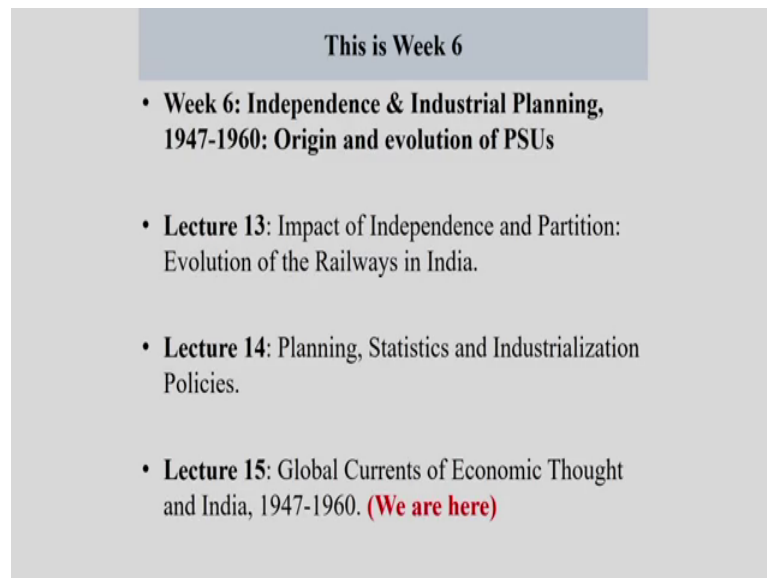


Indian Business History
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Lecture – 15
Global Currents of Economic Thought and India, 1947-1960

Hello and welcome back to Indian Business History. I am Doctor Vipul Dutta and this is going to be lecture number 15. The title of this lecture is "Global Currents of Economic Thought and India" and the time period roughly will be 1947 till about 1960. (Refer Slide Time: 00:49)



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.
- **Lecture 15:** Global Currents of Economic Thought and India, 1947-1960. **(We are here)**

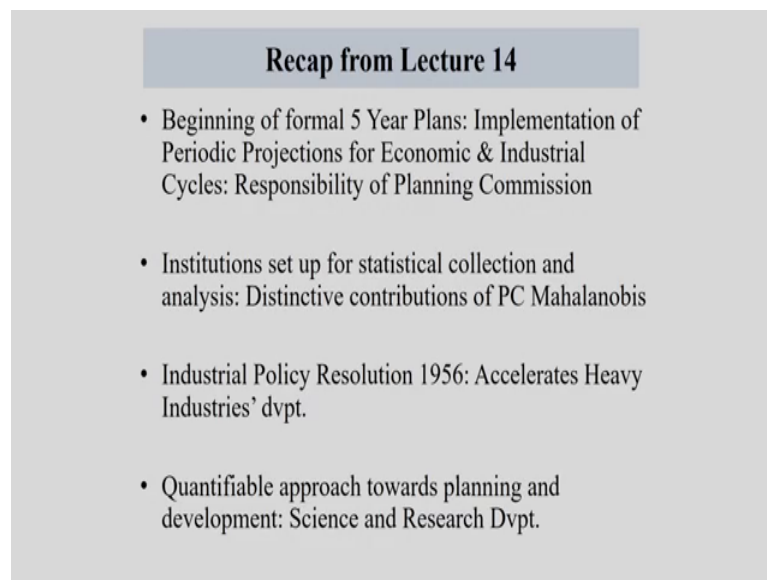
This is ongoing discussions relating to week 6 of this online course. The running theme of week 6 as you all know is independence and industrial planning from 1947 to 1960. And while we are discussing and assessing the impact of independence on Indian businesses and Indian economy.

We will also try and think and analyze the origin and evolution of certain public sector undertakings of PSUs. Week 6 consisted of three lectures. So, lecture 13 was about the impact of independence and partition and we discussed it alongside a brief analysis of the evolution of the railways in India. Then after that we came to lecture 14 which was an examination of planning statistics and industrialization policies in India and lecture 15 which is the present lecture is going to be a more analytical discussion of the global

currents of economic thought and how they have impacted India since independence till the decades of the sixties.

Just to give you a brief recap from lecture 14 because some of the themes that we discussed in lecture 14 will play a critical role in this present lecture. So, some of the concepts and events or historical milestones that we covered in the previous lecture will continue to be discussed more analytically in this lecture.

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A slide titled "Recap from Lecture 14" with a light blue header. The slide contains a bulleted list of four key points from the lecture.

- Beginning of formal 5 Year Plans: Implementation of Periodic Projections for Economic & Industrial Cycles: Responsibility of Planning Commission
- 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: Science and Research Dvpt.

The first point that is of importance or the most significant takeaway from lecture 14 was the fact that we started charting the beginning of formal 5 year plans. These 5 year plans represented the implementation of periodic projections for economic and industrial cycles, a thought and a trend that have been discussed not just after independence, but also had origins dating back to the pre independence years.

The formal responsibilities we also discussed in drafting those 5 year plans and overseeing or monitoring their progress was given to the planning commission a body that itself was constituted after independence in the year 1951. It was chaired by India's first prime minister Pandit Jawaharlal Nehru.

The second important takeaway from lecture 14 was that we also discussed institutions that were set up specifically for statistical collection and the analysis. These institutions became repositories of important data and metrics about India's growth and developmental

story and these institutions came to be the nodal agencies to try and use that data, conduct research in order to arrive at solutions for some of the pressing problems for India's economy and development.

