IWIM - Institut für Weltwirtschaft und
Internationales Management

IWIM - Institute for World Economics
and International Management

A note on India´s post-independence economic development and some comments on the associated development discourse

Praveen Jha

Berichte aus dem Weltwirtschaftlichen Colloquium der Universität Bremen

Nr. 70

Hrsg. von
Andreas Knorr, Alfons Lemper, Axel Sell, Karl Wohlmuth

Universität Bremen

A note on India´s post-independence economic development and some comments on the associated development discourse

Praveen Jha

Andreas Knorr, Alfons Lemper, Axel Sell, Karl Wohlmuth (Hrsg.):

Berichte aus dem Weltwirtschaftlichen Colloquium
der Universität Bremen, Nr. 70, März 2001,
ISSN 0948-3829

Bezug: IWIM - Institut für Weltwirtschaft
und Internationales Management
Universität Bremen
Fachbereich Wirtschaftswissenschaft
Postfach 33 04 40
D- 28334 Bremen
Telefon: 04 21 / 2 18 - 34 29
Telefax: 04 21 / 2 18 - 45 50
E-mail: iwim@uni-bremen.de
Homepage: http://www.wiwi.uni-bremen.de/iwim

A note on India´s post-independence economic development and some comments on the associated development discourse

Praveen Jha
Centre for Economic Studies and Planning
Jawaharlal Nehru University
N. Delhi –110067
India

Let me begin by acknowledging the obvious point that any attempt to encapsulate very briefly half – a – century of any country´s economic experience is a difficult task; however, this is exceedingly so in the case of a huge country like India, that has witnessed substantial economic transformation in the last five decades, with significant differences in the processes at work at the regional and sub-regional levels. In too abstract an account like the one attempted here, there is a real danger of glossing over what others may consider crucial events, processes and the like, for any presentation on the subject to be ´credible´; the risk is unavoidable but also worth taking.

The focal concern of this write-up is to present to the reader a bird´s eye-view of the nature and direction of India´s economic development during the last five decades and the underlying policies accounting for it. While doing so, there is an attempt to recall, although tangentially, the major ideas influencing the shifts in development discourse, with reference to the Indian economy. Given the brevity of the exercise, any desegregation of the economy´s performance in sectoral or regional terms, as well as any synoptic view of the ´rise and fall´ of development economics, are ruled out and the endeavour is limited to providing what may be described as a perspective. Our brief account is concluded with a few words on the promises kept and missed with reference to the avowed agenda stated at the time of independence.

While addressing the task at hand, it may be useful to view the last half – a – century of Indian economic story as a chronological sequence of the following phases:

(i) the preparatory phase in planning for development (from independence to the mid – 1950s);

(ii) the phase of heavy industry-led industrialisation (from the mid 1950s to the mid 1960s);

(iii) the phase of pulling up agriculture (the late 1960s and 1970s);

(iv) the phase of pump-priming of aggregate demand (the decade of the 1980s); and

(v) the phase of economic liberalisation (from July 1991 to the present).

The logic of distinguishing between the above noted sequence of phases, as hopefully will become evident from the subsequent discussion, is based mainly on shifts in official perceptions regarding the overriding economic issues and problems the country was confronted with and the associated policy thrusts and changes. In what follows, we take a look at the salient features, in the sense stated earlier, of these phases. To facilitate a quantitative impression of the economy´s performance during the period under consideration here, Table 1 in the Annex provides information about a couple of key indicators.

The central concern of the *first* phase was to articulate and determine a broad framework for planned development, on behalf of the independent nation that had come into being on 15th August 1947, and to put into place the necessary institutions and structures consistent with such a broad framework. Sure enough, the quest for such a framework had begun much earlier and the formation of a National Planning Committee, consisting of fifteen eminent men drawn from different walks of life, with Jawaharlal Nehru as Chairman, which started its work in December 1938, was one of the early serious ventures in this regard; the work of this committee came to a standstill soon after the outbreak of World War II.

However, the birth of a new nation state gave an urgency and primacy to the task of articulating, with reasonable clarity, the broad framework of development, and the national leadership took up the challenge in all seriousness. Through the deliberations of the experts drawn from a broad spectrum of intelligentsia and other professions, such a framework was put in place, and the Planning Commission was set up in 1950 with Jawaharlal Nehru as its chairman. This Commission, which soon became a highly respected institution and a number of well-known economists of the day got associated with it directly or indirectly, was entrusted with the task of devising an appropriate development strategy through five-yearly plans.

It may be worth stressing here that around the time the country gained independence, planning *per se*, as distinct from specific frameworks and strategies, had already come to have wide acceptance as being absolutely necessary to break free from stagnation and backwardness; thus the debate at that time, was not about the need for planning but about what kind of planning, and the alternative suggestions offered – from Bombay Plan to People´s Plan to a Gandhian Plan – covered a huge ideological spectrum (for further details, see Patnaik in Byres (ed.), 1998). We may also note the well-known fact that around this time, a strong advocacy for planning, not only for India but in case of any post-colonial backward country, came from the emerging powerful sub-discipline of economics called development economics, and the perceived ´spectacular´ *economic* achievements of the then USSR only added to this advocacy.

It may be useful here to say a couple of words about the above-mentioned aspects. As regards the emergence and subsequent consolidation of Development Economics as a major field during the post World War II era, there were several contributory factors. Developments in economic theory during the 1920s and subsequent decades, around the idea of ´market failure´, which had several strands to it, was one of the key inputs in this process. In terms of microeconomic theory, to begin with, the phenomenon of market failure was rooted primarily in the presence of externalities and the consequent problems in achieving efficient allocation of resources, but subsequently several other reasons were cited to have causal association with this phenomenon, and the debate on the possibility of the efficient allocation of resources in a socialist economy made very significant analytical contributions to this literature. Alongside these developments in microeconomic theory, it was the Keynesian Revolution in the 1930s – which sought to explain the market failure at the macroeconomic level, in terms of an economy being trapped in under-employment equilibrium – that shaped the future course of Development Economics in most significant ways.

