**UNIT: 1**

**ALTERNATIVE DEVELOPMENT STRATEGIES SINCE INDEPENDENCE**

* The government in the 1950s adopted a very particular strategy of economic development: rapid industrialization by implementing centrally prepared five-year plans that involved raising a massive amount of resources and investing them in the creation of large industrial state-owned enterprises .The industries chosen were those producing basic and heavy industrial goods such as steel, chemicals, machines and tools, locomotives, and power. Industrialization was pursued because leaders believed, based in part on the beliefs of some economists, that the industrial sector offers the greatest scope of growth in production. It was not that the Indian agricultural sector offered no scope for growth. Crop yields in India were quite low compared to other countries, and the recent famine in 1943 had underscored the need to increase food production. Still, Indian leaders did not want to make agriculture the mainstay of their strategy. The preeminence of agriculture they believed was characteristic of a backward economy, and growth in agriculture eventually runs up against the problem of insufficient demand. There is only so much, after all, that people are willing to eat.
* Investments in the creation of public enterprises were chosen because one goal of the government was to establish a “socialistic pattern of society,” i.e., using democratic methods to bring large swathes of the country’s productive resources under public ownership. Industries producing basic and heavy goods were chosen for investment over consumer goods because the government wanted to reduce the country’s reliance on imports of basic and heavy industrial goods in line with their belief in the goodness of national self-reliance. The production of consumer goods such as clothing, furniture, personal care products, and similar goods was left to small privately run cottage industry firms that had the added advantage of being labor-intensive and therefore a potential generator of mass employment.
* The particular nature of the chosen strategy of development can be understood by comparing it to the alternative strategies that could have been adopted. One such strategy would have been to prioritize public investments in not industry but agriculture, which was the source of livelihood for more than three-fourths of its people. Investments in agriculture take the form of irrigation projects, education of farmers in scientific methods of farming, construction of rural roads and storage facilities, and agricultural research and development. Once the agricultural sector was relatively healthy and the poverty of its participants somewhat reduced, rising incomes could have been used to finance industrial development.
* Another strategy could have been to rely on private enterprise for industrial development while the government focused its resources on
investments in infrastructure, public health, and education—sectors that are not served well by the private sector. Though leaders were cognizant of the dynamism of the private sector and the existence of India’s vibrant entrepreneurial class, they rejected the strategy that involved a prominent role for the private sector out of a commitment to establishing the socialistic pattern of society that they believed was morally superior. As things eventually turned out, the country came around in the 1990s to adopting this previously rejected strategy.
* In order to assure the success of the government’s chosen strategy in the 1950s, complementary measures were put in place. Most industries were given significant trade protection so that their growth was not hampered by competition from more efficient foreign producers. An industrial licensing system was set up to ensure that private enterprises would not expand beyond the bounds that national planners had set for them. The system required all private firms beyond a certain small size to obtain a license whenever they wanted to expand capacity, produce new products, change their input mix, import inputs, or relocate plants. The system put the activities of the private sector under significant control of the government. Pundits and students of political economy who were not socialists derisively nicknamed this stifling system “the license Raj,” comparing this economic format of oppression to the political control of the imperialist British Raj.
* Their strategy of increasing agricultural production was based on plans to reform agrarian institutions. According to the thinking of the planners, the poor performance of Indian agriculture was due to the fact that tillers did not own the land they worked, so they had little incentive to make land improvements that would increase long-term productivity. The government planned to implement legislation to redistribute land from large landlords to actual tillers and improve the terms under which tenant cultivators leased land from the landowners. The government also planned to organize small farmers into cooperative societies so that their resources could be pooled in order to buy modern tools and implements and the strength of their numbers could be used to obtain higher crop prices. In addition to increasing agricultural production, such reforms were also expected to alleviate the poverty of the huge class of peasants.

REFERENCE:

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