

CHAPTER - III

DEVELOPMENT PLANNING AND STATE INTERVENTION IN INDIA

3.1. INTRODUCTION:

The problem of bureaucratic non-performance has acquired a unique dimension of far-reaching implications in the planning and implementation of the socio-economic goals of the society. In many emerging and developing states, the existence of suitable governmental machinery to carry out continuing public functions with minimal efficiency is a basic requirement of progress and political survival. The prompt achievement of planned goals and resolution of basic problems is dependent on the presence of reservoir of competent and resourceful officials and their ability to perform essential tasks of government. In this chapter, an attempt has been made to describe the role and performance of governmental mechanism in India in the context of the administrative state, the emerging socio-economic milieu and the national political ethos has been analyzed. Such an exercise requires an examination of (first) its historical legacy, its profile in general, and the political context in which it works, and secondly, its characteristics and behaviour in the light of the maladies from which it suffers. Finally, a very modest attempt has been made to suggest measures aimed at rejuvenating governmental machineries so as to inspire confidence in the public about its ability to work for the fulfillment of the socio economic needs and aspiration of the people.

In this context it was to be admitted that the changing role of the state in the 20th century was characterized by the expansion of state activities both in the North and in the South. In the present understanding a modern state is supposed not only to protect the freedom of individuals but also to guarantee social security, increase its affluence and social progress. The role and performance of Indian State has to be understood in its initiative of deploying administrative

mechanism (bureaucracy) in realizing the desired development for the country. In this context it is necessary to put some highlights on the concept of 'development'.

'Development' is a continuously changing and dynamic concept. Since the beginning of civilization it has been taking different shapes and dimensions. The nature of development as seen in the early 1990s differs considerably from that was seen in the early 1950s or from that was in the 19th century. "Development never will be and never can be defined to universal satisfaction", states the Brandt Commission Report. Similarly Uphoff and Ilchmen point out that development is probably one of the most depreciated terms in social science literature, having been used more than it has been understood. ¹

Many have defined 'development' in terms of increase in national economy, some others include social improvement and still others think of it in terms of increase in the capacity of political system. There are others also who make no distinction between development and modernization. Thus, development is a complex phenomenon comprising many dimensions -social, political, economic, and administrative and so on. Scholars now speak of "economic development", "political development, "social development" and so on. In the context of public administration, scholars read, talked about 'development administration' and 'administrative development'. Thus, economic, political, social and administrative development may be viewed as emerging from development without being development. So, while defining the concept of development, it is necessary to take an integrated approach. ²

According to Colm and Geiger, development means change plus growth. Weidner defines it has 'a process of growth' in the direction of modernity and particularly in the direction of nation building and socio-economic progress. To T.N. Chaturvedi it is a process which stands for, 'transformation of society'. Fred W.Riggs defines development in terms of rising levels of autonomy for discretion in the sense of ability, to choose among alternatives, not, of course, in the sense of

caution or moderation. He introduces the concept of development as an increase in the level of discretion of the social system". His, definition first stresses 'the growth' made possible by the autonomy of the social systems which (social system) can transform or reshape their environments. Second, it emphasizes, 'performance values', that is increasing inefficiency, reducing costs, improving the machinery of production, of government, of administration. Third, it stresses 'justice, values of freedom, independence, equality, change even revolution.' Fourth, it seeks to restructure 'the social system'. Fifth, it involves 'levels of diffraction' which is a necessary condition for achieving autonomy. Riggs says that 'development then involves the ability to choose whether or not to increase outputs, whether or not to raise levels of per capita income, or to direct energies to other goals, to the more equitable distribution of what is available, to aesthetic or spiritual values, or to qualitatively different kinds of output. ³

Hahn-Been Lee defines development 'as a process of acquiring a sustained growth of a system's capability to cope with new; continuous changes towards the achievement of progressive political, economic and social objections. Lee sees development both as process and purpose.

In brief, development is a process of improving the well-being of the people. It is about raising the standard of the people, improving their education and health and also opening out to them new and equal opportunities for a richer and more varied life. Better health—a longer life with less sickness is crucial to a better standard of living. ⁴

However, the role and performance of the bureaucracy in India can best be discussed by dividing it in to three main phases. The first phase starts from 1947 and ended in 1950. The second phase starts from 1951 with the inception of imperative planning for economic development and the third phase concerns the post -1991 economic reform era governed by the New Economic Policy (NEP) of 1991, inaugurated by Dr. Manmohan Singh.

3.2. SECTION A: The First Phase (1947 to 1950):

With the attainment of freedom from the British in 1947 India started its journey with an under developed economy. While there were frequent invasions before the British, the British invaders settled in India. The difference of the British conquest was marked with a difference with other invaders. The domination in India by the British led to the emergence of a new political and economic system whose interests were rooted in a foreign soil and whose policies were solely and crudely guided by those interests.

At the first attempt the disintegration of the village community was made by the British conquest. The reason lay in the fact partly by the introduction of the new land revenue system and partly by the commercialization of the agriculture in India. The peasantry of India faced untold exploitation at the cost of this new land revenue system & commercialization of agriculture. At the same time the country was consequently plagued by frequent famines. There was structural distortion of the economy at the introduction of the policy of the British. The British initiated several projects like the growth and expansion of Railway or the spread of irrigation or the expansion of education or the creation of new revenue settlements or the promises made by the British Government through several Acts like GOA-1919; GOA -1935 etc. Yet, all these projects and promises aimed at the attainment of one supreme goal i.e. to accelerate the process of economic drain out from India. Such exploitation could never be tolerated by the masses of any dependent country. The same was true in case of British India. Nationalist movements reached it zenith under the heroic leaderships of Mahathama Gandhi, Subhas Chandra Bose, and Jawaharlal Nehru etc. and ultimately the British had to recede from the sub-continent. But the imperialist British divided the sub-continent into two hostile countries, viz, India and Pakistan. The hostility between the two countries did a great damage in rebuilding the economies of the two nations and making them appearing as strong countries in the international power politics of the world. After the

attainment of independence, India tried to appear as a strong nation in its own designed way with a parliamentary democratic set up in the country. The first few years from 1947 - 1949, economic developments in India can be described as the years of missed opportunities. There was a misreading of the immediate post war trends in the then economic situation and the expectation of a widespread depression on the cessation of war expenditure was shared by most economists and makers of economic policies, not only in India but also in more advanced countries in the West. In India misconceived need to forestall any cyclical tendencies was predominant in the framing of post war economic policies. The magnitude and the explosive force of latent inflationary pressure were nowhere fully realized, the incident led to a loosening of the reins too early in the day. The ambivalence in India between the need for development expenditure on the one hand, and inflation and speculation on the other would have emerged in any case, as in all under developed economics. But the gain which was received at the inception of 1947-48 by inflation combined with the disturbed political situation and chronic shortage of food and cloth, certainly made it difficult for planned development in India. ⁵