In this context the distinctive contributions of mister PC Mahalanobis and other intellectuals is remarkable and quite significant. So, one of the characteristic periods of the post-independence history of India's economy is concerned is the coming together of not just finest intellectual minds who devoted themselves towards cutting edge research in economics. But they also came across as marvelous institution builders who could make available a landscape for the serious research relating to economics and try and come up with answers and solutions that could alleviate poverty and also put India more firmly on the path of progress.

Apart from the formal inauguration of planning methods and the institutional basis given to that idea through individuals and different kind of institutions that are coming up in this period. We also discussed the industrial policy resolution of 1956. This resolution alongside the aims and responsibilities and scope of the planning commission was also responsible for the acceleration of heavy industrialization in India.

The 3-fold division of industries that we spoke about in the previous lecture which reserved the access of the state to the management and organization of these industries, while not ignoring the scope and responsibilities of the private sector, laid a more firm basis for the organization, mobilization and reorganization of the industrial landscape of India after independence.

So, the industrial policy resolution of 1956 acted in parallel with the roles and responsibilities of the planning commission and its singular contribution towards the implementation of periodic projections such as the 5 year plans. So, different policy interventions, different governmental directives were acting in unison to try and provide some manner of self-sufficiency as far as Indian industry and Indian economy is concerned in the years after 1947.

Lastly, and as a result of what we discussed in lecture 14 whether it was planning or specific governmental policies being enacted in support of planning. We also came to understand that the years after independence were known for the emergence of a quantifiable approach towards planning and development. This was visible not just in the

sphere of heavy industrialization or in the sphere of the private sector in India after 1947. This was also witnessed in areas such as science and research development.

So, the establishment of higher research institutes that could impart training in advanced science and technology or the establishment of different laboratories across the country that could impart a degree of scientific and technical independence to Indian scientists from the clutches of foreign laboratories or foreign lobbies was a distinctive step in this period.

Before moving on with lecture 15 I want to give a small reminder about the books that you can read in order to substantiate your knowledge and take this course more comprehensively. (Refer Slide Time: 06:59)

A Brief Bibliography for this Course

- D. Tripathi and J. Jumani, *The Concise Oxford history of Indian business* (OUP: 2007)
- Medha Kudaisya (ed) *The Oxford India anthology of business history* (Oxford University Press: 2011)
- Gita Piramal, *Business Maharajas* (Penguin: 1996)
- Atul Kohli, *Democracy and development in India: from socialism to pro-business* (OUP: 2010)

So, in the beginning of this course I had outlined a few books that you could lay your hands on and consult them or refer to them while these lectures are going on. So, just as a reminder a few books that you could consult from your nearest library or from other sources are the following. The first book that is going to be extremely helpful for you to understand the elements of this course will be the concise Oxford history of Indian business; this is authored by D Tripathi and J Jumani.

The second book the Oxford India anthology of business history authored by and edited by Medha Kudaisya are two volumes that could give you a firm and lucid basis to understand the different debates, trends and factors that have driven India's business

history forward. Apart from these two books another popular book that you may already be aware of is business Maharajas authored by Gita Piramal.

If you are interested in understanding or reading more about specific biographical details or some of some of the prominent business leaders in the Indian subcontinent in the last hundred years or so then this book will be helpful for you. Atul Kohli democracy and development in India from socialism to pro-business also offers an analytical account of the transitions that have taken place as far as India's business history is concerned. (Refer Slide Time: 08:36)

A Brief Bibliography for this Course

- **Douglas Haynes**, *Small Town Capitalism in Western India: Artisans, Merchants and the Making of the Informal Economy* (CUP: 2012)
- **Claude Markovits**, *Merchants, traders, entrepreneurs: Indian business in the colonial era* (Palgrave Macmillan: 2008)
- **Aparajith Ramnath**, *The Birth of an Indian Profession: Engineers, Industry, and the State, 1900-1947* (OUP: 2017)

Apart from those if you are interested in having a more historical basis for your understanding and to trace the historical roots of India's contemporary business practices. Then you can also have a look at the book authored by Douglas Haynes and this is titled small town capitalism in western India artisans, merchants and the making of the informal economy.

Continuing with our theme of Indian business history and if you are fascinated by the earlier part of India's business landscape and how it makes available a context to understand some of the present dynamics in the field. Then Claude Markovits book titled merchants, traders, entrepreneurs Indian business in the colonial era will also be helpful. If you are interested in the twentieth century history of the development of different professions and how they have played a critical role in the consolidation of different kinds of businesses economic and commercial activities. Then the book by Aparajith Ramnath

called the birth of an Indian profession engineers industry and the state from 1900 to 1947 is also an interesting read.

So, this was just a reminder to tell you that there are different sources that you can use in order to chart the passing debates, structures and factors that lie at the basis of what Indian business history is all about. For lecture 15 there will be a threefold focus for this lecture or there will be three prominent themes that we will discuss as part of this lecture.

And the themes that we discuss in this lecture will be a continuum from what we have discussed in the previous lecture and the themes discussed in lecture 15 will provide us the basis to move our story forward into the decades of the sixties and seventies as we go along different lectures in this online course. So, lecture 15 for that matter forms an interesting bridge between the concepts that we have discussed so, far and it will give you a glimpse of what is to come in the future course of lectures. (Refer Slide Time: 10:28)

Focus Themes for this Lecture 15

- Institutional basis for Planning and Development in India.
- International & National ideas for Indian Planning Systems.
- Critics of Planning as an Idea for Indian Development: Visions of Economic Dvpt

So, the focused themes for this lecture are three. The first focus or the first theme will be our examination of the institutional basis for planning and development in India. Some of it has already been discussed in the course of past lectures, but today I will offer a more analytical view as far as discussing the institutional basis for planning is concerned after independence. Secondly, we will also discuss the international and national ideas for Indian planning systems.

