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Nehru's Economic Policies in India

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Abstract

Indian economic politics can be broken down into three distinct segments. First, the Nehruvian period, this lasted from India's independence in 1947 to 1980s. Though Nehru died in 1964, his economic legacy dominated policy until the late 1980s. Indira Gandhi returned as a Prime Minister in 1980 after a three-year Emergency-induced hiatus. At that time, India was in the midst of an economic recession. After Indira Gandhi was assassinated in 1984, her son Rajiv Gandhi rode a wave of popular support to an electoral victory in 1985. The second period from 1980 to 1991, is best characterized as an economically transitional period, and is bookended by one sublet and momentous event. Finally the third period begins in 1991 and is ongoing. The history of Indian economic politics since independence to the present Modi's government is remarkable. Indian economic policies have gone through three different stages but the major problems of rapid industrialization and sustainable developments are questionable. The 'Temples of Modern India' and 'Make in India' both terms are incline economic politics for Indian people's, but it is a Nehru's economic legacy dominated politics which started after independence to ongoing period.

Keywords: socialism, economic politics, mixed economy, development model, economic growth, economic liberalism, rapid industrialization, green revolution.

Introduction:

Since gaining independence in 1947, Indian economic growth has been slow and sporadic.[1] Economic growth averaged between 2-3 percent annually before rising to an average of 6-8 percent growth after 1991.[2] Initially, Indian policy makers adopted a socialism-inspired economic plan that remained in place the mid 1980s. Then in this 1980s, Indian economic policy began transitioning toward market liberalism, leading to an eventual adoption of free market principles 1991 under Narsimha Rao's leadership. What drove Indian economic policy decisions from independence to 1980, 1980-1991, and 1992 onward? In particular, how did domestic and international influences interact to affect Indian economic policy-making? And how did the influence of domestic and international factors shift over the different time periods in influencing India's economic policy?

After independence; India adopt a new model of economic development, which later on called it 'Mixed Economy Model'. It may be noted that the concept of Mixed Economy has not been static and has undergone changes according to time and requirements in domestic and international scenario.

Economic Policies: 1947-1979

> Long year ago we made a tryst with destiny, and now the time comes when we shall redeem our pledge… to bring freedom and opportunity to the common man, to the peasants and workers of India; to fight and end poverty and ignorance and disease; to built up a prosperous, democratic and progressive nation, and to create social, economic and political institutions which will ensure justice and fullness of life to every man and woman.
>
> Jawaharlal Nehru [3]

When India gained independence in 1947, the economic situation was dire. Almost half its population was living under the poverty line, the infant mortality rate was nearly 20 percent, agricultural productivity was low, income were stagnant, and industrial development was stunted.[4] Indian politicians, headed by the first Prime Minister, Jawaharlal Nehru, were faced with the challenge of the nascent nation.

The time period from 1947 -1979 was one with many significant domestic and international trends and events. This first phase of paper looks at two of the most consequential events for the Indian economy during this period – industrial policies adopted after independence, shaped by import substitution industrialization, and the green revolution and review the domestic and international trends that shaped them.

India's Industrial Policies

In 1947, India adopted an industrial policy of import substitution industrialization. This strategy for rapid industrialization and economic development strategy was utilized by developing countries around the world, especially South America, based on belief that it would accelerate countries' industrialization efforts. Nehru and other politician chose heavy industrialization and import substitution industrialization based trade policies in large part because of how easily they were influenced by political decrees, more so than agriculture or land reform that were parts of import substitution industrialization strategies in other in other developing countries.[5] Additionally, the selection of these particular policies was influenced by a number of domestic and international trends.

Indian independence leaders entered office with their own visions of what the country's economy should like, who it should benefit, and how to accomplish those two goals. However, domestic pressures prompted shifts in which economic policies were applied and how they were structured. This section will discuss some of the more significant domestic influences on India's political economy: self-reliance, the Nehruvian vision, industrialization, trade policies, and the rise of industrial conglomerates.

