

Indian Business History
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Lecture – 14
Planning, Statistics and Industrialization Policies, 1947 - 1960s

Hello and welcome back to Indian Business History. Today's lecture is lecture number 14 and the title of this lecture is "Planning, Statistics and Industrialization Policies from 1947 till about 1960s". This as you all know is week 6 of our online course and the main theme of week 6 lectures is independence and industrial planning from 1947 to 1960s. (Refer Slide Time: 00:50)

This is Week 6

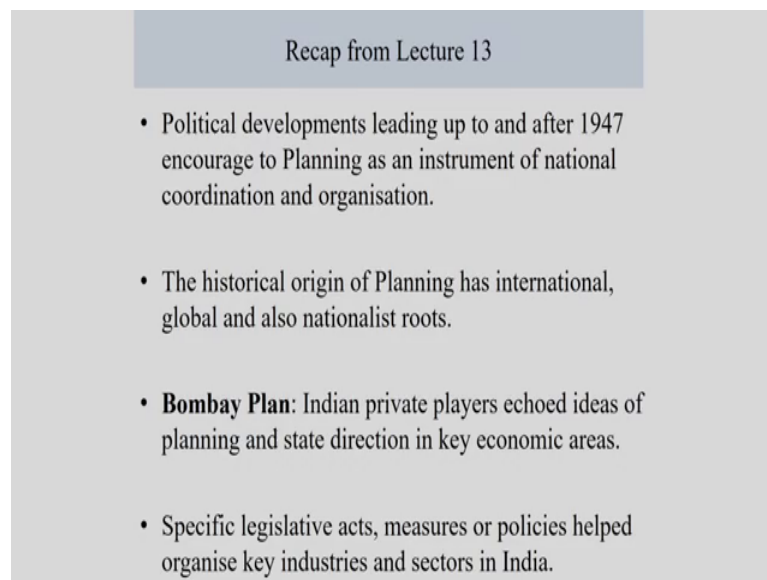
- **Week 6: Independence & Industrial Planning, 1947-1960: Origin and evolution of PSUs**
- **Lecture 13:** Impact of Independence and Partition: Evolution of the Railways in India.
- **Lecture 14:** Planning, Statistics and Industrialization Policies. **(We are here)**
- **Lecture 15:** Global Currents of Economic Thought and India, 1947-1960.

And within this week we have already discuss the case of the railways and these are the following lectures that constitutes week 6 of Indian business history. So, the previous lecture which lecture 13 was an assessment of the impact of independence and partition and while we assess the impact of independence and partition on Indian economy and Indian business. We combined that study with and analysis of the evolution of the railways in India.

After that comes lecture 14 which is this present lecture. So, this present lecture will deal with planning, statistics and industrialization policies. So, some of the themes and concepts that we discussed in the previous lecture will be continued even in this one and we will deal with them in greater analytical detail. The next lecture of week 6 will be lecture 15

and that will be more wholesome analytical and intellectual discussion of the global currents of economic thought and India in the same time period.

So, some of the themes that we have discussed in the previous lecture including the concepts and themes, that we will discuss in the present lecture will form the analytical base of the upcoming lecture. (Refer Slide Time: 02:18)

A slide titled "Recap from Lecture 13" with a light blue header. The slide contains four bullet points: 1. Political developments leading up to and after 1947 encourage to Planning as an instrument of national coordination and organisation. 2. The historical origin of Planning has international, global and also nationalist roots. 3. **Bombay Plan**: Indian private players echoed ideas of planning and state direction in key economic areas. 4. Specific legislative acts, measures or policies helped organise key industries and sectors in India.

Recap from Lecture 13

- Political developments leading up to and after 1947 encourage to Planning as an instrument of national coordination and organisation.
- The historical origin of Planning has international, global and also nationalist roots.
- **Bombay Plan**: Indian private players echoed ideas of planning and state direction in key economic areas.
- Specific legislative acts, measures or policies helped organise key industries and sectors in India.

Just to offer you a brief recap of the themes that we engaged with in lecture 13. There were four main points of pillars of discussion on which the discussion of lecture 13 rested. And, the first point that we discussed and which formed an analytical base for our discussion was the fact that political developments leading up to and after 1947 encouraged planning as an instrument of national coordination and organization. The context arising out of partition, independence and the restructuring and reorganization of the institutions of governance gave fill up to the idea of planning in the Indian subcontinent.

The second point that we have discussed just part of lecture 13 was that the historical origin of planning has international global and also nationalist rules. Even though the idea of planning may have been given a formal basis after formal independence, yet there were important historical milestones as we have discussed previously that gave a more form in organizational base to the idea of planning.

Some prime examples that we discussed is part of this pre-independence legacy of independence of planning was the idea of the NPC or the National Planning Committee that was set up in 1938 and it involved itself greatly with some discussions regarding the

future course of the Indian economy. As part of our search for the historical roots for the idea of planning, we also discuss the case of the Bombay plan.

The Bombay plan was a foundation document in which Indian private players echoed ideas of planning and state direction in key economic areas. This is the forgotten document belonging to India's business history, but has been receiving renewed attention from historians. But, the Bombay plan was a crucial platform which brought together Indian business leaders and Indian national leaders on some common economic agendas.

As part of the Bombay plan business leaders of India advocated the more active role for the state to organize economic and business-related activities. In order to fulfill its constitutional and political promises of redistributing national income and also providing access to critical services to the vast majority of Indian citizens.

Then as part of lecture 14 we also discussed specific legislative acts like the Industrial Policy Resolution of 1948 and certain other features measures and policies that helped organize key industries and sectors in India during this period. While discussing this analytical component of lecture 13, we combined this with a case study of the railways where in the establishment of an indigenous industry for the production of railway equipment and the setting up of management and training institutes for railway official ensured that the railway industry became a prime medium for future industrial and economic growth.