While Keynes´s analysis had focussed primarily on the context of the Great Depression in developed countries, several economists influenced by him extended his ideas, along with charting out new analytical territories, to comprehend the problem of underdevelopment in large parts of the world. This led to a sharper focus on the issues of resource creation and mobilisation (as distinct from efficient allocation in a static sense), the emphasis on industrialisation as being the sine qua non for rapid economic development, the economic importance of the nation state as the crucial agency in shaping and guiding policies, and a host of other relevant but hitherto neglected concerns in mainstream economics. While many of these analytical developments took place under the shadow of Keynesianism, there was a lot of creative fusion of such developments with the ideas in classical and Marxian political economy, to derive policy conclusions. Of course, this is a long and complex story which we cannot pursue any further in this essay, and those interested in it may look at several recent publications on the evolution and current appraisal of development economics (e.g. contributions in Ranis and Schultz (eds.), 1988; Chakravarty, 1987; Toye, 1993; among others); suffice it to note here that by 1950s, there was near consensus in the field of Development Economics that to achieve a host of objectives, including rapid and sustainable growth, required carefully designed government intervention in several key areas. Thus, in other words, the argument came to rule the roost that planning, in a broad sense, is necessary to achieve certain desirable outcomes instead of relying purely on freely working markets.

The other aspect that influenced the course of economic analysis (about growth and other related matters) at this stage was the rapid economic development of the erstwhile USSR in a short space of about three decades after the so-called Bolshevik Revolution in 1917. Here was a case of rapid transformation of an economy from being backward and primarily agrarian to an industrial giant, and a military superpower that influenced the course of the second World War in a decisive manner. Moreover, apart from rapid growth and structural transformation achieved in a historically unprecedented short time, the USSR also managed to achieve rapid improvements in various indicators of the economic well being of its population by and large during the short period of about three decades, which again had no historical precedence. Thus the overall development strategy of USSR to attain what appeared to be spectacular economic achievements (what ever be the cost on the political side), inspired respect and interest world-wide, in particular among the newly independent countries, and the idea of economic planning became almost a ruling deity in shaping their future course of action during the two-to-three decades after the World War II.

As is well-known, many of the ideas in the economics of development, which seemed unassailable in the heydays of Development Economics during the 1950s and 1960s, have come under much fire during recent years, in particular in the last couple of the decades and a sort of neo-liberal ´counter-revolution´ - which insists that the ´market knows and does the best´ - has been ascendant. We cannot go into the genesis and current ascendancy of the neo-liberal agenda in this short essay here, but it may be stressed right away that a great deal of the counter-revolution is based on shaky theoretical foundations (for further elaboration of this, see Sen, 1983; Toye, 1993, among others), and family empirical associations, for instance the treatment of the so-called ´East Asian Miracle´ as a case of free-market success story, a view that has little credibility (for details on this, see World Bank, 1993, among others) With these very brief remarks relating to the fortune of the direction of Development Economics, let us retrace our steps and get back to the Indian case again.

The broad framework of planned development that got the official nod hinged on the central importance of rapid industrialisation for ushering in the era of prosperity and modernisation. One of Nehru´s statements brings out this centrality quite categorically: ´We are trying to catch up, as far as we can, with the Industrial Revolution that occurred long ago in western countries´ (quoted by Chatterjee in Byres (ed.), 1998). Such an emphasis was again very much in line with the dominant view in development economics, as well as related disciplines, and had support from the overwhelming majority of the professional intelligentsia in the country; it was also very much in line with the presumed explanation for the supposedly impressive success of the erstwhile USSR. Moreover, and again consistent with the dominant voices and perceptions in the intellectual climate of the time, the role of the state in promoting economic development was considered absolutely central. The public sector was accorded the pride of place in carrying forward the onward march of rapid industrialisation in an overall mixed-economy framework. Finally, there was a clear recognition that this task could be achieved not by integrating with world capitalism but by maintaining a degree of relative autonomy. In other words, self-reliance was not an end in itself, as has often been interpreted by several commentators, but was viewed as a strategic necessity (for detailed discussions on these issues see Chakravarty, 1987; contributions in Byres (ed.), 1998; Toye, 1993, among others).

There are several other economic concerns that were enunciated explicitly as part of this framework. These included the objectives of bringing about regional dispersal of growth, checking the concentration of economic power, reduction of economic inequalities, promotion of small and cottage industries, rapid growth of employment opportunities and, most important of all, a sharp reduction, if not elimination of poverty within a definite foreseeable future (30 years as per the first five-year plan launched in 1951). Clearly, such objectives are not mutually exclusive; rather, many are interrelated. However, it is not clear whether the policy-makers of the day had strung together these objectives in an ad hoc manner, as they sounded nice and fitted into the presumed grand and ultimate aim of achieving a ´socialistic pattern of society´, or whether these were indeed viewed as serious objectives backed by adequate thinking and analysis as regards policies, processes etc., if they had to have a real chance; a generous interpretation would suggest that the reality was somewhere in between but, as I see it, we are in a grey area as regards answers to these questions.

Three other points need to be made here. First, although the contours of what I have designated as the broad development framework were already quite clear by early 1950s, these were articulated with much greater vigour during the second half of the ´50s, especially through Industrial Policy Resolution of 1956 and the second five-year plan. Second, as mentioned earlier, the main thrusts of this framework (to repeat, autonomous development, the leading role of the public sector, and rapid industrialisation) found wide support from the intelligentsia (and others); however, the leftist perspective was quite emphatic on the need for thorough-going land reforms, both to facilitate better realisation of the above thrusts and for other reasons such as removal of poverty etc. In contrast to the leftist view, the official framework, while paying lip-service to the need for land reforms, was quite ambivalent on this critical issue.