Economic theorists failed to realize the impact of a major War [World War-II (1938-1942)] on economic behavior, apart from its devastation effect on production and conservation of physical resources. The observation of First World War (1914-1918) - economic maladjustment and unemployment which, in Britain, led to the crisis of 1921, was in many ways, too distant. The latest cool headed study of large -scale economic problems that involved fluctuations and stimulation of demand and national income was the body of doctrine emanating from Keynes' General Theory; to this was almost synchronously added the experience derived from the program of the New Deal in the United States. Against this background, whenever any post war development was taken into consideration, the threat from the shrinkage of demand owing to curtailment of defense expenditure and from frictional unemployment during the period of

reconstruction and recon version naturally occupied the foreground. Numerous problems like the problem of pent up demand and the danger of latent inflation, were not so prominently studied or sufficiently understood. Thus, scholars argue that, at this juncture, economic theory was not able to give an unerring guidance in respect of immediate post-war trends and policies. At the same time, the need to channel, to direct and administratively to restrict demand was not fully emphasized, with the result that there was a general slackening of controls. ⁶

India was impelled to introduce development plans at the end of War, not only because of the need to readjust her economy after the tensions and distortion of War, but also because of her vital need to initiate much basic construction in order to reach a minimum level of economic growth and production. These development plans were set up with the target of "a doubling of the present per capita income within a period of fifteen years. To achieve increase it was proposed that the plan should be so organized as to raise the net output of agriculture to a little over twice the present figure and that of industry including both large and small industries to approximately five times the present output". The Planning and Development Department was also given the tasks of collating and coordinating schemes, particularly with a view to "rapid progress in industrialization". This was also the time when the legislation to set up an Industrial Finance Corporation was drafted with the help of Reserve Bank of India. Commenting on the planning, Sir Archibald said, "No Government, whether central or provincial can afford to contemplate with complacency the onset to deflation or allow purely financial considerations to stand in the way of maintaining the economic health of the country."

It would however, be unfair to say that this attention, paved the need to avoid deflation was so exclusive as to have led to a disregard of the danger of inflationary price movements. In order to realize the contemporary analysis of the economic situation, one can hardly do better than quote this passage from the budget speech mentioned above.

While India has been spared the material destruction that has befallen many other countries, she has suffered in full measure, and in some directions in greater measure than others, the economic consequences of war. Her industrial equipment has been worked to the very edge of breakdown and there is a large backlog of maintenance and replacement to be made good; more than that, the development of her economy and even her construction are being delayed through her inability to obtain the necessary capital equipment owing to destruction and unsatisfied demands in the supplying countries. Civilian building has been almost entirely neglected for over five years. In India, as elsewhere, there have occurred large shortages of consumer goods, caused on the one hand by the failure of supplies from overseas and on the other by the diversion of a large part of her productive capacity to war purposes. Outstanding examples are textiles and food grains, though there are many examples.

Finally, as elsewhere, the purchasing power in the hands of the public has enormously increased and here, too, the consuming public is anxious to make effective use of its spending capacity. In other words, there are still pockets of inflationary forces which require to be closely watched.

In one important respect, however, the situation in India resulting from the cessation of hostilities differs from that in other important belligerent countries such as the United Kingdom and the United States. In largely agricultural countries, such as India and the Middle Eastern States, war expenditure, though in absolute amounts much less than in the industrialized states in the west, has had proportionately greater effect in stimulating the growth of national income. It follows that, with the fall in war expenditure which is now inevitable, greater proportionate effort will have to be made if the national income is not to fall too far below its war-level. In other words, deflationary tendencies will, in the absence of countervailing measures, begin to manifest themselves before long. It must, therefore, be the object of the Government in the coming year, with the help of the public and the business community, to avoid

the Scylla of increasing inflation and the charybdis of too precipitate a deflation.”

However, in this analysis another important factor that is observable, that the peculiar inter-relation between prices, incomes and employment in an under-developed and unevenly organized economy are not fully appreciated even, if the conclusion is correct. In the first place, the interconnection of rising employment and rising money incomes is not so direct or immediate as in more developed economies. Inflation and heavy unemployment and under-employment can and do co-exist in India. Another example of this frictional aspect is the immense rise in price levels which can take place even without the influence of any monetary factors, the inelasticity of supply of primary commodities in the short run and speculation which batters on this inelasticity always upsets many plans to restrain prices. Finally, in the case of India, there was and has continued to exist a persistent shortage of many essential goods. This always puts a limit to the extent to which the traditional Keynesian techniques to stimulate demand to initiate and encourage investment and thereby increase national income through increase in employment, can be used as well as the sequence in which these can be introduced. It so often happens that steps to encourage investment themselves lead to an outside inflation, in the end leaving a permanent increase in the cost of living and almost no favorable effect on employment and incomes of working people. The answer to this is not reduced investment but more sustained and balanced investment. That is where the under developed economics have to go beyond the Keynesian solution: that is where well-conceived properly co-coordinated planning comes in.

Notable episode - interesting as an attempt to sail away from the Scylla of inflation was the series of events touched off by the High Denomination Bank Notes (Demonetization) Ordinance during the period of independence. The move was not revolutionary attempt and even its purpose as minatory and punitive gestures towards black marketing was not served with great impact.

The absence of a fool-proof administrative method by which a particular note brought by an individual could be proved as the life savings of the hardworking man who presented it or established as the sordid gains of a black marketer. The other weakness of which considerable advantage was taken was the exemption of the Princely States from scrutiny or questioning when such notes were presented by them. In fact at last the technique proved to be of conversion of varying rates of profits and losses than 'demonetization'

However, the first budget of independent India for 1947-1948, was made with the expectation of a depression rather than the persistence and predominance of inflationary conditions. Smartly allied to the various proposals regarding tax concession and government spending was the policy of cheap money. This too was a technique involved from the study of business cycle and its use was more manageable in Western with well-developed money markets and credit system. Cheap money policies were more attractive to such governments not only because of their anti-cyclical influence but also because of relief in the payment of interest on current borrowing as on accumulated debt. In India, the national debt was relatively smaller; the main justification for cheap money would be its utility in facilitating and cheapening credit. ⁷

The Government of India acted in favour of the system of cheapening the money, and during the beginning years of independence specially before the launching of planning commission, special attempts were initiated so as to bring the long term rate of interest within the range of 2 ¾ % to 3% per annum. Regarding cheap money, as Governor of the Reserve Bank expressed his views in the course of his speech at the Annual Meeting of the shareholders held in the current years of independence. ⁸

"A cheap money policy involves Government regulation of economic activity, though the extent to which such regulation becomes necessary will vary with the political and economic conditions of each Nation-----the Rates of Government borrowing have steadily declined -----although

.....the benefits of cheap money have yet to percolate to the same extent to the other sectors of our economy, particularly agriculture.....”

