

\* Pre-Independence Period (1850 - 1947) : Status of India

1<sup>st</sup> - 17<sup>th</sup> century AD  
 India - largest Economy - of Ancient + medieval world  
 Self Reliant

Control of 1/3<sup>rd</sup> - 1/4<sup>th</sup> World wealth.

Village self sufficient  
 Less opportunity than city.

City  
 centre of commerce  
 Pilgrim Administration

Structure → labor division  
 social-economic difference  
 as per race, gender, class

main source - agriculture.  
 skilled craftsmen.  
 handicraft made for World.

\* Ancient Economic Philosophy

Earliest Treatise - Arthashastra By Kautilya Chanakya.

321 - 296 BCE

Statecraft work - political philosophy

Handbook for - King Chandragupta Maurya (Founder - Mauryan Empire)

Covered - Directive (Kingdom reign) + Action for Political Concern  
 - no regard to ethical consideration

Artha ← Wealth + related all material well being topics

Artha Shastra → science → artha (material prosperity)  
 → means of → subsistence of humanity

importance → primary = wealth  
 → Secondary = land → use property + agric. activities + good harvest + fill states treasury

Equal/fair taxes → private + state owned business

\* Kautilya Writing : multidiscipline  
 (politics, economics, military, diplomacy, state functions, social organisation)

True Kingship ⇒ ruler's subordination  
 meaning To - His own desire + ambition - For people greatest good.

Ⓡ Vital elements of this =

King	Farmland	Treasury
philosophy	Minister	Fortresses
		Military
		Allies

Shift in Economic History - Advent of European + British.

1757 - 1858

Rule of East India Co.

1858 - 1947

British Govt

(Later half of 18 century)

↓

Legacy of British colonialism

↓

1947 - 1991

Post independence -

(upto major Economic Reforms)

Onset of Industrial Revolution / Britain's manuf. capability increased

• Their industries needed Raw Material + Market for Finished Goods (FG)

• Used India

• India's Foreign Trade Reversed ⇒ From Exporter of manufacture - Raw Mat Exporter

• Heavy Tariff : Indian FG Export Lower : Import { Discriminatory Tariff policy by British }

• Lost competitiveness

• Indian handicraft Destroyed → Ext + Domestic demand ↓ fell. (Indigenous goods)

Hostile imperial Policy favour British + Competition with Machine + Domestic demand Shift to Foreign Goods (Western culture favoured) = Indian Manuf. Sector destroyed.

Village

• Internal balance - traditional village economy (handicraft + agriculture) destroyed.

Impacts

- Unempl. ↓
- alt. earn. source x
- agriculture = livelihood now

- cheap + Machine made import from Britain
- Fashion shift Western
- Domestic industries ↓

INDIAN AGRICULTURE COLLAPSED

- land pressure
- sub division of fragmentation
- subsistence farming
- productivity ↓
- poverty ↑
- land demand under tenancy

- land tenure - Zamindari system
- A class arose who perpetuated i.e. took forward British Rule
- Zamindar - Excess rent

- absentee landlords
- agricultural debt ↑
- exploiter money lender
- productivity measures x

\* Industrialisation during British Rule \*

- Stagnated
- no factory based production before 1850
- Modern Industrial enterprises - Colonial India - started mid 19 cent

Jute mills

- expanded - in Calcutta
- global rope demand.
- late 19th C: Large International Market

19th C end: Indian Jute Industry - Largest World. (highest jute raw mat)

Cotton Milling

- II half 19th
- international competition
- Indian Industry cotton mill = 9 million spindles in 1930
- 5th position World.