Future industrial and economic growth was also critical for the fostering of an entrepreneur ecosystem in India. So, post 47 developments relating to planning also had a decisive impact and a practical impact on certain key industries such as the railways. (Refer Slide Time: 05:36)

Focus Themes for Lecture 14

- Establishment of the Planning Commission in 1951: Roles and Responsibilities
- The 5 Year Plans
- The contributions of PC Mahalanobis
- Post-Independence features of Planning and Development

We will again have four main themes as pillars for lecture 14 which is today, and the first theme that we will engage with is the establishment of the planning commission in 1951 and while discussing the establishment of the planning commission, we will also spend some time on a brief examination of the rules and responsibilities in guiding the economic, commercial and business affairs of the country after 1947.

In the previous lecture we have already discussed the formal methods of planning that were inaugurated in the post-independence Indian state and we discuss the role of industrial policy resolution and the industrial act of 1951. These two features were critical for the establishment of a base for the formal implementation of planning methods in India. Then while discussing this establishment of the planning commission in 1951 and in examination of its roles and responsibilities, we will also graduate towards a discussion of the first two 5-year plans. That made economic projection or the planning of industrial growth more official in India.

While discussing the 5 year plans we will also assess the contributions of one of the greatest personalities associated with planning and statistical evaluation; namely, mister PC. Mahalanobis. He was one of the finest economic minds that existed in the country during then and was not just an intellectual, but also an institution builder who setup institutions of statistical analysis and survey on a form and competitive footing.

The fourth pillar of our lecture today will involve itself with a brief discussion of some of the post-independence features of planning and development. This will be a theme that is

being continuously examined since the previous lecture. So, some of the themes that we covered in lecture 13 will also be continued for coverage in this lecture, but with greater analytical insights as we move the story forwards into the 1960s. (Refer Slide Time: 07:40)

The Planning Commission

- **1951: Planning Commission**
 - Chaired by PM (Nehru)
 - Cabinet Ministers, Civil servants
 - Set up to carry out “Directive Principles”
 - Drafting 5 yr Plans
- **1951-56: 1st 5 Year Plan**
 - **Focus on Agriculture**
 - Criticised after 1952 elections ; marginal increase in food production

A story therefore, as far as, planning statistics and industrialization policies is concerned begins in 1951. 1951 is a critical year in India's economic and business history. As we have already discussed, 1951 was the year in which the industries act of 1951 was enacted. It laid the basis for create a governmental control of pricing and manufacturing capabilities in order to provide critical services to the vast majority of Indians who was struggling the way out of poverty.

The industries act 1951 also had specific provisions relating to labor and the governments control of specific industries and also led the basis for licensing policies. So, 1951 is an important historical milestone for you all to remember as far as planning, statistics and industrialization is concerned.

While the Industries Act of 1951 is one of the most significant legislative pieces to have come up in India's economic and business history. 1951 as a year is also notable for the formal establishment of the planning commission. The planning commission was regarded as the nodal body to guide, implement, regulate and organize India's economic, commercial, industrial and business operations with a view to make in India a move just equitable society. And, to ensure there India's constitutional obligations of providing critical services and lifting people out of poverty were held out in both letter and spirit.

When the planning commission was organized or set up in 1951 it was cheered by India's first Prime Minister Mr. Jawaharlal Nehru. He was also critically involved as you are aware with ideas of planning and economic organization from the years before the year's formal independence was given to India

So, Nehru's involvement with ideas of economy planning and organization go back a long way which we put into practice after 1947. As part of the steering committee of the organizational body of the planning commission is concerned when it was setup in 1951, it comprised of cabinet ministers and civil servants as its prominent members. It was felt that the planning commission could gain enormous critical insides from the wealth of experience that was brought by cabinet ministers and members of the bureaucracy, who had practical experience of serving in India's several districts and areas.

So, it was seen as a nodal body that could bring together is the finest minds in politics, civil services and other allied sectors. One of the primary missions of the planning commission apart from its critical role in organizing periodic projections for industrial in

economic growth was its mandate to carry out the implementation of the directive principles, that were also enshrined in the Indian constitution in 1950. Directive principles

were a set of policies or injunctions that the state was incumbent or urged to carry out in order to realize the vision of his just, stable, an equal society.

So, one of the ways in which planning commission also had not just economic, but also political and social objectives was because of the fact that it was mandated to try and implement measures that could implement directive principles of state policy in letter and spirit. More formally and more importantly, planning commission was given the task to draft 5-year plans. So, the policy interventions that will laid out in the previous lecture will be discuss the industrial policy resolution and also the industries act of 1951, which laid out the formal basis for planning or to carry out cyclic periods of evaluation for industrial growth.

All of those visions of economic and industrial growth and regulation were given a firm organization basis by giving the authority to the planning commission to draft the first 5-year plans. And also, successive 5-year plans after this first plan. So, the nodal official body that was entrusted with the designing of 5-year plans or to project figures for India's future industrial growth was the responsibility of the planning commission which was being headed by India's first Prime Minister Mister Jawaharlal Nehru in 1951.

Accordingly, then the first 5-year plan was drafted for the time period between 1951 to 56 it had a few significant features to it, but one of the first or foremost elements of the first 5-year plan was its study focus on agriculture, the expansion or augmentation in a grade and capabilities and the production of significant grains or crops that could guarantee food security for the country.