So, we will look at the ecosystem that developed after the years of the independence to try and see which ideas were victorious in driving the idea of planning forward and who were

the critiques associated with the planning of India's economy and business during this period.

So, we will try and put this lecture into a more global context as far as the methods used to organize, reorganize economy or the methods used to reorganize businesses is concerned. The third and significantly one of the most important themes that we will also discuss as part of this lecture will be an examination of the critiques of planning as an idea for Indian development. We will try and assess the different visions that interplayed with each other as far as Indian economic development is concerned.

Our glimpse of this was already given in the previous lecture which is lecture 14; however, for present purposes and the purposes of this lecture we will take the story forward and chart out the exact institutional and individual visions of economic development that posed a challenge to the hegemony of planning as an idea in India after 1947. As we have already discussed in the previous lecture planning and development were two key buzzwords as far as the Indian economic and business vocabulary is concerned during this period. (Refer Slide Time: 12:29)

Planning & Development

- **1954:** "Socialistic pattern of society" set out by INC: Manifesto, governance
- **1954:** Mahalanobis visits US, Europe, USSR to draft 2nd 5 yr Plan
 - Expand the scope of Public sector
 - Develop basic heavy industries
 - Health & education
 - Housing
 - Curb unemployment

In the year 1954 the trope or the vision of a socialistic pattern of society was set out by the Indian national congress or the INC or the INC and the vision of establishing a socialistic pattern of society or undertaking measures that could unleash the forces which could make society more just an equal was also the shared vision of it is manifesto and also found it is presence in the formal corridors of governance in India after 1947.

So, the structures, trends, ideas, ideologies relating to the future reorganization of the Indian economy found it is presence not just in electoral politics, but also in the corridors of power, in the offices and in the thinking rooms were policy war was given form shape and was given a more practical basis as far as India's development is concerned.

While the idea of socialistic pattern of society was gaining ground in the Indian public space and in the Indian thinking space. In the same year, PC Mahalanobis who was credited with drafting India's second five-year plan and was also a renowned institution builder in India set out on his visits to the United States, to Europe, to erstwhile USSR to try and engage with different kinds of scholars. In order to gain a more globalized understanding of the complicated nature of the problem of development.

These visits were critical in his forming a global outlook as far as Indian problems are concerned. And his interactions, his communication and his rapport with institutions and individuals abroad contributed greatly to the development of his mind and the inputs that he gave towards the drafting of not just the second five-year plan. But also giving a more modern identity to the into India's planning regimen.

After the conclusion of his visits to different parts of the world and as a culmination of his interaction with different scholars and economists of international standing PC Mahalanobis drafted the second five-year plan with the following aims and priorities. The first priority as reflected in the second five-year plan was the expansion of the scope of the public sector.

So, there was now a great and steady focus that would be given to state actions as far as expanding the scope of the public sector is concerned. Secondly, the second five-year plan also advocated the development of basic heavy industries as rapidly as possible. The second feature is significant because as we discussed in the previous lecture this was seen

as the first step towards making India self-sufficient as far as certain industrial sectors are concerned.

Thirdly, there would also be focus given on the development of the health and education sectors in India and as part of this policy higher education receives a great Philip from the state. The fourth area of priority was housing so that the expanding population of India could be given a safe and reasonable means of accommodation. And the fifth and possibly one of the most important features of this period was that the state would now undertake measures and take steps in order to curb chronic unemployment.

So, as a result of his international introductions with economists and developmental specialist's PC Mahalanobis drafted the second five-year plan with a different list of priorities compared to the priorities of the first five-year plan. So, the second five-year plan can also be seen as a culmination of an international context or it could be seen as a document that absorbed critically some of the prevailing ideas relating to development and organization and adapt them to specifically Indian needs in order to arrive at solutions for some of the pressing Indian problems during this period.

While the second five-year plan was being drafted and discussions are ongoing for the drafting of the industrial policy resolution of 1956 which gave a more form organizational basis for rapid heavy industrialization. (Refer Slide Time: 17:09)

International Ideas for Indian Development: Institutes & Individuals

- 1954: Indian Statistical Institute asked to study the problem of unemployment.
- USA: Wassily Leontief (Input-Output Coefficients) to understand intersectoral dependencies in an economy.
- UK: Joan Robinson (Cambridge Economist) suggested govt control for export-import sector.

I want to take this opportunity to lay out a more global analytical context for the ideas relating to planning and development as far as India is concerned. So, this present section

will deal with a stock taking of some of the important international ideas for Indian development. And we will also see the kind of institutions and individuals who advocated those ideas and how far were those ideas taken into the official main mainstream policies of planning that emanated from the government during these years.

So, as far as institution basis is concerned 1951 witnesses the arrival of the planning commission which was given responsibility to draft the 5 year plans. In the year 1954, the ISI or the Indian Statistical Institute which was also founded by doctor PC Mahalanobis was asked to study the problem of unemployment. As part of his duties and responsibilities to draft the second 5 year plan and also as part of the institutional mandate given to the Indian statistical institute to find solutions for addressing the problem of unemployment PC Mahalanobis embarked on his international tour.

As we have discussed already this international tour and academic interactions with established scholars in different fields contributed towards a changed priority stand for the government as far as planning is concerned. This changed attitude found it itself being manifested in the changed priorities of the second 5-year plan. So, 1954 was a key year as far as reorienting the priorities of the Indian state is concerned relating to development and economy.