Third, the official framework represented a most decisive rejection of the economic ideas of Mohandas Karamchand Gandhi, the so-called father of the nation (for an elaboration of this argument, see Chatterjee in Byres (ed.), 1997; for a careful account of Gandhi´s economic ideas, see, Dasgupta, 1996). It is one of those quirks of history by which the economic ideas espoused by Gandhi, that were central to the political strategy of building up the mass movement against the British colonial rule, a movement that was extremely impressive by any reckoning, were rendered irrelevant by the disciples of the great man as soon as independence was achieved! Moreover, it is a question requiring serious examination whether some of Gandhi´s ideas could have found a place in the post-independence development paradigm, and whether their application would have led to better outcomes (than were actually achieved), not only in terms of ecological indicators but also from the point of view of decent livelihood options for substantial sections of the Indian population.

Having outlined the broad paradigm that got adopted, let us come to the salient features of the first plan (1951-56). This plan, in terms of a simple model, emphasised the importance of raising the level of savings in the economy to accelerate the rate of growth; however, as has been noted often enough, beyond this simple model, it was a sort of a loose affair to put together a set of important projects, and not an analytically rigorous formulation in terms of co-ordinating investment decisions in different sectors. It was projects in infrastructure and in agriculture, in particular public irrigation, which received the emphasis. The fact that the increase in national income during this plan actually surpassed the modest target that the planners had set must have been a most pleasing and encouraging experience for them, particularly in the light of the pre-independence long term record of near stagnation (for aggregate as well as sectoral pre- and post-independence growth rates, see Chakravarty, 1987, and contributions in Byres (ed.), 1997).

According to most commentators, intellectually the most exciting moment in India´s planning strategy comes with the second five-year plan (i.e. at the beginning of the *second* phase in terms of the classification suggested at the outset). This plan has also been called the Nehru-Mahalanobis strategy of development, as it articulated Nehru´s vision, and P.C. Mahalanobis happened to be its chief architect. The central idea underlying this strategy is well conveyed by recalling the following statement from the relevant plan document: ′If industrialisation is to be rapid enough, the country must aim at developing basic industries and industries which make machines to make the machines needed for further development′. The Mahalanobis model showed that, given certain assumptions, the higher the allocation of investment into the investment goods sector, the higher would be the investment rate at the margin which would lead to a higher rate of growth of output. In other words, the emphasis was on expanding the productive ability or power of the system, through forging strong industrial linkages, as rapidly as possible. It is worth repeating again that such an emphasis enjoyed tremendous theoretical/intellectual legitimacy at this time although there were a few dissenting voices (for details on this point, see Chakravarty, 1987; Ghosh, 1996; contributions in Byres (ed.), 1998, among others). The third five-year plan was essentially a continuation of the second plan, in terms of the broad thrust and emphasis on industries such as machinery and steel. In terms of the core objective of stepping up the rate of growth of industrial production the strategy started showing quick and impressive results. For instance, the machinery index increased from 192 in 1955-56 to 503 in 1960-61 (Chakravarty, 1987, p. 20), and the rate of growth of overall industrial production during this period was also very impressive. To put it simply, *the strategy during these two plans laid the foundation for a well-diversified industrial structure within a reasonably short period and this was a major achievement.*

However, as the strategy was unfolding, some of its key shortcomings were also becoming evident. The disproportion between the growth of the heavy industry sector and other industries, and the shortfalls in achievements compared to the target growth rates for industrial output, both during the second and the third plan, were among the most obvious indicators of the problems underlying the strategy in operation. Consequently, as could be expected, the Nehru-Mahalanobis strategy was subjected to increasing criticism around this time (and of course thereafter). A variety of diagnoses relating to what were the factors ailing the Indian economy, and consequently a plethora of prescriptions were offered (for details, see contributions in Byres (ed.), 1998). However, one needs to stress the point here that the performance prospects of the development strategy in operation had suffered during 1960s not only because of its internal weaknesses but also because of the major exogenous shocks that the economy was subjected to. The two military engagements in quick succession (in 1962 and 1965) had led to severe cut backs in public investment, contributing to the emergence of significant excess capacities in the heavy industry sector.

The other major exogenous shock came in the form of two successive monsoon failures in 1965 and 1966, leading to drastic reductions in food production and availability, which also had obvious negative consequences for the overall growth prospects. The widespread distress due to decline in food availability led to a few starvation deaths and food-riots in some states, and were thus rude reminders of India´s vulnerability in the area of most basic need. In fact, even before these droughts, India had already come to depend partly on ship-to-mouth policy, mainly in the form of wheat imports from the USA under PL-480, and the droughts were catastrophic jolts that highlighted the failure in this critical area.

The immediate impact of these exogenous shocks was so powerful that the government temporarily abandoned five-year planning in favour of annual plans, for the next three years. These annual plans were so limited in their scope, essentially being budgetary exercises, that this period (from 1966-1969) is also known as that of a "plan holiday". However, one must note that this period continued to witness sharp cut backs in public investment with obvious adverse consequences for industrial and overall growth prospects.

It was mentioned earlier that the Nehru-Mahalanobis strategy came under increasing criticism during 1960s and the early 1970s from several quarters. These ranged from a rejection of the planning process itself to pointing out specific shortcomings, such as underestimation of the import-intensity of the indigenous industrialisation drive, unnecessary export-pessimism, over-extended regulatory structures, over-optimism as regards the potential performance of the agricultural sector, if not its neglect, etc. (for details, se contributions in Byres (ed.), 1998 and Chakravarty, 1987).

Without going into the merits of the various criticisms here, we may note that the inadequacy on the agricultural front came to be viewed as one of the most significant gaps in the past effort. Consequently, formulation of a new strategy of agricultural development became the overriding objective. The fourth five-year plan, launched in 1969, adopted such a strategy, which in the popular parlance is known as the launching of the ´Green Revolution´. Thus, with the fourth plan, there is a marked shift in development strategy from an emphasis on heavy industry to pulling up agriculture.