India Ind. growth insufficient  
 No transformation in Eco structure  
 Many sector (not SSI, cottage)  
 NDP share = 7% bad (1946)  
 Factory employ. share %  
 ⇒ 1900: 0.4% Population 1941: 1.4%

Other Ind

- Brewing, paper mill, leather making, matches, rice mill,
- Heavy Iron 1814 established by British capital
- 8th World Rank (output - 1930)

20th cent. Beginning

some Ind - Global standards

Before Great Depression: 12th Rank - Largest industrialized country

- producer goods industries
- No expansion (goods to produce other goods)

Reason: British Discouraged & made Bad Policy for those Indian Ind ⇒ competition with British

Post Independence (1947-91)

Situation

India - rural, illiterate, deeply stratified, heterogenous society

1951: literacy ≈ 18%, life ≈ 32 yrs

poverty < income human capital

Nehruvian Model - social + economic equalization + industrialisation directed by state dominated post indep. policy

Core of Ind. Development - Centralized Eco Planning

- Policy made - reach rapid growth + Equity + Distributive Justice
- Planning Commission of India PCI formed.
  - 5 year Plan
- Political Leadership ⇒ CG authority design Eco strategy + Do investment (with Pvt sector)
- Rapid Industrialisation - core - Nehru Developm Strategy
- Planned Modernisation - systematic planning - support Industrialists
- Bureaucrat + Technocrats = Visioned = state has imp. role

\* Industrial Policy Resolution (1948) - role of public sector + licensing to Pvt sector

Strategic areas - atomic energy, arms, ammunition, railway } state monopoly - right to new investment in basic industry.

1950's policy aim → Nehru Vision: Socialist + heavy industry + Gandhian: SSI, cottage, village republic.

\* IPR (1956) : comprehensive framework - ind. developm.

Butlopsided → too side no advantage

- Expansion of public sector ↑
- Private ↓

Negative Industrial Growth X

BUT

Till late 1950: open Foreign Invest policy + Open Trade Policy

1958: BOP crisis, Forex Deplete.

Trade tightened

Investment reduced.

Licensing new investment of Cap Goods

Import control until 1966

1950-1980 3 decade post Independence.

India avg annual GDP growth% = Hindu g. rate = 3.5%

Agriculture - less focus, not neglect

1.5 decade focus - cap good - (dam, power plant, heavy ind.)

- Consumer X goods

\* Mid 1960

Major shift in Ind. Eco. strategy

Agriculture - till now - no priority (2nd plan)

- expenditure ↓

- strategy ⇒ relied on ⇒ institutional model.

eg. Land reform / farm cooperative

- Tech. Areas (R&D, Irrigation) X

- Productivity ↓



monsoon failed + 2 severe drought (1966, 67) agri sector = (-) growth, food problems

US food aid (PL 480) scheme



needed: quantum jump → high priority needed

\* Change in Govt. Policies

Old Institution change X Productive Activities ✓

\* Green Revolution → agri prod, tech. progress, food prod? ↑ food problems ↓

Meanwhile, In Trade & Industry

Govt → Extra Admin Control

Nationalisation WAVE

Banks nationalised - 14 (1969) & 6 (1980)

Interventionist Policies (1960)

## Economic

### 1965-81 Performance

- Worst in History, productivity ↓
- License Raj autarchic policies } 1960, 70s
- Closed economy - So missed world help
- External shock 3 war (1962, 65, 71)
- Droughts (1966, 67)
- Oil shock (1973, 79)



Result → Decelerated Growth 2 decades

### More Bad situations:

- Policies of Equitable Distribution of Income, Wealth  
↳ Killed wealth creation = Anti growth
- MRTP Act 1969 — regulated - Big Firm (Powerful in market)  
Restricted them - license, capacity cannot add, M&A merger, acquisition

Big business avoided entry from such industries

### SSS (Small scale sector)

- 1967 Reservation Policy — many product — SSS
- aim: Labor intensive economy ↑
  - Redistribute income to — low wage earner

## Result

India - World compete X

Big firms cannot do labor intensive industry X

Tough labor laws. — labor intensive industry cant go in org. sector



- Policy maker → realised : these policies productive X  
+ industrialist → growth X

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### REFORM ERA