Indian Self-Reliance

As evidenced by the quote from Nehru's ***Tryst with Destiny*** speech, Indian leaders recognized that they were faced with the daunting task of both modernizing the country and lifting million of Indians out of poverty. The revolution, which brought about Indian independence, had to include social and economic change, not just political. Furthermore, British colonization had left Indians with a bed taste for foreign involvement, equating any foreign political or economic influence with imperialism. As Nehru envisioned it, the objective was to "unleash forces from below among our people, to build up the community and the individual, (and to) aim at progressively producing a measure of equality in opportunity and other things."[6] Bipan Chandra and Mukherjee best describe the sentiment, nothing that after independence, "the vision of the self-reliant independent economy was developed and popularized. Self-reliance was defined as avoidance of a subordinate position in the world economy."[7] This vision of a "self-reliant independent economy" did not India from participation in a global economy, but focused on rapid industrialization through the creation of indigenous industries.

Nehru's Vision for India

The concept of a free India, as envisioned by the Indian national congress (INC) was to be a democratic country that could also pursue rapid industrialization and economic growth. As Nehru tried to enact his vision of socialistic industrial state, he found himself conceding to various interests in the industrial sectors.

Nehru's vision of socialism was democratic socialism. Viewing capitalism as inherently anti-social, Nehru's philosophy conceded that private sector was necessary to technology-driven industrialization.[8] With the concession, Nehru still favored a role for the government in shaping economic structures and the rules that would govern it, while allowing private enterprise to operate within those limitations. Furthermore, he advocated for economic sectors where public and private companies operated in an effort to "counteract the anti-social side of capitalism."[9] For politician in the INC party, counteracting the anti-social side of capitalism meant ending poverty, inequality of opportunity, and maintaining human rights and quality of life. The goal was for this to be achieved by making families and towns the binding factor for India's vast population. By fostering an idyllic relationship between various peoples, towns, and religions, the Indian population could attain unity as a nation.[10] Though Nehru's vision of a self-reliant socialist-inclined democracy still influences India's political economy, modern politician have been adapting his concept in the globalized economic environment.

Rapid Industrialization:

At independence in 1947, the large industrial farms that provided the Indian economy with essential goods were mostly British and were withdrawing from the country along with the British government. In response, Indian politicians moved to quickly replace those companies with new ones that could provide the same goods and services. Influenced by the domestic pressures for self-reliance, India shunned foreign influence and sought to build its own industrial base. Politicians carved out economic sectors, gave each sector to a domestic firm in near-monopolistic conditions, restricted or taxed the import of competing foreign goods, and provided subsidies to domestic firms for various goods or materials related to manufacturing.[11]

In order to protect the oppressed and "Other Backward Castes,"[12] the state had to control the production process. The desire to be self-reliant and also to rapidly industrialize shaped industrial policies in the form of import-substitution based industrialization.

The Green Revolution

The green revolution of the 1960s was significant for India in three ways. First, it established India as a leading global agricultural producer, leading to better financial situation for the country by providing it with a marketable export. Second, it demonstrated that politicians keen in driving economic reforms could leverage moments of crisis to enact change, a theme that returns in shaping the economic reforms of 1991.[13] Lastly, the economics successes of the green revolution enriched a new class of the Indian population, lower caste farmers. In doing so, it set the stage for an emergence of middle class, another theme that rises to prominence after 1991.[14]

The green revolution was, at its heart, a change in domestic economic policies that in turn came in reaction to a domestic food crisis. The sweeping changes that resulted from green revolution were rooted in the reforms that were part of the New Agricultural Strategy policies enacted in the early 1960s. though the groundwork was laid by the domestic influences of the New Agricultural Strategy, the green revolution was triggered in part by agricultural stagnation and food shortages.

New Agricultural Strategy

A prevailing sentiment among some scholars in that Nehru's early vision of socialism ignored agriculture in his goal of rapidly industrializing India.[15] This view suggested that grain was imported and subsidized in an effort to keep prices low and encourage industrialization, and it was not until Nehru's death and the Prime-Minister ship of Lal Bahadur Shastri that economic policies toward agriculture were revamped. However the policies enacted by Prime Ministers Shastri and Indira Gandhi were founded on the incremental reforms enacted under Nehru's New Agricultural Strategy. The New Agricultural Strategy was a part of India's 3rd Five Year Plan, an economic plan for the country from 1961-1966. It increased the government's focus on agriculture and wheat production, which were beginning to emerge as weak-points in India's goal of industrialization and self-reliance. Contrasted with the 1st Five Year Plan, New Agricultural Strategy policies began investing in irrigation, fertilizer, power facilities, and educational infrastructure such as agriculture-focused universities and research laboratories As described by Bipan Chandra india began to "place great emphasis on creating the Physical and scientific infrastructure necessary for modern agriculture, agricultural industries. Took their place along with steel plants as the 'temples of modern India' in the Nehruvian vision.[16]