Food security also would be achieved for India in later decades, but in official push given in the first 5-year plans for focus on a grade and growth and expansion with a view to securing food security for India and its countless people was one of the first significant features of the first 5-year plan that lasted from 1951 to 56. The first 5-year plan came at the hands of criticism during the 1952 elections, these were as you were ready aware the first general elections to be carried out in India. So, this study focuses on agriculture as highlighted in the first 5-year plan was criticized by different stakeholders at this time.

As part of the first 5-year plan and the focus given on a great and expansion and growth there was only a marginal increase in food production. This was due to various structural institutional economic and international factors, but the first 5-year plan got off to a solid

start in the year 1951 just at the time when the planning commission was formally put in place. (Refer Slide Time: 13:50)

The Planning Commission

- **1956-61: 2nd 5 Year Plan**
 - Focus on Industrialisation
 - Drafted by **PC Mahalanobis (1893-1972):** Statistics
 - **1931:** ISI, Calcutta
 - **1949:** NSS, Central Statistical Organisation



PC Mahalanobis

After the first general election, that was successfully organized and became a symbol of India's stability and the robustness of its institutions. The second 5-year plan followed. The second 5-year plan was drafted for the years from 1956 to 1961 and in response to the criticism that was received for the focus on agriculture in the first 5-year plan. In the second 5-year plan is notable and significant for the shift and focus, and this shift takes place in favor of heavy industrialization in India.

So, while the years from 1951 to 1956 corresponded to an official push for expanding agricultural output in India. The second 5-year plan which is the years from 1956 to 1961 are remarkable for the shift and focus and this focus shifted in favor of industrialization, and there was a gradual move away from the official focus on agriculture.

It is important to remember that the second 5-year plan was drafted by P C Mahalanobis. He lived from 1893 to 1972, born in India and educated also partly in India and in the United Kingdom P C Mahalanobis was one of the finest economic minds that existed in the country in this period. He was not just a fine economic intellectual or responsible for articulation of complex economic ideas with the vision towards problem solving and making India a strong country.

P C Mahalanobis today is also regarded as one of the key intellectuals of this period who were also important institution builders. So, while the main domain expertise of P C

Mahalanobis was statistics. In 1931, P C Mahalanobis was also one of the founding members of the Indian Statistical Institute of the ISI in the city of Calcutta. After that while continuing his work with statistical organization collection and serving with a view towards solving critical problems of economic growth and development. In the year 1949 which is two years after independence P C Mahalanobis also setup the NSS, which is the National Sample Survey and was also responsible in the establishment of the central statistical organization.

So, in addition to advancing complex theories into simple forms with a view to solve India's critical problems relating to growth and development and to fulfill India's constitutional obligations to its citizenry. P C Mahalanobis was one of those few individuals who also setup credible institutions for the collection of data and data that could be used in the furtherance of adjust and equitable society. And also, to solve some of the critical problems that were coming in the way of the future growth potential of India after 1947.

So, the role of P C Mahalanobis then is not just limited towards the articulation of economic ideas or conducting cutting as research to a further the aims of India as a developmentalist and welfare state after independence. But, his critical contributions also work in the field of setting up important institutions that gave India its modern identity as a developing and responsible nation committed to improving the lives of its people. (Refer Slide Time: 17:38)

Planning & Development

- **1954:** "Socialistic pattern of society"
- **1954:** Mahalanobis visits US, Europe, USSR
 - Expand the scope of Public sector
 - Develop basic heavy industries
 - Health & education
 - Housing
 - Curb unemployment
- **1956:** Industrial Policy Resolution

Certain political and ideological trends also went in parallel while these important institution developments were taking place in India. So, in the year 1954, the idea of setting up a socialistic pattern of society becomes a dominant discourse in Indian politics, in Indian social spheres, public's spheres, academics spheres and in also the corridors power in the national capital and in various state capitals.

So, the coming together of different intellectuals, practitioners of public policy, political leaders and bureaucrats with a view to setting up a socialistic pattern of society to solve complex problems of development and growth. They came a critical feature of the ways in which India's political economy came to be studied in this period.

In the same period P C Mahalanobis, who was entrusted with a responsibility to draft the 5-year plans that were advancing periodic growth projections for India's industry, economy and commerce undertook extensive visits to the United States to Europe and erstwhile USSR.

As part of his international visits Mahalanobis came back with certain ideas that played a critical role in organizing India's economy and industrial scene in a significant manner. One of the first elements that is important to understand as part of P C Mahalanobis international travels was that there was now to be a greater focus on expanding the scope of the public sector.

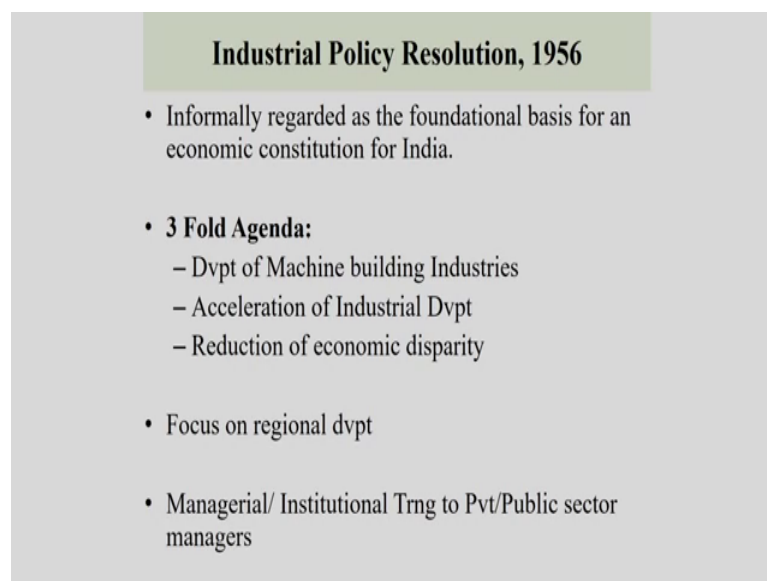
Secondly, there was also going to be greater emphasis paid on the development of basic heavy industries and thirdly there would also be focus on developing critical sectors for social services such as health and education. Apart from these three elements, P C Mahalanobis is extensive interactions with scholars, economists, political leaders and other stakeholders in different parts of the world also convinced him to draft specific policies for outlining provisions of housing for Indian people. And also, to implement measures or develop an ecosystem that could curb chronic unemployment in India.