This, as per the chronological classification suggested at the outset, is the beginning of the *third* phase. It may be recalled that the leftist opinion in India had been quite critical of the earlier strategy for not taking up thorough going land reforms. As it happens, the ´agriculture-first´ strategy that came into being with the fourth plan, and also happened to be the hall-mark of the fifth plan, continued to neglect the issue of land reforms, and focussed on technological modernisation and ´betting on the strong´. A variety of support-mechanisms, including credit and price support, were devised to this effect. Sure enough, in terms of propping up the agricultural growth rate, the new strategy, in spite of its distributional limitations, delivered good results; so much so that the dependence on frequent imports of food became a thing of the past after the mid-1970s, and the government could claim that finally India had become ´self-sufficient´ in this regard.

There are a couple of other important features of our *third* phase that need to be taken note of. First, while a degree of export pessimism may have been a feature of early post-independence thinking, things surely started changing during the 1960s itself as a number of export subsidies came into being, and this process continued in our *third* phase as well. Second, at the beginning of this phase itself, the dismal failure of the earlier development strategy on the unemployment and poverty fronts had started dawning on the planners and policy-makers. Such a recognition had certainly been sharpened by the growing restiveness among the masses expressing itself in radical movements of different kinds in parts of the country and threatening to go out of control.

Consequently, an important response from the policy-makers was to start thinking about the strategies of so called direct attack on poverty and unemployment, in particular from the fifth plan (1974-79) onwards, and gradually a variety of programmes got devised and put in place to this end. Such programmes gained substantial significance during the sixth (1980-85) and seventh (1985-90) five year plans and have continued to remain an important feature subsequently as well.

Going back to the growth process itself, we have already noted that the strategy of ′pulling up′ agriculture resulted in an improved performance of this sector. This also had a positive effect on the industrial and overall growth rates, as these picked up during the second half of the 1970s (1979-1980 being an exception as it was a drought year) and the early 1980s. However, the turnaround in the industrial and overall economic performance was certainly not spectacular. There was a widespread feeling that in terms of the long-run rate of growth, which stood at around 3.5 per cent per annum between 1951 to 1983, the performance of the economy was far from impressive.

There are a number of explanations for why the economy was unable to move on to much higher growth levels than it actually achieved. Let me only note that there are at least two basic causes that must be acknowledged in this story. We have already referred to one of these earlier, namely a limited resolution of the agrarian transition. Second, economic growth in the post-independence Indian economy has depended to a large extent on public investment, and thus the state′s ability to maintain growing productive expenditures becomes crucial in this regard. As has been pointed out by some analysts, it is precisely this ability that was getting constrained over time. The attempt to push up the growth rate in the 1980s, in particular in the second half of the decade, was based on seeking a way of coming around this problem; in terms of the classification suggested at the outset, this constitutes the *fourth* phase.

Essentially the major change in economic policy at this point in time hinged on substantial increases in government expenditure, in particular revenue expenditure, to increase the overall level of demand or what is also known as pump-priming the aggregate demand in the economy. This was done through a most irresponsible borrowing spree by the government, both internally and externally, and much of the external borrowing was from commercial sources.

Thus the gross fiscal deficit of the government increased dramatically during this period, as did the external debt and debt-service payments. The increases in government spending obviously increased the industrial and overall growth rates, and the latter at well over five per cent per annum for the decade of the 1980s was a distinct improvement over the long-run trend growth rate for the preceding three decades.

However, the solution was worse than the problem, as the enormous increase in external debt, a growing portion of it consisting of short-term borrowings, exposed the economy to the caprices of international lenders and investors, and in particular to the danger of sudden capital flight due to ´confidence crisis´. This is precisely what hit the Indian economy in 1991 when its foreign reserves were depleted to abysmally low levels and the economic managers of the country turned to the Bretton Woods Institutions, i.e. the IMF and the World Bank, for help. These institutions were too happy to bail out the country from the crisis but on the terms that it accepts their conditionalities, which is what the package of liberalisation or reforms is all about. As is well known, India accepted the conditionalities and thus, compared to the preceding four decades, embarked on quite a different policy route in its economic journey since July 1991. The period since then, that of so-called economic reforms/liberalisation, has been designated as the *fifth* phase in this note.

The key phrases in the package of reforms disseminated by the Bretton Woods institutions happen to be ´stabilisation´ and ´structural adjustment programme´(SAP). To put it simply, the first says that the budget deficits are bad and a government should minimise it, whereas the second aims at changing the structure of the economy through major changes in the functioning of different markets as well as through a drastic overhauling of the role of the state. Essentially, the SAP advocates the case for a free play of market forces in the different product and factor markets, including the financial markets, and a reduced role of the state, particularly as producer and promoter but also as regulator, in the economy. Without going into the details here, we may note that in case of the Indian economy, the policy changes since July 1991 are enough to view it as a case of transition from the state-led or dirigiste development paradigm, that characterised the earlier four decades, to a liberalisation paradigm.

Let me hasten to add here that the balance of payments crisis of 1991 was an important input, but certainly by no means the only one, in effecting a sharp break with the earlier policy regime. We noted earlier that some of the critics of the Nehru-Mahalanobis strategy, around late 1960s and early 1970s, had started questioning the wisdom of a state-led development paradigm itself. Over time such voices only grew louder and each one of the basic premises of the said paradigm came under attack, in particular from the so-called neo-liberal economists.

For instance, it was argued that the idea of autonomous development is a recipe for backwardness; the public sector, instead of being the flagship of rapid growth, is a drag on society´s resources, and so on. Such criticisms started to find sympathetic hearing among India´s policy-makers during the 1980s itself, and also elicited some responses from them (for detailed discussions on the range of criticisms and policy responses, see Toye, 1993 and contributions in Byres (ed.), 1998).

