of Bhagwati’s two volumes of articles ‘misrepresents’ Bhagwati’s position, he (Bhagwati) argues strongly that he has never denied the need for intervention, but has insisted, rather, on the necessity to design appropriate policy interventions to suit different kinds of market failure. (Byres, 1998). The metaphor of unfettered market forces in this context may not turn out to be very helpful for Ghosh, as far as persuasion goes.

Persuasiveness of ‘insiders’

There are important differences within the JNU group. Whereas Prabhat Patnaik and a few of his colleagues have often been charged with “ideological hang-up”, “swayed by ideology”¹¹, Deepak Nayyar and Amit Bhaduri have largely escaped that fate, in spite of the fact that both belong to the “distinguished radical tradition” (Byres, 1998, p60) of JNU’s CESP. Why is it so? The answer perhaps lies in the differences in their respective modes of argument. Patnaik’s readiness in detecting “obvious flaws” in his opponent’s argument (and his opponents range from Prime Minister’s Economic Advisory Council to Amartya Sen), in his contempt for much of that on which most of the students of economics would think consensus exists, makes the reader suspicious. On a close reading of Nayyar (1996), on the other hand, one would be inclined to agree with Byres that “he provides an excellent ‘insider’s view’ of the nature and impact of liberalization, written with great clarity and with *authority*” (emphasis ours). The authority, according to Byres, is derived “from his intimate official experience, although he is careful never to comment on that experience and never to draw direct conclusions from it”.

Like Nayyar, Ashok Desai too is an ‘insider’. But the similarity between them stops there. While Nayyar is “careful never to comment on that experience and never to draw direct conclusions from it”, Desai’s style depends heavily on his experience as an insider. He writes

I remember the time when Manmohan Singh went to Calcutta for a public debate with Jyoti basu and the leftists. We were greeted with black flags, and just escaped being attacked with sticks by CPI(M) activists. (Desai, 2001, p4627).

11 Khatkhate and Villanueva (2001)

It is clear that Nayyar and Desai are catering to two very different kinds of audience.

Nayyar follows a consistent structure of argument of the following kind: “The approach adopted is R. R may be necessary to bring about changes A, B, C. But without S, it is doubtful how A, B or C will be achieved”. This style ‘works’ splendidly for him. Much of what he argues very carefully in his R.C.Dutt lecture is not too far away from what Kaushik Basu and Panab Bardhan, for example, are arguing in their recent writings (Basu, 2001, Bardhan, 2001). And this tends to support our overall view that much of the apparent disagreement has to be understood in more complex terms rather than in terms of clear differences in substantive positions.

Different kinds of differences

To illustrate, let us go back to the earlier phase of economic reforms, i.e. the stabilization phase. Around 1993-94 many showed their willingness to risk derision by taking positions on issues for which they had little solid evidence. They wanted to find out if poverty had increased since 89-90. If they could show it had, they could produce it as a strong critique of the ongoing economic reforms. They did not realize that even if they succeeded, it would be a very poor argument against the next phase of reform, i.e. the structural adjustment phase, which we had already entered. This is for the following reason. That stabilization would adversely affect the poor in the *short run* has not been denied by anyone. No one would argue that stabilization is in the interest of *society*, and society includes poor as well as rich, and therefore the poor would be better off. Two very important kinds of distinction from one’s introductory economics course should not be forgotten here; short-run versus long-run; individual welfare versus social welfare. But this does not mean that economists are in agreement on all aspects of stabilization.

While one group would argue that it was a bitter pill that had to be swallowed in order to avoid disaster, the other side might take a variety of positions. One could blame the past policies that had pushed the economy into such a crisis. One could argue that the crisis was not so serious that stabilization was the only step available. Another position could be that, even if stabilization was needed, why shouldn't the burden be on the rich leaving the poor unaffected? There is no denying that each of these positions has more to do with one's prior commitment to a view than a dispassionate search for truth. Economists are committed from the start to a point of view which they will then support with different types of argument. What is critical is the persuasiveness of their argument. Whether an argument persuades is often not a matter of evidence or logic.

From logic and fact to metaphor and story

The other elements in the author's repertoire, such as metaphor or story, are as important (if not more) as evidence or logic. Besides 'insider's experience', the other important element in Desai's argument in his essay we mentioned earlier (Desai, 2001) is an apt metaphor. In the following quotation his dependence on his experience as an insider and the metaphor of the machine is too revealing:

We in this country tend to think of reforms as we do of domestic repairs: call a plumber to fix a leak, an electrician to... This is the thinking reflected in government announcements: there are labour reforms, power reforms and insurance reforms, all isolated, stand-alone improvements, each adding to the beauty of the house of India. Actually, an economy is a machine rather than a house; everything in it is interconnected with everything else. So if one fixes a leak in one place, may burst a valve

somewhere else; if one is to avoid expensive mistakes, one has to understand the economy as a whole. And we in the finance ministry in 1991 were not just trying to fix a leak; we were trying to improve the machine so that it would work better for all time.(Desai, 2001, p4627).