So, the critical problems of the economy which were being noticed as part of the action items for the first and the second 5-year plans; grew out of an extensive discussion that individuals like P C Mahalanobis and others, were under taking with different stakeholders within India and also abroad. These five priorities that became and shined in policy interventions and other successive 5-year plans came out of an internationally eco system in which Indian policymakers such as P C Mahalanobis interacted frequently and freely

with intellectuals all across the world and in India, who could offer critical insights for the ways in which the Indian economy could move past its hurdles and fulfill its constitutional obligations to its people.

It is this context therefore; that the next significant piece of industrialization or the policy relating to industrialization is witnessed in India and this historical landmark comes up in the year 1956 when the second Industrial Policy Resolution after independence is released by the government. So, while the mid-1950s in India were responsible for the extensive establishment of an infrastructural, architecture for planning and was also known for the extensive international opinion that was consulted by Indian experts to gain critical insights into how future Indian growth could be sustained by overcoming certain structural hurdles.

1956 is a historical milestone because it is the year in which the industrial policy resolution is outlined, yet again, by the Government of India. The Industrial Policy Resolution of 1956 is informally regarded as the foundational basis for an economic constitution for the Indian state. It had a three-fold agenda. (Refer Slide Time: 21:40)



Industrial Policy Resolution, 1956

- Informally regarded as the foundational basis for an economic constitution for India.
- **3 Fold Agenda:**
 - Dvpt of Machine building Industries
 - Acceleration of Industrial Dvpt
 - Reduction of economic disparity
- Focus on regional dvpt
- Managerial/ Institutional Trng to Pvt/Public sector managers

So, the first important point of that agenda or the Industrial Policy Resolution of 1956 was the development of machine building industries. So, there was now to be a study and consistent support for the building up of a heavy industrialization base in India. So, the first important element of the Industrial Policy Resolution of 56 was the official support

for the building of machine building industries whose goods and commodities could help the growth of other secondary and tertiary industries in India.

The second agenda of the Industrial Policy Resolution of 1956 was the acceleration of industrial development in India. So, this was connected to the first element where by heavy industrialization was to be promoted and as part of that push for heavy industrialization there would be a rapid acceleration of overall industrialization facilities in the Indian state.

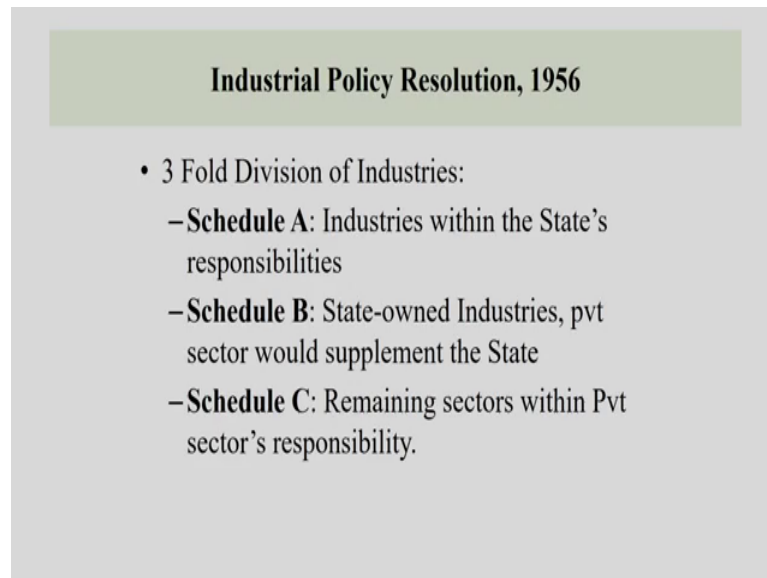
The third agenda was not just economic, but also had political and social connotations to it. So, the third agenda of the Industrial Policy Resolution was the focus on the reduction of economic disparity in India after 1947. While the euphoria of independence was a global phenomenon because it marked the arrival of a country that had achieved independence on the basis of a long standing historical anti colonial movement. Yet, after 1947 some of the economic realities of India as a result of past colonial policies meant that there was massive economic disparity in the country.

So, the Industrial Policy Resolution of 1956 committed itself towards the reduction of that economic disparity and set the country and path of future growth and economic prosperity. As part of the Industrial Policy Resolution of 1946, there was also going to be a focus on regional development. This was already being carried out by critical PSUs or public sector undertakings such as the railways which were connecting far flung parts of the Indian state to important urban and political centers.

So, the commitment that the railways were extending towards national integration and making economic unity of India a practical reality and more sustainable, this act of reducing economic disparity was yet again made a critical part of the Industrial Policy Resolution of 1956.