“I should like to refer to a further aspect of the policy of cheap money, viz, repercussion of the continuance of that policy on the stock exchange and security markets of the country. These markets have been experiencing boom conditions in recent months and it will be apparent that in the absence of outlets for investment particularly in view of the difficulty in obtaining suppliers of capital goods from source overseas the continuance of cheap money unrelieved by increased investment and enhanced production can only aggravate the inflationary potential in the country”.

A few days after the statement was made the boom conditions initiated by the 1947-1948 Budget and fostered by the redemption and conversion operations from the beginning year of independence lost their moments with the realization that there was to prospect for further cheapening money. The speculative buying for capital gains soon changed to selling for consolading profits. Disturbed political conditions further affected the confidence and the pressure of selling grew inexorably. The gilt-edged suffered a sharp decline in prices and from September on wards, the Reserve Bank brought Government securities on an almost unprecedented scale. Prices of Government had to be maintained to prevent capital losses to those who had entrusted their money to the Government.

Against this back ground the Govt. of India formed a committee with Sir Purshotamdas Thakur as its head. The other members were Shri G.D. Birla, Sir Shri Ram, and Dr. V. K. R. V Rao. Under its term of reference the committee was asked to examine the existing and prospective position regarding food grain in India, in the light of the consideration of production, procurement, imports , distribution and controls and advise Government:

- i) on the measures which can be taken to increase domestic production and procurement;
- ii) to extent to which reliance can and should be placed on imports; and
- iii) in the light of the above the modifications which may be necessary in the food grains policy so far pursued.

In its interim report it concluded that an entirely new approach to the food problem was necessary based on two objectives; first' the dependence of the country on imports from abroad should be liquidated by orderly and planned stage. Secondly, the commitments undertaken by the Governments of the country under the present system of food controls involving as they do an undesirable degree of dependence of the people on administrative agencies of Governments -should be liquidated in similar orderly and planned stages. The committee did not fail to realize, the dangers of hoarding, speculation and a steep rise in price as a result of the remove of restriction on movement and prices. Keeping it in mind, while recommending, Dr. Ram Monohar Lohial, also a member of the committee, made a separate note stating the fact that there should be removal of all controls except on prices and complete stoppage of imports, he suggested replacement of the private trader, wholesale or retail, by grain banks owned by Gram Panchayets and run by trained officers. Even in the committee's final report, signed towards the end of April 1949 Dr. Rao, appended a note to point out the need for a short term policy of increasing food production, reading this report now, its deficiencies may seem magnified against the perspective of bitter experience. Nevertheless, not-too-critical faith in the ability of free markets to deliver the goods as well as an almost amateurish attitude towards statistics pervading it should have been apparent even in the charged and chaotic times of 1947. I shall quote one sentence, I hope not too unfairly, from their final report. "After a careful consideration of the matter, we consider that the country must set itself a goal of increasing production by 10

million tons annually, as soon as possible, with a view to placing the Food Economy on a sound footing." Sound footing indeed!

As it happened, the recommendations of the Committee particularly the vital one about decontrol and de-rationing, seem to have considerably influenced the deliberations of the Central Government and Provincial Governments and the ultimate decision to decontrol. It is also intriguing to examine the effect of Gandhiji's view that controls had led to fraud. Corruption and greed among the people that they had to recover their lost initiative and to help themselves even if they made mistakes. This view found a response in all those who found themselves helpless in devising any method of mending the evils resulting from controls. In fact Mahatma Gandhi was responsible for this bold and spectacular step principally.

Eventually, Government took decision on four main counts:

- a) gradual curtailment of Government Commitments by withdrawing rationing in the reverse order to the original process of extension ;
- b) to reduce the dependence on imports from abroad and to put greater emphasis on procurement within the country;
- c) to give provinces greater freedom with regard to prices to be paid for procurement consistently with keeping them within reasonable limits for the consumer and;
- d) to watch developments and keep in readiness a reserve of grains to meet emergencies. ⁹

It is however, important to realize that the decision regarding decontrol was not taken either in haste or without deliberation. There was a widespread feeling of disappointment and defeat at the important manner in which the existing system of controls was operating. In accordance with the decision if the Government, sugar and food-grains were freed from control early in December, 1947. Cotton and cloth were decontrolled in January, 1948, prices of all consumer

goods rose; the general price index, which was 302 in November, 1947, rose to 3423 in February, 1948. In his Budget Speech on 28th February, 1948, Sri R.K. Shanmukhum Chetty had said, "The effects of this policy (of decontrol) on the internal sources of supply still remain to be seen but if the expectation behind this policy that it would bring more supplies to the market and to that extent, reduce our dependence on foreign imports is realized, it would completely be justified".

However, all the decisions mentioned earlier could not bring the desired positive result for the country to a considerable extent. The reasons were numerous to count. Firstly, through the year of 1948 the country traversed an anxious economic course. It had to perform the almost overwhelming task of bringing succour to the displaced persons from Pakistan and to assist in their resettlement and rehabilitation. Secondly, while decontrol failed to increase the availability of the supply of food-grains, larger quantities of food-grains had to be imported from abroad. The incident led to the increase in the price index. Thirdly, it was apparent fairly early in 1949 that the anti inflationary policies of Government were not making much headway. There was not much lee-way for it to curtail its own expenditure, for in the major heads of expenditure (defense, food subsidies and relief and rehabilitation of displaced persons) immediate economies were precluded by the circumstances. Fourthly, Rupee was overvalued when it was decided to devalue in consonance with Britain and thirty-odd countries. Lastly, not leastly the role of bureaucracy was a major handicap for the development of the country to the desired end. The bureaucracy in India is the product of two different sets of influences: British traditions and the democratic welfare system. The British who ruled India from a far for almost a century, established a system of bureaucracy whose two outstanding features were its elitism and loyalty to its colonial masters. The system dates back to the North Cote Trevlyan Report of 1954 which demonstrated Lord Maculey's profound belief in English liberal education. The belief resulted in the

recruitment of a band of administrators from Oxford and Cambridge designated as the Indian Civil Service, the ICS and called all rounders by the champions of system and amateurs by its critics. The advent of independence and the concomitant change in the role of government to include the functions of a welfare state produced the second set of influence. The rapid technological progress attained since then led to a proliferation of Para state organization such as public corporations, nationalized industries, public enterprises and voluntary organization supported by public funds. Those expanding frontiers and the new tasks of the government required an administrative state able to handle social, economic, political, scientific problem in the context of both national and international setting. Bureaucracy thus becomes one of the chief instruments in the hands of government to deal with the challenges of the new political order, and socio-economic imperatives. But unfortunately the bureaucracy in India failed to realize this new role and could not perform the instrumental role in bringing the desired degree of development any way to a considerable extent during the period between 1947 and 1950.¹⁰

