

Introduction

I was a child of reforms: I grew up in the 1990s and remember the constant delight of experiencing new things. My earliest memory of liberalization was the incursion of private cable television in Indian households in 1991 and getting access to international programming: sports, cartoons, and movies available at any time. I still have foggy memories of the 1980s when all of India would be sitting in front of the TV on Sunday mornings to watch *Ramayan* and *Mahabharat* – the previous generations were not entitled to a choice in entertainment. Choice and desire were a constant theme growing up. The personal computer arrived in households in the mid-1990s; I learned how to manipulate the keyboard and mouse to a higher degree of wizardry than any computer programmer could at that time. Then, in 1999, I visited the first multi-storey music store in Delhi: Planet M, where one could actually purchase original international albums in the same year they were released; no more illegal downloads from the internet or sneaky forays into the back alley of Pallika Bazaar – a haven of piracy located in the underbelly of central Delhi. The internet had seeped into Indian consciousness by now, and half of the country's city youth had discovered a new way of making friends and finding love hidden from the eyes of our parents. I visited my first mall in Delhi in 2002, something that I had heard about from friends who had made foreign trips. I still remember the thrill of just walking around in a shiny, air-conditioned building filled with the biggest brands that I could recognize – Nike, Adidas, McDonald's, Crossword, Music World, Barista, and pubs. Last but not least came affordable cell phones, and before we knew it we had forgotten how people met in the times before cell phones, we had forgotten the endless arguments with our parents about using the phone all the time, and we survived many hours of boring class trying to create a new record on Snake. New things and choices were unheard of a generation ago, especially for the large part of the upper class who were dependent on a fixed income. I was constantly reminded by elders that life was very different before, they

had to wait for years to get any kind of consumer durables – phone lines, cars, scooters, fridge. Things were used until they broke down, and even then Scotch tape and home repairs could salvage devices for a couple of years more. The only choice for most consumer goods were either you could afford it or you could not; most people learned to make a moral value out of saving and curbing desire before liberalization in 1991 – or that is what I believed.

After school, I decided to pursue economics partly because it was the safest option for those of us who had decided to avoid the rat race of a professional degree: engineering, medical, architecture, or law school, but was also partly inspired to study something that had an impact on “everyday life.” I had a paper in Indian economy in my third year of college at Delhi University; the course was quite comprehensive. However, on the first day of class we were told to focus on the exam and use previous year’s test papers, assignments, and notes by senior students to prepare for the paper. The Indian economy was perceived as a boring subject not eliciting the interest of any students or the teacher, the readings were long and filled with jargon, and the lecture was filled with information and detail; most students left the class happy to have seen the back of it and hoping to never have to return to it again.

As I pursued a Master’s in Economics, I learned that liberal reforms were not beneficial to most Indians and that the agricultural sector had stagnated since the 1990s, leading to widespread immiseration of peasants and farmer suicides on a scale that bordered on genocide. Class and regional inequality increased like never before, and I was part of a small privileged class who had immediately benefitted from liberal reforms. I was shocked to come to terms with the fact that all my influences – friends, families, teachers, newspapers, and television – had failed to register or communicate this. How had we insulated ourselves from such a stark reality, how had we built a bubble so thick that we believed the media but not the economic reality in our backyard? Visit any construction site, and I guarantee you that you will not doubt the claim that reforms did not benefit most Indians.

In order to make sense of liberal reforms, I pursued a PhD in Economics and went about researching: why were liberal reforms perceived as an economic success and how did it get political backing in a country where the majority did not benefit from them? As I researched economic policy, data, and the discourse on reforms, I learned that very little popular knowledge about policies is true, that policymaking is immensely complicated, and that the media has little interest or benefit in reporting about the economic reality of the nation, that most people have no access to information and little energy to go looking for it. But I also discovered that the youth, especially

those who face the tangible effects of policy in their day-to-day lives, have a strong passion to understand and intervene in the world around them. This trajectory informed my endeavor to write an accessible history of the Indian economy, one that does not require specialized economic knowledge, one that does not bore students or anyone interested in knowing more, one that makes the economy relatable to all and inspires them to engage with policy in their household, in their neighborhood, in their schools and offices, in their villages, and on social media.