In addition to the above three-fold agenda and focus on regional development, the industry policy resolution also committed itself to providing managerial or institutional training to private or public sector managers. As we have already discussed in the previous lecture, railway officials were now to be trained more professionally as part of a series of institutional mechanisms that were implemented in India. In order to make railways a more professional force and more professional service of the government

Similar facilities would be extended to private and public stakeholders in India's economic and business affairs of this period in order to provide a ready managerial force to prosecute the tasks of business and economic activities, more competitively and professionally. The most important feature of the Industrial Policy Resolution of 1956 was its three-fold division of industries that existed in India in this period. (Refer Slide Time: 25:18)



Industrial Policy Resolution, 1956

- 3 Fold Division of Industries:
 - **Schedule A:** Industries within the State's responsibilities
 - **Schedule B:** State-owned Industries, pvt sector would supplement the State
 - **Schedule C:** Remaining sectors within Pvt sector's responsibility.

So, as part of this threefold division of industries, the first division or group or you can say "Schedule A" of the Industrial Policy Resolution of 1956, included industries that would fall exclusively within the state responsibilities. So, this included heavy industries, critical strategic sectors like nuclear research and industries related to defense production.

So, as part of the official plans to push heavy industrialization "Schedule A" therefore, comprised industries that would fall exclusively within the state responsibilities. "Schedule B" as part of the Industrial Policy Resolution of 1956 would consist exclusively of state-owned industries, but within "Schedule B" the private sector would supplement the state in organizing the economic tasks or industrial and business tasks of these industries in the second group.

The third group or "Schedule C" was to be the remaining sectors within the private sectors responsibility. So, in the early years after independence came to India after 1947. The private sector was not relegated to insignificance part. In fact, was given a dedicated task of operations and economic management and other commercial and business operations to undertake. And these tasks and operations were relegated to "Schedule C" of the

Industrial Policy Resolution of 1956. I want to spend some time on detailing some of the political and practical aspects relating to planning and development in the decades of the 50s and 60s. (Refer Slide Time: 27:02)

Planning & Development: Political and Practical Aspects

- **1957:** 2nd General Elections ; Party manifesto of INC refers to “Socialist society”
- **1956-61:** 2nd 5-Year Plan
- **1950s:** Expansion of Govt sponsored credit facilities for private industries: Industrial Credit and Investment Corporation of India (ICICI) etc.

So, in 1957 the year marks the onset of the second general elections in India. So, this was a second resounding signal that India received as part of its capability to organize such mammoth logistical exercises to elect its next governance. And the international context surrounding India and its capability to manage such tasks or the reputation of its institutions to manage the complex affair of democracy were burnished again.

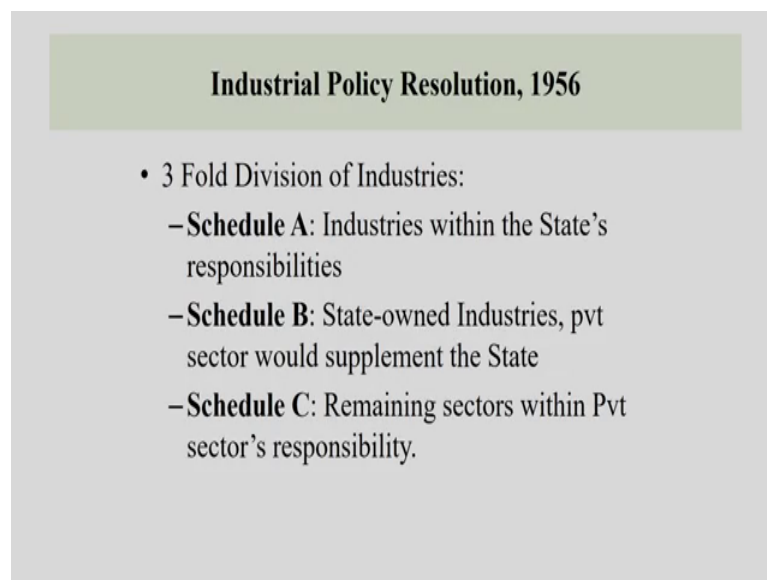
So, the international opinion surrounding India and its stability was favorable and India’s own capability in organizing elections and to have the mandate of those elections respected by all the political parties was seen as a successful feature of India’s democracy in this period. As part of these general elections and as an illustration, the party manifesto of the Indian National Congress refers to the implementation or formation or a vision for a socialist society.

Just as in 1954, there was a coming together of different kinds of stakeholders in order to win vision a socialistic pattern of society. Political party is such as the Indian National Congress also mirrored those ideas in their formal election manifestos by envisioning ideas that could give rise to a socialist society in this period

Just before the 2nd General Elections are under way the years from 1956 to 61 as you already are familiar was the face of the second 5-year plan whereby industrialization was

given an official push, and this was also being mirrored in different legislative policy ventures like, the Industrial Policy Resolution of 1956. In the same decade of the 1950s while the planning commission is set up while political leaders and members of the civil service are talking about future economic questions of importance and while critical economic institutions and statistical institutions are coming up as a result of the efforts of people like P C Mahalanobis.

There are also certain other policy features that complicate a study of the Indian business history of this period. So, as an example in the decade of the 1950s there is also significantly enough and expansion of government sponsored credit facilities for private industries in this period. (Refer Slide Time: 29:28)



Industrial Policy Resolution, 1956

- 3 Fold Division of Industries:
 - **Schedule A:** Industries within the State's responsibilities
 - **Schedule B:** State-owned Industries, pvt sector would supplement the State
 - **Schedule C:** Remaining sectors within Pvt sector's responsibility.

So, "Schedule C" if you remember of the Industrial Policy Resolution of 1956, which would cover the remaining sectors, within the private sectors responsibility and for the sustenance of the private sector in its responsibility to assure and greater economic growth. In order, to faster that plan the government also made certain parallel measures such as the expansion of credit and financial services to private sector in India has it existed in this period.

As part of this drive to expand credit facilities to the existing Indian industries the Industrial Credit and Investment Corporation of India was established. Today, it is known by the abbreviation of ICICI something that you may be familiar with, but it exists you know rather different form today. Where has its historical origins were part of this

government laid push towards extending credit facilities and a suitable financial environment with the private sector to thrive.