3.3. SECTION B: The Second Phase (1951 to 1990):

The second phase of developmental strategy in India began with the setting up of planning commission in the year of 1950 through rigorous state intervention. The country during this time was very much eager to give the people the benefits of development as it promised during the freedom struggle. It will be very relevant in this context to clear the meaning of development again in nutshell. Scholars are of the opinion that the term development is multidimensional in nature. To Palmer it is an overall process, with significant social, cultural, political and human as well as economic dimensions. Its use seems to be equal the more prosaic growth or change or transformation and has become increasingly complex in its application.¹¹

Development is a goal oriented process. Development is equated with economic growth, social transformation and nation-building. National development is the major goal of most developing societies. The single goal subsumes myriad of goals, such as economic and social progress, political modernization, nation-building, mobilization of natural and human resources, reducing the levels of unemployment and poverty etc.¹²

The developing societies are goal oriented societies heading towards modernization. The concept of development got tremendous momentum when the newly independent nations had sprung into international forum being thrown off the yoke of the colonial rule after the completion of the World War-II (1938-1945). The crying need of these newly emerged societies was the rapid economic growth through the rigorous implementation of state mechanism. The success of imperative planning in the U.S.S.R (erstwhile) also added greater importance to the concept of state controlled development measures. The existence of socio cultural varieties in these countries also drew the attention of western scholars to a great extent. Scholars of developed Nations appeared with various prescriptions of development (like Development Administration) for bringing development for these newly emerged societies.¹³

Regarding the general approach American and representatives of other developed areas contend that the development of the underdeveloped areas could take place on the same line as the development of the so called developed societies took place. It was largely through the initiative of the private capitalists that the colonial economies had grown. None of them required even initially the importation of large amount of foreign capital. Thus the thesis of the representatives of these countries should stable conditions, assure private capitalists from abroad and encourage domestic private enterprises to function actively. Within their own areas, if they did this, economic development of these societies would proceed in natural and normal way.¹⁴

Apart from passing the general analogy of the development in the colonial countries, representatives of these countries urged a broadly cautious attitude in planning for development. The same is true in case of India. Before, the inception of New Economic Policy (NEP) -1991, the strategy for receiving the benefits of development in India for the mass was conceived in terms of several Five Year Plans, starting from the year of 1951.

The decision to set up the planning commission was announced by the Minister of Finance in the Budget Speech on the traditional eve of 1st March 1950. It may be proper with a view to understanding the manner in which it has worked since then -to recall its major terms of reference:

1. to make an assessment of the material, capital and human resources of the country, including technical, personnel, and to investigate the possibility of augmenting such resources as were found to be deficient in relation to national requirements;
2. to formulate a plan for the most effective and balanced utilization of these resources;
3. to fix priorities and define stage for the carrying out of this plan, and to allocate resources accordingly;
4. to indicate factors tending to retard economic development and to determine the conditions which in view of the current social and political situation should be established for the successful execution of the plan;
5. to determine the nature of the machinery necessary to implement each stage of the plan;
6. to appraise periodically the progress achieved and recommended such adjustment of policy and measures as might be necessary.¹⁵

3.3.1. THE ROLE OF THE STATE:

The political institutional structure that was designed by the first generation of the leadership in India after independence is a must to be taken

into consideration at the time of analyzing the development strategy, experiments and experience of India. The framework of parliamentary democracy and the nature and the character of the Indian federal system are the most important institutional parameters in this connection. All these parameters found their formal recognition in the constitutional apparatus of India that started its journey from January 26, 1950 with operational effect in India. Parliamentary democracy predominantly on the British model was adopted not so much on account of the familiarity with the Western educated elites. They played the main visible role in the articulation of the goals of the national movement but seemed to serve the interest of the dominant classes of big business and also the educated elites. Congress Party was dominated by these educated elites and rather than through genuinely revolutionary freedom struggle the power was transformed more by way of regulated compromise to these elites in the society.¹⁶

However, one interesting point is to be noted here that although India took the path of parliamentary democracy under the canopy of the concept of liberal democratic political ideology yet it did not infuse the concept of capitalistic modes of production whole heartedly for achieving its economic goals. Rather the country tilted in favour mixed economy for economic growth. The basic objectives of the Five Year Plans read "Development along socialist lines to secure rapid economic growth and expansion of employment, reduction of disparities in income and wealth, prevention of concentration of economic power and creation of values and attitudes of a free and equal society". It is argued that by controlling the financial system, viz. insurance and banking, the state could endeavor to direct investment in socially desirable channels. Besides, in a poor and underdeveloped country like India, market forces based on profit motivation can not, by themselves, induce the private sector to move into infrastructural development (which involves heavy capital investment, long gestation period, low rate of interest etc.). Accordingly, the state had to promote

infrastructural facilities like hydro electric Projects, irrigation, road, railway transport etc. and create conditions conducive to a higher level of investment so that national and per capita incomes of the people could be improved continuously. This was an important reason for the creation and dominance of Public Sector in India ¹⁷.

In the first and second five year plans and the Industrial Policy Resolution of 1956, the first and possibly only comprehensively articulated development strategy for the country was to be found. However, through the formation of the National Planning Committee by the Indian National Congress in 1938, the initial attempt at developing such a prospective was made. A sharp and decisive break from the colonial economic structure imposed upon the country was indicated in the imperatives of fulfilling the aspiration of the people of the newly emergent state. In fact, the act of charting the course of development from a poor agricultural economy to a powerful self reliant industrial power was a challenging task to the economists and planners as well as to the leadership. As an outstanding example of vision coupled with technical excellence, the early planning framework established by these pioneers has gone down the history of economic thought. ¹⁸

