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The Present  
Structure

Having solved the problematics of methodology, we can now take up the hypotheses one after another for detailed examination. In this chapter and the one to follow we shall concentrate on H1. To start with we have to specify the 'present'. Broadly, it is taken to be the early 1970's when "greater emphasis on social justice re-emerged... around the politically fraught slogan of 'garibi hatao' (to remove poverty). To the existing policies, special agencies and schemes for the poor were added ".<sup>1</sup> And the process of adding up new schemes and agencies to that end has been continuing till date. Ofcourse, the most important of the rural development programmes can be observed to be the Integrated Rural Development Programme(IRDP) that was introduced in India in 1979. As we have already stated out, in H1 we shall consider all the schemes that come within the perview of rural development and decentralized planning. IRDP will be taken up later specifically in the context of H2.

H1 starts with the first question as to what is the present day situation. The present situation will henceforth mean the economic scenario that existed during the decade of 1970's.

What was the structural characteristic of the Indian economy during the seventies ? Rao(1983)and Sundrum (1987) provide some interesting insight into the question. However, it should be recalled that the methodology we have adopted, does not view the economic dynamics of a particular time period in a society out of a historical vacuum . We cannot but have to consider the structural position of Indian economy with reference to the past. And in this connection we have to consider the socio-politico aspects as well. To maintain such an approach we

shall have to take up the historical background of the Indian social system.

A scholar noted,

"that India belongs to two worlds is a familiar platitude that happens to be true. Economically it remains in the pre-industrial age. It has not had an industrial revolution in either of the two capitalist variants..... [Britain and the U.S.A.], nor according to the communist one [China]. There has been no bourgeois revolution, no conservative revolution from above, no peasant revolution. But as a political species it does belong to the modern world."2

Structurally speaking, India is accepted as a democracy in terms of her political existence. Moore wonders as to how India could attain the sort of parliamentary system of democracy without an industrial revolution. He argues that such a paradoxical situation is an answer to the appalling problems facing the Indian government. For him, the Mughal Empire was never threatened by any aristocratic or bourgeois privileges and liberties. Nor were there among the peasants any forces at work that would have been likely to produce either an economic or a political break with the prevailing society. Inefficient cultivation, partly due to Mughal tax farming and partly because of the existence of a well-structured caste system was the order of the day. And further more, the caste system also absorbed the innovation and exploitation without any change, thus not giving rise to any sort of peasant rebellion as it took place in China. "The Mughal system", Moore argues, "simply broke down, due to dynamics of increasing exploitation produced by its system of tax farming"3. This provided the Europeans the opportunity to establish their control over India during the 18th. century.

The British regime at the initial stages modified the

land management structure to their requirement although virtually keeping the existing system unchanged<sup>4</sup>, introduced policies that pushed the artisan castes crushing gradually into oblivion<sup>5</sup>. According to Moore, "the British further made visible the whole apparatus of Western scientific culture that was a threat to traditional priestly privilege." Moore goes on adding, "the response was the Mutiny of 1857, a reactionary convulsion and unsuccessful effort to expel the British".<sup>6</sup> This modest beginning in the structural adjustment prior to the Mutiny started becoming more and more pressing once the upsurge was subdued. There emerged a class of parasitic landlords. Moore argues,

"despite poor cultivation, the peasants did generate a substantial economic surplus. The British presence, the failure of the Mutiny, the character of the Indian society ruled out the Japanese solution to backwardness: rule by a new section of the native élite which used this surplus as the basis for industrial growth. Instead, in India the foreign conqueror, the landlord, and the money lender absorbed and dissipated this surplus. Hence economic stagnation continued throughout the British era and indeed into the present day."