So, the 1950s and the early part of the 1960s therefore, represents a political, economic, social and also cultural continue as far as certain policies are concerned. There were different versions of economic development that existed in the Indian ecosystem today. (Refer Slide Time: 30:54)



Visions of Economic Development

- **“Nehruvian Consensus”**: Relates to aspects of Planning & Centralisation of economic processes
 - “Temples of Modern India”
 - Scientific & Research Independence: Laboratories
 - Higher education on Technology & Science
- **Sardar Patel**: Advocated liberal economic environment; more scope for the private sector

And this is the theme that we will continue to discuss during the course of our next lecture in this online course, but just to introduce it briefly as part of this lecture. Visions of economic development, such as, the Nehruvian Consensus as it existed in the decades of the 1950s and early part of the 1960s relates to certain aspects of planning and centralization of economic processes.

As part of this planning and centralization of economic processes with a view to solve complex problems of Indian growth and development, there were certain features that became exclusive symbols of the government policies relating to planning and centralization. So, the Nehruvian Consensus relating to aspects of economic control and organization then extended to the temples of modern India as well.

The temples of modern India is a phrase something that you may be familiar with, as part of your history courses elsewhere refer to the modern architectural symbols of the countries growth and development. So, modern temples of India would comprise the

development of big hydroelectric dams or also the setting up of critical institutions of higher learning and data collection or devoted to solving the country's economic problems.

So, the new modern temples of a modern India were exclusively institutions of learning or certain critical services that could make Indian society more equitable just and stable. This era was also informed by a scientific attitude towards problem solving and the general way of nationalism after independence which continued in successive years also found itself as responsible in setting up these institutions of learning, research and scientific development.

So, a critical element then of these visions of economic development that guided India's business history in this period also was related to scientific and research independence. As we have discussed, in the case of big businesses in the early part of the 20th century where leaders like the Tata's and Birla's devoted a part of their earnings towards learning and securing a place in the scientific and research infrastructure, because they felt that science and research was critical towards greater business opportunities.

Something similar also happened post-independence, where the Indian states desire to be self-sufficient in scientific and research capabilities in order to prosecute its plans for greater industrialization came in the form of setting up important laboratories across the country.

These laboratories became important national symbols of self-reliance an India's desire to be free from the clutches of the western world as far as technology transfers are concerned. So, scientific and research independence as seen in the coming of different research laboratories was seen as nationalists' symbol of the countries desire to be a leader in scientific achievements and break throughs with the primary aim of solving the countries own domestic economic problems.

As part of this scientific and research independence for India, higher education on technology and science was also a dominant element. And as part of this governmental focus on extending critical and cutting-edge knowledge relating to science and technology was witnessed in the formation of higher institutes of learning such as the Indian institutes of technology that played and do play a critical role in securing trained generations of students who could devote their knowledge towards the greater development of the country.

So, then visions of economic development were no longer visions of sustained economic growth or the desire to see a higher national income. This was a more comprehensive plan to see the country developed in all the critical sectors so, as to secure maximum benefit to the Indian people. This represented an effort of the Indian government to reverse that the (Refer Time: 34:55) effects of centuries or colonial rule that made Indian people and Indian economy and business impoverished.

So, the greater push by the government on heavy industrialization and on scientific and research independence and to develop certain critical industries such as the railways and higher education sectors was seen as a prominent symbol for securing self-reliance in these sectors.

In addition to the Nehruvian Consensus, you also have certain important individuals within the government and outside the government who also played the critical role in the management of India's economy. And as we will continue this discussion in the next lecture it is now important to remember the contributions of leaders like Sardar Patel, who also advocated a liberal economic environment in this period and advocated for more scope for the private sector in its responsibility to revive India's economic and business landscape in this period.

These ideas operated in a political context and an economic context. So, when we talk a vision of economic development that inspired different leaders in India in this period, you have different individuals, groups of individuals, different political parties that were publicizing their own ideas of what an ideal economic scenario would be for India.

So, the decades of the 50s and early part of 60s represents the intermingling of different ideas as they existed in this context during this period. By the mid-1960s there was a definite passing of the Nehruvian era; so, 1964 upon the death of India's first prime minister Mister Jawaharlal Nehru. you see Mister Lal Bahadur Shastri as his successor. (Refer Slide Time: 36:39)

Passing of the Nehruvian Era

- **1964:** Mr Lal Bahadur Shastri new PM
- **Mid-1960s:** “Green Revolution”: Gradual move towards food security
- **1962, 1965:** Wars with China, Pakistan: International political situation is tense.
- **1966:** Lal Bahadur Shastri passes away

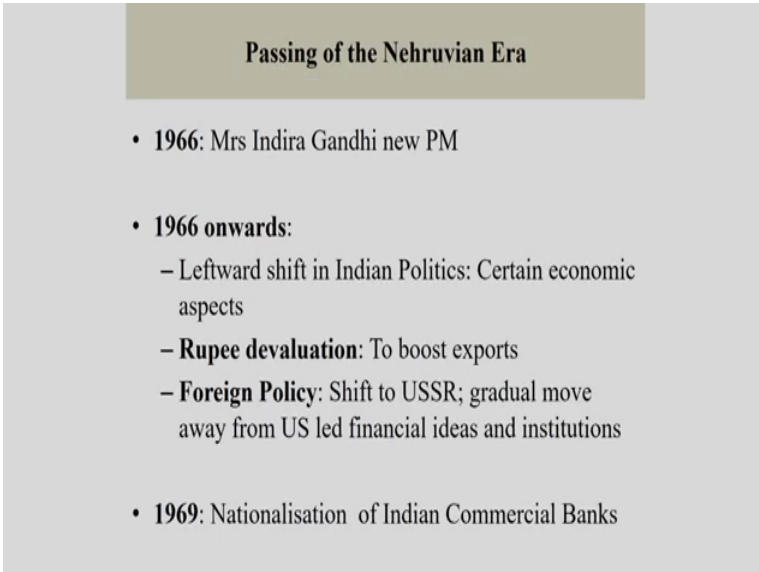
And, by the mid-1960s there is also the encouraging development of the Green Revolution which was the massive augmentation of the grain produced in the Indian state during this time as a result of the use of high yielding varieties of wheat and other crops. As part of the success of the green revolution witnessed in states like Punjab, parts of Haryana and central western in India there was a gradual move towards food security in this decade.