There has been a progressive refinement of planning techniques and it has gone hand in hand with an increasing divergence between the targets and achievements of each successive plan. This happens to be an important and striking fact that emerges from an overall assessment of India's planning policies, strategies and techniques from the First plan to the Eighth plan. In the subsequent economic history of the country there exists a relatively dismal record of awareness and creativity in economic management. The extent of inertia in Indian planning and policy making and its insensitivity to structural issues can be traced to this dismal track record. It can be noticed that from an over all macro economic perspective the policy making did not emanate. Rather it got fragmented into sectoral domains. First Five Year Plan's (1951 - 1956)

projections were derived from a simple application of Harrod Domar Growth Model. But in the true sense there was no theoretical under pinning or visualization of the future, being in the nature of summarization, compilation, co-ordination and rationalization of schemes of development already undertaken. In the broad sense two types of investment were focused by the First Five year Plan. These were agriculture and some areas of infrastructure like the transportation and communication. In the attainment of these two important goals the plan ended with a great success. In this attempt the plan was aided more by natural causes than anything else. Rapid modernization through massive investment on heavy, basic and machine building industries based on Fieldman -Mahalanobis, two sector models was the core of strategy adopted in the Second Plan (1956-1961). But late professor Sukhamay Chakraborty opined that the development model of India of the mid-fifties could better be as a variant of the Lewis model. In the scheme of priorities agricultural productivity was relegated to the fifth position. There was not any consistent, clearly defined model of development in the Third Plan (1961-1966). The simple linear programming and demonstration planning model of development of Professor J. Sandal, an expert of the United Nations was taken into consideration by the planners at the time of plan formulation. The general pattern of development followed in the Third Plan necessarily flowed in the large part, as the planners themselves had admitted reportedly, from the basic approach and experience of the Second Plan. The planners of the country thought a bit push was necessary for launching the country into the take off stage and self sustained growth after being influenced to a great extent at the argument of Rostow during the early 60's. On a large scale import of food grains under PL- 480 program the country entered into an agreement with the United States to give effect to the assumption mentioned above. For the promotion of growth in India Dr. S.R. Sen stressed the importance of maintaining a cheap food regime because of some exogenous and other factors like the two wars with China and Pakistan in 1962 and 1965

respectively with a consequent sharp increase in defense spending, successive monsoon failures and sharp cutbacks in public investment, the very optimism of the planners about growth floundered on the rocks.¹⁹

In 1965-1966 growth really turned into decline and the economy of India slid into the reverse gear since then. The year proved to be a turning point year in the planning of India. As the planning policy of the country was based on models of development unrelated to the reality of India and a strategy of growth that had accepted at least tacitly, a framework of dependency and a basically colonial pattern of administration and plan implementation, the result of this kind was rather inevitable in nature. During these critical years, all the manifestations of what Gunnar Myrdal had called a 'soft state' to describe the nation building experience of India, had come into full play.

To deal with the abnormal situation, the country entered into the era of 'Plan Holiday' first abandoning the draft of the Fourth Plan in 1965-1966 as emergency devices. Among the policy makers in the government the realization had dawned now that the first three plans had led to the growth and improvement of economic conditions of certain sections of the people. At the same time over the vast stretches of the country, large sections of people had remained submerged in the most abysmal poverty.

A new planning strategy came to be adopted for the Fourth Plan (1969-1974) with the declared objective of rapid economic development accompanied by continued progress towards equality and social justice at the induction of Professor D.R. Gadgil with the planning commission of India. Without giving up the heavy industries programme the Gadgil strategy started pursuing a new agricultural strategy. Notable fact was that though at the level of principle the critical importance of land reform had been denied by the new strategy yet it welcomed the technological modernization. The impressive achievements of the Green Revolution during the 60's might talk strongly in favour of this strategy. But there is no denial of this fact that the recipients of the achievements of this

Green Revolution were the microscopic few in the society. To the rest of vast people in the country the success story proved to be a mirage. At this stage it was quite evident that the planning efforts had failed to formulate, articulate, and implement the distributive goals in the society. Overemphasis was put upon the output goals while the marginal reorganization was kept reserved for the social goals. The importance of this strategy lies in the fact that significant lessons were learnt from it and the need for a rethinking about development as a concept and a strategy was clearly felt. In the academic forum as well as by the policy makers in the government the question of an appropriate model of development for the country was taken in right earnest and also with great importance. There was a ferment of thought and the viable alternatives were sought for the country.²⁰

3.3.2. MARXIST CRITICISM OF THE PLANNED DEVELOPMENT FROM 1951 to 1974:

After the attainment of freedom being thrown off the yoke of the colonial rule, the country started its journey towards development both economic and social since August 15, 1947. The start was not rapid in character and until now growth has been slow and far away from the expectation so far is the question of providing distributive justice is concerned. The present model of growth is marked by serious disproportions leading to a crisis in the balance of payments of the country. On the foreign trade and also on the balance of payments of the country the increasing disproportion with the economy of India has cast an unfavourable effect to a great degree. Industry experienced a higher rate of growth than the agriculture. In the attempt of satisfying the growing need for agricultural produce the growth has not been consistent and rapid.

There has been unequal development in the society. But the overall progress has been fairly impressive despite the future perils which have been engendered because of the unequal development. The origin of this development can be traced to the policy of state capitalism which was put into action in 1951

with the inception of state regulated (planned) economy and really gathered way after 1956 through the Industrial Policy Resolution. In accomplishing two tasks which are essential to a development policy in India, however, the state capitalism has not been succeeded. ²¹

There is a tendency of importing the financial resources from the socialist countries in the recent years. However, the amount of credit provided in the developing blocs including India is only a fraction of the sum lent by capitalist countries. Two important reasons can be cited as the cause for the inflow of increased aid from the socialist blocs.

Firstly, the aid from the socialist world aimed at the improvement of the industrial infrastructure of the country and thereby helped her self equipment capacities. A major weakness of the economy of India is its insufficient equipment capacities. Secondly, the capitalist countries started increasing their aids in the name of the financial assistance in India as the socialist countries expressed their interests in the development of India.

To avoid a serious crisis in the past foreign assistance from the capitalist countries had been larger than the socialist countries and thus helped. The aid helped a lot in lessening the danger from the insufficient agricultural output. But it did not help much in solving the problem of the country permanently. Major handicaps for India becoming more economically independent were the slow progress in agriculture and disproportions in industry. There has been a steady rise in her foreign debt. India had to allow foreign private capital to strengthen its hold on the economy as the loans accorded by the United States and by the World Bank have forced her. The greatest danger to the future of the economy of India and to her independence could be traced to the financial measures which had enabled foreign capital to do so.

However, it seemed improbable that the rate of growth between 1951 and 1966 could be maintained in the next few years despite the growth of productive

forces during the first three plans, the structural changes which have been made and the volume of foreign financial assistance. ²²

In the light of past experience, however, the target of the fourth plan seemed extremely unrealistic since there had been no fundamental changes in social, political and economic affairs. Serious inconsistency of the high rate of expected growth between 1966 and 1971 was a matter of great concern. For the attainment of the high rate of the expected (targeted) growth (10%), there must have been the increase of agricultural productivity by 5% a year. It was very difficult to see how it could be done in the prevailed circumstances.