"On the other hand, the British presence prevented the formation of the characteristic reactionary coalition of landed élites with a weak bourgeoisie and thereby, alongwith British cultural influences, made an important contribution toward political democracy. British authority rested heavily on the landed upper classes. The native bourgeoisie, especially the manufacturers, on the other hand felt cramped by British policies, particularly on the trade, and sought to exploit a protected Indian market. As the nationalist movement grew and looked for a mass basis, Gandhi provided a link between powerful section of the bourgeoisie and the peasantry through the doctrine of non-violence, trusteeship, and the glorification of the Indian village community. For this and other reason, the nationalist movement did not take a revolutionary form, though civil disobedience forced the withdrawal of a weakened British empire. The outcome of these forces was indeed political democracy, but a democracy that has not done a great deal toward modernising India's social structure ..."<sup>7</sup>

Interestingly, it may be noted that "from the lower

class people Gandhi infact elicited no truly political response, if that is taken to mean a willingness to plan , organise and be subject to discipline for the sake of gaining power. They reacted to him with mixture of adulation and millenary anticipation".<sup>8</sup>

Thus democracy did come to occupy the central stage of the Indian political system without , ofcourse , being accompanied by any liberal change in the social structure nor there could be observed any revolutionary change in economic front . A vicious circle got firmly established in free India with a stagnant agricultural sector , very small impetus to industrialisation leading to the money lenders and the landlords skinning off what surplus there was , mainly for unproductive purposes.<sup>9</sup> With ushering in of independence , and Nehru emerging as the sole undisputed leader of the Congress within a very short time (by 1950 both Gandhi and Ballabh Bhai Patel were dead), attempts were started to be made break the vicious circle.<sup>10</sup> "They amount to using a combination of economic incentives and political compulsion to induce the people of the land to improve productivity and at the same time taking a substantial part of the surplus so generated to construct an industrial society."<sup>11</sup> Thus there were the abolition of Zamindari to encourage peasant farming which in the late 1960's could become the foundation for introducing green revolution<sup>12</sup>. By 1955 India was to follow a socialist pattern of society without hampering the interests of neither the landed aristocracy nor the industrial bourgeoisie.<sup>13</sup> The introduction of Community Development Programme was also with an eye to stimulate the peasants' output. However, the abolition of Zamindari, legislation regarding ceiling on landholdings and

the consequent operation of distributing surplus land to small and marginal farmers and landless agricultural labourers did not follow the expected way. The Community Development Programme also proved to be a non-starter. More was left to be done proving the strong collaborative force of the landed aristocracy and the state machinery to be a hard nut to crack. Almost simultaneously, the industrial bourgeoisie and the state machinery collusion also started flourishing at a rapid rate through the public sector investments in the infrastructural sector. But what was observed to be missing was a direct collusion between the landed power and the bourgeoisie. The introduction of the new technology in agriculture during the mid sixties may be regarded as the first milestone to that effect.

The period between 1965-67 is an important time frame so as far as Indian politico-economic situation is concerned. First, the severest low-harvest situation in Indian agriculture was experienced during this period. Ironically, the 'Green Revolution' was also initiated during the same time. It was for the first time in the Indian political scenario that in 1967 Congress lost power at the state level in all north-Indian states - from Himachal Pradesh to West Bengal.<sup>14</sup> And finally, the discontent among the poorer section of the society started simmering in different parts of the country.

Against this backdrop we shall be trying to understand the structural changes that took place in the Indian economy since independence till the beginning of the 1980's. Let us first consider the fluctuations in the year to year growth. Table : 2.1 shows that "while annual fluctuations of a wide order

are seen in all the three decades, there seems to be a tendency towards an increase in the element of fluctuation over succeeding decades. Thus while the standard deviation for the entire period from its trend rate was 0.2333. it was 0.0089 in the first decade, rose to 0.0146 in the second decade and touched 0.0162 in the third decade."<sup>15</sup> Table 2.2 provides the above information at a further disaggregated level.

Now to consider the sectoral distribution we observe from Table 2.3 that the rates of growth of secondary and tertiary sectors have been more than double that of the primary sector, with the secondary sector having an edge over the tertiary sector over the whole range of the period under consideration. However, the decadal level growth rates of both the primary and secondary sectors are observed to be declining with that of the tertiary sector showing an increasing trend. In fact, in the last decade, i.e. during 1970-71 to 1979-80, the tertiary sector even grew at a higher rate than the secondary one.