Internationally the ideas of planning were not just limited to the Soviet Union or Japan which had an early role to play in the drafting of planning as an idea in the years before Indian independence. There were also specific international episodes individuals and scholars who had toyed with the idea of planning and had adapted them to their local, regional and global realities.

So, as an illustration and during the course of PC Mahalanobis interactions with different scholars around the world one of the key names that comes to mind is that of Wassily Leontief his contributions in research relating to input and output coefficients was critical to understand the inter sectoral dependencies in an economy. The path breaking work done by Wassily Leontief who posed a future Nobel laureate laid the basis for planning in socialist countries in the mid-20th century including India.

So, PC Mahalanobis is international interactions with scholars including Leontief and his deep understanding of input output coefficients and the role they can play in organizing

socialist economies to address problems of poverty and unemployment were the key feature of the intellectual landscape of planning in this period.

In addition to Leontief and the research is being carried out in America relating to economic reorganization and inter sectoral dependencies. PC Mahalanobis was also in touch with scholars like Joan Robinson who was based at Cambridge university and was suggested government control for the export import sector.

PC Mahalanobis is international interactions with scholars in America and the United Kingdom and elsewhere were critical in giving an official push for the idea that the state should take a more active role in guiding the economic commercial business affairs of a country which is late to industrialization or which might have attained independence from colonial rule relatively later as compared to other parts of the world.

So, by itself these ideas were not solely responsible for giving a more official basis to planning in India, but the international ecosystem in which Indian technocrats, Indian intellectuals and Indian leaders worked during this time gave primacy to certain ideas over another.

So, the international interactions of scholars like PC Mahalanobis may have given him critical insights into the global definitions of what planning and development means, but they also necessarily had to be adapted to the pressing needs and urgencies of Indian conditions. In addition to the United States and the United Kingdom there were also influences felt from French Marxist intellectuals in this period.

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International Ideas for Indian Development: Institutes & Individuals

- France: French Marxist intellectuals
- Eastern Europe/ USSR: Indian dvpt tied to greater technological assistance from established economies.
- Institutional Base for fostering an ecosystem for Planning: Indian Statistical Institute, Mahalanobis

And in addition to France the prominent examples of the soviet economy or the economies in Eastern Europe and their experiences in trying to harness their resources towards the greater economic processes in their own countries was a significant feature that was taken into account when specifically, Indian policies relating to planning and development were being drafted after the independence.

In his interactions with soviet intellectuals and soviet economists it was felt that there was a greater need for Indian development to be tied to greater technological assistance from established economies. So, just as the national planning committee of 1938 which was set up by the Indian National Congress or the INC foresaw the development or coming together of technical minds in order to solve the pressing problems of India's economy.

After independence a similar sentiment was felt whereby a more international exchange of opinions and technical knowledge was deemed necessary in order to give a boost to the Indian developmental story. These interactions culminated in the setting up of nuclear power plants in India with considerable overseas help. This also manifested in the development of steel plants or heavy industries with considerable technological help taken from countries like Germany, the UK and also the Soviet Union.

So, the practical basis towards a greater international and technological assistance that India received from international arena was seen in the development of certain heavy

industries which contributed greatly towards India becoming a self-reliant power as far as certain industrial sectors is concerned.

So, the institution base for fostering an ecosystem of planning was not just the planning commission or the government of India or the government of different Indian states or just bureaucrats, but it was also boosted significantly by academic and research led institutions in India such as the Indian statistical institute which was founded by PC Mahalanobis.

So, individuals and institutions came together in a constructive manner to try and make sense of the complexities that affected the India's economy, commerce, trade and business. And in order to solve those chronic problems including the problem of unemployment and the problem of being dependent on advanced economies for critical goods and services was the driving point to arrive at innovative out of the box solutions to make India a more self-sufficient country in the years immediately after 1947.

The fostering of an ecological system or an ecosystem whereby international ideas could be taken constructively and adapted to Indian needs was played specifically by Indian leaders and Indian intellectuals and the nodal authority and the institutional basis given to those international exchanges and the transformation of ideas into formal policy practice was played by institutions such as the Indian Statistical Institute.

So, in a very short period of time institutions and individuals came together. They came up with innovative ideas to transform the India's economic landscape. And in the short period in which institutions and individuals came together to discuss some pressing problems. You also see them constructively engage with practitioner's bureaucrats and leaders of other parts of the world who were also dealing with similar problems in their own national, regional and global experiences.

So, while Indian leaders and Indian intellectuals were poring over the problems of the Indian economy and Indian business to arrive at solutions to make it more resilient and to put India on a path towards greater prosperity and progress. They were also in touch with international experts and policy experts who were dealing with their own local and regional experiences with development.

So, this international exchange contributed towards the development of a context in which planning did not remain an abstract idea, but acquired a more practical basis as a solution

to organized state based economies on a more productive basis. There were also historical precedents for planning. So, when we assess the growth and development of planning as an idea for India's economy and business in the years after 1947.

We are not just looking at India specific actions although specific policy features of the governments of India after 1947 we also have to necessarily take into account an international context in which different countries of the world ranging from the United States to the Soviet Union undertook steps in which the state was given a more active role in trying to organize their economy or certain aspects of their economy.

So, the post-independence economic history of India or the post-independence business history of India is therefore, a more international stock taking of the ways in which different countries of the world experience the complexities of their economic conundrums and the steps they took in order to address those resentments and the complexities of their specific regional or state based economies.