Leaving aside the specific points of criticisms, whether from the Neo-liberal, Liberal or Left perspectives, which constitute subjects of intense debate among economists working on India, there is little doubt that the neo-liberal wholesale condemnation of the earlier strategy has little merit. The achievements of the earlier strategy, with respect to any appropriate benchmark, cannot be dismissed lightly, although they certainly fell short of expectations. Growth rates of major sectors, and that of the economy as a whole, achieved during 1950-90 may not have been impressive but certainly respectable; moreover, if one takes into account the size of the unaccounted economy (the so-called black economy), which according to available estimates, grew from negligible proportion of national income in early 1950s to almost half of it by late 1980s, then we have a growth rate that is almost impressive! There are other notable achievements, such as great deal of diversification of the economy, in particular within the industrial structure in a reasonably short period, among others. <u>One of the fundamental problems with the neo-liberal account is its ahistoricity, as it almost completely ignores the issue of linkage between the stage of development that an economy is at and the realistic choices and constraints it faces</u>.

This is of course not to endorse uncritically the dirigiste development paradigm of the first four decades, as it was flawed in important ways and missed on several promises, in particular to the large section of economically vulnerable segments of the population. The most glaring failure of India´s development strategy is with respect to poverty-alleviation; as per the standard estimates, the absolute number of poor people in the country towards the end of the 1980s was not very much behind the total size of the population in 1947!

Apart from the raw deal received by the disadvantaged segments, several other problems of the dirigiste development paradigm, as it unfolded in India, have been catalogued and analysed by researchers in great detail. This has been followed by a range of suggestions for policy reforms, covering a wide spectrum of analytical and ideological persuasions. However, as already mentioned in the foregoing, policy prescriptions emanating largely from a neo-liberal perspective have been ascendant for almost a decade now. Without entering into a discussion of the alternative policy perspectives, all of which emphasise ´reforms´ of one kind or the other, we may note that the neo-liberal paradigm may be on a weak turf, in particular when it comes to the provision of adequate and sustainable livelihood options for large sections of the population. In other words, there is a real danger that those neglected by the dirigiste development regime may get further marginalised by the ascendant neo-liberal policy regime, and there is some evidence, as we show in the following, to substantiate such a view.

The performance of the Indian economy during the liberalisation era continues to be a subject of intense debate (for a recent assessment, see Chandrasekhar and Ghosh, 1999). As it happens, almost the decade-long period of economic reforms does not seem to be doing better, in terms of standard macroeconomic indicators, compared to the preceding quinquennium (see Table 2 in the Annex). Moreover, as stated earlier, in terms of prospects for the poor and other economically vulnerable groups, the liberalisation era seems to be doing much worse (Table 3).

Changes relating to several aspects of employment during this period show some disturbing trends. First of all, the rate of employment generation during the post-reform period has continued to lag considerably behind both the rate of growth of output and the increase in the labour force, and this is a continuation of the trend since the early 1970s. Moreover the change in the composition of employment is particularly disturbing; for instance, regular salaried employment has tended to take a nosedive as regular job opportunities in both the public and the private sector have been sharply cut down, and the casual contracts have registered a significant increase (see Table 4). As is well known, casualisation is typically associated with poorer working conditions, often including declines in wage rates. One may also note here that the liberalisation period has also witnessed a significant compression of the share of wages in national income (for further details on this, see Jha, 1999).

The other disturbing feature happens to be a decline in the share of non-agricultural employment in total rural employment since 1991 (Table 5). During the 1970s and 1980s, there had been a gradual increase in the share of non-agricultural employment in rural areas, and this was viewed by several analysts as one of the significant routes out of persistent poverty. During the 1990s, this trend has got reversed and there has been a substantial shift towards agriculture, particularly for women. Given that the rate of growth of agricultural output has fallen down during the reform period, and that there is no a priori reason to believe why employment elasticity of output should rise in this sector, such a shift is a sort of occupational retrogression and highlights the continued importance of agriculture as a "parking lot" for the distressed. This is further corroborated by the trends in agricultural wage rates; while during the 1980s real wage rates in agriculture were rising at the all-India level, and in almost every state of the country, such trends have suffered a set-back during the 1990s, and have even been got reversed in several of the populous states (such as Uttar Pradesh and Bihar), which house bulk of the poor.

In short, the employment generation capacity of the economy has been adversely affected, along with the quality of employment and returns to the labour power of the substantial section of the population. It would be reasonable to argue that such developments have a clear organic linkage with the changes in government´s economic policies since 1991, and we may quote Chandrasekhar and Ghosh here who provide a succinct summary of such policies: ´actual declines in government spending on rural development in the central budgets, as well as declines in the fertiliser subsidy; reduced central government transfers to state governments which have thereby been forced to cut back on their own spending; diminished real expenditure on rural employment and anti-poverty schemes; declines in public infrastructural and energy investments which affect the rural areas; reduced spread and rise in prices of the public distribution system for food; cuts in social expenditure such as on education, health and sanitation; financial liberalisation measures which have effectively reduced the availability of rural credit`(Chandrasekhar and Ghosh, 1999, p. 18).