According to Rao, "the slackening of the growth of the secondary sector in its NDP contribution, especially during the later half of the period, seems to indicate some measure of retrogression in the inter-sectoral growth of the Indian economy."<sup>16</sup> He further argues, "if this trend continues into the 1980s, it does not augur well for either overall growth of the economy or its structural change in the desired direction."<sup>17</sup>

Another aspect of the structural change of the economy is the change in the sectoral allocation of the labour force. Table 2.4 gives an idea in that direction. We find that the total labour force increased at the rate of 1.46% in the

1950s, at 0.86% in the 1960s and at 2.12% in the 1970s. However, there has been little change in the sectoral allocation of the labour force, and it is only in the latest decade that the secondary and tertiary sectors have made some gains at the expense of the primary sector. Further on a sectoral disaggregation (see Table 2.5) it may be observed that agriculture had absorbed the bulk of the increase in labour force in each decade; the share of the service sector, out of this increases, rose steadily, whereas in the industrial sector the share was fluctuating.

Parallely, following Rao, if the economy is disaggregated into two heads, modern<sup>18</sup> and traditional<sup>19</sup>, we observe, "that there is a steady increase in the share of the modern sector in terms of the totals for the quinquennial periods, indicating a trend towards modernization in the organizational pattern of the economy (see Table 2.6). The increase in the share of modern sector in terms of quinquennial data is from an average of 54.79 percent to 60.34 percent in the last quinquennial period. All the same that nearly 40 percent of all economic activity still falls in the mixed income of the self employed shows that the traditional sector continues to play a strong role in the organizational pattern of the Indian economy."<sup>20</sup>

By now we have obtained the answer to our first question. Although there had been a trend observed towards modernization of the economy, traditional sector plays a vital role in it. Further, there had been a structural retrogression in the economy arguably not favourable for stability as well as



overall movement in the desired direction.

So we are now to face the next question in the order. How really could this structural retrogression be working in or against the interest of the particular section of the society for which the economic policies of the country were framed ever since the independence? This sort of a query necessitates the identification of the beneficiary group out of the policy framing vis-a-vis the running of the country.

We have already hinted at existence of the agriculture -State and bourgeoisie -State nexus running simultaneously ever since independence. However, such an assertion needs substantiation. Kochanek<sup>21</sup> has provided an interesting insight into the logistics of the one-party democracy under the Congress -rule that was experienced in independent India more or less upto 1967. The different levels of association of the Congress party with the banias<sup>22</sup> and the hindu nationalism<sup>23</sup> during the movement for independence was taken up by scholars for detailed examination. These studies more or less gave us the idea of a simultaneous , association of the state machinery under Congress rule with agricultural and industrial trading interests.<sup>24</sup> This is a symptom which Bagchi<sup>25</sup> refers to as the fractured compromise that started since the 1930's to result into a democratic consensus.

However, since 1967 the whole situation changed. Congress came in for its first electoral debacle in 1967. The party split in 1969. The first episode resulted out of the defection of middle peasantry - middle caste group from the congress fold. The second was the outcome of an attempt on

behalf of Mrs. Gandhi to reduce the dominant middle-caste representations and raise that of the lower castes in order to supplement the traditional Congress support base among minorities, scheduled castes and tribes. Populisms in the form of bank nationalization, the abolition of privy purses, the *garibi hatao* slogan and the 20 point programme served as means of greater mobilization of lower castes."<sup>26</sup>

Thus the prevailing ideas of consensus and compromise as to be replaced by another set of ideas, to usher in gradually, in course of time, another system of compromise and consensus, so that the State apparatus could be controlled by the existing group of industrial-trading and agricultural interest with least disturbances to the powers and class relations in the society. "Power was to be transferred, rather than conquered; power was to be appropriated rather than destroyed or transformed."<sup>27</sup> And the new group of rural elites in the form of owner-peasantry came out to be further benefitted through the introduction of the 'new agricultural strategy' in the late 1960's.<sup>28</sup> Parallely, the industrial interest started benefitting more out of nationalization of commercial banks and the associated policies in connection with the growth of industries and trade.<sup>29</sup>