The estimates for the increase in unemployment and the statement made by the end of the Fourth Plan India would have made considerable progress towards self-sustained economic growth were unrealistic equally in nature. Both for the productive structure that would be attained and for the balance between internal and external investment financing, this appeared to be unrealistic too. To attain this goal the country in fact, would have to call upon for high financial aid to an unprecedented extent. Therefore, it seemed unlikely that there would be any further increase in the rate of the growth of the country. ²³

India would soon find herself burdened with debts she could not possibly repay if the costs increased at the present speed and at the speed which was expected in the future, and if the country could not provide much more from the internal resources. It was observed by the scholars in the country that the principal creditors of the country were beginning to be able to impose the economic policies they had thought suitable. The economic growth of the country would in fact be reduced unless the social and economic structures underwent important and necessary changes as the results of these last few years had shown. It was deserved that during the recent years these sorts of results had been obtained in good condition of internal political stability, internal collaboration and few purely technical weakness. These results brought serious threat to the development of the Nation in many ways.

The fault of this dismal record lay in the social and economic structure of the country. Other reasons were the maintenance of semi feudal relations over large parts of the countryside, the power of commercial and money lending capital in vast sectors, the strength of the monopoly and foreign capital of India in Industry and in Banking etc. As the results of these facts, the resources of the country were not used to the full strength, investments were badly distributed, the majority of the completely or partially landless peasants were underpaid and most of the poor peasants with small pieces of land could not find employment with all the year round. Production was reduced to a great extent because of the existence of the present structures in the society. The same structures were also responsible for the prevention of the expansion of the domestic market rapidly and healthily. Behind the weakness and insufficiencies of recent industrial development the prevailing structures were to be blamed squarely. ²⁴

3.3.3. DEVELOPMENT EXPERIENCE IN INDIA FROM THE FIFTH PLAN ONWARDS:

Two important elements were taken up into consideration upon which the planning model of the Fifth Plan (1974-79) was based on. These were a Harod Domar type construction showing the relationship between investment and its resultant outputs along with a Lontief type intersectoral transactional model. It is to be mentioned in this context that the problem of poverty eradication was catapulted into the forefront of political discussion for the first time in the planning history of India. Growth with redistribution was the strategy and the slogan of the planning commencing from 1974. Not only for India but also for the world the period of the 1970's caused a lot of inconveniences. During this period the major events included the prolonged agricultural failure of 1970, the Bangladesh War of 1971, the first oil-price shock of 1973-74, the emergency of 1975-77, the first Janata Government of 1977-79, return of the Congress (I) Government in 1979-80, and the start of the second oil-price shock in 1979.

Approach to the Fifth Plan had to be redrafted because of the above mentioned developments and as a result of these incidents the strategies to achieve its ambitions 'redistribution objectives' had to be diluted considerably. Under this critical juncture there was an introduction of a decentralized planning technique with rural orientation by the Janata Government. A new system of rolling plan became operational effective during 1978-80 after the Janata Government had scrapped the Fifth Plan. But there was not any mentionable progress to be registered during the tenure of the Janata Government. This new phase in the planning process of the country merely got short circuited at the fall of the Janata Government. The Sixth Plan's earliest version drawn up for 1978-83 was recast in the light of the policies and programmes of the new government headed by Smt. Indira Gandhi. To confirm that the period of the Sixth Plan would be up to 1985-86 a decision was taken up at the central level. Two prolonged strategy was out lined by the new plan. These were:

- a) Creation of the conditions for an accelerated investment growth output and input through the simultaneous strengthening infrastructure for agriculture and industries; and
- b) Generation of the increased opportunities for employment, especially in the rural areas and the unorganized sectors and to meet the minimum basic needs of the common people in the society through the launching of special programmes. It followed the introduction of a number of poverty eradication programmes. Emphasis had to be shifted to improvement of the productivity of the lands available in the country through the greater diffusion of technological improvements as it was quite clear before the policy makers of the state that with a growing population and limited natural resources, the state did not have and still does not have too many options to be opted for. ²⁵

The formulation of the Seventh Plan (1985-90) was made under the dispensation of the Prime Minister Rajiv Gandhi on the important following bases. These were to be counted as under:

- a) strategies for poverty alleviation;
- b) strategies for employment generation;
- c) strategies for agricultural development; and finally
- d) Strategies for industrial growth.

But the desired result generated out of this plan did not tilt in favour of the masses in the society. Rather in actual practice a very decisive turn was given by this plan in favour of the rich and sought to promote culture, borrowed from the west, American management practice, consumerism and elitism. The plan did not tackle effectively the nagging poverty and unemployment, the policy of liberalization, especially the policy of import liberalization that took place since 1979 and more particularly after 1984, immensely benefited the gainers from the 1970's redistribution, the urban capitalists, bourgeoisie and the emergent industrial and urban middle classes and demanded a consumption pattern which could not be met without the inflow of imported capital and intermediate goods, which had been restricted earlier. A minute analysis would reveal the fact that this policy of liberalization had been an outcome of pressures exerted by these groups and partly of the pressures of the multilateral aid agencies, although the ostensible argument was in terms of increasing the competitiveness of the economy of India. The only obsession of the planning commission seemed to be with technical growth models and growth rate. Whatever growth took place as the fruits of the planned economy did not trickle down to the poor as it was expected for. Only the top ten percent of the total population could be benefited from the out comes of planning made so far. This development planning process has been labeled as 'top ten percent philosophy' by the veteran journalist Nikhil Chakraborty.²⁶

The earlier approach paper to the Eighth Plan (1990-95) was scrapped by the newly Constituted Planning Commission under the newly elected National Front Government in December, 1989. Under the headings of 'Towards Social Transformation' the new approach paper indicated significant departures from the objectives, properties and planning methods adopted hitherto. The area of emphasis was retargeted. It aimed at putting emphasis on the content of development rather than the growth rate at present. The specific attention was also put on the aversion of irreversible damage to the environment and especially to the resource base of the poor. Objectives of the planning were sought to be achieved through the participation of the common people in the society in farming and implementing development programmes through a system of open and democratic decision making starting from the grass-root levels. On the areas like employment and poverty alleviation there was big thrust with the expectation that it would generate additional demand for mass consumption of goods, the supply of which must expand. In the following manner some of the major implications of the planning might be counted for :

- i) completion of democratic decentralization within the first year of plan;
- ii) acceptance of integrated local areas planning approach to rural development for which fifty percent of the resources would be earmarked;
- iii) emphasis on agriculture as a more stable and productive occupation through various measures;
- iv) remunerative prices to farmers in general and diversification of agriculture into more remunerative enterprises;
- v) promotion of adequate production of mass consumer goods, particularly through labour intensive manufacture;
- vi) thrust on exports in order to reduce dependence on external savings and forcing exchange earnings; and

- vii) enforcement of the strictest possible economy both in government expenditures and in import so that additional internal and external borrowings are reduced significantly.²⁷

However, the development activities of India in the planning process starting from 1951 to 1989 can best be presented with the help of some statistical figures. These are as follows:

Table: 3.1

Estimates of the Marginal Rate of saving in the Indian Economy: 1950-1985

SL. No.	Period	Marginal Rate of Gross Saving
01.	1950/51 - 1960/61	20.0
02.	1961/62 - 1969/70	18.2
03.	1970/71 - 1979/80	26.3
04.	1980/81 - 1984/85	21.4

Source: Estimates are based on data available in the various issues of National Accounts Statistics, Central Statistical Organization, Department of Statistics, Ministry of Planning, New Delhi.