It may be stressed here that, given the continuing significance of agriculture as a major source of livelihood for the bulk of the work force and around three-fourths of the poor being situated in rural areas, policy-induced recent adverse impacts on the rural sector have far-reaching consequences for the well-being of a large section of the Indian population. We have already noted the deceleration of the growth rate in the agricultural sector during the 1990s; however, it is the particularly sharp decline in the growth rate in the output of food grains that constitutes a major source of concern. Through much of the pre-reform period, the Indian economy since independence had experienced a growth rate of food grain production that was a little higher than the population growth rate, whereas during the 1990s it has tended to lag behind the latter. Such a development, along with the increased volumes of the food grain exports during this period, has meant rapidly rising prices of food in the domestic market, with obvious adverse consequences for the working classes in general as it has depressed their levels of living. Sure enough, all the blame for the recent worrisome trends in agriculture can not be put in the doorstep of economic liberalisation during 1990s, as public policy during the pre-liberalisation era had began faltering in key areas (such as real public investment in this sector) along with the continuation of the longstanding problems of inadequate attention to institutional reforms mentioned earlier. Nonetheless the point remains that, on account of a host of policies mentioned earlier, the situation has taken a turn for the worse, for those who were earlier already quite vulnerable, during the liberalisation era.

Thus, as may be evident from the preceding discussion, whatever may be the outcome during the liberalisation era as regards prospects of overall growth or to the upper layers of the population (segments of which certainly appear to have a honeymoon with it at least for the time being), there is little in the new economic dispensation to cheer about from the point of view of the well-being of the large masses of people in the country. In short, it may be fair to conclude that the advocates of the neo-liberal agenda, who are promising a paradise all around, may be on a most slippery terrain!

Annex

Table 1: Average Annual Real Growth Rates

Period	GDP	Agriculture	Manufacturing
1950-51 to 1964-65	4.06	3.13	6.61
1964-65 to 1978-79	3.46	2.89*	4.56
1980-81 to 1990-91	5.66	3.69	7.56
1990-91 to 1996-97	5.75	2.89	6.86

Notes:

(1)* This figure is for the period 1967-68 to 1978-79.
1965-67 was excluded from the calculation as during this period Indian agriculture was hit by a massive shock in the form of two successive monsoon failures.

(2) 1979-80 has been left out from growth rate calculations as it was a major drought year.

(3) These figures are based on the data provided by Reserve Bank of India´s publication, Handbook of statistics on Indian Economy, 1998.

Table 2: Average Annual Real Growth rates

Period	GDP	Agri-culture	Industry	Services
1985-1990	6	3.4	7.5	7.4
1990-91 to 1997-98	5.6	2	6	7

Source: Chandrasekhar and Ghosh (1999), page 8.

Table 3: Head-count ratio measure of poverty (percentages)

National Sample Survey Round, dated	Rural	Urban	Total	Absolute Numbers, million
1983	45.65	40.79	44.48	322.8
1987-88	39.09	38.2	38.86	304.9
1989-90	33.7	36	34.28	276
1990-91	35.04	35.29	35.11	291
1992	41.7	37.8	40.7	348
1993-94	37.27	32.36	35.07	320.5
1994-95	38.02	34.24	36.98	329.5
1995-96	38.29	30.05	36.08	328
1997	38.46	33.97	37.23	348.8

Source: Chandrasekhar and Ghosh (1999), page 15

Table 4: Annual Change in Employment by Category

	1983 to 1990-91	1990-91 to 1997
Regular Salaried Work	7.3	-8.8
Casual Wage Employment	-1.1	3.3

Source: S.P. Gupta (1999), page 61

Table 5 : Share of Non-Agricultural Employment in Rural Employment

Year	Rural Non-Agricultural Employment (percentage share)	
	Male	Female
1972-73	16.8	10.3
1977-78	19.4	11.9
1983	22.5	12.5
1987-88	25.5	15.3
1989-90	28.3	18.6
1990-91	29	15.1
1991-92	25.1	13.7
1992	24.3	13.8
1993-94	25.9	13.8

Source: Chanrasekhar and Ghosh (1999), page 19

References

Byres, T. J. (ed.) (1997) – **The State, Development Planning and Liberalisation in India**, OUP, Delhi.

Byres, T.J. (ed.) (1998) – **The India Economy Major Debates since Independence**, OUP, Delhi.

Chakravarty, Sukhamoy (1987) - **Development Planning The Indian Experience,** OUP, Delhi.

Chandrasekhar, C. P. and Jayati Ghosh (1999) – **The Indian economic reform process and the implications of the Southeast Asian Crisis**, ILO, Geneva.

Chatterjee, Partha (1997) - **´Development Planning and the Indian State´**, in: Byres (ed.) (1997).

Dasgupta, Ajit K. (1996) – **Gandhi´s Economic Thought**, Routledge, London.

Ghosh, Arun (1996) – **Paradigms of Economic Development**, IIAS, Shimla.

Gupta, S. P. (1999) – **Globalisation, Economic Reforms and Labour**, ILO-SAAT, New Delhi

Jha, Praveen (1999) – Economic Reforms and the Poor: A Study from Madhya Pradesh, India, Focus on Global South, Bangkok.

Patnaik, Prabhat - **´Some Indian Debates on Planning´** , in: Byres (ed.), (1998).

Ranis, Gustav and T. P. Schultz (eds.) (1988) – **The State of Development Economics**, Basil Blackwell, UK

Sen, A. K. (1983) - **´Development: Which Way Now?´,** in: Economic Journal, Vol. 93

Toye, John (1993) **– Dilemmas of Development**, Blackwell, Oxford.