Once such an identification problem is resolved, we can observe that structural retrogression was very much against the interest of the existing ruling class and further such a movement was also leading to a social unrest by antagonising the toiling masses and a thorough examination of the existing situation was felt urgently necessary. And special thrust were put on 'Rural

Development and Decentralized Planning'. Interestingly, however, the concept of Rural Development and Decentralized Planning were nothing new in the context of the policies for economic development of the country. The next chapter provides a historical perspective of decentralized planning in relation to the developmental policies of the country and provides as well an answer to the question as to what were the earlier prescription to do away with such difficulties.

Table : 2.1  
Annual Rates of Change in Real NDP\*

Year	Rate of change	Year	Rate of change
1951-52	2.0171	1966-67	0.8599
1952-53	3.2882	1967-68	8.3241
1953-54	6.3150	1968-69	2.8118
1954-55	2.8574	1969-70	6.3698
1955-56	3.4155	1970-71	5.1973
1956-57	5.5847	1971-72	1.7339
1957-58	-1.7257	1972-73	-1.0421
1958-59	8.1568	1973-74	4.7258
1959-60	2.1313	1974-75	1.5207
1960-61	7.0311	1975-76	9.2071
1961-62	3.6745	1976-77	1.6486
1962-63	2.0108	1977-78	8.4744
1963-64	5.5236	1978-79	5.2960
1964-65	7.7006	1979-80	-4.7564
1965-66	-4.9538		

\* : quoted from Rao (1983) P:30

Table : 2.2

## Annual Rates of Per Cent Change in Real Sectoral Incomes and NDP\*

Year	Primary	Secondary	Tertiary	Total NDP
1951-52	1.5430	0.1906	4.2010	2.0171
1952-53	5.0207	0.1268	1.6996	3.2882
1953-54	7.7839	6.0798	3.3424	6.3150
1954-55	0.2379	8.4179	5.1523	2.8574
1955-56	0.0509	10.1572	6.1159	3.4155
1956-57	4.9644	8.4458	4.8871	5.5847
1957-58	-4.9395	-0.2765	3.6627	-1.7257
1958-59	11.8356	5.5453	4.7427	8.1568
1959-60	-2.3231	6.8301	6.1261	2.1313
1960-61	9.1868	9.9590	6.5533	7.0311
1961-62	6.8491	7.6034	5.9670	3.8745
1962-63	-2.6274	7.0667	6.2979	2.0108
1963-64	2.8324	9.5438	6.8309	5.5236
1964-65	8.9593	7.2947	6.1114	7.7006
1965-66	-13.8105	2.9720	2.7578	-4.9538
1966-67	-1.2041	1.0160	3.3500	0.8599
1967-68	15.2656	3.1749	3.5115	8.3241
1968-69	0.5016	4.3824	4.8467	2.8118
1969-70	6.2449	8.3722	5.0844	6.3698
1970-71	8.5946	-0.8156	5.1599	5.1972
1971-72	-0.6430	2.5354	4.4402	1.7339
1972-73	-6.4125	3.7202	2.6956	-1.0421
1973-74	7.3799	2.4485	3.1490	4.7258
1974-75	-1.9787	2.7044	5.0058	1.5207
1975-76	12.9360	5.1235	7.6550	9.2071
1976-77	-6.5680	9.7282	6.2828	1.6486
1977-78	12.4859	6.5829	5.4803	8.4764
1978-79	1.6504	8.1189	7.5009	5.2960
1979-80	-13.1670	-2.3956	2.6672	-4.7564

\* : quoted from Rao (1983) P:31

Table : 2.3  
Compound Growth Rates\*

Sector	50-51 to 60-61	60-61 to 70-71	70-71 to 79-80	50-51 to 79-80
NDP	3.77	3.39	3.71	3.63
Primary	2.66	1.78	1.69	2.09
Secondary	5.81	4.94	4.84	5.19
Tertiary	4.63	4.76	5.27	4.95