The first 32 years of India's independent history included vast amounts of change. The nation was born as democratic-socialist country and faced all the problems of industrialization that came along with that. Just Indian leaders began recognizing some fundamental problems with their industrial policies, they were faced with wars, drought, and famine. At the end of the 1970s India was on the verge of a major shift; it was about to take the first steps toward a liberalized economy. India's path from democratic socialism to the first hints of liberalization was shaped by various domestic and international influence. The specific position that India found itself in 1979 was a result of the unique confluence of domestic and international events that, in turn, shaped how India's initial industrial policies and the green revolution unfolded.

Indian Economic Policies: 1980-1991

To an outside observer, the 1980-1991 time period began unremarkably in terms of Indian economic policy. Policy-makers were still grasping the economic and political implications of the green revolution that reshaped the Indian economy. The decade began unexceptionally but ended with a dramatic balance of payments crisis in 1991. India's reaction to the crisis is often marked in history as India's entrance into the global economy. Yet, as consequential as the 1991 crisis was in redefining India's political economy, it would not have been possible without the slow transition of the preceding decade. This part of the paper analyzes two significant events in India's political economy during this time period: the 6th Five-Year plan that guided India's economy from 1980-1985, and economic crises of 1991. Both events were shaped by different domestic and international exigencies and both played a role in the trajectory of India's economic liberalization.

The green revolution had a remarkable economic impact on India; it undermined the previously held notions that the government should act as a central planner. This does not suggest that Indian economy was entirely decentralized after the green revolution. Indira Gandhi returned as a Prime Minister in 1980 after a three-year Emergency-induced hiatus. At that time, India was in the midst of an economic recession. After Indira Gandhi was assassinated in 1984, her son Rajiv Gandhi rode a wave of popular support to an electoral victory in 1985, capturing 76 percent of Parliament's lower houses.[17] He continued his mother's reform agenda by de-licensing industries, reforming corporate investment regulations, easing tariffs and trade barriers, and restructuring tax laws. More importantly, he penned several critiques of his mother's and grandfather's Import Substitution Industrialization based economic strategy. [18] he economic policies were marginally more popular in the 1990s than they were in 1980s but the political opposition was distracted by and united against a different threat at the home front. Whereas Rajiv Gandhi enacted his reforms using his political capital, Narasima Rao and Dr. Manmohan Singh enacted their reforms by capitalizing on the fragmentation of opposing domestic influences.

Indian Economic Policies: 1991-2018

In 1991 economic liberalization opens the economy to foreign and private investment. The economic liberalization in India refers to the changes and reforms, initiated in 1991, of the country's economic policies, with goal of making the economy more market and service-oriented, and expending the role of private foreign investment[19]. Most of these changes were made as a part of the conditions laid out by the World Bank and International Monetary Fund as a condition for a $ 500 million bail out to the Indian government in December 1991.[20] Specific changes include a reduction in import tariffs deregulation of markets, reduction of taxies and greater foreign investment.

Liberalization has been credited by its proponents for high economic growth recorded by the country in 1990s and 2000s. Its opponents have blamed it for increased inequality and economic degradation. The Special Economic Zone (SEZ) policy increase economic imbalances. Regional diversity, an electorate focused on the symptoms of poverty instead of causes, and localized globalization driven by India's special economic zones have contributed to country's increasing income inequality. India's current economic policy "Make in India" designed to recruit foreign companies to manufacture their products in India. Looking at the history of India's political economy reveals a country that is increasingly shaping its economic policies on its own terms and leaving less room for international influence.

Conclusion

Overall, India's political economy seems to have been relatively equally affected by domestic and international factors from 1947-2018s. Domestic influences seem to have been marginally more significant than international factors, but the balance is not as lopsided as could have been expected. Modi epitomizes the most potent challenge to the Nehruvian consensus that dominated national discourse. He explicitly tried to built a different narrative during the election campaign by talking about a range of other nationalist leaders from Vallabhbhai Patel to Krishana Shyamji Verma. Nehru is today more likely to be remembered for his failures rather than his achievements-especially his monumental miscalculation on China and the obsession with state planning. Nehru helped put together the basic building blocks of a new India. He was the socialist who laid the foundations of capitalist India, the sort of dialectical googly that history thrown up every once in a while.

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