In this book, I present an accessible history of economic policies in India, from the colonial to contemporary periods, as I have found that there is a dearth of accessible and comprehensive histories of economic policies and the Indian economy. There are some gems on economic policy which are specific to a certain period; there are multiple books that analyze the contemporary Indian economy. However, there is an emphasis on writing about the liberalization period and generalizing about the period before. There also exist multiple accounts by policymakers about economic policy and the Indian economy. Lastly, there exists extensive academic work on specific policies, sectors, macroeconomic variables, and economic institutions. This project is not a substitute for the extensive literature on the Indian economy. It aims to provide an accessible introduction for non-economics readers and economic students on the history of economic policy in India and inspire them to read in more depth. I aim to reach those who on a whim want to learn more about economic policy, and I hope to make them feel more connected and curious about economic policy and the Indian economy.

It is an impossible task for one person or one work to summarize and provide a coherent narrative to understand a long period; therefore I have made decisions about what to include and what not to based on certain principles and mandates that I set out on in this project. It was important for me to have a narrative connecting different periods that the Indian economy went through, both to give a sense of continuity and to emphasize that history has a strong bearing on the contemporary. An important mandate for this project was to engage a generation that does not view reading in the same way as the youth did 20 years ago. I frequently lecture my students about the importance of reading history only for them to show me how much information can be learned through a well-made 10-minute video on YouTube. I do not believe this is an indictment of written histories but evidence that young people in general and informed readers in India are interested in different perspectives on economic policy. However, this has to be presented in a relatable and accessible way. Keeping this in mind I wanted this book to be readable like

a novel from chapter to chapter, but I also wanted to break out from writing norms and habits I find common in writing on economic policy: writing from a position of academic seriousness and objectivity, cold and distant tone, focus on data speaking for itself, and using numbers and economic concepts to obfuscate and confuse rather than clarify, politically biased or provocative for the sake of eyeballs. If nothing else, this has driven away readers from engaging with the Indian economy and made it into a sphere of interest for professional economists.

I believe that this project is an important contribution to the contemporary intellectual space in India, especially as it is increasingly driven by social media which rewards simplification, generalization, and controversy and tends to drive people into echo chambers: we tend to follow those who we agree with. Two particular aspects of the nature of discussion on social media bother me – first, how important themes and questions are framed as either you are for it or against it and, second, how easy it is to find spaces to get approval for one's view, leading to what is referred to as confirmation bias. I hope this book will provide nuance, context, and perspectives but most importantly will inspire the curiosity of the reader to aim to be informed, balanced, and articulate in an environment that rewards being banal or controversial.

This book provides a history of economic policies and foregrounds policies oriented towards questions of growth and welfare: policies influencing gross domestic product (GDP), agricultural production, industrial production, and redistribution. I focus on these policies because these are the most fundamental issues that anyone should be informed about, these are policies that have a tangible impact on the daily lives of millions of people. Further, this provides a heuristic device to discuss other policies meant to complement major policies such as foreign trade policies, monetary policy, and fiscal policies. For example, to evaluate import substitution policies under Jawaharlal Nehru's government, one has to address how this contributed to industrial policy.

To provide a structure to the narrative in this project, I have broken the Indian economy into different periods: the choice of a period has been founded around political stability or the idea that we can glean a particular vision or philosophy of development within a stable political regime – a politically stable government can gain support for policies that fit in with their larger vision. Further, each of the periods is divided by an economic or political crisis. While standard economic theory frames a crisis as an economic problem that has to be solved by policy intervention, my theoretical framework assumes that a crisis is an organic culmination of instabilities within the economy. A crisis might present itself through a particular sector or economic process.