Table: 3.2

Rate of Gross Saving in the Indian Economy, 1951 - 1984.

Sl. No.	Year	Marginal Rate of Gross Domestic Saving
01.	1951/52	9.5
02.	1952/53	9.0
03.	1953/54	9.3
04.	1954/55	11.2
05.	1955/56	12.8
06.	1956/57	12.9
07.	1957/58	11.8
08.	1958/59	11.5
09.	1959/60	12.3
10.	1960/61	13.1
11.	1961/62	13.8
12.	1962/63	14.0
13.	1963/64	14.2
14.	1964/65	14.6

Sl. No.	Year	Marginal Rate of Gross Domestic Saving
15.	1965/66	15.2
16.	1966/67	15.3
17.	1967/68	14.8
18.	1968/69	14.8
19.	1969/70	15.8
20.	1970/71	16.8
21.	1971/72	16.8
22.	1972/73	17.7
23.	1973/74	18.0
24.	1974/75	19.3
25.	1975/76	20.3
26.	1976/77	21.6
27.	1977/78	23.1
28.	1978/79	23.2
29.	1979/80	23.4
30.	1980/81	22.6
31.	1981/82	22.5
32.	1982/83	22.3
33.	1983/84	22.3

Source: Estimates are based on the data available in National Accounts Statistics, (Jan, 1985), CSO, New Delhi; and Quick Estimates of National Income, Consumption Expenditure, Saving and Capital Formation, 1984/85 (Jan, 1986), CSO, New Delhi.

Note: The rate of saving is calculated as percentage of gross domestic product at market prices and has been calculated on a three-year moving average basis.

Table: 3.3

Trend in Growth Rates of Investment in the Indian Economy
1950/51 to 1983/84 (Per cent Per annum)

Sl. No.	Sector	1950/51 to 1959/60	1960/61 to 1969/70	1970/71 to 1982/83
1.	Total Investment	7.42	4.94	4.94 ^a
2.	Public Sector Investment	14.20	3.42	6.87 ^a
3.	Private Sector Investment	-	5.99	3.39 ^a
4.	Sectoral Investment	-	-	-
5.	Agriculture Total	- 2.89	- 5.81	- 4.68

Sl. No.	Sector	1950/51 to 1959/60	1960/61 to 1969/70	1970/71 to 1982/83
6.	Public Sector	-	4044	6.48
7.	Private Sector	-	6.38	3.95
8.	Mining	-1.09	4.56	17.20
9.	Manufacturing Total	- 11.41	- 5.14	- 4.83
10.	Public Sector	-	5.33	9.22
11.	Private Sector	-	4.93	2.70
12.	Electricity	16.96	7.71	8.65
13.	Railways	15.93	-5.06	3.88
14.	Communications	3.18	9.57	8.55
15.	Other Transport Total	- 10.10	- 3.76	- 3.01
16.	Public Sector	-	8.64	1.24
17.	Private Sector	-	1.31	4.12

Note: Computations are based on the data on gross domestic capital formation at 1970/71 prices available in National Account Statistics, CSO, New Delhi.

^a 1970/71 to 1983/84

Table: 3.4

**Rates of Growth of Price Deflators in the Indian Economy,
1951 to 84 (Per cent Per annum)**

Period	Wholesale price index	GDP deflator		Investment deflator
		Market prices	Factor cost	
1950/51 - 1959/60	0.64	0.43	0.37	2.86
1960/61-1969/70	7.41	7.54	7.47	6.30
1970/71-1979/80	8.85	7.78	8.12	9.69
1970/71-1983/84	9.10	8.21	8.46	10.36

Source: Based on the data available in various issues of National Accounts Statistics, CSO, New Delhi, and revised index Numbers of wholesale Prices in India, Monthly Bulletin for March 1985, office of the economic adviser, Ministry of Industry and Company Affairs, New Delhi.

Note: Estimates are trend growth rates based on semi-long functions.

Table: 3.5
Trends in Indian Exports, 1970-85

Sl. No.	Year	Value of Exports Rs. Crores at Current price	Quantum index of exports ^a	Net terms of trade ^a
1.	1970/71	1,535.16	106	106
2.	1971/72	1,608.20	107	116
3.	1972/73	1,970.80	120	124
4.	1973/74	2,523.40	125	106
5.	1974/75	3,328.80	133	77
6.	1975/76	4,036.26	147	70
7.	1976/77	5,142.30	174	77
8.	1977/78	5,404.26	168	95
9.	1978/79	5,726.07	180	90
10.	1979/80	6,418.43	199	66
11.	1980/81	6,710.70	238	58
12.	1981/82	7,805.90	198	76
13.	1982/83	8,803.31	210	79
14.	1983/84	9,872.10	n.a	n.a
15.	1984/85	11,554.78	n.a	n.a

Source: Economic Survey (various issues), Ministry of Finance, New Delhi.

Note: One crore equal ten millions.

^a Base 1968/69=100

n.a. = Not available

3.4. SECTION C: THE THIRD PHASE (1991 TO PRESENT DAY):

3.4.1. DEVELOPMENT EXPERIENCE IN INDIA IN THE POST-1991 ECONOMIC REFORMS ERA:

Post independence period of India was one on the classic cases of dirigiste economic development. Not only was the state highly interventionist, but the economy acquired sizeable public sector, especially in areas of infrastructure and basic industries. The mixed economy which came into being, together with the fact that the polity was characterized by multiparty parliamentary democracy with a largely free press and significant freedom of expression invented the

Indian experiment with a novelty and uniqueness which attracted worldwide attention and gave rise to a vast theoretical literature. Not only did a rich literature on development planning take shape within India, starting with the celebrated plan models of P.C Mohalanobis who was a pioneer theoretician of Indian Planning but the class-nature of the Indian state, the class character of Indian planning etc. became a matter of intense debate, especially in Marxist and radical circles both within the country as internationally.²⁸

During the early 1980's and the early 1990's in nearly every developing country of the world, short-term stabilization measures, liberalization efforts and economic reforms have been considered, attempted or adopted. Despite its different variations in the details of the programme being sponsored, all the programs virtually aimed at a reduced role of the state in the economy, particularly in the area of expenditures and ownership of productive enterprises. They have focused their attention on market mechanism, especially in the areas of exchange rate adjustment, trade, liberalization and the use of subsidies. Such a strategy under the rubric of Structured Adjustment Programme (SAP) has made use of trade, fiscal and monetary policies to restore balance of payments, equilibrium and stimulate growth in developing societies.