So, just as India was charting on its 5 year plans in order to project cycles of economic and industrial growth which could be assessed against perceived or actual outcomes in order to plan most successfully for the Indian economy ahead. Certain similar steps were also being taken by other countries in this spirit arising out of the complex nature of their own problems.

So, the years of the mid twentieth century are therefore, the years in which the state authority starts taking a more active or critical interest in questions of economy and questions of economic control and mobilization. (Refer Slide Time: 28:40)

Precedents for Planning

- US govt's intervention during the 1929 Depression
- Keynesian Economics: Increased govt expenditure, low taxes to revive demand and mitigate downturns.
- State Intervention Global Contexts: UK (1945), USSR, China
- State role in controlling "Commanding Heights": Global paradigms of the mid-20th century.

One of the foremost examples in the 20th century where the state or the government was finding itself being compelled to take more responsible actions relating to the economy comes from the United States. So, the US government's intervention during the 1929 depression was largely seen as the invocation of greater state authority to try and address the critical problems of a downturn or a depression in the economy.

Secondly, and as a result of the US governments intervention in the early part of the twentieth century to try and mitigate the effects of the US depression which had global ramifications you also see the emergence of Keynesian economics. You may already be familiar with this term, but for those who are not a brief introduction to Keynesian economics is basically the idea that increased of mental expenditure and low taxation regimes are responsible in reviving demand and mitigating downturns.

So, the actions and policies that were followed by the United States in order to mitigate the international ramifications and also critically the domestic ramifications of this depression starting from 1929 onwards made a vast section of economists and policy experts realize that increased governmental expenditure on different kinds of activities and a subsequent push for lower taxation regimes can play a healthy and constructive role in reviving demand and avoiding the risk of future downturns or more future and most severe cycles of economic recession or depressions.

So, the emergence of a whole new discipline within economics which advocated a more prominent role to state authority and state led actions tied itself to the idea of planning,

development or to the sentiment that this state could play a prominent role as far as economic organization and reorganization is concerned.

State intervention therefore, is not just a specifically Indian aspect, but as we have just discussed certain glimpses of it can also be noticed in the American experience of 1929. And also it could be witnessed in the specific national experiences of the ways in which the UK tried to take a more active role in the reorganization of its economy after the end of the second world war whereby the state took control of certain economic aspects in order to make the state a more viable economic entity.

The soviet experience is familiar to Indian policymakers from the years of independence and also in the leading up to Indian independence. So, the soviet model of economic planning and development and the control that the state exercised over critical areas of industrial production and manufacturing was seen as one of the foremost examples that could be adapted to Indian needs. And could also play a constructive role in addressing specifically Indian problems of production, retail, imports and exports.

Chinese experiences of state control and the exercise of state authority towards industrial manufacturing and production was also seen as an international spectacle that gave enough proof of this global sentiment that advocated a more prominent role to the state as far as organizing and reorganizing economic activities of this period are concerned.

So, the state role in controlling the commanding heights or the global paradigms of the mid twentieth century which gave a specific push for the state to take a more active interest in guiding the economic, commercial and industrial affairs of their respective countries was a prominent sentiment and an ideological trend in the mid-20th century years as far as the business and economic history of the world is concerned.

So, when we discuss Indian methods relating to planning or development, when we discuss specific industrial policy resolutions relating to planning we have to necessarily take into account that these Indian steps took place consciously or unconsciously. In an otherwise international context in which different countries were dealing with their own regional and national experiences through which the role of the state came out clearly. Whether it was called planning or reorganization or the informal phrase of commanding heights being

occupied by the state the story was more or less similar with debt with certain regional and global variations depending on a case to case basis and the country concerned.

But the opening to mid twentieth century years of the world were responsible in forming an international context in which ideas of planning and organizing the economy through mainly state led efforts was something that gave a push to specifically Indian definitions of what planning could mean for India's growth and development. So, the context of planning in India is often more historical and often more international than we realize.

As we have discussed in the previous lecture when we examined specifically the case of India's economy in business, it was an ecosystem that was dynamic and played host to a wide variety of ideas institutions and opinions that shaped over shaping the future course of India's economic and business landscape.

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Visions of Economic Development

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

One of the foremost visions or ideologies that guided the affairs as far as the economy and business is concerned in India was the Nehruvian Consensus and the Nehruvian Consensus on planning and centralization of economic processes had four main elements to it.

The first important element was that progress could be defined through the erection of the temples of modern India. These temples of modern India were essentially heavy industries

or dams or institutes of higher education and cutting edge research that could give India a certain degree of self-sufficiency as far as critical sectors of the industry is concerned.

The second element of the Nehruvian Consensus was scientific and research independence. So, the emergence of different laboratories universities and intellectual spaces devoted towards solving India's critical economic and commercial problems was seen as a national symbol of making the country self-reliant as far as certain sectors are concerned.

The third element of the Nehruvian Consensus as far as the economy education and research is concerned was the emergence of higher education institutes on technology and science. These institutes were seen as sources through which future generations of trained professionals could be replicated in India and who could be used to devote their knowledge and minds towards greater Indian progress and prosperity. Of course, Nehruvian Consensus as we have adequately discussed today was shaped by international currents of the time.

So, developmental experiences of countries like the United States first while Soviet Union, China and the United Kingdom and so on and their specific post second world war period managing the complex problems of their own economy gave Indian experiences a definite international push or a context where by Indian ideas relating to planning and development could be assessed by different stakeholders in a more critical and productive manner. In addition to the Nehruvian consensus you also had leaders within the government of India who also advocated certain ideas for economic reorganization.