However, it is indicative of broader structural imbalances within the balance of policies. Moreover, a crisis creates conditions for political and policy changes as these are volatile times, and voters and politicians are more amenable to sudden changes. This logic, of course, cannot be homogeneously applied across all periods, therefore I modify this logic for some periods. However, in all cases the periodization has been created to support the needs of the narrative, not some objective framework for periodization. The following is a summary of each period and the reasons behind it.

The Colonial Economy – 1776–1947

This chapter will summarize the nature of colonialism and how the colonial relationship between India and Britain changed from the 19th to the 20th century. One key insight in this chapter is how the two world wars and the Great Depression of 1929 shaped the world economy and consequently India. I will analyze how these changes shaped the freedom struggle in India. This chapter will conclude by describing the conditions faced by India on the eve of independence. This chapter will not be a comprehensive survey of colonialism in India but will focus on how certain colonial policies shaped the constraints faced by the Indian economy. The year 1947 is a period of political and economic crisis and provides conditions for changing policies.

The Drive to Industrialize under Nehru's Leadership – 1950–66

This chapter will discuss the main economic policies of the Nehruvian government: planning, mixed economy, heavy industry driving the growth process, and import substitution policies. Nehru was the prime minister throughout this period, and I discuss how policies were consistent with a larger development vision. I will evaluate the policy options that Nehru had and why he chose these specific policies. I will explain the impact of these policies on the Indian economy and the external conditions which influenced the implementation of these policies. This period ended with Nehru's death and the food crisis of 1965–66 which highlight the lack of policies to address the issues in the agricultural sector in India. The crisis and leadership vacuum created the conditions for a policy change.

The Turn to Populism under Indira Gandhi – 1967–79

This chapter will discuss the first tenure of Indira Gandhi's prime ministership and analyze the changes she made to Nehru's policies – which tapered towards

socialist and populist policies. I will argue that these changes were a response to shifting power within the Indian National Congress (INC) and the government responding to the economic consequences of Nehruvian policy, which led to increasing political consciousness amongst the masses. I will study how Indira's policies affected the economy and led to social unsettlement and strikes, culminating in the Emergency period. This chapter will conclude with Indira losing power and India facing the Organization of the Petroleum Exporting Countries (OPEC) oil price crisis and industrial stagnation in 1979, leading to a crisis in the dynamics of a regime.

The Early Liberalization Years – 1980–2003

This chapter will discuss the period in which India transitioned from a mixed, inward-oriented, planning-based economy to a liberalized, external-oriented, market-based economy. In a shift from other academic literature, I will argue that liberalization began in the 1980s and was a fairly long period of transition. The beneficial effect of liberalization, especially in driving growth, exports, and investment, was experienced only after 2003. This chapter will be framed around the following questions: the conditions which led to the introduction of liberalization policies, why liberal reforms were politicized in 1991, and why liberal reforms did not have much of an impact on the manufacturing sector or the export sector in the 1990s. The year 2003 is not a crisis year in itself but marks the end of a period of economic and political uncertainty; the periods following this saw politically stable governments and reforms translating into higher growth.

Maturity of Reforms in the UPA Years – 2004–13

This chapter will focus on the two tenures of the United Progressive Alliance (UPA) government. I will analyze why the Indian economy was able to achieve high growth after more than two decades of liberal reforms, and how the UPA government used a different process to introduce “reforms with a human face” to make them more politically palatable. I will also discuss a change in philosophy within welfare policies referred to as the rights-based socially redistributive policies like the Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA), the Right to Education, and the Right to Information (RTI). This chapter will evaluate why the UPA government was able to achieve high growth – unlike the INC and the Bharatiya Janata Party (BJP) governments in the previous regime.