\* : quoted from Rao (1983) P:32

Table :2.4  
Sectoral Allocation of Labour Force : 1951-81\*

Year	Agriculture	Industry	Service	Total
(A) Number of Workers (in 000s)				
1951	103640	15270	24311	143221
1961	119098	19312	27128	165538
1971	129890	20812	29671	180373
1981	153016	29972	39528	222516
(B) Percentage Distribution				
1951	72.4	10.6	17.0	100.0
1961	71.9	11.7	16.4	100.0
1971	72.0	11.5	16.5	100.0
1981	68.8	13.5	17.7	100.0
(C) Percentage Distribution of Male Workers				
1951	71.7	11.9	16.4	100.0
1961	71.7	12.8	15.5	100.0
1971	69.8	11.9	18.3	100.0
1981	65.6	14.5	19.9	100.0

\* : quoted from Sundrum (1987) P: 109

Table :2.5

Sectoral Components of Increase in Labour Force : 1951-81  
(Numbers of Workers in Thousands)

Period	Agriculture	Industry	Services	Total
1951-61	15458 (69.3)	4042 (18.1)	2817 (12.6)	22317 (100.0)
1961-71	10792 (72.8)	1500 (10.1)	2543 (17.1)	14835 (100.0)
1971-81	23126 (54.9)	9180 (21.7)	9857 (23.4)	42143 (100.0)

\* : quoted from Sundrum (1987) P:110

Table : 2.6

Modern and Traditional Sectors in the Economy -- NDP Shares by  
Quinquennial Totals at Constant Prices\*

Period	NDP in Rs Crores)			Percentage Share in Total NDP	
	Identifiable Factor Incomes or Modern Sector	Non-identi- fiable Factor Incomes or Traditional Sector	Total	Modern Sector	Traditional Sector
60-61 to 64-65	39549	32624	72173	54.79	45.21
65-66 to 69-70	45825	36732	82557	55.51	44.49
70-71 to 74-75	58507	40081	98588	59.34	40.66
75-76 to 79-80	72740	47808	120548	60.34	39.66

\* : quoted from Rao (1983) P:40.

### Notes

1. Etienne, (1988), P:226.
2. Moore, (1979), P:314, parentheses in the text mine.
3. Moore op cit P:315.
4. See for a detailed discussion Rothermund (1978) Chap 3  
P:33-40
5. See for a detailed discussion Gadgil (1974) Chapter III  
P:33-46.
6. Moore op cit P:316.
7. Moore op cit P:316, For a detailed elaboration of the  
concept see Moore op cit P317-385.
8. Brown (1974) P:345.
9. Moore op cit P:385.
10. However, evidences show that Gandhi & Patel were also  
agreeable to follow such policies. See Brecher (1959)  
P:390,395, 509-510.
11. Moore op cit P:385-86. We shall discuss an example of this  
policy in detail in the context of the nationalization of  
the commercial banks later in Chapter:3
12. Discussion on Green Revolution follows later in Chapter:3.
13. A discussion on Indian socialism and its effects follows  
in Chapter :3 .
14. See Kochanek (1968)Chapter 16 & Jain (1988).
15. Rao (1983) P30-31.
16. Ibid P33.
17. Ibid P33.
18. One whose NDP can be broken up into factor shares.
19. One whose NDP is a mixture and cannot be broken up into



factor shares.

20. Rao op cit P40-41.

21. See Kochanek op cit.

22. See Low (1988).

23. See Graham (1988)

24. We shall discuss this assertion in some further detail in Chapter:3 when we take up the trends vis-a-vis decentralized planning in India.

25. See Bagchi (1991)

26. See Jain op cit P:256

27. See Bagchi op cit P:611.

28. This is reflected through the betterment of the terms of trade in favour of agriculture since 1966-67. See Mundle (1981) P:174-175 Table 6.5.

29. For a detailed exposition see chapter 3 that follows.