So, Sardar Patel for instance advocated a more liberal economic environment and pushed for more scope for the private sector this was visible in the policy proposals of the industry policy resolution of 1956 for instance where certain industries were reserved for exclusive management by the state. But the role of the private sector was also kept open because it was seen as a sector that could do its part and trying to shore up the Indian economy after independence. So, the Indian political landscape or the Indian ecosystem as far as growth and planning is concerned becomes a microcosm of what the international public space as far as growth and development is concerned and what it looked like.

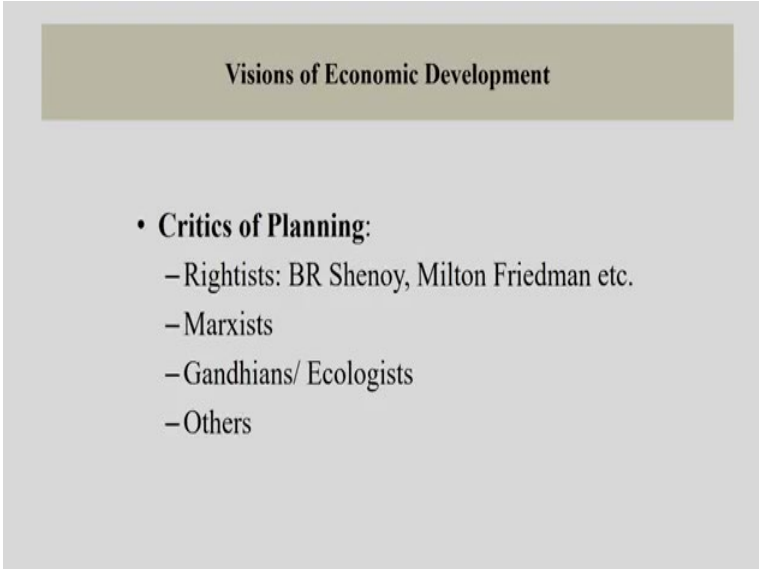
So, the Indian ecosystem of diverse ideas which competed against each other for influence that spectacle was part of a global continuum of ideas and debates on what precisely

constituted growth and development and what could be the role of entities such as the state or the private sector in addressing some of the problems in global economies.

As far as wishes of economic development is concerned and the ecosystem in which ideas of growth and planning were discussed debated and pored over in addition to the Nehruvian Consensus you also had certain important critiques of planning that were advocated by institutions and individuals within India and abroad.

So, the years after 1947 which is informally regarded as marked by a Nehruvian Consensus on scientific and research independence on growth and planning was not happening in a vacuum. As you already know there was a dynamic ecosystem in place in India and across the world their specific national experiences contributed towards the development of specific national stories and the coming together of those national stories contributed towards the making of an international discourse that was vibrant and always bubbling with activities as far as addressing problems of growth and planning is concerned.

One aspect of that international environment or the domestic environment for that matter which made possible a culture of public discussion of the ideas relating to growth and development was the articulation of sets of ideas that posed a challenge to the dominant hegemony of the idea of planning itself. (Refer Slide Time: 39:49)



Visions of Economic Development

- **Critics of Planning:**
 - Rightists: BR Shenoy, Milton Friedman etc.
 - Marxists
 - Gandhians/ Ecologists
 - Others

So, as far as the Indian condition and Indian examples are concerned there were a few critiques of planning as an idea also and the first band of critiques or the first tradition that aligned itself in opposition to the idea of planning were the rightists or intellectuals or

thinkers who advocated certain different principles as far as organizing Indian economy is concerned.

A few prominent examples of these critiques were BR Shenoy and Milton Friedman they advocated certain different principles and rallying ideas that could organize Indian economy in a far more better and critical way. The second tradition of criticism or critique of the idea of planning was advocated by Marxists or Marxist intellectuals during this period and we will discuss their features in greater detail in a short while.

The third tradition of a challenge posed to the hegemony of planning or a challenge to the Nehruvian Consensus as far as growth and development is concerned came from the Gandhians scholars or the ecologists who had their own specific points of interest relating to the India's growth and development story. And who articulated their position in opposition to the dominant ideas principles and sentiments arising out of this architecture or landscape of planning and development in India after independence.

And of course, in addition to the above critiques there were certain other scholars who advocated their own policy principles and their own specific ideas relating to how the Indian economy could be organized.

So, in the year 1954 when PC Mahalanobis embarked on his international tour in order to consult the international economist and developmental specialists to try and gain insights into how the Indian national experience could be enriched by what other countries were doing in the similar period.

One critical aspect of those international consultations or the formation of an ecosystem relating to Indian growth and planning was its involvement with ideas that did not necessarily agree with the ideas of planning and growth as they were taking shape in this period.

So, one aspect of the post-independence experience were the economic organization and mobilization was; obviously, planning and the formal methods that were inaugurated to give a more organizational basis to planning. The other significant aspect of that Indian experience after 1947 was the ways in which criticism towards those methods were heard or taken account of.

So, the years after 1947 also witnesses the articulation of specific critiques against planning and the development of an alternative ecosystem which through its opposition to planning also could shape and did shape the existing debates on Indian growth and development. (Refer Slide Time: 42:59)

Alternative Visions of Economic Development, 1950s, 1960s

- Critics of Planning Cycles: Too grand and ambitious, Funding?; Risk of Inflation and Huge Deficits.
- Too little energy, capital invested into education, mobility & individual capabilities. Lopsided employment ratios.
- Another Criticism: Not enough attention on primary education & primary health infrastructure.