Reforms under NDA – 2014–19

This chapter will focus on the first tenure of the National Democratic Alliance (NDA) government. I will analyze how the BJP gained an electoral majority for the first time in Indian history and examine major economic policies introduced by the NDA, such as demonetization, Goods and Services Tax, and Farm Bill. I will analyze how reforms under the NDA were different from those under the UPA. At the time of writing, the economy was under the tenure of the second NDA government and going through the COVID-19 lockdown crisis. I have decided not to include this period in this manuscript as it was difficult to comprehend the impact of lockdown on the Indian economy and how these would influence policies in the future.

Why is historically researched and politically neutral discourse on economic policy needed? Well, it is largely because there is no way to be completely informed or objective when understanding and evaluating economic policy; the more nuance one can get about a policy, the more balanced one's understanding of a policy becomes; and the more detail one has about the historical trajectory of a policy, the better one can answer the question of why this and why now. An important lesson that I try to imbibe in my students is that there is no objective evaluation of a policy because every policy has someone who benefits and someone who does not, and evaluation is colored by one's own biases. Therefore, one has to understand the logic and reasoning that shapes a policy instead of limiting oneself to evaluating the benefits and criticisms of the policy.

I ask my students to ask five basic questions about assessing a policy: (a) why was this policy introduced? (b) what was the problem that it was meant to fix or, broadly, how did historical context frame this particular problem and create this policy? (c) what were the politics which shaped this choice of policy or how did the logic of politics and institutions shape this policy? (d) what were the alternative policies available or what were the other theories available to solve this particular problem, and (e) how was this policy perceived or what do empirical data and reception tell us about this policy? In answering these questions, readers need to imagine themselves in those times: historical consciousness, the ability to imagine a decision from the perspective of those who are making it, is an important weapon in the historian's toolkit. In one of my first classes in the Indian economy course, I ask students to imagine that they are part of the Planning Commission under Nehru and reflect on what would be the primary problem that economic policy should address on the eve of independence. Initially, students struggle

with this question and project the problems that still exist today onto that period – they say poverty and basic needs: water, sanitation, housing, clean drinking water, lack of infrastructure, corruption, and so on, are the major problem that needs to be addressed. At this point, I remind them to reflect on the nature of colonial economic policy and how it affected the structure of the Indian economy. This provides a starting point to think about the problems faced at the time of independence. One of the ways I prepare students to be historically conscious is to read documents from that period: popular documents such as Nehru's and Gandhi's speeches on economic issues and policy, budget documents, or other public documents like parliamentary debates, Congress Working Committee reports, and newspaper reports. Even accessing literature or cinema from that period appraises one of the issues that were considered important then, especially for the common man. These are some thinking exercises through which I hope to build historical consciousness amongst the reader through this book.

This book applies a political economy framework that borrows from both of its Marxist and liberal traditions. Political economy provides an innovative theoretical framework to study historical questions through the lens of multiple disciplines. Political economy as conceptualized by the first generation of European economists – Adam Smith, David Ricardo, Thomas Malthus, John Stuart Mill, and Karl Marx, amongst many others – was an object of study: it referred to the study of the emerging political-economic system which affected every aspect of the human experience. It was one of the earliest articulations of capitalism, but the original thinkers did not separate the economic, social, and political consequences of economic activity. Over the 20th century, the economy was analyzed as being independent of social and political dynamics. This empowered economists to analyze economic policy through an objective lens as they did not have to address moral questions regarding justice, equality, and environmental sustainability. Political economy in the 20th century transformed into one particular method of studying economic policy which foregrounds analysis of how politics affect economic outcomes. In the spirit of political economy inquiry, especially the form inherited from 19th-century economists, I presume that economic reality – economic policies and their tangible effect on people – is determined by political, social, economic, cultural, and intellectual factors; this means that there cannot be one causal explanation for any policy or economic outcome. For example, to understand why Nehru after independence adopted the planning-based heavy industry-oriented development model, one has to understand the challenges or problems Nehru was trying to address, the popular ideas at the

time, the history of this institution or idea in colonial India, and how the social composition and political system in India shaped this change.