Structural adjustment was thus conceived in terms of reducing a country's balance of payments deficits, by curbing domestic demand and stimulating exports. The aim was to curtail domestic output to reduce demand for imported raw materials and investment goods. While the emergence of the acute economic crisis in the late 1970's and the early 1980's in most developing countries provided the immediate justification for the adoption of the new adjustment policies, some other major weakness in their development policies which constituted structural barriers to efficiency and sustained rapid growth were also responsible for this trend. These included excessive taxation of agriculture, indiscriminate protection of industry. Over-valued exchange rates, extensive state intervention in resource allocation by administrative means, inefficiencies

in state enterprises and widespread corruption and management. The adjustment has far reaching ideological implications in moulding development policies.

Different countries in the various regions of the world responded to these policies in different and even contrasting ways and for diverse reasons .Policy changes in most Asian and African countries occurred due to the continued economic crisis because of the weakness in their former policies of economic management and the pressures exerted by creditor countries, commercial banks, international financial agencies, and transnational corporations. India responded to the structural adjustment programme only in 1990's.

The new strategy for development for India was found in the New Economic Policy (NEP) adopted in the month of July 1991.The policy marked a radical departure so far as the question of state's intervention in the nation building process of the country was concerned. India turned a new page in its administrative history with the adoption of New Economic Policy thereby committing herself to liberalizations, privatization and globalization, thus making a quantum jump from the hitherto dominant role of command economy. Therefore, India's transition in 1991 to a regime of Structural Adjustment was an event of great historical significance.

The basis of Indian New Economic Policy formulation was radically altered in July, 1991. Following this a whole range of new policies govern the country's economic life .The rapidity and the sweep of the changes not only left the common men confused and bewildered and even most economists do not fully comprehend what is going on .It could have been different if a wide ranging debate had preceded the implementation of the new package of economic policies .²⁹

The very concept of new economic policy was characterized by three important dimensions. These were liberalization, privatization, and globalization. It opened up floodgates for the Multi National Corporations

(MNCs), Transnational Corporations (TNCs) and almost completely privatized the production and distribution system. It constituted a complete departure from the policy perspectives of the fifties. Foreign exchange crisis was described as the crux of the present grave economic crisis which led to the devaluation of the rupee, sending out gold and new look budget (1991-'94) was adopted to suit the philosophy of the International Monetary Fund from whom large chunk of fund was borrowed. Debate still persists today whether the foreign exchange crisis was really so crucial for the functioning of the Indian economy, and if with some corrective measures, and without undertaking such a somersault an economic policies as was done, the situation could have been retrieved, while the problem of poverty and unemployment deteriorated during the eighties and looked more serious, economic problems were mounting rapid and excessive privatization led to an accentuation of the unemployment problem in India despite the measures announced by the finance Minister, Dr. Manmohan Singh in his budgets.³⁰

The new economic policy of 1991 brought into being another silent revolution, a new freedom from the past, orthodox and strain-jacketed ideology and protective economic strategy. Liberalization broke the barrier; it opened up the economy, it exposed the world market, it unleashed competition, it made Indian economy one of the global players. The new policy has in one stroke, brought in an environment characterized by among others;

i) Decontrol and Delicensing ii) Debureaucratisation ; iii) Denationalization and Privatization; iv) Internationalization-fluidity in geo-economic reality; v) Globalization of competitions; vi) Financialisation; vii) Technology invasion; viii) Information explosion; ix) Communications revolution; x) Transnational organizations; xi) New skill generation and diversification; xii) Quality concerns; xiii) Time cost schedulisation; xiv) Organizational restructuring; xv) Human administration.

There may be indeed are many other impacting factors which must follow the trail of liberalization since 1991, there has been conscious effort made by the

Government of India to change the forces of macro-economic policies, so as to make them, consistent with the larger programme of economic reform.³¹

In the Indian economy, public control and planning always played a crucial role in defining the limits of market based activities. The current phase of economic reform sought to alter the Division of Labour, so to say between the market and the state. The compulsion to under take the changes was largely due to the pressure of the IMF and the World Bank. It was also, however, determined by the pressures from a growing and articulated middle class with growing internationalities.³²

Economic policy reforms consist of two distinctive standards, stabilization and structural adjustments, based on prescriptions from the IMF and the World Bank. India began both these programmes in 1991, stabilizations deals with demand management while structural adjustment deals with the sectoral policies designed to address problems of the supply side in the economy. Structural adjustment entailed major policy shifts to allow markets to determine prices and reflected scarcely values even when the prices were controlled. This means allowing markets the freedom to allocate resources and getting prices right. It also entailed a shift of resources from government control to private needs, in short, privatization. These changes in turn imply that the government must redefine its role in the development political and carry out institutional and factor market reforms consistent with its new role. Simultaneously, trade liberalization meant a systematic shift of resources from the non-traded to the traded goods sectors. These reforms were expected to take time, careful sequencing in terms of timing and magnitude of change, depending on the country's level of political tolerance for rapid change, and the perceived level of costs of rapid change, and the perceived level of costs of adjustment.³³

To facilitate such changes and build the desired and required climate of macro-economic stability, the programme of stabilization was carried out as a

precondition. Stabilization sought to use macro economic fiscal and monetary policies to deflate demand and short turn aggregate supply.³⁴

It is clear that the objective conditions of the economy of India are quite different today from what they were in the mid fifties and it is sheer mistake to expect that a strategy which was valid then would still continue to be valid now. What happened, however, is that only periodic marginal adjustment to certain policy parameters have been made from time to time for addressing short-run problems. It is obvious that such patchwork tinkering will not do any more. The Indian economy suffered from want of a viable development strategy that is suitable for the objective socio, economic condition of the country. Such a development strategy must address the minimum socially necessary objectives. Poverty and unemployment continue to be the most crucial persisting problems which are intimately interlinked. Poverty is a widespread phenomenon and the kulakisation of Indian agriculture poses grave implications for such poverty of disadvantaged groups.³⁵

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