To continue with the theme of alternative visions of economic development in India the decades of the 1950s and 1960s is critical to examine the intellectual landscape in which different ideas competed for influence in order to leave their mark on the growing trajectory of Indian economic commercial and business operations.

The foremost critiques of planning cycles are the critiques of planning as an official or a general idea as far as reorganizing Indian economy is concerned focused their criticisms on the over ambitious and grandiose aims that planning envisioned for the Indian state after independence.

So, the critiques of planning cycles felt that the aims, priorities and the agendas of these periodic 5 year projections were too grand and over ambitious. So, they naturally would fall short of their actual outcomes. The second concern of these critiques was about funding. So, these periodic projections as far as industrialization and economic cycles are concerned necessitated heavy state expenditure on those plans even heavy industrialization would cost money.

So, one of the foremost concerns demonstrated by critiques of the planning cycles was the fact that it would cost a lot of expenditure on behalf of the state and the state would then

have to seriously investigate the sources of income that could be deployed in order to make the 5 year plans a practical reality. There were also risks of inflation and huge deficits associated with the sponsorship of these 5 year plans.

So, the critiques of the planning methods also remarked that greater funding through the state of these 5 year plans would result in the formation of a huge deficit and the consequence of those deficits would be felt in things like greater inflation that could affect different classes in the economy as far as India is concerned.

So, the economic reservations or the economic concerns put forward by the critiques of planning cycles were mainly in the realm of sponsorship and the nature and characteristics of the specific 5 year plans that were being put into place at this point. The second tradition of critique that articulated itself in opposition to planning ideas in India after independence were focused on the development or the lack of development as far as Indian human capital is concerned.

So, the human capital critiques as they came to be known formally and informally remarked that there was too little energy and too little capital being invested into sectors such as primary education mobility and individual capabilities. So, the critiques of planning or the second tradition of criticizing planning as a dominant idea for India's progress in the economy was focused on the element that the state needed to do more on investing in critical areas such as education in health in order to invest on it is citizens as a source of human capital.

So, apart from the state's efforts in accelerating heavy industrialization in order to reduce its dependence on advanced economies of the west in certain critical areas. There were also criticisms leveled against planning because it was ignoring certain other important areas such as education and labor mobility and individual capabilities that could also play a significant role as far as making India economically stable and just is concerned.

The human capital critiques also lamented over the lopsided employment ratios and they also offered specific plans in order to revive the rural landscape of industrial manufacturing and also advocated certain plans in order to make industrialization policies in the urban sectors more smarter and more value for money.

So, different kinds of critiques started to form themselves in opposition to the aims, scope and nature of planning as an idea for the Indian economy and these ideas that were posing themselves as challenges to the gaps left by planning as an idea, but also becoming popular in certain quarters of the country. Another criticism against the idea of planning was its inability to devote enough attention on primary education and primary health infrastructure.

So, this was related to the human capital critique whereby it was felt that in addition to giving a steady focus on heavy industrialization the state also needed to do more on investing into primary education and primary healthcare because these were responsible in forming the building blocks of future economic and business growth.

In addition to the critiques of planning who were concerned about its sponsorship and the resulting consequences on inflation and deficits and in addition to the critiques who felt that not enough attention was being paid on primary education and primary health care. There were also Marxist critiques of planning who advocated an even greater involvement of the state in both public and private sector.

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Alternative Visions of Economic Development, 1950s, 1960s

- **Marxist Critics of Planning:** Advocated greater involvement of state in both public and pvt sector; extensive labour organisation, mobilisation.
- **Gandhian Critics:** Advocated focus on rural development, community development, cottage industries
- **Ecological Critics:** Criticised big dams and their impacts: environmental, displacement etc.

So, the Marxist intellectuals or leaders of Marxist political parties in India during this period advocated certain ideas which contributed towards the formation of ideologies that expected a more active role of the state in not just the functioning's of the public sector, but also envisioned the state taking a more active interest in the organization of private

sector economic contexts. Marxist critiques of planning also advocated an extensive labor organization and mobilization.

So, in the years after independence while forming methods of planning were being inaugurated those ideas also had to contend in an intellectual space where different ideas were beginning to crystallize in opposition to the hegemony whether individual or institutional of growth and planning. In addition to the Marxist critique of planning they were also Gandhian critiques who felt that they needed to be a greater focus on rural development and on community development in rural areas and who also advocated a greater state intervention in to sectors such as the cotton industries.

Because the vast majority of Indians lived in rural areas in the years after independence the Gandhian critiques of planning has an idea for India's economy felt that more could be done by the state or other entities to try to revive the scene of rural economies and more could be done to empower and safeguard the local interests in the rural sector, as part of safeguarding the rural economic and labor interests.

In rural India, it was felt that the cottage industry sector could be done or could be dealt in a more active manner by the state during this period. In addition to the Marxist critique and Gandhian critique there were also ecological critiques of planning and development in India after 1947 and the nature those strategies had taken after 1947.

So, the ecological critiques criticized primarily the big dams and their impacts. Big dams was one of the temples of modern India as Nehru would like to put it and the Nehruvian Consensus also laid a heavy emphasis on the development of these industries and dams which could be seen as markers of a modern India. But one of the foremost challenges to that idea of development in growth was posed by the ecological critiques who felt that there was significant, environmental and human costs associated with the erection of big dams in India.

So, these were some of the important traditions of critique and criticisms that made themselves available as far as Indian growth and Indian development is concerned. So, the system or the landscape in which ideas came together to crystallize formal or informal policies relating to India and India's development was complex.