World Bank (1993) – **The East Asian Miracle,** Washington D.C.: The World Bank/The IBRDReferences

Bisher erschienene "Berichte aus dem Weltwirtschaftlichen Colloquium" der Universität Bremen

Nr. 1
Sell, Axel:
Staatliche Regulierung und Arbeitslosigkeit im internationalen Sektor, *1984. 35 S.*

Nr. 2 (vergriffen)
Menzel, Ulrich/Senghaas, Dieter:
Indikatoren zur Bestimmung von Schwellenländern. Ein Vorschlag zur Operationalisierung, *1984. 40 S.*

Nr. 3
Lörcher, Siegfried:
Wirtschaftsplanung in Japan, *1985. 19 S.*

Nr. 4
Iwersen, Albrecht:
Grundelemente der Rohstoffwirtschaftlichen Zusammenarbeit im RGW, *1985. 52 S.*

Nr. 5
Sell, Axel:
Economic Structure and Development of Burma, *1985. 39 S.*

Nr. 6 (vergriffen)
Hansohm, Dirk/ Wohlmuth, Karl:
Transnationale Konzerne der Dritten Welt und der Entwicklungsprozeß unterentwickelter Länder, *1985. 38 S.*

Nr. 7
Sell, Axel:
Arbeitslosigkeit in Industrieländern als Folge struktureller Verhärtungen, *1986. 21 S.*

Nr. 8
Hurni, Bettina:
EFTA, Entwicklungsländer und die neue GATT-Runde, *1986. 28 S.*

Nr. 9 (vergriffen)
Wagner, Joachim:
Unternehmensstrategien im Strukturwandel und Entwicklung der internationalen Wettbewerbsfähigkeit, *1986. 28 S.*

Nr. 10 (vergriffen)
Lemper, Alfons:
Exportmarkt Westeuropa. Chinas Vorstoß auf die Weltmärkte, *1987. 40 S.*

Nr. 11
Timm, Hans-Jürgen:
Der HWWA-Index der Rohstoffpreise - Methodik, Wirtschafts- und Entwicklungspolitische Bedeutung, *1987. 57 S.*

Nr. 12 (vergriffen)
Shams, Rasul:
Interessengruppen und entwicklungspolitische Entscheidungen, *1987. 23 S.*

Nr. 13
Sell, Axel:
ASEAN im Welthandelskraftfeld zwischen USA, Japan und EG, *1987. 23 S.*

Nr. 14
Kim, Young-Yoon/Lemper Alfons:
Der Pazifikraum: Ein integrierter Wirtschaftsraum? *1987. 24 S.*

Nr. 15
Sell, Axel:
Feasibility Studien für Investitionsprojekte, Problemstruktur und EDV-gestützte Planungsansätze, *1988. 18 S.*

Nr. 16
Hansohm, Dirk/ Wohlmuth, Karl:
Sudan´s Small Industry Development. Structures, Failures and Perspectives, *1989. 38 S.*

Nr. 17
Borrmann, Axel/ Wolff, Hans-Ulrich:
Probleme bei der Planung industrieller Investitionen in Entwicklungsländern, *1989. 28 S.*

Nr. 18
Wohlmuth, Karl:
Structural Adjustment and East-West-South Economic Cooperation: Key Issues, *1989. 53 S.*

Nr. 19
Brandtner, Torsten:
Die Regionalpolitik in Spanien unter besonderer Berücksichtigung der neuen Verfassung von 1978 und des Beitritts in die Europäische Gemeinschaft, *1989. 40 S.*

Nr. 20
Lemper, Alfons:
Integrationen als gruppendynamische Prozesse. Ein Beitrag zur Neuorientierung der Integrationstheorie, *1990. 47 S.*

Nr. 21
Wohlmuth, Karl:
Die Transformation der osteuropäischen Länder in die Marktwirtschaft - Marktentwicklung und Kooperationschancen, *1991. 23 S.*

Nr. 22
Sell, Axel:
Internationale Unternehmenskooperationen*, 1991. 12 S.*

Nr. 23 (vergriffen)
Bass, Hans-Heinrich/Li, Zhu:
Regionalwirtschafts- und Sektorpolitik in der VR China: Ergebnisse und Perspektiven, *1992. 28 S.*

Nr. 24
Wittkowsky, Andreas:
Zur Transformation der ehemaligen Sowjetunion: Alternativen zu Schocktherapie und Verschuldung*, 1992. 30 S.*

Nr. 25
Lemper, Alfons:
Politische und wirtschaftliche Perspektiven eines neuen Europas als Partner im internationalen Handel*, 1992. 17 S.*

Nr. 26
Feldmeier, Gerhard:
Die ordnungspolitische Dimension der Europäischen Integration*, 1992. 23 S.*

Nr. 27 (vergriffen)
Feldmeier, Gerhard:
Ordnungspolitische Aspekte der Europäischen Wirtschafts- und Währungsunion*, 1992. 26 S.*

Nr. 28
Sell, Axel:
Einzel- und gesamtwirtschaftliche Bewertung von Energieprojekten. - Zur Rolle von Wirtschaftlichkeitsrechnung, Cost-Benefit Analyse und Multikriterienverfahren-, *1992. 20 S.*

Nr. 29
Wohlmuth, Karl:
Die Revitalisierung des osteuropäischen Wirtschaftsraumes - Chancen für Europa und Deutschland nach der Vereinigung*, 1993. 36 S.*

Nr. 30
Feldmeier, Gerhard:
Die Rolle der staatlichen Wirtschaftsplanung und -programmierung in der Europäischen Gemeinschaft*, 1993. 26 S.*

Nr. 31
Wohlmuth, Karl:
Wirtschaftsreform in der Diktatur? Zur Wirtschaftspolitik des Bashir-Regimes im Sudan, *1993. 34 S.*

Nr. 32 (vergriffen)
Shams, Rasul:

Zwanzig Jahre Erfahrung mit flexiblen Wechselkursen*, 1994. 8 S.*

Nr. 33 (vergriffen)
Lemper, Alfons:
Globalisierung des Wettbewerbs und Spielräume für eine nationale Wirtschaftspolitik*, 1994. 20 S.*

Nr. 34 (vergriffen)
Knapman, Bruce:
The Growth of Pacific Island Economies in the Late Twentieth Century*, 1995. 34 S.*

Nr. 35 (vergriffen)
Gößl, Manfred M./Vogl. Reiner J.:
Die Maastrichter Konvergenzkriterien: EU-Ländertest unter besonderer Berücksichtigung der Interpretationsoptionen*, 1995. 29 S.*

Nr. 36 (vergriffen)
Feldmeier, Gerhard:
Wege zum ganzheitlichen Unternehmensdenken: „Humanware" als integrativer Ansatz der Unternehmensführung*, 1995. 22 S.*