The political economy framework has been used by different commentators on the Indian economy differently; the following are some of the theoretical principles that I have followed. A political economy framework provides space for explaining a change in economic policy through multiple levels of abstraction and not one causal explanation, such as the ideas or theories shaping this policy, how political contestation has shaped the form of a policy, and how implementation challenges have affected the execution of the policy. For example, the Farm Bill Act introduced by the NDA in 2018 can be understood through ideas: the pros and cons of liberalizing the agriculture sector, the politics of the NDA government, and the process of implementing through political institutions in India. Second, the framework assumes that history has no design or goal, and therefore every moment, outcome, and policy is a culmination of multiple processes and also the beginning of the next set of processes. I do not assume that the present is a culmination of the events of the past nor do I evaluate whether a history of policies can be considered progressive or stagnant. For example, to analyze and evaluate liberalization in 1991, one has to study reforms introduced before 1991 and also how liberal reform policies have been modified or changed after 2003; reforms cannot be understood at just one point. Third, the political economy framework assumes that different classes have different economic and political interests, and consequently every policy has winners and losers. This leads to different perspectives and responses to policy. However, classes are not necessarily homogenous or conscious of their interest, which is why we find both coalitions between classes that do not share an interest or lack of consciousness amongst a class about their common interest. As a consequence, political parties play an important role in articulating class demand and contesting policy. Two examples stand out from my narrative: first, the lack of an organized national agricultural lobby at the time of independence led to the dilution of public investment in agriculture under Nehru. This changed over the 1970s and 1980s as agricultural powerful lobbies got political representation. In the 1990s and early 2000s, civil society organizations played a key role in articulating the demands of the landless and tribals and reshaping social rights policy under the UPA government. While data provides a window into understanding the impact of a policy, interesting insights into the policymaking process can be gleaned by paying attention to the discourse around it: the final form of a policy is influenced by its reception; a critical understanding of the government's and national media's presentation of a policy adds another layer of nuance, which is not captured through

data, by demonstrating what determines the popularity of a policy. This is particularly true for populist policies, such as socialist policies introduced by Indira Gandhi or demonetization by the NDA government which had little impact on the economy. Economic theory and development discourse have generalized that the state is homogenous and has a conscious and coherent developmental philosophy. I do not assume through this political economy framework that the arms of the state are homogenous in identity or unified in interest. Instead, I describe how political infighting between central and state governments, within the central government and the opposition, between the bureaucratic arms of the state, and even within the ruling party shape policy outcomes. Second, periodization plays a foundational role in political economy analysis. While evaluating policy within a period, I analyze how the timing, sequence, and form of a policy is influenced by the development philosophy in a period. For example, how did a social rights policy such as the MNREGA fit within the UPA's brand of reforms?

I have consciously ignored or given lesser attention to some important caveats of economic policy analyses. Given the breadth of regional, social, and political diversity in India, it is impossible to analyze a policy from regional perspectives. Therefore, I focus my analysis on presenting the logic of a policy from the perspective of the central government; in some sense the central government is the central protagonist of this novel. There are some components of policymaking, which are central in most analyses of economic policy, such as the role of monetary policy and the Reserve Bank of India (RBI), how fiscal sustainability constraints decisions, the role of macroeconomic variables such as inflation, the balance of payment (BOP), interest rate, and so on, in shaping policy decisions. These have been peripherally mentioned and under-represented in the analysis in this manuscript. The primary reason for this is that explaining the role of these themes requires conceptual grammar which can alienate readers without formal training in economics – I believe that a reader can understand a policy without understanding some of the theoretical underpinnings of the policy. Lastly, identity in the form of caste, region, and gender has become an important part of social science analysis in India in the 21st century. I have focused more on class as a category for understanding the impact of policies on social groups; this is primarily because there exist good data and secondary literature analyzing class in India. Caste is an important axis through which economic inequalities are reproduced, and there is a dearth of databases and empirical studies to elucidate this mechanism – this is an important area for scholars to contribute to. I have tried to identify, wherever possible, the impact of policies on excluding marginalized castes as well as