It was a dynamic system informed not just by domestic still stakeholders in the political process, but that Indian ecosystem was shaped considerably by the international trends, debates and experiences of different countries during this period in dealing with the specific problems of their economy. This shared international experience of reforming and restructuring one's economy contributed greatly towards enriching in their own experience of managing the complexities of it is own economy during this period. (Refer Slide Time: 52:43)

A Sum up

- Wide and Shifting international context for Planning ideas to develop in India.
- Critical roles played by key institutions and individuals working together.
- Planning and Development in India: Not a uniform discourse; attracted criticism too.
- Ideational Ecosystem for Indian ideas of Planning: Dynamic system, Creative fusions, Mixed Outcomes.

I want to offer a brief summary of what has been discussed in this lecture. The first element that you have to keep in mind while discussing Indian economy and business during this period is that there is a wide and shifting international context for planning ideas to develop in India. This international context is visible both in the post and pre independence years of India's history.

So, while the national planning committee was the first institution pushed given towards thinking about an economic assessment of India's future growth. The year after independence were also remarkable in the way in which institutional and individual developments were witnessed in a very short space of time.

So, the coming up of the planning commission the drafting of industrial policy resolutions and different industrial acts that you have already read about in these lectures formed the first institutional post 1947 basis for the Indian state to embark on this adventurous journey to organize the Indian economy and the interests of the larger Indian public.

There was an international context to those actions. So, Indian experiences of planning are not just relevant for Indian stakeholders or Indian researchers in Indian intellectuals. India's attempts and experiences with managing the rigors and complexities of its own Indian economy merged perfectly with the developing international context in which almost every other country dealt with its own problems in its own unique way. The running theme of the mid twentieth century year as far as growth and development is concerned is the push given for a more active state intervention into economic commercial and business affairs.

So, Indian experiences with managing the economy after 1947 was part of a larger international context in which different national stories merge together to form a dynamic discourse on growth, development and economic organization. So, there is a widened and shifting international context for planning ideas to develop in India and that international context has to be kept in mind when we assess the history of this period.

Secondly, there were critical roles played by key institutions and individuals who were walking together in this period. So, people like PC Mahalanobis, in addition to his economic ideas and research associated with statistics and data contributed heavily in the

formation of public, intellectual and private spaces that could discuss the problems associated with India's economy and growth in a more productive manner.

So, a critical role was played by Indian institutions, Indian research institutions, Indian higher education institutions to try and arrive at different kinds of solutions to the pressing Indian problems of the day. The prevailing national sentiment in this period also contributed heavily towards the development of intellectual spaces that could use their talent and domestic human capital to arrive at innovative solutions for Indian problems and roadblocks.

So, one of the significant features of India's business history at this point is the coming up of different institutions led and managed by Indians themselves who could use their knowledge and their experiences to try and solve India's problems and make the task of the government easier in fulfilling its constitutional, social and political promises to the citizen way.

The third significant element that we have discussed today is that planning and development in India was not a uniform discourse. There was in Nehruvian Consensus in certain aspects of India's economy and business and industrialization patterns yet that Nehruvian Consensus had to contend with the development of an evolving discourse that posed significant questions and criticisms at the hegemony of the idea of planning itself.

So, the Gandhian critiques, Marxist critiques are critiques concerned over the sponsorship financing and the associated results of that financing on the 5 year plans posed significant questions on the strategies, aims and responsibilities of formal planning methods in India.

So, the attraction of criticism towards planning and development in India contributed towards a more lively debate as to what precisely constituted the correct way to strategize for the future growth of the Indian economy and to minimize the roadblocks for its future growth potential. Fourthly there was the existence of an ideational ecosystem for Indian ideas of planning.

So, while the governments of India after 1947 drafted 5 year plans successively which outlined different priorities and areas of responsibility as far as certain sectors is concerned that whole heavy machinery or architecture responsible for drafting new policies nevertheless happened in a dynamic context. They were creative fusions between different

kinds of ideas and institutions and the outcomes of those fusions of different ideas, ideologies and practices and strategies were mixed.

So, the years after 1947 may have been a context in which the Indian state took an active interest in guiding the economic, commercial and trading opportunities for India and Indians. Yet those exercises those acts, those policy interventions committed by the state happened in a dynamic system which itself was getting shaped by some of the prevailing international ideas and strategies relating to growth and development.

So, the theme of this lecture was to give you a more comprehensive and intellectual basis to understand what growth and development is and how ideas of growth and development in India have evolved historically and have shaped international ideas and in turn have also been shaped by prevailing international ideas on growth and development.

So, the main priority of this discussion has been to outline the feature that the system in which different ideas competed for influence in order to provide solutions for India's economy in business was a dynamic system and that dynamic system itself operated in an international context consisting of several systems acting in parallel to each other.

So, the coming together of national stories of countries experiences in dealing with their own economies gave rise to an internationalized and globalized story in which state or its responsibilities came to be articulated more clearly than was otherwise possible.

This system itself was dynamic. So, there will be future changes and trajectories that we will assess in the future course of lectures, but the present lecture was a formal foray into making you realize that the systems in which economic ideas function is dynamic and influenced by international ideas. (Refer Slide Time: 60:45)

In the Next Lecture

- Week 7
- Lecture 16: Industrial Licensing Policies, Institutions in India, 1947-1964

In the next lecture we will commence week 7 and as part of this the next lecture will take our story of India's business history forward and we will examine industrial licensing policies and certain institutions in India from the years of 1947 to 1964.

Thank you.