It is meaningless to ask, “is it true”? How does one know that an economy is a machine rather than a house? We can instead ask, “is it persuasive”? Desai’s argument, like any other argument, is not unexceptionable. One would perhaps not have thought of any counter-argument if one had not heard about the now antiquated “balanced versus unbalanced growth”. A little reflection would make it clear that the essential arguments of Albert Hirschman for an unbalanced growth path could easily be adapted, with suitable modification of the underlying assumptions, to provide counter-argument to Desai’s machine metaphor. What is missing from Desai’s engineering formulation is an appreciation of the political implications of the type of ‘big bang’ approach that he is arguing for. However, in that article Desai goes on applying a variety of interesting techniques of persuasion. He liberally sprinkles the article with autobiographical material, with a pinch of irony here and there. He continues,

And let me say, quite frankly, that we who undertook the reforms were not the best economists. Manmohan Singh used to call himself an extinguished economist...I was more of a practitioner; but I had made my living by doing bits of economics for which people were prepared to pay – economics of industry, trade, energy, etc. (Desai, 2001).

Then, suddenly he indulges himself in a dose of crudity whose rhetorical effect is unclear, given the nature of the EPW audience. It is likely that he alienates a good number of readers who have no taste for it:

India had been in the hands of the socialists for 40 years. They ran the economy by their theological principles...(Desai, 2001).

Here the ‘conversation’ definitely stops. By saying that the Indian economy was run on theological principles, he may be able to “strike some note on the keyboard of the imagination”¹² in certain people. But most of the readers of EPW (who are not necessarily followers of CESP) will not be impressed. What are the non-theological (or ‘scientific’) principles on which he wants to run the economy? How would his metaphor of machine and the principle of pushing ahead with a big bang have fared among the social scientists? Robert Keohane, a well-known political scientist (from Harvard, not from JNU), calls the Desai-type approach “the theology of policy science”. He writes

Sometimes when I read economists’ attempts to give policy advice, I feel as if I have wandered by mistake into the Council of Constance (1414-17), which sought acrimoniously to restore unity to the Church and extirpate heresy. (It condemned John Hus but did not achieve the other goals.) (Keohane, 1988).

It cannot be definitely said what effect Desai’s “I have the secret” kind of tone would have on the reader. Nevertheless, Desai’s style has the important quality of playfulness, which is rarely found in the writings of the JNU group. Their writing is largely mired in earnestness. While seriousness about one’s point of view is what we should expect to see in public debates, a style that depends too much on moral indignation and too little on irony may not be an effective one in certain circumstances. In the effective use of the weapon of irony, it seems that the reformers

12 Wittgenstein (1958) says, “Uttering a word is like striking a note on the keyboard of the imagination” (p6).

have had a clear edge over the JNU group. The economist who achieves success in making very effective use of a good deal of irony is Kaushik Basu. And moreover, he is completely free from Desai's engineering metaphor. In a recent essay, he writes

Economists keep telling us about what is the 'obviously' right policy. 'If only', they will tell you, 'India had done this or that...', it would not be a nation in poverty the way it is. But a little study of history and a little open mind shows that there is virtually nothing that is *obviously* right or wrong. (Basu, 2001, p3839).

This can be addressed to people on both sides who share the common trait of using the word 'obviously' too frequently.

Seemingly complete simple answer is bad rhetoric

When Bhagwati asks during his lecture delivered at Punjab University in December 2000 (Bhagwati, 2001) "Has not the hugely improved growth performance (in the nineties) led finally to a favourable impact on poverty?", it is clear that it is an assertion put in a question form. Is he ignorant about all the recent controversies on poverty in India? Not at all. Later in his lecture he does mention that "there has been a big statistical debate whether poverty has declined during the period of higher growth rates". And then his final verdict "It is clear now that it has. The necessary corrections to the data confirm this". Since it is a public lecture, mainly addressed to students, he does not feel the necessity of elaborating on this; and thus we have no clue what corrections he is referring to. As far as we know, no one has ever done any such correction on the *existing* data from NSS 55th Round that would make them perfectly comparable with earlier rounds¹³. Given all

13 See Vaidyanathan (2001) and Sen (2000).

the problems as they are with the data, what can one conclude? Many would like to take Abhijit Sen's extremely careful statement as authoritative on this. In December 2000, he writes

Three internally consistent series on poverty incidence are available for the 90s, all of which are based on the NSS distribution of nominal consumption expenditure and on the official poverty line but use somewhat different deflators [Datt (1999), Gupta (1999), and Sundaram and Tendulkar (2000)]. Each of these show that the head-count poverty ratio in rural India declined almost steadily between 1972-73 and 1989-90, and that after July 1991 this has fluctuated at levels which in every subsequent year has been higher than during 1989-90. Urban poverty is, however, seen to be declining during the 90s by all the three series. (Sen, 2000, p4517, n2).