So, the 1960s represents a turning point as far as food security for Indians is concerned and by the late 60s and during the decades the 70s and also in the 80s India is able to stand firmly on principles of food security which was one of the aims that was enshrined early on in the post-independence policy ventures of that period.

While the Green Revolution is underway and there is also a generational shift in Indian politics with the coming of Jawaharlal Nehru’s successor. The years 1962 and 1965 were also internationally and politically very tense. These are the two years in which wars were fought with China and Pakistan, and the general international political situation extends because you have the wings of the cold war affecting global politics.

So, while there is domestic trivial of India’s economy and there is a modest achievement towards the target of food security the international political environment was very complicated. So, when we discuss the political situation and when we discuss India’s business history of this period, please remember the difficult international environment. In which Indian diplomats, Indian political leaders and Indian citizens from all walks of life

operated and strove hard to come up with visions for the country's development and also succeeded to an extent in implementing those visions. (Refer Slide Time: 38:52)



Passing of the Nehruvian Era

- **1966:** Mrs Indira Gandhi new PM
- **1966 onwards:**
 - Leftward shift in Indian Politics: Certain economic aspects
 - **Rupee devaluation:** To boost exports
 - **Foreign Policy:** Shift to USSR; gradual move away from US led financial ideas and institutions
- **1969:** Nationalisation of Indian Commercial Banks

In the year 1966, Lal Bahadur Shastri passes away and there is a next shift in Indian politics with the arrival of Misses Indira Gandhi as his successor. 1966 onwards marks a turning point in India's economic history because there is a perceptible lift for shift in Indian politics and also in certain aspects of the Indian economy and the commercial landscape. As part of this shift towards different kinds of economic processes and functions you also see the devaluation of the Indian currency and this is done with a view to boost exports.

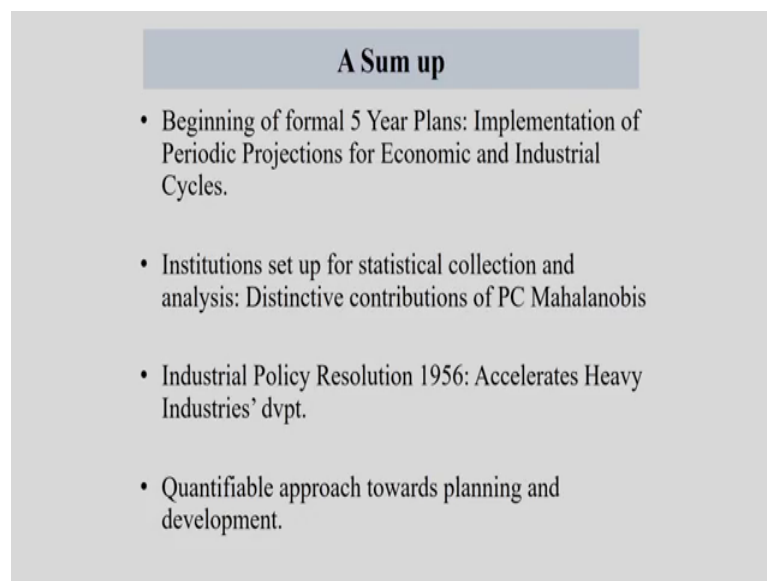
The third element as part of the next trend of Indian politics was also a shift towards while USSR and its policies on economic regulation and control. As I have already mentioned before in the previous lectures planning has an idea had international roots and a major source for planning as a tool to solve India's problems was also the soviet experiences in greater heavy industrialization to make soviet society more equitable and competitive with some of the advanced economies in the rest of the world.

So, the soviet influence as far as the Indian planning is concerned was decisive. And while there was a shift towards soviet systems of economic thought and practice there was also a gradual move away from US laid financial ideas and institutions. As part of the general ecosystem of planning that gave a degree of scientific and research independence to India and also made India closer to the target of food security. It was widely felt in different sectors including governmental and nongovernmental and other sectors in formal seats of

learning and by other policy advocates that the ideas represented by the Soviet Union and the experiences that it had with tackling economic poverty were more apt for this decade.

So, the context of international politics during this period favored one set of economic ideas as a post of the other. In the year 1969 as part of the decade of the 60s there was also large-scale nationalization of Indian commercial banks. So, they shift towards a different kind of economic industrial and manufacturing policy was perceptible in certain economic illustrations of this period which I have just outlined.

And some of the prime examples that signaled shift in Indian politics and also signal to shift in India's economic discourse and economic vocabulary were instances like rupee devaluation and changes in India's foreign policy and also the nationalization of Indian commercial banks. Because we dealing with India's business history we will deal with examples primarily of economic importance, but please remember that the domestic and international context of this period also made available certain choices that were found more favorable has oppose to the other. (Refer Slide Time: 41:54)



A Sum up

- Beginning of formal 5 Year Plans: Implementation of Periodic Projections for Economic and Industrial Cycles.
- Institutions set up for statistical collection and analysis: Distinctive contributions of PC Mahalanobis
- Industrial Policy Resolution 1956: Accelerates Heavy Industries' dvpt.
- Quantifiable approach towards planning and development.