Nr. 37
Gößl, Manfred M.:
Quo vadis, EU? Die Zukunftsperspektiven der europäischen Integration*, 1995. 20 S.*

Nr. 38
Feldmeier, Gerhard/Winkler, Karin:
Budgetdisziplin per Markt oder Dekret? Pro und Contra einer institutionellen Festschreibung bindender restriktiver Haushaltsregeln in einer Europäischen Wirtschafts- und Währungsunion*, 1996. 28 S.*

Nr. 39
Feldmeier, Gerhard/Winkler, Karin:
Industriepolitik àla MITI - ein ordnungspolitisches Vorbild für Europa?*, 1996. 25 S.*

Nr. 40

Wohlmuth, Karl:
Employment and Labour Policies in South Africa*, 1996. 35 S.*

Nr. 41
Bögenhold, Jens:
Das Bankenwesen der Republik Belarus*, 1996. 39 S.*

Nr. 42 (vergriffen)
Popov, Djordje:
Die Integration der Bundesrepublik Jugoslawien in die Weltwirtschaft nach Aufhebung der Sanktionen des Sicherheitsrates der Vereinten Nationen*, 1996. 34 S.*

Nr. 43 (vergriffen)
Arora, Daynand:
International Competitiveness of Financial Institutions: A Case Study of Japanese Banks in Europe*, 1996. 55 S.*

Nr. 44
Lippold, Marcus:
South Korean Business Giants: Organizing Foreign Technology for Economic Development*, 1996. 46 S.*

Nr. 45
Messner, Frank:
Approaching Sustainable Development in Mineral Exporting Economies: The Case of Zambia*, 1996. 41 S.*

Nr. 46
Frick, Heinrich:
Die Macht der Banken in der Diskussion*, 1996. 19 S.*

Nr. 47
Shams, Rasul:
Theorie optimaler Währungsgebiete und räumliche Konzentrations- und Lokalisationsprozesse*, 1997. 21 S.*

Nr. 48
Scharmer, Marco

Europäische Währungsunion und regionaler Finanzausgleich - Ein politisch verdrängtes Problem*, 1997. 45 S.*

Nr. 49
Meyer, Ralf/Vogl, Reiner J.:
Der „Tourismusstandort Deutschland" im globalen Wettbewerb*, 1997. 17 S.*

Nr. 50 (vergriffen)
Hoormann, Andreas/Lange-Stichtenoth, Thomas:
Methoden der Unternehmensbewertung im Akquisitionsprozeß - eine empirische Analyse -*, 1997. 25 S.*

Nr. 51 (vergriffen)
Gößl, Manfred M.:
Geoökonomische Megatrends und Weltwirtschaftsordnung*, 1997. 20 S.*

Nr. 52 (vergriffen)
Knapman, Bruce/Quiggin, John:
The Australian Economy in the Twentieth Century*, 1997. 34 S.*

Nr. 53 (vergriffen)
Hauschild, Ralf J./Mansch, Andreas:
Erfahrungen aus der Bestandsaufnahme einer Auswahl von Outsourcingfällen für Logistik-Leistungen*, 1997. 34 S.*

Nr. 54
Sell, Axel:
Nationale Wirtschaftspolitik und Regionalpolitik im Zeichen der Globalisierung - ein Beitrag zur Standortdebatte in Bremen, *1997. 29 S.*

Nr. 55
Sell, Axel:
Inflation: does it matter in project appraisal, *1998. 25 S.*

Nr. 56
Mtatifikolo, Fidelis:
The Content and Challenges of Reform Programmes in Africa - The Case Study of Tanzania, *1998. 37 S.*

Nr. 57
Popov, Djordje:
Auslandsinvestitionen in der BR Jugoslawien, *1998. 32 S.*

Nr. 58
Lemper, Alfons:
Predöhl und Schumpeter: Ihre Bedeutung für die Erklärung der Entwicklung und der Handelsstruktur Asiens. *1998. 19 S.*

Nr. 59
Wohlmuth, Karl:
Good Governance and Economic Development. New Foundations for Growth in Africa. *1998. 90 S.*

Nr. 60
Oni, Bankole:
The Nigerian University Today and the Challenges of the Twenty First Century. *1999. 36 S.*

Nr. 61
Wohlmuth, Karl:
Die Hoffnung auf anhaltendes Wachstum in Afrika. *1999. 28 S.*

Nr. 62
Shams, Rasul
Entwicklungsblockaden: Neuere theoretische Ansätze im Überblick. *1999. 20 S.*

Nr. 63
Wohlmuth, Karl:
Global Competition and Asian Economic Development. Some Neo-Schumpeterian Approaches and their Relevance. *1999. 69 S.*

Nr. 64
Oni, Bankole:
A Framework for Technological Capacity Building in Nigeria: Lessons from Developed Countries. *1999. 56 S.*

Nr. 65
Toshihiko, Hozumi
Schumpeters Theorien in Japan: Rezeptionsgeschichte und gegenwärtige Bedeutung. *1999. 22 S.*

Nr. 66 (vergriffen)
Bass, Hans H.
Japans Nationales Innovationssystem: Leistungsfähigkeit und Perspektiven. *1999. 24 S.*

Nr. 67
Sell, Axel
Innovationen und weltwirtschaftliche Dynamik – Der Beitrag der Innovationsforschung nach Schumpeter. *2000. 31 S.*

Nr. 68
Pawlowska, Beata
The Polish Tax Reform. *2000. 41 S.*

Nr. 69
Gutowski, Achim
PR China and India – Development after the Asian Economic Crisis in a 21st Century Global Economy. *2001. 56 S.*

Nr. 70
Jha, Praveen K.
A note on India´s post-independence economic development and some comments on the associated development discourse. *2001. 22 S.*