Bhagwati's claim on poverty reduction may therefore be seen as poor rhetoric. He fails to persuade the reader, not because he is saying anything contrary to what is believed to be the 'fact'. Bhagwati can even claim further that according to the Market Information Survey of Households (MISH) data, poverty has declined significantly in the nineties; and Lal, Mohan and Natarajan (2001) have argued why the results of MISH are more consistent than that of NSS. Therefore the 'truth' is not very far away from Bhagwati. However, he makes a poor rhetorical move in that he insists on a simple and complete answer to a question which the sophisticated readers of EPW are already used to see in far more complex terms.

Bhagwati's preference for simple statements can be seen in the larger context of the international financial institutions' and aid agencies' insistence on simple policy messages. Joseph Stiglitz (2000) has an explanation for this. He observes a tendency among the World Bank

hardliners “to be sharp and hard, for fear that to do otherwise would be read as a sign of weakness by ‘the other side’”. Although Bhagwati may resent labeling him with the “World Bank hardliners”, he expresses the fear that “it is easy to fall prey to the notion that markets, globalisation, and other such ‘neoliberal’ reforms are for the likes of us, not for the poor”. The fear seems to have restrained Bhagwati from highlighting the nuances of an argument. Following this kind of observation, Kanbur takes the position that

If the world is complex, or if the evidence is uncertain, or if legitimate differences in perspective and framework explain differences in conclusions, analysis *must* take these on board (Italics ours). (Kanbur, 2001, p1093).

We would put it in a slightly different manner. It is not necessarily the case that more complex analysis is always the better. It all depends on the particular context. Recognising the complexity and trying to understand the alternative viewpoints, in our view, may turn out to be good rhetoric in a variety contexts, except perhaps on the corridors of the international financial institutions.

A contrast between Basu (2001) and Bhagwati may be instructive in this context. Although Basu holds the view that “it is the opening up of the 1990s that is the basis of hope and the little economic progress that has been witnessed”, he does not seem to be afraid of the possibility that ‘the other side’ may use his example to counter his position. He writes

It would be a denial of reality if we did not recognise that it was an act of closing the economy that spurred our domestic IT sector. In 1977 the Janata government asked IBM to leave India, since they refused to dilute their ownership of 100 per cent of the subsidiaries...

encouraging the production of smaller, state-of-the-art but cheaper minicomputers and microcomputers. (Basu, 2001, p3839).

To an average EPW reader, we suspect, Basu may appear to be more persuasive than Bhagwati.

From disagreement to conversation: democratic imperative

Has intransigence been the persistent feature of reform debates in India? We feel that it has not. Does economic discourse consist of incommensurable discursive practices? This is what one would conclude if one contrasts, for example, Prabhat Patnaik with Jagdish Bhagwati. It would appear less so in other cases. We indicated at the outset that a gradual transformation in the economic discourse has been taking place. However, to understand the complex nature of the disagreement that persists, we need to take a close look at the discursive strategies of the participants in the debates. And this is what we have attempted in this paper.

A person's thinking is often in important respects shaped by what he thinks before he starts thinking. We are all influenced more by our prior belief than our conscious thoughts. And not being conscious of our assumptions makes it all the more difficult to reach agreement. However, we are more concerned about the process of conversation than reaching an agreement. What is essential is that in all circumstances the communities keep talking, seeking to persuade one another, modifying claims in the light of new evidence. In ultimate analysis, all claims to superior wisdom must be submitted to the community of scholars for various kinds of testing. No matter how elusive is the possibility of a standard for collective judgment of the community, whatever community standard emerges it must not be derogated. The best examples of this may be found in Basu (2001) and Bardhan (2001). But in most cases the

protagonists have shown the habit of picking the battles very poorly. Bhagwati's comments on Amartya Sen often borders on what may be called the "genetic fallacy" (which consists of attempting to discredit a position by condemning its source); or the "fallacy of ad hominem" (which consists in attacking the person rather than the person's argument).

Practicing good rhetoric, the essence of which lies in the sensitivity toward one's audience, is important in a democracy. A democratic regime achieves legitimacy to the extent that its decisions result from open deliberation among its principal groups and representatives. By deliberation we mean a process of forming opinions. The basic premise of a deliberative democracy is that the participants should not have fully formed opinions at the outset; they are expected to modify their opinion in the light of arguments and counter-arguments.

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