

A History of Economic Policy in India

A History of Economic Policy in India provides an immersive, accessible yet rigorous understanding of the Indian economy through a political economy framework. It provides a birds-eye view of the politics, context, and ideas that shaped major economic policies in independent India and argues that they are the product of crisis, coalitions, and contingency – not necessarily choice.

Each chapter focuses on specific political regimes: colonial rule, Jawaharlal Nehru, Indira Gandhi, liberalization under coalition governments, the UPA government, and the NDA government. The book evaluates how well a government executed its policies based on the economic and political constraints it faced, rather than economic outcomes. The book's framework provides multiple perspectives and analyzes economic policies as an outcome of interactions between dynamics in the economy using theories to make sense of the economy, political ideology, historical conditions, and international context.

Rahul De teaches Indian economy and world economic history at Azim Premji University, Bengaluru. He is passionate about making undergraduate economics immersive and accessible. He has conducted workshops on economics teaching and written about it in the *Economic and Political Weekly* (2018). He is also interested in exploring topics not conventional to economics and has recently published on the economics of football (July 2023).

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Crisis, Coalitions, and Contingency

Rahul De



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Preface

This book was born out of more than a decade of research on understanding the contours of, and teaching a course on, the Indian economy for the last six years – more pertinently, a response to multiple discussions about the contemporary economy with people from a wide range of occupations from social activists, construction workers, shopkeepers, taxi drivers, and journalists; chance encounters with people in the upper management of multinational corporations; and the comments sections of discussions on Indian economic policy on social media. My interactions bore out two general observations: first, people are interested in understanding how the economy affects their lives – irrespective of the kind of work they do – and second, there is a serious dearth of accessible resources on the Indian economy.

In this book, I present an accessible history of economic policies in India from colonial to contemporary India. This book is meant to serve as a representative sample of important academic literature on the Indian economy organized thematically. It aims to provide a socio-historical narrative to explain economic policies in contemporary India. This work will be of particular value to readers who do not have a background in economics and might not have the time or inclination to read multiple works to understand a particular period or policy in Indian history. It can also serve as a complementary resource to a teacher as it provides a coherent and accessible narrative connecting different periods and different data sources, public documents, and academic literature that can be brought to the classroom.

I have been part of designing the economics curriculum at Azim Premji University (APU), Bengaluru. I believe that undergraduate economics education in India, especially in teaching economic theory, is abstract and focused on modelling and quantitative analysis; students are not well exposed to different trajectories of analysis within economics and complementary concepts provided by other disciplines like history, politics, and sociology. Other economics educators who I have interacted with have felt the same.* At APU, the economics curriculum has attempted to embed the historical, political, social, and intellectual

* R. De and A. Thomas, “Rethinking Undergraduate Economics Education,” *Economic and Political Weekly* 53, no. 3 (2018): 21–24.

within economic courses. The emphasis is on understanding theories within the context in which it was shaped. I start our Introduction to Economics class with the Industrial Revolution and explain how colonial intervention born out of the need for industrialization shaped the global capitalist economy. Further ahead in the course we study cases of market failures through examples of oil spillage, deforestation of rainforests, and a discussion on how capitalism has shaped global climate change. The need to contextualize economics within history and social structure was an important intervention for me as a teacher. The Indian economy course that I teach emphasizes contextualizing economic policies and events in India as being shaped by global dynamics. One point on which my views may differ from other commentators on the history of the Indian economy is the focus on embedding it within a global history of capitalism through colonialism, interactions with international agencies, through economic dynamics of the global economy, or indirectly through political and economic ideas from the Western, developed world – often brought in by Indian economists and policymakers trained in the United Kingdom and the United States of America.

There is no way to cover more than 200 years of history in one book without making tough choices. I have generalized both for time periods and have also had to sacrifice many regionally specific issues and themes in India. This is particularly true for the first chapter on economic policies in colonial India. The mandate of the chapter is to explain primarily how the economic problems faced by independent India were created by colonial economic policy and secondly how the choice of policies by Jawaharlal Nehru was influenced by events in the global economy in the 20th century. Since this book is directed towards readers who may not have been exposed to the academic literature on the Indian economy, this chapter covers a long period for the sake of narrative continuity. Readers can refer to the bibliography for detailed and scholarly works on policy in colonial India.

Even though this is a historical book, I have not explicitly engaged with the question of historiography: how different accounts of the Indian economy serve different political agendas. To add another conceptual layer of how writing history itself is a form of politics would make this book too abstract for the reader.

I have written the book from a Marxian political economy framework, which I have explained in more detail in the Introduction, and this means that I have used Marxian concepts such as accumulation, class, and crisis to understand the trajectory of the Indian economy. I have embedded the narrative on the development of the Indian economy within the dynamics of global capitalism. However, politically I have been agnostic – as far as possible – as I believe that my political stance should not affect the analysis I am presenting to the reader, and I hope that readers from across the political spectrum will read this book.

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Abbreviations

AICC	All-India Congress Committee
APC	Agricultural Price Commission
APMC	Agricultural Produce Marketing Committee
ASER	Annual Status of Education Report
ASI	Annual Survey of Industry
BJP	Bharatiya Janata Party
BOE	Bank of England
BOP	balance of payment
CEGC	Central Employment Guarantee Council
CMP	Common Minimum Program
CPI	Communist Party of India
CWC	Congress Working Committee
DBT	direct beneficiary transfer
DMK	Dravida Munetra Kazhagam
EGOM	Empowered Group of Ministers
EIC	East India Company
FCI	Food Corporation of India
FDI	foreign direct investment
FERA	Foreign Exchange Regulation Act
FICCI	Federation of Indian Chamber of Commerce and Industry
FRA	Forest Rights Act
FRBM	Fiscal Responsibility and Budget Management
FYP	Five-Year Plan
GDP	gross domestic product
GFCE	government final consumption expenditure
GFD	gross fiscal deficit
GST	Goods and Service Tax
HYV	high-yielding variety
IAAP	Intensive Agricultural Area Program
IADP	Intensive Agricultural Development Program

ICDS	Integrated Child Development Scheme
IIP	Index of Industrial Production
IMF	International Monetary Fund
INC	Indian National Congress
LARR	Land Acquisition and Rehabilitation and Resettlement
MKSS	Mazdoor Kisan Shakti Sangathan
MRTTP	Monopolistic and Restrictive Trade Practices
MSP	minimum support price
NAC	National Advisory Council
NAS	New Agricultural Strategy
NCEUS	National Commission for Enterprise in the Unorganised Sector
NCPRI	National Campaign for People's Right to Information
NDA	National Democratic Alliance
NFSA	National Food Security Act
NGO	non-governmental organization
NREGA	National Rural Employment Guarantee Act
NSSO	National Sample Survey Office
OBC	Other Backward Caste
PC	Planning Commission
PDS	public distribution system
PIL	public interest litigation
PL 480	Public Law 480
PM-JAY	Pradhan Mantri Jan Aarogya Yojana
PPP	public-private partnership
R&D	research and development
RBI	Reserve Bank of India
RTI	Right to Information
SC	Scheduled Caste
SEZ	Special Economic Zone
SEZA	Special Economic Zone Act
TDP	Telegu Desam Party
UIDAI	Unique Identification Authority of India
UK	United Kingdom
UPA	United Progressive Alliance
USA	United States of America
USSR	Union of Soviet Socialist Republics
WW1	World War 1
WW2	World War 2