To offer you a brief summary of what we have discussed today. First, the decades of the 50s and also the 60s represents the beginning of formal 5-year plans. There was implementation of periodic projections for economic and industrial cycles.

So, the policy interventions that were made in pieces like the Industrial Policy Resolution of 1948 and also the Industries Act of 1956 were given a more official and organizational basis with the setting up of the planning commission in 1951. With the establishment of

the planning commission in 1951 the organization became formally interested with the drafting of the 5-year plans and depending on the political and international context of the times as I have just outlined. Different 5-year plans became foundational plans to understand the history of that period.

So, while the first 5-year plan gave focus on agricultural in response to the criticism of that the second 5-year plan shifted its focus to heavy industrialization. This focus on industrialization was also complemented by certain other governmental moves. So, the Industrial Policy Resolution of 1956 also gave a firm basis towards securing self-sufficiency for the Indian state as far as developing critical an industry is concerned.

While there was a push for heavy industrialization it should not be taken to mean as the gradual erosion to of the private sector. The private sector in India although small in this period also had definite roles and responsibilities as far as business economy and commercial operations are concerned. And, with a view to faster the growth of the private sector the government in the 1950s also extended certain credit facilities such as the investment cooperation that we have spoken about in this lecture.

So, the three-fold agenda of the Industrial Policy Resolution of 1956 for instance represented a significant break from the past where the government or the post-independence government of India decided to implement form a measure in order to represent a dedicated push towards heavier industrialization with a view to self-reliance in certain critical sectors.

Secondly, and significantly in the decade of the 50s and later institutions was setup for statistical collection survey and analysis and in this sector the distinctive contributions of individuals like P C Mahalanobis are noteworthy. The establishment of the planning commission and the drafting of the second 5-year plan for instance were the exclusive responsibility of people like P C Mahalanobis and as an international consultations and contacts with different stakeholders in global universities tin tanks and governmental circles gave him a wealth of experience to act upon as far as solving some of India's key economic and development problems are concerned.

So, while P C Mahalanobis was a fine economic intellectual of these times, he was also a credible institution builder in this period. His role and responsibility and his efforts in setting up institutions for statistical collaboration and analysis helped establish a critical

data infrastructure in India which could be used to address the problems of Indian citizenry in this period. These were institutes setup in India, but they enjoyed of find international reputation also because of the rigor and exactness of the research and research methods carried out within these institutions.

In the third important element of this lecture has been the examination of the Industrial Policy Resolution of 1956. The prime aim of the Industrial Policy Resolution of 1956 was to accelerate the development of heavy industries in India, because it was felt that the rapid development of heavy industrialization would help in the further acceleration of the industries associated with those industries. Certain other significant feature of the Industrial Policy Resolution of 1956 was the focus on the regional development.

So, industries or public sector undertakings like the railways were doing debate to connect the country from one point to the other not just to transport people, but also facilitate greater economic and industrialization of the country.

As part of the philosophical aims of the Industrial Policy Resolution of 1956 which is also the year of the second 5-year plan. You see the gradual dissemination of ideas that were critical in the establishment or envisioning of a socialistic pattern of society across the India. This was a critical moment in the coming together of different practitioners of public policy political leaders, leaders from the business communities and also stakeholders in wide sectors related to economics and development to come together and articulate a new vision for a new country.

As a result of the beginning of formal 5-year plans through the establishment of the planning commission which was shared by Jawaharlal Nehru who was India's first prime minister. And, as a result of the general institutionalization of economic practices in thought a theme that you will continue today discuss in other lectures. And as part of the general policy environment that favored heavy industrialization and the development of certain critical industries to redress the imbalance in regional disparity as a result of centuries of colonial rule.

You see the development gradual and study of a quantifiable approach towards planning and development. So, the decades of the 50s and the 60s and successive years in India's business history as we will discuss in the future course of our lectures were marked by this rational scientific and a set of quantifiable policies that could be implemented to address

critical problems that yield Indian economy, Indian industries with a view to make Indian society more just equitable and to render as I have mentioned before critical financial economic and social services to its citizens.

So, the decade of the 50s and 60s therefore, represents a political decade, a practical decade and also an economic decade in which different stakeholders came together and use that ideas the insights and experiences to draft plans for economic reorganization. These people came together to set up a new institution to gather data that could be used to address specifically Indian problems relating to growth and development.

And these different stakeholders also came together to produce significant policy ventures or policy interventions like the Industrial Policy Resolution of 1956 that could give a firm organizational push to redress the imbalances in regional disparity and also reduce the gap between the haves and the have nots in the country during this period.

As a result of the coming together of different stakeholders you see the germination of different kinds of ideas or visions for economic development as we have discussed briefly today and as part of that ecosystem which fostered the development of different kinds of economic visions you see a general trend of a quantifiable approach towards planning and development. (Refer Slide Time: 49:54)

In the Next Lecture

- **Lecture 15:**
- **Global Currents of Economic Thought and India, 1947-1960s.**

In the next lecture which is called the global currents of economic thought in India from 1947 to 1960s. We will recapitulate some of the themes that we have discussed in lecture

13 and 14 and we will carry forward those ideas towards a more intellectual discussion of what these policies have meant for the general nature of India's economy and business.

We will have a more intellectual examination of the ideas related to planning growth and development and we will use certain historical illustrations to make those concepts more comprehensible and to move forward in chronological of Indian business history.

Thank you.